

Ratio of Adjusted Cash Flow from Operations to Adjusted Average Debt

We use the ratio of adjusted cash flow from operations to adjusted average debt as a metric to review leverage. Adjusted cash flow from operations, the numerator in the calculation, is defined as net cash provided by operating activities of continuing operations plus two-thirds of operating rent expense less capitalized interest expense for the fiscal year or trailing twelve months. Adjusted average debt, the denominator in the calculation, is defined as average debt plus eight times average operating rent expense. Average debt is the simple average of beginning and ending commercial paper and other short-term borrowings, long-term debt due within one year, obligations under capital leases due within one year, long-term debt and long-term obligations under capital leases for the period. Average operating rent expense is the simple average of operating rent expense over the current and prior fiscal years or twelve month periods. We believe this metric is useful to investors as it provides them with a tool to measure our leverage. This metric was 43% and 37% for the twelve months ended October 31, 2009 and 2008, respectively. The increase in the metric is principally due to improvements in net cash flow provided by operating activities.

The ratio of adjusted cash flow to adjusted average debt is considered a non-GAAP financial measure under the SEC's rules. The most recognized directly comparable measure calculated in accordance with generally accepted accounting principles is the ratio of net cash flow provided by operating activities of continuing operations for the fiscal year or trailing twelve months to average debt (which excludes any effect of operating leases or capitalized interest), which was 53% and 45% for the trailing twelve months ended October 31, 2009 and 2008, respectively.

Although other companies report their ratio of adjusted cash flow from continuing operations to adjusted average debt, numerous methods may exist for calculating that ratio. As a result, the method used by our management to calculate our ratio of adjusted cash flow from continuing operations to adjusted average debt may differ from the methods other companies use to calculate their ratios of adjusted cash flow from continuing operations to adjusted average debt. We urge you to understand the methods used by another company to calculate its ratio of adjusted cash flow from continuing operations to adjusted average debt before comparing our ratio to that of such other company.

A detailed calculation of the adjusted cash flow from operations to adjusted average debt is set forth below along with a reconciliation to the most comparable measurement calculated in accordance with generally accepted accounting principles.

	For the Twelve Months Ended	
	October 31,	
	2009	2008
Calculation of adjusted cash flow from operations to average debt		
Numerator		
Net cash provided by operating activities	\$ 25,161	\$ 21,244
+ Two-thirds current period operating rent expense ⁽¹⁾	1,174	1,168
– Current period capitalized interest expense	92	109
Adjusted cash flow from operations	<u>\$ 26,243</u>	<u>\$ 22,303</u>
Denominator		
Average debt ⁽²⁾	\$ 47,212	\$ 47,254
Eight times average operating rent expense ⁽³⁾	14,052	13,200
Average debt	<u>\$ 61,264</u>	<u>\$ 60,454</u>
Adjusted cash flow from operations to average debt ⁽⁴⁾	<u>43%</u>	<u>37%</u>

Calculation of net cash flows from operating activities to average debt

Numerator		
Net cash provided by operating activities	<u>\$ 25,161</u>	<u>\$ 21,244</u>
Denominator		
Average debt ⁽²⁾	<u>\$ 47,212</u>	<u>\$ 47,254</u>
Cash flows from operating activities to average debt ⁽⁴⁾	<u>53%</u>	<u>45%</u>
Selected Financial Information		
Current period operating rent expense	\$ 1,761	\$ 1,752
Prior period operating rent expense	1,752	1,548
Current period capitalized interest	92	109

Certain Balance Sheet Information

	As of October 31,		
	2009	2008	2007
Commercial paper and other short-term borrowings	\$ 5,239	\$ 7,932	\$ 9,126
Long-term debt due within one year	4,169	4,753	4,412
Obligations under capital leases due within one year	344	314	309
Long-term debt	34,394	30,803	30,070
Long-term obligations under capital leases	3,207	3,268	3,520
Total debt	<u>\$ 47,353</u>	<u>\$ 47,070</u>	<u>\$ 47,437</u>

- (1) 2/3 X \$1,761 for the twelve months ended October 31, 2009 and 2/3 X \$1,752 for the twelve months ended October 31, 2008.
- (2) (\$47,353 + \$47,070)/2 for the twelve months ended October 31, 2009 and (\$47,070 + \$47,437)/2 for the twelve months ended October 31, 2008.
- (3) 8 X ((\$1,761 + \$1,752)/2) for the twelve months ended October 31, 2009 and 8 X ((\$1,752 + \$1,548)/2) for the twelve months ended October 31, 2008.
- (4) The calculation of the ratio as defined.