

Letter of Comment No: 2
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-----Original Message-----

From: wah@eeepb.com [mailto:wah@eeepb.com]
Sent: Thursday, July 11, 2002 12:21 PM
To: Director@FASB.Org
Subject: File Reference 1082-200

For commonly controlled enterprises where the SPE is deemed to be a consolidatable entity, I believe the initial recognition of assets should be on a historical cost basis for long term assets such as buildings. not fair value.

Ths Bill

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----- Forwarded by William A Haycraft/EEPB PC on 07/11/02 11:28 AM -----

William A Haycraft	To: Director@FASB.Org
07/11/02 10:27 AM	cc: Subject: File Reference 1082-200

I have two comments regarding paragraph 9a of the proposed interpretation "Consolidation of Special Purpose Entities"

One of the distinguishing characteristics of SPE's with primary beneficiaries is that they often lack a marketing, administration, accounting infrastructure that would allow them to competing in a marketplace with independent companies. I believe the reference in 9a to "other arrangements" should be more explicit in this respect. In my experience this is a related party transaction that is usually not on the books of the SPE.

I find the language of the language in FAS 98 (para 22(a) below) regarding the definition of lease term to be very compelling in establishing whether a related entity is the

primary beneficiary of
an SPE and would like to see some of the language incorporated into B26 or
B27 of the guidance or
A3 of the example for leasing real estate.

"A lease that is cancelable (a) only upon the occurrence of some remote
contingency, (b) only with the permission of the lessor, (c) only if the
lessee enters into a new lease with the same lessor, or (d) only if the
lessee incurs a penalty in such amount that continuation of the lease
appears, at inception, reasonably assured shall be considered
"noncancelable" for purposes of this definition."

More later.

Thx Bill

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