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 valuators.
- 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 1st page, 3rd 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,

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