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Secretary/Treasurer

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Financial Accounting Standards Board
401 Merritt 7
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Gentlemen and Ladies:

We are writing to comment upon the recent Exposure Draft of the Proposed Interpretation, "Consolidation of Certain Special-Purpose Entities."

We agree with the FASB's goal to increase the transparency of financial statements with regard to SPEs and to provide consistency and clarity in the accounting and reporting of these entities. We do, however, believe that SPEs used for synthetic lease arrangements, which qualify as operating leases under GAAP, should be excluded from the scope of this Exposure Draft.

We strongly believe that transparency of financial statements can be attained through additional disclosures instead of the consolidation of the SPE. The concern of "off-balance sheet" entities stems from the need to understand the relationships, risks and purposes of the SPEs, which we feel can be achieved through disclosure. To further stress this point, we would like to specifically address SPEs used for synthetic leases. Contrary to the public's initial beliefs, these SPEs do not hide "off-balance sheet" debt. FAS 13 has defined GAAP for 25 years and requires the disclosure of lease obligations, guarantees and minimum lease payments. Investment analysts are well aware of these structures and take this information into consideration in their analyses.

We believe that SPEs for synthetic lease arrangements that qualify as operating leases should be excluded from this Exposure Draft, and should continue to be structured to comply with current accounting requirements. Lessees do not capitalize the leased assets under the lease because they do not own the property, per the well-defined ownership tests in FAS 13. The SPE's assets are legally isolated from the beneficial enterprise, and independent third parties have substantial investment at risk in these structures. The accounting treatment under the proposed Exposure Draft would highly depend on the identity and nature of the lessor rather than on the tests documented in FAS 13.

Finally, as to the effective date, we believe that there should be a period of 12 months from the date of the issuance to the effective date of the standard. Much clarification is still needed, and companies will need time to read and understand the final proposal and ensure legal documents are adjusted appropriately to comply with the final standard.

In summary, we believe that the implementation of the proposed Exposure Draft with respect to SPEs used for synthetic leases would result in inconsistent treatment of similar transactions, making companies' financial statements incomparable and misleading. For example, a transaction could be "off-balance sheet" one year and consolidated the next even though nothing changed except the owner of the SPE. Instead of proposing an unclear change to the accounting for SPEs we would support increasing the required footnote disclosure of these arrangements to promote a better understanding of the relationships, risks and purposes of these entities and the corresponding impact on the reporting enterprise.

Thank you for your consideration of the above comments. You may contact me at 402-341-0500 to discuss our thoughts further.

Sincerely,

Timothy D Hart