KPMG LLP
757 Third Avenue
New York, NY 10017

Telephone 212-909-5600
Fax 212-909-5699

December 15, 2006

LETTER OF COMMENT NO. 2

Director
Technical Application and Implementation Activities
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

RE: Proposed FASB Staff Position No. FAS 144-c, "Classifying and Accounting for a Depreciable Asset as Held-for-Sale When an Equity Method Investment Is Obtained"

Dear Director:

We appreciate the opportunity to comment on proposed FASB Staff Position No. FAS 144-c, "Classifying and Accounting for a Depreciable Asset as Held-for-Sale When an Equity Method Investment Is Obtained." As described below, we believe that the conclusions in the proposed FSP are inconsistent with the requirements of FASB Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. Additionally, the proposed FSP leaves unanswered questions about the initial recognition of the retained equity method investment.

We believe that transactions within the scope of the proposed FSP do not meet the criteria in paragraph 30 of Statement 144 to classify and account for the asset as held-for-sale. Specifically, we believe that a sale of a partial interest of an asset should not be classified as held-for-sale when an entity expects to retain significant influence over the asset through an equity-method investment in the entity that holds the asset. We acknowledge that the criterion in paragraph 30(d) of Statement 144 can be met for the portion of the asset that the entity plans to sell; however, we believe that attempting to separate the asset into a held-for-sale portion and a held-and-used portion adds undue complexity without substantially improving financial reporting. Accordingly, we believe that an entity should continue to account for a long-lived asset in which it expects to sell a partial interest and retain an equity-method interest as held-and-used (and continue depreciating that asset) through the date of the sale of the partial interest in the asset.

If the Board nevertheless decides that classifying a long-lived asset as held-for-sale is appropriate in these circumstances (with suspension of depreciation for the entire asset), the final FSP should provide guidance on the initial recognition of the retained equity method investment. The proposed FSP indicates that entities should apply existing literature to determine how to account for the retained equity-method investment. However, existing authoritative literature is unclear as to whether the carrying amount of the retained portion of the asset should be adjusted. For example, if the carrying amount

KPMG LLP, a U.S. limited liability partnership, is the U.S.

should be adjusted, should it be adjusted in accordance with the guidance in paragraph 38 of Statement 144 or paragraph 19(m) of APB Opinion No. 18, *The Equity Method of Accounting for Investments in Common Stock.* Application of paragraph 38 of Statement 144 could require an adjustment to the proportionate carrying amounts of the assets to the lower of their (a) carrying amounts before they were classified as held for sale, adjusted for unrecognized depreciation or (b) fair value. Alternatively, application of paragraph 19(m) of Opinion 18 would require an adjustment to the carrying amount of the retained investment as if the investment had always been accounted for under the equity method, which could result in an adjustment for unrecognized depreciation and a reversal of any previously recognized fair value adjustments when the assets were classified as held-for-sale. Accordingly, the Board should, at a minimum, provide a specific reference to the existing literature that the Board believes entities should apply.

* * * * *

If you have any questions about our comments, please contact Mark Bielstein at (212) 909-5419 or Paul Munter at (212) 909-5567.

Sincerely,

KPMG LLP

KPMG LLP