

PricewaterhouseCoopers LLP 500 Campus Dr. Florham Park NJ 07932 Telephone (973) 236 7000 Facsimile (973) 236 7200

February 19, 2005

Letter of Comment No: Described File Reference: FSPSOP789A

Mr. Lawrence Smith
Director of Technical Application and Implementation Activities
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

RE: File Reference No. FSP SOP78-9-a -- Proposed FSP No. SOP 78-9-a, Interaction of AICPA Statement of Position 78-9 and EITF Issue No. 04-5

Dear Mr. Smith:

PricewaterhouseCoopers LLP appreciates the opportunity to respond to the proposed Financial Accounting Standards Board (FASB) Staff Position identified above ("the FSP"). We support the Board's continuing efforts to provide accounting guidance on various aspects of the consolidation model.

Because we have participated in the discussions of the Emerging Issues Task Force (EITF) in relation to EITF Issue No. 04-5, Investor's Accounting for an Investment in a Limited Partnership When the Investor Is the Sole General Partner and the Limited Partners Have Certain Rights (EITF 04-5), our comments below are limited to the proposed FSP as it relates to transactions and arrangements that are subject to the scope of Statement of Position 78-9, Accounting for Investments in Real Estate Ventures (SoP 78-9). Any comments on the draft Abstract for EITF 04-5 will be provided to the FASB staff through our representation on the EITF.

We agree with the EITF's observation that the principles of EITF 04-5 and those in SoP 78-9 should be conformed. We also agree that the guidance for consolidation of partnerships and corporations should be conformed. However, we believe that the incorporation of the EITF 04-5 guidance for determining substantive participating rights into SoP 78-9 should be limited to consolidation decisions for limited partnerships with a *sole* general partner. Paragraph 2 of

## PRICEWATERHOUSE COPERS 18

the proposed FSP specifically states, "The EITF generally agreed that the accounting for an investment in a limited partnership by a *sole general partner* should be consistent for all limited partnerships, irrespective of the industry within which the limited partnership operates. Accordingly, the EITF requested that the Board consider amending the guidance in SoP 78-9 to be consistent with the tentative conclusions reached in Issue 04-5." Because EITF 04-5 was not deliberated in the context of general partnerships or limited partnerships with multiple general partners, and because other considerations may be relevant to the consolidation decision in those situations, we believe the FASB should consider whether it is appropriate to expand the scope of EITF 04-5. At a minimum, it would be helpful if the FSP described the Board and staff's rationale for expanding the guidance and whether they intend for that guidance to be applied to all partnerships, not just those involving real estate.

Additionally, although not directly the subject of proposed FSP, we would like to call your attention the potential interaction of the amendment to SoP 78-9 and the guidance in EITF Issue No. 87-21, Change of Accounting Basis in Master Limited Partnership Transactions (EITF 87-21). In the EITF 87-21 Abstract, the SEC Observer stated that the SEC staff will require limited partners to have the ability to replace the general partner through a reasonable vote in order for a new basis of accounting to be appropriate. In EITF 87-21, the Task Force reached a consensus that any vote requiring more than a two-thirds majority to replace the general partner would not be considered reasonable, and an entity could not attain a new basis of accounting. In order to avoid misinterpretation of the limited partner approval rights, the Board should consider rescinding EITF 87-21. FASB Statement No. 141, Business Combinations, and the SEC's Staff Accounting Bulletin No. 97 have effectively nullified much of its guidance, and we believe that EITF 87-21 no longer contains any incremental consolidation guidance.

\* \* \*

If you have any questions regarding our comments, please contact Patrick Durbin at (973) 236-5152.

Sincerely,

PricewaterhouseCoopers LLP