Response of Stephen D. Holton to the
Proposed ASU on Applying the Variable Interest Entities Subsections to Common Control Leasing Arrangements of Private Companies

October 22, 2013

Technical Director
File Reference No. PCC-13-02
FASB
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Submitted via email to director@fasb.org

Re: Proposed ASU *Consolidation (Topic 810): Applying Variable Interest Entity Guidance to Common Control Leasing Arrangements*

Dear Technical Director:

I have reviewed the proposed ASU *Consolidation (Topic 810): Applying Variable Interest Entity Guidance to Common Control Leasing Arrangements*. I favor simplifying the requirements of the Variable Interest Entities Subsections of Topic 810, but I am concerned that the proposal would inadvertently expand the disclosures required for the common related-party leasing arrangements of many small and midsize nonpublic entities and by doing so add an unwarranted implication.

The Variable Interest Entities Subsections generally require disclosure only if the lessor entity is a variable interest entity and the lessee entity has a variable interest in it. In that situation, the Subsections provide disclosure requirements (1) when the lessee entity is the primary beneficiary of the lessor entity and therefore consolidation is required and (2) when the lessee is not the primary beneficiary and therefore consolidation is not required. The related-party disclosure requirements of Topics 840 and 850 are not affected by whether the disclosure requirements of the Variable Interest Entities Subsections apply (or by the proposed ASU).

The proposed disclosure requirements are clearly less onerous than the disclosures presently required when the lessor entity is a variable interest entity and the lessee entity has a variable interest in it but is not its primary beneficiary. However, the proposed disclosure requirements would apply in either of the two common related-party leasing arrangements for which disclosure is presently not required by the Variable Interest Entities Subsections: (1) the lessor entity is not a variable interest entity or (2) the lessor entity is a variable interest entity but the lessee entity does not have a variable interest in it. In addition, I believe the proposed disclosure would inappropriately imply that the lessee entity has exposure to risks of the lessor entity.

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Thank you for the opportunity to comment on this proposal. I would be pleased to provide any additional information that may be helpful to you and to help address this issue. In case you want to call me, my direct office number is 804-521-3239.

Sincerely,

Stephen D. Holton, CPA
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