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To: Letter of Comment No: 2
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From: George Diem [mailto:george@miacpas.com]
Sent: Thursday, January 06, 2005 8:22 PM
To: Director - FASB
Subject: Comments on proposed FSP

Proposed FSP FIN 46(R)-b

I have spent the better half of the past year educating myself to the guidance provided by FIN 46 and I appreciate the enormous task faced by the FASB in curbing past abuses. I encourage the FASB to continue their efforts in this area.

Currently, many CPA firms has interpreted the following scenario to require consolidation under the guidance provided by paragraph B10 of FIN 46:

Leasing Company and Operating Company are owned by a common Shareholder who guarantees Leasing Company's debt. Leasing Company's sole asset is land and buildings leased to Operating Company. No explicit variable interests exist, however and implicit guarantee between the Shareholder and Company would create a variable interest in Leasing Company.

I work only with privately held companies and this arrangement is very common. In many circumstances if the Leasing Company were consolidated with the operating company the financial picture (through increased assets and equity) of the the Operating Company would be so grossly overstated that it many unduly influence lenders or other investors into making poor decisions by assuming that the assets of Leasing Company could be used to satisfy obligations of Operating Company.

I believe that the related party disclosures currently required are sufficient to alert users of the financial statements to the existence and significance of related party leases and provides them with the information necessary to make informed decisions.

Thank you for your patience,

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