Accountants and Management Consultants The US Member Firm of Grant Thomton International National Office 175 West Jackson Blvd. Chicago, IL 60604-2615 Letter of Comment No: 195
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Grant Thornton &

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Technical Director
Financial Accounting Standards Board
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Norwalk, CT 06856

We are pleased to respond to the Proposed FASB Staff Position (FSP) EITF 03-1-a, "Implementation Guidance for the Application of Paragraph 16 of EITF Issue No. 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments." We support the Board's decision to provide implementation guidance about the application of EITF Issue 03-1 to interest-rate-impaired and/or sector-spread-impaired debt securities. Much of the controversy that has surrounded EITF Issue 03-1 seems to have resulted from differing interpretations of how it should be applied in practice, especially with respect to determining when a change in ability and intent to hold a security to recovery would call into question an investor's ability and intent to hold other securities to recovery. We believe the proposed FSP will result in a more consistent application of this aspect of EITF Issue 03-1.

We have organized our comments under the issues listed in the Requests for Comments of the proposed FSP.

Issue 1: Minor impairments

We are not in favor of establishing a numerical rule or threshold in defining minor impairment. By establishing a bright-line percentage based on a percentage of the cost of an investment, it is possible impairments that are material to an entity's income statement would not be subject to the Issue's ability and intent to hold requirements. Additionally, impairments that may have some of the indicators indicative of an other than temporary impairment would not be fully evaluated under step two of the Issue's impairment model. We believe the concept of a minor impairment should embody qualitative aspects of the

impairment and additional quantitative aspects beyond the extent to which an investment's fair value is below cost. Accordingly, we suggest that the proposed FSP include additional guidance for evaluating whether an impairment is minor. The duration of the impairment, the nature of the event that gave rise to the impairment, and the four bulleted factors included in paragraph 15 of EITF Issue 03-1 are factors that we believe should be considered in determining whether an impairment is minor.

Issue 2: Limiting the notion of minor impairments to debt securities evaluated for impairment pursuant to paragraph 16 of Issue 03-1

We believe that the notion of minor impairment should be extended to equity securities and debt securities that can contractually be prepaid or otherwise be settled in such a way that the investor would not recover substantially all of its cost, provided that the guidance on determining whether an impairment is minor includes both quantitative and qualitative considerations, as discussed above. Application of the Issue's requirements can be extremely time consuming, and we support extending the concept of a minor impairment as a way to reduce the time requirements in applying the Issue without altering its underlying principle.

Other matters

We believe that the circumstances described in paragraphs 7a and 7b of the proposed FSP that would not call into question an investor's ability and intent to hold other securities to recovery should be relatively rare. However, we do have concerns that these circumstances may be more broadly interpreted than perhaps the Board had intended. We believe that examples of these circumstances would be helpful in developing a consistent application of paragraphs 7a and 7b in practice.

Additionally, we have concerns as to whether small and medium size nonpublic companies with calendar year reporting periods and significant investment portfolios will have sufficient time to implement the full requirements of EITF 03-1. We believe many companies delayed their implementation processes pending the outcome of Proposed FASB Staff Position (FSP) EITF 03-1-a. We suggest the Board consider extending the effective date delay for paragraphs 10-20 of EITF Issue 03-1 included in FSP EITF Issue No. 03-1-1 so that those paragraphs would be initially effective for nonpublic companies in periods ending after March 15, 2005.

We appreciate the opportunity to comment on the proposed FSP and would be pleased to discuss our comments with Board members or the FASB staff. Please direct your questions or comments to Joseph Graziano at (732) 516-5560 or L.Charles Evans at (832) 476-3614.

Very truly yours,

/s/ Grant Thornton LLP