

Letter of Comment No: 19  
File Reference: 1082-200  
Date Received: 08/19/02

American Crystal Sugar Company  
101 North Third Street  
Moorhead, MN 56560-1990

August 19, 2002

MP&T Director – File Reference 1082-200  
Financial Accounting Standards Board  
401 Merritt 7, P.O. Box 5116  
Norwalk, Connecticut 06856-5116

Send via E-mail only to [director@fasb.org](mailto:director@fasb.org)

Re: File Reference 1082-200, Exposure draft of Proposed interpretation regarding Consolidation of Certain Special-Purpose Entities

The following are comments I have regarding the above Exposure Draft.

1. The planned implementation deadlines are very short and will therefore create unwarranted hardships for companies involved in Special Purpose Entities (SPE). Many companies have entered into long-term agreements related to SPE's. These agreements were predicated on following the existing guidelines put into place by the FASB. The change in guidelines proposed in the above exposure draft could exert a hardship on companies due to the potential addition of liabilities to their balance sheets. The additional liabilities would undoubtedly increase debt costs for these companies as well as reduce the capacity for adding additional debt to fund future growth and profits. Allowing for additional time to pass before implementing the proposed guidelines for existing relationships would reduce these negative financial impacts.
2. The proposed guidelines don't consider a situation where a company with a variable interest in a SPE has a walk-away option. Some SPE agreements allow the company with a variable interest to walk-away from the SPE if certain performance guarantees are not met. These walk-away provisions can help to insure that the SPE is a stand alone operation in that poor operating performance will not negatively affect the company with a variable interest. This situation would argue that the SPE's liabilities are not likely to become the responsibility of the company with a variable interest and therefore should not be reflected on that company's balance sheet.
3. My belief is that additional specific rules regarding SPE activity will most likely lead to more loopholes to work around the intent of the existing guidelines. Additional rules will not be as effective in improving the accuracy and usefulness of financial reporting as the use of discipline for those who choose to ignore the basic guidelines already in place.
4. One of the intents of these new guidelines seems to be to capture more of the interdependencies between companies or enterprises. I would suggest that to do this completely is an impossible task and that to start down this path is not productive or wise.

The proposed guidelines only capture a small slice of the dependencies that companies can have between each other. It seems rather subjective to be selecting only SPE's as a focus of these dependencies. Obviously customer and supplier relationships can create vital dependencies between companies; however we don't yet attempt to consolidate these into another company's balance sheet. I question where on then the path of which these proposed guideline are going do we stop?

Thank you for your consideration of the above items. You may contact me at 218 236-4383 with any questions.

Sincerely,

Brian Ingulsrud  
American Crystal Sugar Company  
Corporate Controller