



July 28, 2006

LETTER OF COMMENT NO. 2

Mr. Lawrence W. Smith  
Director, Technical Application and Implementation Activities and EITF Chair  
Financial Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856-5116

**Re: Proposed FASB Staff Position No. FAS 126-a, "Revision to the Definition of a Public Entity to Include an Obligor for Conduit Debt Securities"**

Dear Mr. Smith:

We are pleased to comment on the proposed FASB Staff Position No. FAS 126-a, "Revision to the Definition of a Public Entity to Include an Obligor for Conduit Debt Securities," posted June 15, 2006 ("proposed FSP").

We support the issuance of the proposed FSP as a final FSP, as we believe the obligor of conduit debt securities meets the definition of a public entity when the securities trade in a public or over-the-counter market ("Publicly Traded Conduit Debt"). Additional comments and recommendations are explained detail below.

The terms "conduit debt securities," "conduit municipal bond," and "conduit bond" are used interchangeably in the text of the proposed FSP; however, the terms "conduit debt securities" and "conduit bond obligor" are used consistently in the amendments to APB Opinion No. 28 and FASB Statements No. 69, 109, 126, 131 and 141. We suggest that the term "conduit debt securities" be defined and used consistently throughout the body of the final FSP.

The first sentence of Paragraph 1 should be revised as follows:

This FASB Staff Position (FSP) clarifies the definition of a *public entity* in certain accounting standards to include an entity that is a conduit bond obligor for conduit ~~municipal bond~~ debt securities.

Further, "conduit debt securities" should be defined in the body of the FSP (as it is in the amendments to existing authoritative literature).

As described in the AICPA's Audit and Accounting Guide, *State and Local Governments*, there are also transactions in which the conduit debt obligor does not make the debt service payments directly to the bond holders. Instead, funds are transferred to the issuing municipality that, in turn, makes the debt service payments to the conduit debt security holders.

The first sentence in paragraph 5 should indicate that a conduit bond obligor meets the definition of a public entity or enterprise in certain accounting standards. The second sentence in Paragraph 5 should refer to the accounting literature included in Exhibit A or list the applicable accounting standards, as there is no listing of accounting literature following it.

FASB Statements No. 131 and 141 specifically indicate that they do not apply to not-for-profit entities. In addition, the Audit and Accounting Guides for Not-for-Profit Organizations and Health Care Organizations indicate (in Chapter 1, Appendix A of each guide) that Opinion 28 specifically exempts not-for-profit and health care organizations. We suggest that the FSP clarify that the not-for-profit exemptions in these standards do not apply to conduit debt obligors.

We appreciate the opportunity to comment on the proposed FSP. If you have any questions concerning our comments, please contact Georganne Walters at (203) 761-3102.

Yours truly,

Deloitte & Touche LLP

cc: James A. Johnson