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February 15, 2012

[director@FASB.org](mailto:director@FASB.org) File Reference No. 2011-220

Technical Director  
Financial Accounting Standards Board (FASB)  
401 Merrit 7  
P.O. Box 5116  
Norwalk, CT 06856-5116

File Reference No. 2011-220 - Consolidation (Topic 810): **Principal versus Agent Analysis**

Dear Technical Director,

Cargill Incorporated. (“Cargill”) appreciates the opportunity to comment on the proposed Accounting Standards Update referenced above. Cargill is an international producer and marketer of food, agricultural, financial and industrial products and services. Founded in 1865, our privately held company employs 142,000 people in 66 countries. Our independently managed subsidiary, Black River Asset Management LLC (“Black River”), is a global asset management company with 12 offices in 10 countries. Black River provides qualified investors with alternative investment strategies across a wide range of developed and emerging markets. Our independently managed subsidiary, CarVal Investors LLC (“CarVal”), is a leading global alternative investment fund manager focused on distressed and credit-intensive assets and market inefficiencies. CarVal manages investments across the globe through its eight offices and across four primary asset classes: corporate securities, loan portfolios, real estate and special opportunities.

We encourage the FASB to consider the concerns we have related to the four questions below:

**Question 4:** Should substantive kick-out and participating rights held by multiple unrelated parties be considered when evaluating whether a reporting entity should consolidate another entity? If so, do you agree that when those rights are held by multiple unrelated parties, they should not in and of themselves be determinative? If not, why? Are the guidance and implementation examples illustrating how a reporting entity should consider rights held by multiple unrelated parties in its analysis sufficiently clear and operational?

Cargill believes that substantive kick-out and participating rights should be considered when evaluating whether a reporting entity should consolidate another entity and that such rights should be determinative of an agent relationship. Furthermore, we believe that these rights can be substantive if they are held by multiple parties.

Cargill does not agree with the premise in paragraph BC 18 that “kick-out or participating rights should affect only the consolidation analysis where there is a realistic possibility the other interest holders may exercise those rights.” We believe that the possibility of substantive kick-out rights being exercised often

incentives the decision maker to behave in a manner that aligns with the other interest holders (in an agency capacity) and that the lack of exercise can be an indication that the rights have substance. As a result, Cargill believes that the probability of actual exercise of kick-out rights should not be a factor in determining whether the rights are substantive or whether a decision maker is acting as a principal or an agent.

**Question 7:** A reporting entity would be required to evaluate whether there has been a change in the decision maker's capacity by considering whether there has been a change in the purpose and design of the entity. For example, the purpose and design of the entity may change if the entity issues additional equity investment that is at risk to the decision maker. Do you agree with this proposed requirement? If not, please specify when this relationship should be reassessed and why.

Cargill agrees that a reevaluation should be performed when there has been a change in the purpose and design of the entity. However, Cargill believes the proposed standard should also require a reevaluation anytime there has been a change in facts and circumstances which could impact the conclusion of whether or not the decision maker is acting as a principal or an agent. Specifically, this would include a reevaluation upon a change in facts and circumstances related to the proposed guidance in ASC 810-10-25-39C and ASC 810-10-25-87 related to:

- 1) The rights held by other parties.
- 2) The compensation to which the decision maker is entitled in accordance with its compensation agreement(s).
- 3) The decision maker's exposure to variability of returns from other interests that it holds in the entity.

For example, a reduction in the ownership by a decision maker may not necessarily change the purpose and design of the entity, however this reduction could impact the conclusion as to whether the decision maker is acting as a principal or an agent.

**Question 13:** Do you agree with the proposed transition requirements in paragraph 810-10-65-4? If not, how would you propose to amend those requirements, and why? Please provide an estimate of how long it would reasonably take to implement the proposed requirements.

Cargill generally agrees with the proposed transition requirements in paragraph 810-10-65-4. However, Cargill asks that there be a scope exception for application of the proposed standard for closed-end funds in existence on the date of adoption. Since closed-end funds have a limited life, the scope exception would simply allow those funds already in existence as of the date of adoption to continue to operate under the consolidation conclusion that was appropriate when the funds were established. This would lessen the cost of evaluation and implementation and would still meet the goal of one standard over time.

**Question 15:** Should the amendments in this proposed Update be different for nonpublic entities (private companies or not-for-profit organizations)? If the amendments in this proposed Update should be applied differently to nonpublic entities, please provide a rationale for why.

Consideration should be given to exclude nonpublic entities from the proposed standard. In general, Cargill believes that the needs of users of private company financial statements differ from those who use public company financial statements, and the cost-benefit considerations of financial reporting vary between private and public companies. Cargill believes the users of our private company financial statements find the statements more decision-useful when investment funds are not consolidated. Grossing up the balance sheet and eliminating the management fees results in much less transparency to the financial statements of our asset management subsidiaries as well as Cargill's consolidated financial statements.

If private companies are not excluded from the proposed standard, then Cargill recommends that the FASB provide private companies with a one-year delay in the effective date. Implementing the proposed standard could require substantial investments of time and resources and may affect key financial statement line items and disclosures. Private companies generally have limited resources and will need the effective date delay to properly integrate the requirements of the proposed standard into their accounting and reporting systems. A one-year delay would allow private companies the benefit of evaluating implementation by the public companies, which would make better use of the resources of the private companies as they adopt the standard.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Patrick Webster', with a stylized flourish at the end.

Patrick Webster, VP Director  
Corporate Financial Reporting  
Cargill, Incorporated