



Mr. Timothy S. Lucas  
Director of Research and Technical Activities  
Financial Accounting Standards Board  
401 Merritt 7, P.O. Box 5116  
Norwalk, CT 06856-5116

May 27, 1999

Re: File Reference No. 194-B

**Letter of Comment No:** 101

**File Reference:** 1082-194R

**Date Received:** 6/8/99

Dear Mr. Lucas:

We believe that the current accounting guidance provided by ARB 51 and FASB Statement 94 provide adequate guidance for the overwhelming majority of investments and strongly oppose the FASB's revised exposure draft on consolidations. Our principal concerns with the FASB's proposals are as follows:

- This proposal would add yet another level of complexity to an accounting framework that already overburdens preparers and confuses the user community.
- Adoption will result in significantly greater diversity in practice and a corresponding lack of comparability.
- The definition of control is conceptual in nature and lacks an objective and verifiable standard on which to make a determination as to whether control exists.
- The use of presumptions by their subjective nature will lead to disagreements among companies, their auditors and the SEC.
- Paragraph 18(b) and related footnote indicate that control should be presumed when an entity has a large minority interest (which is generally indicated when it exceeds 50% of the votes typically cast in a corporation's election of directors) and no other party or group has a significant voting interest.

What if the investor's share of votes cast in recent board elections varies over and under the 50% level? How is an investor going to know the identities of the other large shareholders and whether or not they would vote as a group?

We do not believe that whether or not a shareholder votes in an election of directors is relevant to control. Not casting a vote is not an indication of an inability to vote. Relatively significant minority shareholders can [and do] get outvoted.

- Paragraph 18(c) concludes that control should be presumed if an entity has the unilateral ability to obtain a majority voting interest in the election of a corporation's

governing body through the exercise of convertible securities or other rights. We disagree with this presumption because the holder of such rights does not have the present ability to direct the management of another entity until the conversion occurs.

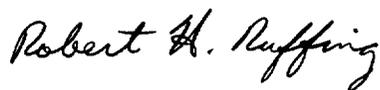
- Under Paragraph 21, a general partner with a nominal equity interest may control a partnership. We believe that having a substantial investment should be a prerequisite for consolidation.

Given the widespread opposition to the FASB's initial proposal, we are disappointed that it is still being pursued. Nonetheless, should the FASB decide to finalize the proposal, the effective date should be delayed one year to give preparers enough time to analyze their situation, accumulate the information needed to restate several years of data and address the potential effect the new rules could have on compliance with debt covenants and other agreements.

In recent years we have seen several cases of rules in search of a concept. We now seem to be seeing cases of rules, without a search of concept, simply intended to yield a desired result or to avoid an undesired result.

In summary, we believe current accounting literature provides appropriate guidance for determining whether the overwhelming majority of investments should be consolidated. Should the growth of special purpose entities and other business arrangements in recent years require new accounting guidance, such narrower issues should be addressed separately.

Sincerely,



Robert H. Ruffing  
Vice President and Controller