

FACSIMILE COMMUNICATION

**FROM THE OFFICE OF
FORSHEE & LOCKWOOD, P.A.
220 MIRACLE MILES- SUITE 221
CORAL GABLES, FLORIDA 33134**

TO: Martha Willis
Florida Board of Accountancy

FAX NO: 352-955-2164

FROM: Kevin J. Lockwood

DATE: July 24, 2000

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Per our telephone conversation on the above date and at your request, the following is a resubmission of our fax dated July 11, 2000 and will detail the facts, issues and conclusions for which we would like guidance, relating to the practice requirements (F.S. Section 473.309) applicable in the formation of a CPA firm to practicing public accounting. Accordingly, it would be appreciated if you could place this on the Board's agenda for its next regularly scheduled meeting.

FACTS

1. The CPA firm is envisioned to be a Limited Liability Company; accordingly, it would be governed by F.S. Section 473.309 (3).
2. It is envisioned that the members of the CPA firm will be as follows:

Either an S Corporation licensed as a CPA firm in Florida or various individuals licensed as CPA's in Florida owning 51% or more of the CPA firm, and

A Limited Liability Company not licensed anywhere as a CPA firm owning up to 49% of the CPA firm

3. The member Limited Liability Company that is not licensed anywhere as a CPA firm would perform services for the CPA firm. These services would include services that the CPA firm would itself have to perform in the ordinary course of its business, such as marketing, promotion, public relations and other consulting services, as well as administrative services. The services provided to the CPA firm would be the only business activity of the unlicensed member. The unlicensed member would be beneficially owned (either directly or indirectly) by one or more unlicensed individuals.

4. The licensed members of the CPA firm (either the S Corporation or the individual CPA's) would perform the accounting, tax and related services for the CPA firm.

ISSUES

1. For purposes of F.S. Section 473.309(2) and underlying interpretative rules, if any, can an unlicensed entity (as opposed to individuals) be an owner (in this case a member of an LLC) in an CPA firm?
2. If so, would the services envisioned in 3. above meet the requirements of F.S. Section 473.309 (3) (d) such that the member LLC would be considered to be engaged in the business of the CPA firm as its principal business?
3. If so, would the above described CPA firm qualify for licensure?

CONCLUSIONS

1. Yes, an unlicensed entity can be an owner (in this case a member of an LLC) in a CPA firm as there are no statutes or rules that prohibit this structure.
2. Yes, as the unlicensed member's sole business activity would be engaging in the business of the CPA firm as described above.
3. Yes, based on the conclusion to 1. and 2. above.

Please review the above and call me to discuss the issues or if you have any questions or require further information. Thank you very much for your prompt attention to this matter.

Regards,
Kevin Lockwood, CPA