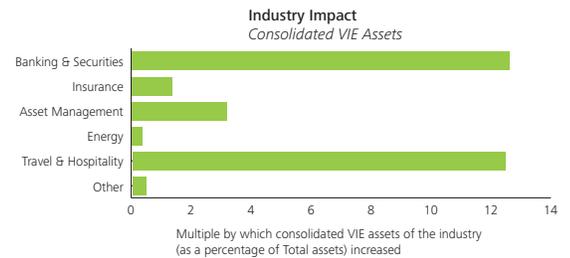


Back on-balance sheet: Observations from the adoption of FAS 167

With the ink not yet dry on first quarter 2010 SEC filings, it's a good time to reflect on an accounting change effective for this year that has received significant attention since its issuance in June 2009. Of course, we are speaking of FASB Statement No. 167, *Amendments to FASB Interpretation No. 46(R)* (subsequently codified in the FASB's Accounting Standards Codification as ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved With Variable Interest Entities*). This publication covers some observations on considerations and challenges companies have faced during their initial adoption, including a brief summary of the impact that ASU 2009-17 has had on a sample of 40 SEC registrants across different industry sectors.



ASU 2009-17 focuses on the analysis of which variable interest holder would be identified as the primary beneficiary, and thus consolidator, of a variable interest entity (VIE). Previously, the consolidation conclusion centered on the identification of the party that absorbs a majority of the expected losses or receives a majority of the expected residual returns of the VIE. Under the revised consolidation guidance, the consolidation conclusion centers on the identification of the party that has both (1) the power to direct the activities that most significantly impact the VIE's economics, and (2) the right to receive benefits or the obligation to absorb losses that could potentially be significant to the VIE. The ASU also requires a continual reassessment of which party is the primary beneficiary. For entities with a hired service provider or decision maker, the ASU provides specific criteria within ASC 810-10-55-37 for determining when the fees received by the service provider or decision maker would be considered a variable interest.

“Although the impact of (FAS 167) on the Financial Services industry may have received the most media attention, its implications were felt across nearly every industry.”

Although the impact of this standard on the Financial Services industry may have received the most media attention, its implications were felt across nearly every industry, including Energy & Resources, Hospitality & Tourism, Manufacturers and Retailers.

So, let's begin with a brief refresher on the changes that ASU 2009-17 brought for so many companies.

Accounting interpretation challenges

The biggest challenge preparers faced was determining whether or not to consolidate their VIEs. In order to answer that question, there were a series of other questions that needed to be answered first, including:

- Does my interest represent a variable interest?
- Is the entity still a VIE?
- What are the most significant activities of the entity?
- Am I still part of a related party group?
- Do I qualify for the FASB's recently issued deferral¹?

“As we have seen with other recently issued, principles-based accounting standards, many companies initially struggled with the qualitative analysis and wanted to apply thresholds or bright lines in their analysis.”

As we have seen with other recently issued, principles-based accounting standards, many companies initially struggled with the qualitative analysis and wanted to apply thresholds or bright lines in their analysis. Nowhere was this more evident than the debate that ensued over the terms **significant** (as used in ASC 810-10-25-38A(b)) or **more than insignificant** (as used in ASC 810-10-55-37). There were questions on what amount or percentage would be considered significant and whether there were different thresholds associated with significant and insignificant. As practice and guidance developed, companies began focusing more on the qualitative aspects of their economic involvements rather than focusing strictly on quantitative measures to determine significance. The challenge in determining the most significant activities and who has power over those activities largely depended on the type of entity being analyzed by preparers. For certain entities, the analysis was fairly straightforward, such as for certain securitization structures, while for others, such as operating partnerships or joint ventures, the analysis was contingent upon the specific design and operations of the entity. In that second category, the involved parties could be performing separate functions (e.g., party A handles research and development, while

party B handles distribution and marketing), which makes identification of the most significant activities inherently more difficult.

Another question that received a lot of attention early on was whether there were certain structures in which no one had power over the ongoing activities. There may be limited circumstances where an entity may not have ongoing activities that significantly impact the economics of the VIE. However, in those instances, you would look to the decisions made at the entity's inception as part of its design, as well as evaluating call rights or liquidation rights, if any. In addition, the economic interests of the variable interest holders would need to be considered.

The analysis has been particularly challenging for arrangements where one party is exposed to the significant risks and rewards of a VIE, yet on the surface does not appear to have the power to direct the most significant activities of the VIE. The FASB added language into ASU 2009-17 requiring the exercise of additional skepticism when the relative economic interests of the parties to an arrangement are inconsistent with the stated power of each of these parties. Further, the SEC staff has publicly commented on multiple occasions that it will scrutinize the accounting for such arrangements, particularly when the transaction lacks economic substance and/or appears to be motivated by a desire to deconsolidate. In several situations, we observed one party that initially concluded that it did not have power to direct the most important activities of a VIE, but, upon further consideration and analysis, ultimately concluded that it did in fact have such power. This is often because additional analysis, coupled with appropriate skepticism, can result in a reassessment of which activities do in fact most significantly impact the economic performance of the VIE, and the identification of transaction terms or features that substantively provide the power over those activities to the party with the preponderance of the risks and rewards.

Also frequently debated was a question related to a provision in ASU 2009-17 that requires a single party to be able to exercise kickout rights, or participating rights, for these rights to be considered in the consolidation analysis. The question focused on whether the board of directors' ability to remove a manager or other party with power over the significant decision making would be considered as being held by a single party. Practice emerged that a board of directors is an extension of the equity investors and, therefore, does not constitute a single party for ASU 2009-17 purposes, unless a single equity investor — or a related party group of equity investors — controls representation on the board of directors (i.e., has more than 50 percent representation on a board requiring a simple majority vote, thereby indirectly controlling the board's vote).

¹ In February 2010, the FASB issued ASU 2010-10, *Consolidation: Amendments for Certain Investment Funds*, which indefinitely deferred the provisions of ASU 2009-17 for interests in certain structures that (1) have all of the attributes specified in ASC 946-10-15-2(a) through (d), or for which it is industry practice to apply measurement principles that are consistent with those in ASC 946, (2) the reporting entity does not have an explicit or implicit obligation to fund losses of the entity that could potentially be significant to the entity, or (3) the entity is not a securitization entity, an asset-backed financing entity, or an entity that was formerly considered a qualified special purpose entity (QSPE).

The analysis of whether a service provider's fee was a variable interest was another issue that received much attention. The Investment Management industry was provided some relief with the issuance of ASU 2010-10, *Amendment for Certain Investment Funds*, as there had previously been significant concern about a wide range of investment funds being consolidated by their investment manager. But many service providers were still required to deal with the assessment of their own interests as well as those of their related parties under ASC 810-10-55-37², including investment managers involved with structured finance products, such as collateralized debt obligations (CDOs) and collateralized loan obligations (CLOs). One of the questions raised in this analysis was whether a fee that was identified as a variable interest under ASC 810-10-55-37 would inherently be potentially significant under ASC 810-10-25-38A(b). The consensus view was that it would depend on which of the six criteria in ASC 810-10-55-37 caused the fee to be a variable interest — the quantitative criteria in (c), (e) or (f), or the more qualitative criteria in (a), (b) or (d). If the quantitative conditions result in the fee being considered a variable interest (e.g., the anticipated fee absorbs more than an insignificant amount of the expected residual returns of the VIE), then there is generally a presumption that the fee would be **potentially significant** under ASC 810-10-25-38A(b). However, if the more qualitative conditions result in the fee being considered a variable interest (e.g., a CDO manager who receives a subordinate fee of 15 basis points, which is deemed to be a market-based fee at the time of the analysis, and the CDO manager does not hold any other variable interest), then that fee may not necessarily result in a variable interest that is potentially significant to the VIE. Additionally, if the interests held by a related party result in the fee being considered a variable interest, then the service provider would need to consider whether the fee in isolation is potentially significant under ASC 810-10-25-38A(b), including consideration of the factors within ASC 810-10-55-37. Such determinations generally require judgment and the outcome of the analysis varies based on facts and circumstances.

² 810-10-55-37 Fees paid to a legal entity's decision maker(s) or service provider(s) are not variable interests if all of the following conditions are met:

- a. The fees are compensation for services provided and are commensurate with the level of effort required to provide those services.
- b. Substantially all of the fees are at or above the same level of seniority as other operating liabilities of the VIE that arise in the normal course of the VIE's activities, such as trade payables.
- c. The decision maker or service provider does not hold other interests in the VIE that individually, or in the aggregate, would absorb more than an insignificant amount of the VIE's expected losses or receive more than an insignificant amount of the VIE's expected residual returns.
- d. The service arrangement includes only terms, conditions, or amounts that are customarily present in arrangements for similar services negotiated at arm's length.
- e. The total amount of anticipated fees are insignificant relative to the total amount of the VIE's anticipated economic performance.
- f. The anticipated fees are expected to absorb an insignificant amount of the variability associated with the VIE's anticipated economic performance.

A question that hasn't received as much attention to date, but may in the future as it has been added to the EITF agenda, is whether the guidance in ASC 360-20, *Property, Plant, and Equipment — Real Estate Sales*, applies to all derecognition events involving subsidiaries that are, in substance, real estate. One of the reasons this question has been raised is that ASC 360-20 has a higher derecognition threshold compared to the consolidation thresholds in ASC 810, *Consolidation*. Additionally, there is diversity in views as to the intention of the real estate sales scope exception for applying ASU No. 2010-2, *Accounting and Reporting for Decreases in Ownership of a Subsidiary—a Scope Clarification*. Obviously, this will be an issue that could have future implications as the EITF further deliberates this issue.

While the above summarizes some of the more challenging and frequently encountered issues involved with interpreting and applying ASU 2009-17, it is truly just a brief highlight. For additional insights and interpretations, please see Deloitte's publication [Consolidation of Variable Interest Entities, A Roadmap to Applying the Variable Interest Entities Consolidation Model](#).

Operational challenges

Once companies identified which VIEs required consolidation, their attention soon focused on the operational aspects of consolidation new structures for the first time.

Depending on the type of company applying ASU 2009-17, and their involvements and variable interests held, the implementation may have taken just a few days or it may have consumed most of the last 10 months with large numbers of dedicated resources (employees, consultants, auditors, etc.) For some companies, the consolidation of new VIEs may have been simple enough to be performed using a spreadsheet tool. For others, it may have involved significant systems modifications or upgrades to facilitate an expanded consolidation process. And still other companies may have performed the consolidation process on a spreadsheet tool this period because a more complex dedicated system solution could not be implemented in time for the first quarter reporting period.

Another operational challenge that companies have been dealing with is having access to the necessary financial information on a timely basis. In today's environment of earnings releases generally beginning during the second week after a quarter ends, gathering the information necessary to consolidate an entity when you may not have access to the financial information on a timely basis may prove difficult. Many companies have taken an approach of consolidating their VIEs using a reporting lag (e.g., using

February information for a VIE for a March quarter-end consolidation) while monitoring for any material events occurring during that lag period. Additionally, entities such as securitization vehicles or CDOs and CLOs have historically been strictly cash flow vehicles and never required separate financial reporting under generally accepted accounting principles (GAAP). The creation of initial GAAP financial statements for these entities, and the supporting footnote disclosures, can be challenging and require significant time and resources.

or transactions that could lead to a change in conclusion. Obviously, the more robust the documentation is for the initial assessment, the easier the continuous reassessment may be (i.e., easier than reexamining every structure again). The key will be how best to establish policies and controls to identify instances where the power may shift or the economic interest may now be, or no longer be, potentially significant. Of course, the larger, more decentralized and more complicated the activities of the company, the more difficult the process to identify these events may become.

Financial reporting challenges

The FASB did not require retrospective application of ASU 2009-17, in part, because of the difficulty in applying the standard to historical involvements. However, because the guidance is only applied prospectively, there were significant comparability issues between 2009 and 2010 financial statements dependent on the company and the structures being consolidated. The increase in the size of the balance sheet may have also created other issues, such as debt covenant breaches or regulatory capital considerations for Financial Services organizations⁵.

The ASU also requires separate presentation on the balance sheet of consolidated assets that can only be used to settle obligations of the consolidated VIE and consolidated liabilities for which creditors or beneficial interest holders do not have recourse to the general credit of the primary beneficiary. The ASU did not provide detailed guidance about how this separate presentation should be shown. Several preparers initially interpreted the guidance as permitting the collapsing of the consolidated assets and collapsing of the consolidated liabilities of the VIEs each into two line items on the consolidated balance sheet. However, as interpretations developed, it was determined that collapsing was not an appropriate alternative and each line item of the consolidated balance sheet should differentiate which portion of those amounts meet the separate presentation conditions above. Companies took a variety of approaches to the separate presentation requirement, including a parenthetical display, individual line items, and mini-balance sheet presentations (i.e., a separate balance sheet of just consolidated VIEs meeting the separate presentation requirements).

“In today’s environment of earnings releases generally beginning during the second week after a quarter ends, gathering the information necessary to consolidate an entity when you may not have access to the financial information on a timely basis may prove difficult.”

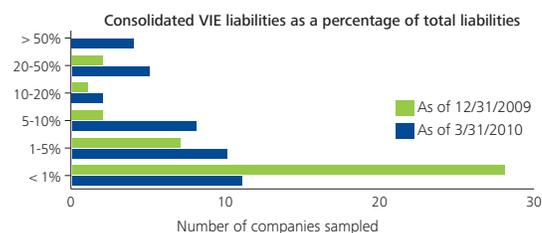
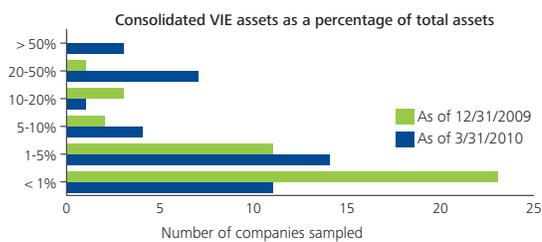
Public companies that are required to consolidate an entity may also face challenges from a Sarbanes-Oxley controls perspective to the extent the financial information processing is outside of their control (e.g., CDO or CLO structures’ dependence on trustee reports). Companies may have relied on SAS 70³ reports or developed other controls processes to gain sufficient comfort over the financial information received from their service organizations. The Center for Audit Quality (CAQ) also recently issued an alert that provides SEC staff views regarding the internal control over financial reporting requirements for entities newly consolidated under ASU 2009-17⁴.

While the process of identifying which entities require consolidation at initial application may have been very time consuming, that does not mean you are finished. ASU 2009-17 also requires a continual reassessment of who is the primary beneficiary of a VIE, although the conclusion would not typically change from period to period — outside of an event or transaction occurring. Companies will need to determine how best to perform this continual monitoring process to identify those events

³ Statement on Auditing Standards No. 70: *Service Organizations*, refers to an audit report that assesses the internal controls of a service organization.

⁴ Refer to CAQ Alert #2010-21 – April 19, 2010 (http://www.aicpa.org/Publications/Newsletters/CAQAlerts/2010/DownloadableDocuments/CAQ_Alert_2010_21_04192010.pdf).

⁵ On January 21, 2010, the federal banking and thrift regulatory agencies issued a final rule regarding the implication of ASU 2009-17 to financial institutions and their required regulatory capital. This rule contains an optional phase-in for four quarters of the impact on risk-weighted assets and tier 2 capital.



Measurement of those assets and liabilities now presented on the balance sheet as a result of application of ASU 2009-17 has been another source of contemplation for preparers. The ASU requires that the assets and liabilities being consolidated upon initial adoption be measured at their carrying amounts; that is, the amount at which they would be carried at had the guidance always been applied. However, the ASU also provides other initial measurement alternatives, if determining the initial carrying amount is not practicable. Those alternatives include the unpaid principal balance for lending-related activities, an initial fair value measurement (with subsequent measurements based on application of the relevant GAAP for those assets and liabilities), or election of the fair value option (FVO). The unpaid principal balance is an alternative that was particularly well received by the government-sponsored enterprises, as it mirrors their economic exposure as guarantor of mortgage loan pools. However, for structured finance products where the consolidating entity holds either little or no ownership of the outstanding debt securities issued by the VIE, many preparers have chosen the FVO as the measurement alternative. The primary reason for this is the potential income statement volatility associated with the measurement mismatch (e.g., applying loan accounting to the assets of the entity could result in recognition of impairment charges because of poor performance of the underlying collateral while no similar markdown on the liabilities of the VIE would occur until those debts are legally extinguished). The FVO election for both the collateral and the liabilities helps to mitigate some of that volatility as any credit losses experienced by the collateral assets should result in similar losses to the outstanding debt securities as the payments of those securities are dependent on the performance of the collateral pool.

Companies that chose the FVO as their measurement attribute for certain consolidated structured finance vehicles faced another financial reporting challenge. In those structures, the consolidating party was generally determined to be the collateral manager, as they have the power over the investment decision making and generally have a potentially significant economic interest through their fee arrangements. However, in many situations collateral managers did not hold any of the underlying notes issued from the vehicle. These structured finance entities have no equity capitalization, and when electing the FVO on both the assets and liabilities, it was determined that the fair value (pursuant to ASC 820⁶) of the collateral pool of assets might exceed the fair value of the issued debt securities, even though the debt securities are entirely funded by the assets of the vehicle. Since these structures have no third-party equity class, the difference in fair value would be considered a cumulative effect transition adjustment to equity of the collateral manager, even though the residual interest class of debt holders has the right to all future returns. That initial credit to the equity of the collateral manager would eventually be reversed through the income statement over time as the vehicle nears maturity and the value of the assets and liabilities come closer together. This was very concerning for the entities consolidating these structures,

“Measurement of those assets and liabilities now presented on the balance sheet as a result of application of ASU 2009-17 has been another source of contemplation for preparers.”

as the financial reporting did not follow the economics of the transaction and resulted in a presentation difficult for investors to understand clearly. The question was raised with the staff of the Office of the Chief Accountant of the SEC and they communicated they would not object to an appropriation of retained earnings related to the transition adjustment from adoption. Additionally, in future periods, the staff stated they would object to exclusion of any of the changes in fair value associated with these entities from the consolidated net income or loss of the consolidated enterprise. However, they would not object to an appropriate attribution of the periodic net income or loss between the collateral manager (parent interests)

⁶ ASC 820, *Fair Value Measurements and Disclosures*

and the beneficial interest holders (nonparent interests) as an allocation to noncontrolling interest holders (with a corresponding adjustment made to the amount of the appropriated retained earnings).

borrowing. Each of those accounting results would have their own cash flow statement reporting implications. Please see our [Financial Reporting Alert 2010-07, Effect of ASUs 2009-16 and 2009-17 on Presentation of Trade Receivable Financing Arrangements](#), for additional cash flow statement presentation issues regarding this scenario.

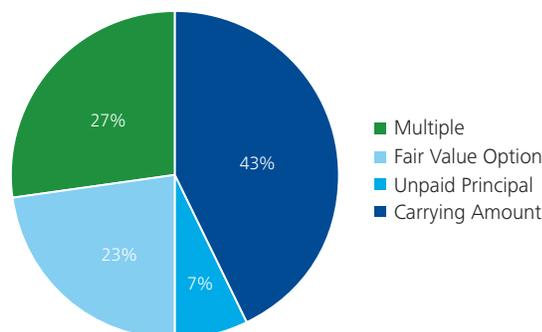
“Companies will also now need to consider whether the process they implemented for initial adoption is sustainable, effective and efficient, or whether longer term solutions are warranted.”

Presentation within the statement of cash flows was another challenge many companies faced in applying the ASU. The first issue centered on the presentation of the cash of the consolidated VIE when the ASU was adopted prospectively and whether the cash was restricted or unrestricted. If the cash was restricted, the entity would treat the initial recognition of the restricted cash as a noncash investing activity in the statement of cash flows. However, if the cash was unrestricted, there are two acceptable approaches an entity may choose as an accounting policy election: (1) presenting the unrestricted cash as a reconciling item between cash and cash equivalents at the beginning of the period and cash and cash equivalents at the end of the period, or (2) presenting the unrestricted cash held by the VIE upon initial consolidation as an investing activity.

Summary

The last 10 months have been a challenging time for financial statement preparers and auditors as they grappled with the implementation issues associated with ASU 2009-17. And, unfortunately, the challenges are far from over. Calendar year-end nonpublic companies and public entities with non-calendar year-end reporting periods are still working through their initial adoption. Additionally, the SEC cautioned at last December’s AICPA National Conference on Current SEC and PCAOB Developments that the application of the revised consolidation guidance would be an area of focus during the SEC’s filing review process this year. Companies will also now need to consider whether the process they implemented for initial adoption is sustainable, effective and efficient, or whether longer term solutions are warranted both from the perspective of automating the continual assessment of which VIEs need to be consolidated and the consolidation process for financial reporting purposes. On top of that, the FASB and IASB are currently working through a joint project to revise the consolidation model for all types of entities. So, there is surely more fun on the horizon!!

Transition method used by companies sampled



Another cash flow presentation issue that impacts industries such as Manufacturers and Retailers is the treatment by transferors of accounts receivables to commercial paper special purpose entities. Depending on whether the transfer includes an entire group of receivable or portions of a group of receivables, it will impact whether the transfer is accounted for as a sale or a secured

Appendix — Effects of adopting ASU 2009-17 (Statement 167)

Company Name	Ticker Symbol	Total Assets at 12/31/2009 (millions)	Consolidated VIE Assets at 12/31/2009 (millions)	% of Total Assets	Total Assets at 3/31/2010 (millions)	Consolidated VIE Assets at 3/31/2010 (millions)	% of Total Assets	Total Liabilities at 12/31/2009 (millions)	Consolidated VIE Liabilities at 12/31/2009 (millions)	% of Total Liabilities	Total Liabilities at 3/31/2010 (millions)	Consolidated VIE Liabilities at 3/31/2010 (millions)	% of Total Liabilities	Transition Method Used ⁷	Major Type(s) of Entities Initially Consolidated from Application of ASU 2009-17
Banking & Securities Industry (14)															
American Express	AXP	124,088	10,113	8.2%	143,314	41,969	29.3%	109,682	4,970	4.5%	129,889	25,545	19.7%	Carrying Amount	Securitization — Credit Cards/ Receivables
Bank of America	BAC	2,223,299	35,379	1.6%	2,338,700	161,494	6.9%	1,991,855	22,795	1.1%	2,108,877	117,095	5.6%	Carrying Amount	Securitization — Credit Cards/ Receivables Securitization — CMBS Securitization — Mortgage Loans Securitization — Other ABCP Conduits CDO/CMO/CLO Investment Fund
Bank of New York Mellon	BK	212,224	47	<1%	220,551	13,506	6.1%	183,221	190	<1%	190,096	12,436	6.5%	Fair Value Option	Investment Fund Securitization — Mortgage Loans CDO/CMO/CLO
Capital One	COF	169,646	155	<1%	200,708	55,480	27.6%	143,057	immaterial ⁸	<1%	176,333	47,358	26.9%	Carrying Amount Unpaid Principal	Securitization — Credit Securitization — Other Securitization — Mortgage Loans
CitiGroup	C	1,856,646	29,383	1.6%	2,002,213	196,867	9.8%	1,701,673	41,600	2.4%	1,848,434	161,800	8.8%	Carrying amount Fair Value Option Unpaid Principal	Securitization — Credit Cards/ Receivables Securitization — Mortgage Loans Securitization — Other ABCP Conduits CDO/CMO/CLO Other
Discover Financial Services ⁹	DFS	46,021	immaterial	<1%	66,819	35,969	53.8%	37,585	immaterial	<1%	59,804	20,037	33.5%	Carrying Amount	Securitization — Credit Cards/ Receivables
Fannie Mae	FNMA	869,141	160,876	18.5%	3,293,755	2,738,457	83.1%	884,422	7,431	<1%	3,302,126	2,495,796	75.6%	Unpaid Principal	Securitization — Mortgage Loans
Fifth Third Bank	FITB	113,380	immaterial	<1%	112,651	1,394	1.2%	99,883	immaterial	<1%	99,243	1,193	1.2%	Carrying Amount	Securitization — Mortgage Loans Securitization — Automobile Loans
Freddie Mac	FRE	841,784	20	<1%	2,360,210	1,774,682	75.2%	837,412	15	<1%	2,370,735	1,556,023	65.6%	Unpaid Principal	Securitization — Mortgage Loans
Goldman Sachs	GS	848,942	2,701	<1%	880,528	10,396	1.2%	778,228	2,438	<1%	807,584	13,960	1.7%	Fair Value Option	Securitization — Other CDO/CMO/CLO

⁷ Note that if the company did not specifically disclose its initial measurement method, it was presumed that the company is not utilizing one of the practical expedient alternatives and is applying the carrying amount of the consolidated assets and liabilities.

⁸ If the company did not specifically disclose the consolidated VIE assets or liabilities, it was concluded they were immaterial and likely less than 1% of total assets or liabilities.

⁹ Company has a fiscal year end of November 30 rather than December 31, but still applied the provisions of ASU 2009-17 during the current quarter.

Company Name	Ticker Symbol	Total Assets at 12/31/2009 (millions)	Consolidated VIE Assets at 12/31/2009 (millions)	% of Total Assets	Total Assets at 3/31/2010 (millions)	Consolidated VIE Assets at 3/31/2010 (millions)	% of Total Assets	Total Liabilities at 12/31/2009 (millions)	Consolidated VIE Liabilities at 12/31/2009 (millions)	% of Total Liabilities	Total Liabilities at 3/31/2010 (millions)	Consolidated VIE Liabilities at 3/31/2010 (millions)	% of Total Liabilities	Transition Method Used ⁷	Major Type(s) of Entities Initially Consolidated from Application of ASU 2009-17
JPMorgan Chase	JPM	2,031,989	24,394	1.2%	2,135,796	128,690	6.0%	1,866,624	17,422	<1%	1,971,075	95,726	4.9%	Carrying Amount Unpaid Principal/ Initial Fair Value ¹⁰	Securitization — Credit Card ABCP Conduit Securitization — Mortgage & Other
Morgan Stanley	MS	771,462	7,615	1.0%	819,719	10,729	1.3%	718,682	3,122	<1%	764,540	9,412	1.2%	Fair Value Option	Securitization — MBS Securitization — ABS Securitization — CDO Managed Real Estate Partnerships Other Structured Financings
SunTrust	STI	174,165	immaterial	<1%	171,796	1,856	1.1%	151,634	immaterial	<1%	149,176	285	<1%	Fair Value Option Unpaid Principal	CDO/CMO/CLO ABCP Conduit
Wells Fargo & Co.	WFC	1,243,646	5,300	<1%	1,223,630	27,930	2.3%	1,129,287	2,507	<1%	1,105,476	17,137	1.6%	Fair Value Option Carrying Amount	Securitization — Mortgage ABCP Conduit
Insurance Industry (6)															
AllState Corp	ALL	132,652	immaterial	<1%	132,386	immaterial	<1%	114,798	immaterial	<1%	115,931	immaterial	<1%	Carrying Amount	Investment Fund
American International Group (AIG)	AIG	847,585	14,300	1.7%	863,697	28,800	3.3%	748,550	8,100	1.1%	760,038	12,300	1.6%	Carrying Amount Fair Value Option	Investment Fund Other
Cigna Corp	CI	43,013	immaterial	<1%	43,864	immaterial	<1%	37,584	immaterial	<1%	38,049	immaterial	<1%	N/A	N/A
Hartford Life Insurance Co.	HLI	307,717	368	<1%	317,282	980	<1%	289,823	53	<1%	299,442	423	<1%	Fair Value Option Carrying Amount	CDO/CMO/CLO
MBIA	MBI	25,701	4,312	16.8%	34,533	13,985	40.5%	23,094	3,640	15.8%	33,164	12,921	39.0%	Fair Value Option Unpaid Principal	CDO/CMO/CLO Securitization — ABS Securitization — Other
MetLife Inc	MET	539,314	3,646	<1%	565,566	11,154	2.0%	505,816	90	<1%	529,837	7,260	1.4%	Fair Value Option	Securitization — CMBS CDO/CMO/CLO
Asset Management Industry (5)															
Blackrock, Inc.	BLK	178,066	54	<1%	168,060	1,378	<1%	153,464	immaterial	<1%	143,113	1,218	<1%	Fair Value Option	CDO/CMO/CLO
Blackstone Group L.P.	BX	9,409	741	7.9%	13,486	4,724	35.0%	2,865	38	1.3%	6,490	3,706	57.1%	Fair Value Option	CDO/CMO/CLO
Fortress Investment Group	FIG	1,660	immaterial	<1%	1,736	immaterial	<1%	1,061	Immaterial	<1%	1,083	immaterial	N/A	N/A	N/A

¹⁰ The retail financial services segment elected unpaid principal balance while the investment banking segment elected fair value option.

Company Name	Ticker Symbol	Total Assets at 12/31/2009 (millions)	Consolidated VIE Assets at 12/31/2009 (millions)	% of Total Assets	Total Assets at 3/31/2010 (millions)	Consolidated VIE Assets at 3/31/2010 (millions)	% of Total Assets	Total Liabilities at 12/31/2009 (millions)	Consolidated VIE Liabilities at 12/31/2009 (millions)	% of Total Liabilities	Total Liabilities at 3/31/2010 (millions)	Consolidated VIE Liabilities at 3/31/2010 (millions)	% of Total Liabilities	Transition Method Used?	Major Type(s) of Entities Initially Consolidated from Application of ASU 2009-17
Invesco Ltd.	IVZ	10,910	72	<1%	16,792	5,887	35.1%	3,289	1	<1%	8,791	5,434	61.8%	Fair Value Option	CDO/CMO/CLO
KKR Financial Corp	KFN	10,300	2,039	19.8%	8,272	immaterial	<1%	9,133	2,039	22.3%	6,956	immaterial	<1%	N/A	Securitization — Mortgage Loans
Energy Industry (5)															
American Electric Power	AEP	48,348	623	1.3%	49,625	1,412	2.8%	35,147	593	1.7%	36,240	1,345	3.7%	N/A	N/A
Constellation Energy Group Inc	CEG	23,544	677	2.9%	22,137	706	3.2%	14,582	930	6.4%	13,131	846	6.4%	N/A	N/A
Dominion	D	42,554	immaterial	<1%	42,163	immaterial	<1%	31,112	Immaterial	<1%	30,855	immaterial	<1%	N/A	N/A
Exelon Corp	EXC	49,180	immaterial	<1%	50,741	197	<1%	36,453	Immaterial	<1%	37,203	404	1.1%	Carrying Amount	Securitization — Other
Public Service Enterprise Group	PEG	28,730	1,395	4.9%	28,775	1,344	4.7%	19,852	1,350	6.8%	19,565	1,306	6.7%	N/A	N/A
Travel & Hospitality Industry (2)															
Marriott International	MAR	7,933	105	1.3%	8,793	1,126	12.8%	6,791	12	<1%	7,723	1,051	13.6%	Carrying Amount	Securitization — Receivables
Starwood Hotels	HOT	8,761	immaterial	<1%	9,219	397	4.3%	6,916	immaterial	<1%	7,363	406	5.5%	Carrying Amount	Securitization — Receivables
Commercial & Industrial Industry (8)															
Caterpillar Inc.	CAT	60,038	231	<1%	58,836	608	1.0%	50,738	477	<1%	49,362	538	1.1%	Carrying Amount	Securitization — Other
Dow Chemical	DOW	66,018	638	1.0%	67,546	1,678	2.5%	44,894	351	<1%	46,454	1,040	2.2%	Carrying Amount	Partnerships/JVs/Trusts Securitization — Receivables
Ford Motor Co	F	192,040	72,871	37.9%	191,968	70,470	36.7%	199,822	46,750	23.4%	197,405	48,455	24.5%	N/A	N/A
General Electric Co	GE	781,818	16,994	2.2%	777,355	57,571	7.4%	656,682	15,231	2.3%	654,404	49,056	7.5%	Carrying Amount	Securitization — CMBS Securitization — Other Joint Venture/ Partnership
Harley Davidson Inc	HOG	9,156	immaterial	<1%	10,703	4,510	42.1%	7,047	immaterial	<1%	8,616	3,607	41.9%	Carrying Amount	Securitization — Other
Merck	MRK	112,450	immaterial	<1%	111,594	immaterial	<1%	50,957	immaterial	<1%	48,749	immaterial	<1%	N/A	N/A
PepsiCo	PEP	39,848	immaterial	<1%	64,144	immaterial	<1%	22,406	immaterial	<1%	42,288	immaterial	<1%	N/A	N/A
Time Warner	TWX	66,059	immaterial	<1%	66,066	immaterial	<1%	32,662	immaterial	<1%	32,751	immaterial	<1%	Carrying Amount	Securitization — Receivables

Note: The selection of companies was compiled based upon a number of criteria in order to include a sample across a diverse population of industries. While the financial services industry was impacted the most by the guidance in ASU 2009-17, we attempted to expand our sample to cover additional industries beyond financial services. We focused our selection generally on relatively large registrants with calendar-year ends. No statistical methods were utilized to compile this sample, and by including herein we by no means express any opinion, view or commentary on the quality of disclosures by these registrants.

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