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October 2, 2013

Financial Accounting Standards Board
Private Company Council
PO Box 5116
Norwalk CT

RE: File Reference PCC- 13-02 Proposed ASU *Applying Variable Interest Entity Guidance to Common Control Leasing Arrangements*

Dear Board Members and Members of the Private Company Council:

I read this proposed ASU with a sense of frustration and appreciation. Frustration because this is such a simple fix to an issue that has been a source of constant disagreement among preparers, practitioners, users and CPE providers causing the waste of countless hours and dollars. It should have been done years ago. Appreciation because this is an approach that is practical and makes sense for all affected constituents. Also appreciation because the process set up by the FAF for addressing private company issues seems to be working.

I urge the issuance of this guidance without delay.

Question 1: *Please describe the entity or individual responding to this request. For example:*

a. Please indicate whether you primarily are a preparer, user, or public accountant. If other, please specify.

b. If you are a preparer of financial statements, please indicate whether your entity is privately held or publicly held and describe your primary business and its size (in terms of annual revenue, the number of employees, or other relevant metric).

c. If you are a public accountant, please describe the size of your firm (in terms of the number of partners or other relevant metric) and indicate whether your practice focuses primarily on public entities, private entities, or both.

d. If you are a user of financial statements, please indicate in what capacity (for example, lender, investor, surety, analyst, or rating agency) and whether you primarily use financial statements of private entities or those of both private entities and public entities.

I am a local practitioner specializing in business valuation and litigation services and also a preparer of private company financial statements for businesses my family owns.

Question 2: *Do you agree that the accounting alternative in the proposed Update should apply to all entities except public business entities, not-for-profit entities, or employee benefit plans within the scope*

of Topics 960 through 965 on plan accounting? If not, what type of entities should not be included in the scope of this accounting alternative?

I agree with the proposed scope of entities to be included in the proposed update.

Question 3: *Do you agree that the proposed Update does not apply to public business entities and employee benefit plans because they lack the arrangements that the accounting alternative addresses? If not, please describe the arrangements that exist for those types of entities that the Board should consider in determining whether any public business entities or employee benefit plans should be included in the scope of the proposed accounting alternative.*

Some small public companies may have leasing arrangements that the accounting alternative addresses. However, I believe that as a public company these entities should not be included in the scope of this proposed accounting alternative. I agree that employee benefit plans generally lack the arrangements that the accounting alternative addresses.

Question 4: *Do you agree with the required criteria for applying the proposed accounting alternative? If not, please explain why.*

I agree with the required criteria, however, I note that the definition of “common control” does not appear in the master glossary. Many private companies structure these arrangements for estate and tax purposes such that a son or daughter or parent or even grandchild of one of the owners of the lessee entity owns the lessor entity. The owner of the lessee entity could also be a trust with one of the owners of the lessor entity as beneficiary or trustee. If I were to apply this proposed guidance in any of the above mentioned scenarios I would take a broad view of “common control” and use the definition of “related party” to include any related family members. I suggest leaving the definition broad to allow for professional judgment. The existing related party disclosures would require a description of the relationship.

Question 5: *Do you agree that paragraph 810-10-55-9, which describes the effects of guarantees and joint and several liability arrangements related to a mortgage on the lessor’s assets, provides sufficient guidance to clarify what constitutes a supporting leasing activity for applying paragraph 810-10-15-17A(c)? If not, please explain why.*

I agree that this paragraph provides sufficient clarity.

Question 6: *Do you agree that the following additional disclosures about lessor entities should be provided if a private company elects the proposed accounting alternative? If not, please explain why.*

- a. The key terms of the leasing arrangements*
- b. The amount of debt and/or significant liabilities of the lessor entity under common control*
- c. The key terms of existing debt agreements of the lessor entity under common control (for example, amount of debt, interest rate, maturity, pledged collateral, and guarantees)*
- d. The key terms of any other explicit interest related to the lessor entity under common control.*

Should other disclosures be required as a result of applying this alternative?

The proposed disclosures should be provided. The existing related party disclosure requirements would describe the relationship between the lessee and lessor entity. It may be helpful to refer to these.

It is unclear from the proposed ASU if the disclosure requirements in 810-10-50-5A(a) (c) and (d) are still required if an entity elects the proposed accounting alternative (assuming it holds no other VIE interests). If these disclosures are still required, a determination would still have to be made as to whether the lessee entity is a primary beneficiary or if it holds a variable interest which defeats the whole purpose of the alternative. Would a disclosure that the entity elects the proposed accounting alternative suffice to meet these requirements?

Question 7: *Do you agree that, generally, the primary purpose of establishing a separate lessor entity in a private company setting is for tax and estate-planning purposes and not to structure off-balance-sheet debt arrangements? If not, please explain why*

In my experience this is always the case. It is also done for legal liability reasons.

Question 8: *Would the proposed accounting alternative, including the required disclosures, address private company stakeholder concerns about relevance of consolidated information without causing a proliferation of the use of lessor entities to avoid reporting assets and liabilities for which the reporting entity is responsible? If not, why?*

The proposed alternative would adequately address stakeholder concerns. The disclosures would provide sufficient information for users of financial statements to make informed decisions.

Question 9: *Do you agree that the proposed accounting alternative, when elected, is an accounting policy election that should be applied by an entity to all current and future lessor entities under common control that meet the criteria for applying this approach?*

I agree that once the alternative is elected it should apply to all current and future lessor entities under common control. An example of an entity that may have more than one lessor entity under common control would be a construction company with various pieces of equipment in separate lessor entities under common control. To consolidate one and not another would be inconsistent.

Question 10: *Do you agree that the proposed accounting alternative should be applied using a full retrospective approach in which financial statements for each individual prior period presented and the opening balances of the earliest period presented would be adjusted to reflect the period-specific effects of applying the proposed amendments?*

I agree with the proposed retrospective approach. Most private companies present only two year comparatives and this requirement would not appear to be onerous.

Question 11: *When should the proposed alternative accounting be effective? Should early application be permitted?*

The proposed alternative should be effective immediately- the sooner the better.

Question 12: *Do you agree that the example that is codified in paragraphs 810-10-55-87 through 55-89 (described in paragraphs BC19 through BC20 of this proposed Update) should be removed? Do you*

PCC-13-02
Page 4 of 4

agree that the removal of the example would not significantly affect public business entity stakeholders? If not, please explain why.

This example only led to confusion and arguments among private company preparers and practitioners. It should be removed. I cannot speak to public business entity stakeholders, but if it needs to remain it should be identified as relating only to public entities.

Question 13: *The PCC considered two other alternatives (as described in paragraphs BC15 through BC18 of this proposed Update) to clarify the application of VIE guidance to common control leasing arrangements.*

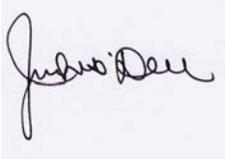
a. Would either of those alternatives better address the concerns raised by private company stakeholders?

b. Should the PCC and the Board consider either of those alternatives in conjunction with the guidance in this proposed Update to better address the concerns raised by private company stakeholders?

Neither of the alternatives provide as much clear guidance as what is in the proposed ASU. They need no further consideration.

I will be pleased to discuss my responses further with staff if necessary.

Sincerely,

A handwritten signature in black ink, appearing to read "Judith O'Dell", is centered on a light blue rectangular background.

Judith H. O'Dell CPA CVA