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November 1, 2002

MP&T Director—File Reference 1082-200
Financial Accounting Standards Board
401 Merrit 7
P.O. Box 5116
Norwalk, CT 06856-5116

[VIA E-MAIL WITH COPY
BY FEDERAL EXPRESS]

Re: File Reference No. 1082-200
Exposure Draft of the Proposed Interpretation—Consolidation of Certain Special Purpose Entities, an Interpretation of ARB No.51 (the "Interpretation")

Ladies and Gentlemen:

I listened again Wednesday with interest to the board's discussions, and wish to briefly comment on one important issue related to applying the Interpretation in practice.

In an earlier meeting, the board voted to retain the general sense of the first sentence of paragraph 8c of the exposure draft while deleting "subsidiary". That is, that the board rejected proportionally consolidating individual assets of substantive entities (i.e. entities consolidated based upon voting interests pursuant to paragraph 9) by third parties, even if such individual assets are similar to a SPE.

Wednesday, in apparent contrast, the board voted to retain paragraph 17. That is, the board approved partitioning of individual assets into distinct "silos" for the purposes of applying the Interpretation, if such individual assets are similar to a SPE.

Perhaps these two board decisions are not in conflict with each other, if what the board is saying is that paragraph 17 only is applicable to a non-substantive entity (i.e. an entity consolidated based upon variable interests pursuant to paragraph 9). If this is the board's intent, then it should be made clear in drafting the final Interpretation that paragraph 17's requirement to partition an entity into "silos" only applies if the aggregate entity is FIRST determined to be subject to the variable interests model.

If this is not the board's intent, then other steps should be taken to clear up what could be considerable ambiguity. For example, in the leasing industry, the board seems to want to ensure that the assets of so-called "multi-lessee conduits" are treated as individual SPEs, but it should not do so at the expense of causing traditional, substantive (i.e. voting interest model) leasing companies, such as bank leasing companies, etc., who may have financed some of their leased assets with asset-specific non-recourse debt, to evaluate thousands of leases in their portfolios to see if a portion of their assets and liabilities should also be consolidated by other parties.

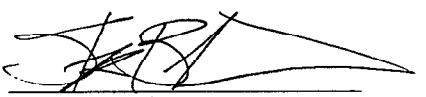
Unfortunately this comment will not benefit our firm, since the board's approach will likely cause our entity to be evaluated (inappropriately in our view) as a "multi-lessee conduit", even though our entity is clearly not a special purpose entity—see Exhibit A as an example of application of the Interpretation in practice. Instead, I offer the comment in the hopes that it could benefit other substantive entities.

Thank you again for the continuing opportunity to contribute comments to the process.

Very truly yours,

ATLANTIC FINANCIAL GROUP, LTD.

By: Atlantic Financial Managers, Inc its sole general partner



By: _____
Stephen Brookshire
President

SSB/bms
exhibit

EXHIBIT A
Example of Application of the Interpretation in Practice:
Atlantic Financial Group, Ltd.

No unbiased observer would consider Atlantic Financial Group, Ltd. ("AFG") a special purpose entity:

- AFG is a limited partnership controlled by its general partner, and this partner routinely makes meaningful decisions on behalf of the partnership.
- AFG was not formed for any specific transaction, and is unrestricted by its partnership documents with respect to operations.
- AFG incurs normal business expenses. It has employees, physical offices, systems, equipment, etc., and even subleases some office space and provides bookkeeping services for some related parties.
- AFG provides consulting services, and directly serves as lessor pursuant to both conventional and synthetic leases. The income derived by AFG's controlling partners is significant, and approximately half currently comes from activities other than synthetic leasing. AFG also has significant upside related to its conventional leases.
- AFG's lessees and creditors, including those involved with synthetic leases, are not isolated, but are exposed to lessor bankruptcy risks from activities of AFG other than with respect to their particular transactions.
- Inclusive of synthetic lease equity in a form appropriate under current GAAP (EITF 90-15 and EITF 96-21), AFG has maintained approximately 4-5% equity exclusive of losses.

Notwithstanding this fact pattern, and the fact that AFG's equity exceeds any expected future losses of the business, AFG would fail to qualify under the voting interests model, primarily because we have been told that equity invested in synthetic leases will not "count" at all as equity. Equity in AFG's synthetic leases is equity in legal form, subordinate to all debt interests, and represents residual equity at risk during the entire term of the lease. However, we have been advised by one of the national firms that because our lessees in synthetic leases make a limited guarantee of the recovery of the first 85% of our invested assets (e.g. analogous in our view to a transferor's limited guarantee of receivables collections), equity related to synthetic leases is not "the first interest subject to loss if the SPE's assets are not sufficient to meet its obligations", and should therefore be excluded in its entirety from equity as calculated pursuant to paragraph 9.

Accordingly, due to equity considerations AFG will be evaluated pursuant to the variable interests model. Under this model, AFG will then undoubtedly be deemed to be a so-called "multi-lessee entity", and each of our leases will be evaluated for consolidation separately.

In summary, this "interpretation related to SPEs" will potentially cause others to consolidate a portion of our non-SPE entity. We are prepared to live with this outcome, and undoubtedly some will approve of the end result. What is troublesome is the FASB's apparent willingness to treat limited residual guarantees in leases differently from other guarantees (e.g. related to collections of financial assets), in order to achieve a result at the expense of conceptual inconsistency. The value of a residual guarantee in a synthetic lease should be considered economically as another asset of the lessor entity (after all, the FASB is determining that it is a liability from the lessee's perspective), or at least as an enhancement of the value of the leased asset. The residual guarantee in a lease is not a guarantee of the entity or its equity, and the equity is still the first to sustain a loss in the event assets (including any value to be derived from the residual guarantee) prove insufficient to ultimately recover the debt and equity funded in relation to the project.