August 1, 2006

LETTER OF COMMENT NO. 3

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

RE: FASB Staff Position No. FAS 126-a, “Revision to the Definition of a Public Entity to Include an Obligor for Conduit Debt Securities”

Dear Director:

We appreciate the opportunity 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.” We agree with the Board’s proposal that an entity that is a conduit bond obligor for conduit debt securities that are traded in a public market should be included in the definition of a public company or enterprise.

We understand the intent of the Board’s proposal principally is to require conduit bond obligors to provide disclosures commensurate with other public reporting enterprises. We believe the proposal is consistent with that intent. However, we believe that the Board’s proposed description of conduit debt securities should be clarified in one respect. The Board’s proposed definition of conduit debt securities states that “the governmental issuer [of conduit debt securities] has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf they are issued.” Although we believe that all conduit obligors are intended to be within the scope of the Board’s proposal, the Board’s proposed definition of conduit debt securities does not clearly address whether the scope of the proposal applies to situations in which the governmental issuer may have additional obligations, such as a limited guarantee to the investors in those securities, or in which the government grants certain tax advantages to the investors in those securities.

1 Proposed amendments to APB Opinion No. 28, Interim Financial Reporting; FASB Statement Nos. 69, Disclosures about Oil and Gas Producing Activities; 109, Accounting for Income Taxes; 126, Exemption from Certain Required Disclosures about Financial Instruments for Certain Nonpublic Entities; 131, Disclosures about Segments of an Enterprise and Related Information; and 141, Business Combinations.
We do not believe the Board intended to exclude conduit bond obligors of conduit debt securities in which the governmental issuer has additional obligations to the investors in those securities or grants certain tax advantages to the investors in those securities. Accordingly, we suggest revising these amendments to clarify that the governmental issuer often has no obligation for such debt beyond the resources provided by a lease or loan with a third party on whose behalf they are issued.

While we support the Board's proposal, we recommend that the Board pursue harmonization of the existing definitions of public companies and entities. For instance, there currently are differences in the definitions of public and nonpublic entities in FASB Statement Nos. 123(R), Share-Based Payment; 131, Disclosures about Segments of an Enterprise and Related Information; and 132(R), Employers' Disclosures about Pension and Other Postretirement Benefits, amongst others. While we acknowledge that definitional differences are necessary in certain circumstances, we believe clearly defined categories of reporting enterprises (e.g. public entity, SEC registrant, and nonpublic entity) in a single authoritative pronouncement would promote simplification in the application of the accounting literature.

If you have questions about our comments, please contact Mark Bielstein at (212) 909-5419 or Kimber Bascom at (212) 909-5664.

Sincerely,

KPMG LLP