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January 15, 1996

Director of Research and Technical Activities Financial Accounting Standards Board File Reference 154-D 401 Merritt 7 P.O. Box 5116 Norwalk, CT 06856-5116

Dear Sir:

As a participant in various Master Lease transactions, Arcadian Corporation ("Arcadian") is providing written comments below to the Proposed Statement of Financial Accounting Standards regarding "Consolidated Financial Statements: Policy and Procedures", dated October 16, 1995.

Of particular concern to Arcadian is the proposed impact of the Exposure Draft ("ED") on the accounting treatment by Lessees for Special Purpose Entities ("SPE"), as referenced in Example 5 of Appendix B of the ED, and its intended retroactive impact on the financial statements of the Lessee.

Current authoritative pronouncements governing the area of Leases and Master Leases involve Statement of Financial Accounting Standards (SFAS) No. 13, "Accounting for Leases", issued in 1976, SFAS No. 98, "Accounting for Leases", issued in 1988, and Emerging Issues Task Force Issue No. 90-15, "Impact of Nonsubstantive Lessors, Residual Value Guarantees, and Other Provisions in Leasing Transactions", issued in 1990. In 1995, Arcadian completed a \$75 million Master Lease transaction and is near completion on another similar Master Lease transaction for \$250 million. The structure of both transactions comply with the current accounting pronouncements and compliance with the voluminous specific requirements was at a substantial cost to Arcadian in terms of effort and money. The proposed retroactive consolidation of the SPE by the Lessee (Arcadian) [and absence of a "grand father" clause for committed Master Lease transactions prior to the effective date of the ED] would now require Arcadian to record an asset and corresponding financing of \$325 million and the recognition of such financing would now put Arcadian in default under its existing debt obligations of \$640 million and in default under its operating leases of \$325 million.

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Because Arcadian would be compelled to avoid the potential defaults, Arcadian would spend additional time and additional money to restructure the prior transactions in order to "avoid" the intent of the ED. Consolidation of the SPE by the Lessee could be avoided by restructuring the SPE to involve a "pool" of other Master Leases. Despite the potential to circumvent the ED, especially troubling to Arcadian is the Financial Accounting Standards Board's disregard for companies that have complied with the Board's prior rules on prior transactions. Additionally, the ED would lead to inconsistent application of accounting treatments for Master Leases [based on the economic makeup of the Lessor and not the true substance of the Master Lease transaction]. The ED's position on Master Leases is contrary to the Board's prior conclusions indicated in paragraph 82 of SFAS No. 13, which indicates, "The Board finds unpersuasive the argument that the lessee's accounting for a lease transaction should be determined by the economic condition of the unrelated lessor."

Perhaps Consolidations warrant the changes proposed in the ED and at some future date the pronouncements dealing with Master Leases should be reviewed. However, these areas should be dealt with separately and each given adequate attention. The entire Master Lease market should not be significantly impacted by an "afterthought" embedded in accounting pronouncements for Consolidations. However, if the Board decides to enact the ED in its current form, a "grand father" clause for committed Master Lease transactions prior to the effective date would be appropriate.

Very truly yours,

Alfred L. Williams, Jr.

Vice President - CFO

David L. Alyea

Vice President and Controller