## CONNELL FINANCE COMPANY, INC.

A SUBSIDIARY OF THE CONNELL COMPANY

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February 22, 1996

Letter of Comment No: 156 File Reference: 1082-154 Date Received: 2/26/96

Timothy S. Lucas Director of Research and Technical Activities Financial Accounting Standards Board File Reference 154-D 401 Merritt 7, Route 7 Norwalk, CT 06856-5116

Dear Mr. Lucas:

45 CARDINAL DRIVE

Connell Finance Company, Inc. (Connell) is a "true lease" leasing company. We make substantial equity investments and take substantial residual risks in our leased assets--we invest generally at least 20% equity capital in a transaction, assume at least 20% of residual risk in the leased asset, and do not require lessee guarantees of lessor residual assumptions at lease expiration. We take all the risks and receive all the benefits of ownership required of a "true lease" as defined by Revenue Procedure 75-21 of the Internal Revenue Service.

Many of our lease transactions are held in special purpose entities (SPE's), e.g., owner trusts, single purpose corporations, etc.. These entities are wholly owned by Connell and are used not to effect a desirable accounting treatment for the lessee but to provide Connell with protection against third party liability suits and environmental claims. Other than the rights granted the lessee through the terms of the lease agreement (e.g., rights of quiet enjoyment to use the leased asset during the term of the lease) and certain negative covenants imposed by the lessee on the SPE during the term of the lease (e.g., limitations on the SPE from conducting business other than the business of leasing the leased asset to the lessee), the lessee has no control over the SPE or the assets of the SPE.

We are concerned that the Proposed Statement of Financial Accounting Standards--Consolidated Financial Statements: Policy and Procedures (hereinafter referred to as the Exposure Draft) may inadvertently affect our ability to place leased assets in SPE's. Paragraph 10 of the Exposure Draft, Control of an Entity, appears to be excessively broad and may be interpreted to include "true lease" transactions held in SPE's, despite the fact that these transactions more than comply with the 3% minimum equity criteria of EITF 90-15 and the lessee operating lease criteria of FAS 13. We do not believe this is the FASB's intent behind the Exposure Draft and request the FASB provide suitable clarification to the Exposure Draft to exclude SPE's of the type described above.

Should you or the Working Group wish to speak to me directly about this matter, please do not hesitate to call me at 908/233-0700 ext. 307. As well, should you prefer to meet with me in person, I would be happy to schedule a meeting.

Very truly yours,

CONNEUL FINANCE COMPANY, INC.

Peter A. Kozio Vice President

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