

**From:** [Scott Robinson](#)  
**To:** [Director - FASB](#)  
**Subject:** Comment on Exposure Draft - Technical Corrections (issued October 14, 2011), paragraph 35  
**Date:** Tuesday, December 13, 2011 4:11:45 PM

---

FASB –

I have the following concerns / comments regarding paragraph 35 in the Oct 14, 2011 Technical Corrections Exposure Draft:

- I am aware of several private companies that have classified warrants (issued in 2010) with downround protection as an equity instrument. The warrants were not derivatives. These companies classified the warrants in equity as they were more akin to equity. The codification did not previously require treatment of these instruments as a liability.
  - This change will likely lead to 1) costly and time-consuming restatements of their financial statements, and 2) costly and time-consuming valuations of these instruments by qualified valutors.
- This type of change was difficult to find, on page 25 of 210, especially when it involves a potential change in practice.
  - Issuing this change as an ASU will help more users, preparers and auditors understand and notice the change.
- It appears that this type of change should be subject to the appropriate FASB due process, especially when a change like this could lead to a change in practice.
  - The Exposure Draft's 1<sup>st</sup> page, 3<sup>rd</sup> paragraph states, "The Board decided to limit the types of issues that it will consider through this project to minor changes to clarify the Codification or correct unintended application of guidance that are not expected to have a significant effect on current accounting practice or create a significant administrative cost to most entities."
    1. Based on my understanding and for at least several private entities, this change will have a significant effect on current accounting practice and create significant cost in accounting for the associated instrument (including obtaining valuations from a reputable valuation firm).

For quick reference, paragraph 35 in the Oct 14, 2011 Technical Corrections Exposure Draft reads as follows:

35. Add paragraph 815-40-15-8A, with no link to a transition paragraph, as follows:

#### Derivatives and Hedging—Contracts in Entity's Own Equity Scope and Scope Exceptions

> > Instruments Classified as Liabilities or Assets

**815-40-15-8A** If the instrument does not meet the criteria to be considered indexed to an entity's own stock as described in paragraphs 815-40-15-5 through 15-8, it shall be classified as a liability or an asset.

Thank you for your consideration,

Scott Robinson, CPA  
Senior Audit Manager



36 South State Street, Suite 600  
Salt Lake City, UT 84111-1400  
Direct (801) 990-5918  
Mobile (801) 201-4875  
Fax (801) 574-2518  
Email [srobinson@tannerco.com](mailto:srobinson@tannerco.com)

-----  
This e-mail message may contain legally privileged and/or confidential information. If you are not the intended recipient(s), or the employee or agent responsible for delivery of this message to the intended recipient(s), you are hereby notified that any dissemination, distribution or copying of this e-mail message is strictly prohibited. If you have received this message in error, please immediately notify the sender and delete this e-mail message from your computer.  
-----

To ensure compliance with U.S. Treasury rules, unless expressly stated otherwise, any U.S. Tax advice contained in this communication (including attachments) is not intended or written to be used, and cannot be used, by the recipient for the purpose of 1) avoiding penalties that may be imposed under the Internal Revenue Code, and 2) promoting, marketing, or recommending to another party any tax-related matters addressed in this communication.