



August 29, 2002

Suzanne Bielstein
Director of Major Projects and Technical Activities
Financial Accounting Standards Board
401 Merritt 7
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Letter of Comment No: 80
File Reference: 1082-200
Date Received: 09/03/02

Re: **File Reference No. 1082-200**
Exposure Draft on Consolidation of Certain Special-Purpose Entities
Proposed Interpretation of ARB No. 51

Dear Ms. Bielstein:

This letter is submitted in response to the proposed regulations set forth in the referenced Exposure Draft (the "**Exposure Draft**"). Specifically, this letter relates to the effect of the Exposure Draft, if adopted, upon those investments generally referred to as credit tenant loans ("**CTL's**").

Our institution is recognized as a sophisticated investment advisor, managing fixed income and equity funds for our affiliated companies as well as for many others. We note that it is widely believed that over \$200 billion of CTL's and other net operating Lease debt transactions reside on the books of institutional investors nationwide, and that well over \$10 billion of new CTL and closely related transactions are closed on an annual basis.

Based on our review of the Exposure Draft, we strongly believe that not only would the proposed guidelines fail to increase financial reporting transparency, but inasmuch as CTL's are thoroughly vetted and disclosed by each of the participating parties, the guidelines proposed in the Exposure Draft would serve to severely disrupt if not eradicate in its entirety an important asset class. Specifically, we believe that the proposed interpretation and implementation of ARB 51 would cause irreparable harm to this important segment of our portfolio and effectively preclude us from participating in historically sound investments that have never, to our knowledge, been associated with deceptive accounting practices.

The relevant test of whether an SPE should be consolidated for reporting purposes is whether the activities of the SPE emanate from a transaction in which each of the interested parties has its own, independent (from the other parties) economic interest, and whether each party is consistently reporting its respective interests from both an accounting and tax perspective. Arguably, any transaction that features legally and economically independent participants, even in those instances in which one of those participants takes the form of an SPE merely for the purpose of insulating that transaction participant from risks associated with activities unrelated with the subject transaction, should be excluded from consideration under the Exposure Draft.

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In the case of a CTL, each of the participants in the transaction is a completely separate, independent entity from each of the other participants, with absolutely no related party involvement, and no common or interrelated ownership or legal control, and no sharing of economic interests. Only the Landlord of the real property asset that is the subject of a CTL is in a "first loss" position, and has the right to reap the benefit of any economic gain in the real property asset related to the CTL. It seems incongruous to us that the mere use of an SPE as the required investment vehicle for the Landlord in a CTL -- chosen only to protect the interests of the Tenant and Lender and their respective owners and shareholders from a loss due to an unrelated bankruptcy by the principal owners of the SPE Landlord -- could lead to a financial hardship on Lender or Tenant without providing any form of reporting or disclosure benefit to their respective owners and shareholders or the public generally.

In effect, a marginal if non-existent benefit would be considerably outweighed by the harsh and unintended consequences of this rule as applied to CTL's. We can only assume that the FASB does not intend to implement any rule that would deny an important source of liquidity to corporate users of real estate (as Tenants with respect to the real property assets that are the subject of CTL's), deny an important debt investment vehicle to institutional investors, and deny an important equity and variable return investment vehicle to private equity investors, all without achieving the very reason -- enhanced transparency in financial reporting -- for which the rule is intended to be implemented.

Accordingly, we believe that the proposed SPE guidelines should not apply to CTL's at all and, even if the FASB were to conclude that CTL's should be subject to an SPE-related "test" with respect to consolidation, that test should take into account the risks, rewards and collateral features specific to CTL's which are not necessarily present in other forms of asset-backed transactions.

We recognize that our comments are being provided to you at the end of a lengthy and exhaustive effort by the FASB. Quite frankly, we had not commented on this subject previously precisely because our institution is committed to supporting without hesitation any endeavor intended to promote clarity and fairness -- as the efforts of the FASB are clearly intended to accomplish. To that end, and based on commentary we and others in the CTL business had received from various interested parties closely following the SPE initiative by the FASB, we had refrained from comment as we had incorrectly surmised that the recent efforts of the FASB would not materially interfere with our investment activities.

We now firmly believe, however, that the guidelines proposed in the Exposure Draft, if promulgated by the FASB without modification or exemption for certain asset classes including CTL's, would have severe, negative and unintended consequences on certain transaction types which are not the subject of justifiable increased scrutiny. Accordingly, we urge you to consider our view, and we would greatly appreciate any opportunity representatives of the CTL market and/or of our firm might be afforded to discuss our views directly with the FASB.

Respectfully submitted,

HARTFORD INVESTMENT MANAGEMENT COMPANY

By  _____
Name: Kurt Nyman
Title: Vice President

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