



May 24, 1999

Financial Accounting Standards Board  
401 Merritt 7  
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Norwalk, CT 06856-5116

**Letter of Comment No:** 59

**File Reference:** 1082-194R

**Date Received:** 5/26/99

Re: FASB Exposure Draft, Consolidated Financial Statements: Purpose and Policy

Dear Sir:

This letter is in response to the Revision of the Exposure Draft issued on October 16, 1995, entitled "Consolidated Financial Statements: Policy and Procedures." Specifically, we would again like to comment on the effects of the proposed consolidation policies on sole general partnership interests in a limited partnership.

For a number of reasons, we believe that the criteria set forth for consolidating a limited partnership are inappropriate, primarily because there is no requirement related to meaningful ownership by the general partner.

The proposed definition of control is "the ability of an entity to direct the policies and management that guide the ongoing activities of another entity so as to increase its benefits and limit its losses from that other entity's activities".

In the investment industry, it is common for an entity to facilitate the formation of a limited partnership as an investment alternative for clients. The entity (or a subsidiary thereof) will typically own a nominal percentage (i.e., 1%) and serve as the general partner. While the general partner is responsible for day-to-day management of the partnership's assets, for which a fee is involved, the business strategy and limits of authority are clearly set forth in the partnership agreement. Any amendment to this agreement requires a vote of the limited partners, thus the general partner's control is narrow in scope and there is no ability to unilaterally "direct the policies and management" of the partnership.

In addition, a sole general partner with a nominal ownership percentage is clearly not managing the partnership "so as to increase its benefits and limit its losses" from the partnership itself. This definition would only apply in the event that the general partner had more than a nominal ownership percentage. In the absence of such ownership, the general partner role is tantamount to that of an operating company functioning pursuant to a management agreement.

While the concept of the Exposure Draft has merit, some further refinement is necessary for the partnership area. The concerns expressed by the dissenting Board member in paragraph 255 are on point. "A general partner often can obtain a sole-general-partnership interest in a limited partnership for a relatively nominal investment or a financial stake in the partnership, especially if managerial expertise is the general partner's primary contribution to the partnership. In many of those instances in which

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the limited partners have had no need to test their ability, a sole general partner may be, in substance, no more than a manager for the limited partnership; that is, with delegated powers that will be removed by the limited partners if and when the general partner directs the policies of the partnership in ways unacceptable to the limited partners." The dissenting Board member "is not convinced that the sole general partner can direct the use of the assets and activities of the partnership in ways that increase the benefits and limit the losses of the general partner without the ongoing co-operation or acquiescence of the limited partners."

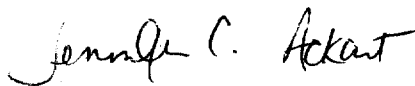
To require consolidation of limited partnerships with the sponsoring entity's financial statements will grossly distort the latter. In our own case, as an example, the exposure draft as written would require a financial services holding company to consolidate the statements of numerous real estate limited partnerships. The resultant statements will not only be confusing, but would actually be misleading as to the nature of our business. We own only a nominal percentage of these assets and derive a very small portion of our revenues from these activities, yet consolidation will make it appear as though real estate investment is a significant segment of our business. This picture gets clouded even further for sponsoring entities who are involved in the syndication of oil and gas, equipment leasing, and other types of investor partnerships.

In our opinion, consolidation of a limited partnership in the financial statements of a sole general partner would only be appropriate if the general partner has a meaningful ownership percentage (e. g. 25% or more) in the limited partnership. Such a requirement would exempt the vast majority of investment limited partnerships and avoid the gross distortion of the sponsoring entity's financial statements which would occur under the exposure draft in its present form.

Sincerely,



Jeffrey P. Julien  
Chief Financial Officer



Jennifer C. Ackart  
Controller