

1 returns, as of this date, has the IRS ever disallowed any of
2 the deductions that were taken?

3 A. As far as I know, the returns have never been picked for
4 examination by the IRS. No, nothing has been disallowed.

5 Q. , That means they've never disallowed any, is that correct?

6 A. Right.

7 Q. Is it true to say that what is a useful or necessary
8 business expense in one case might not be a useful and
9 necessary -- the same expense might not be deductible in
10 another case, is that correct?

11 A. That's correct. The IRS Code -- it might be 163; I don't
12 remember code numbers that well, but there is a code relating
13 to deductible business expenses, and the term the IRS uses is
14 "ordinary and necessary."

15 So, something that's "ordinary" in one industry may not be
16 as ordinary in another.

17 Q. All right. And, the Treasury regulations published by the
18 IRS under Code Section 162 state that the determination of
19 "ordinary and necessary" is a fact-by-fact, case-by-case
20 determination, is that correct?

21 A. That's correct.

22 Q. It's dependent on the circumstances of each particular
23 case?

24 A. That's correct.

25 Q. Do you recall when Sue brought you the information each

EXHIBIT

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