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Letter of Comment No:

File Reference: 1082-200 Date Received: 07/29/02

File Reference 1082-200

July 29, 2002

Ms. Susan Bielstein Director, Major Projects & Technical Activities Financial Accounting Standards Board 401 Merritt 7 P.O. Box 5116 Norwalk, CT 06856-5116

Ms. Bielstein.

I am writing to briefly comment upon the recent Exposure Draft of the Proposed Interpretation, "Consolidation of Certain Special-Purpose Entities." I agree with the concepts put forth in the proposed Interpretation. I think that as the proposal stands now, it will improve financial reporting by showing all of the assets at a firm's disposal and all of the obligations that relate to the use of those assets - whether or not they have been packaged into a particular kind of legal shell. I believe that the concepts will require judgment to be applied to the individual facts and circumstances in each case. The guidance given in the proposal should be sufficient for the preparer and auditor constituents to apply to the individual cases they will encounter.

I would recommend against slowing down the issuance of this Interpretation by providing additional extensive examples. The usual argument for such requests is that examples would clarify the concepts embodied in a proposal, and that consistency in application would be enhanced. I don't think that applies in this instance. The very nature of the issue addressed by this proposal - special purpose entities - is one of "custom-built transactions." Providing extensive examples and trying to capture all possible permutations of transactions will only impede the issuance of the Interpretation and perhaps provide a blueprint for circumventing its provisions. I would suggest, however, that the provisions of the proposed Interpretation could be clearly expressed in a flowchart, perhaps as an appendix.

There is one part of the proposal with which I disagree, and that is in paragraph 23. That paragraph sets three potential conditions for which an enterprise involved with a financial-type SPE might be deemed to be providing significant financial support to it. Such an enterprise would be the primary beneficiary, as long as two of the three conditions are met. I believe that the "two out of three" condition needs to be changed to "one out of three." In the basis for conclusions, I can't find a reason for requiring a majority of the conditions to be met.

My guess is that it's for the purpose of expedience: there could cases where multiple parties with variable interests each could look like they support significant financial support by hitting only one of the three conditions. The sorting-out of the different interests would be one of the more unpleasant requirements of the Interpretation.

I don't think that would be a sufficient reason for keeping the criteria at "two out of three." Any one of the three criteria in Paragraph 23 seems sufficient to evidence a benefit to the enterprise involved with the SPE. It would be too easy to game the conditions by making only one of them present in the structure of the SPE; building it so that only one of the conditions was met would make the SPE stay invisible.

That concludes my comments. If you have any questions, please don't hesitate to call. Best regards.

Sincerely,

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