

October 13, 2003

Director, Technical Application and
Implementation Activities
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856

Re: Proposed FASB Staff Position (FSP)

We are pleased to respond to Proposed FSP FIN 46-d, "Treatment of Fees Paid to Decision Makers and Guarantors as Described in Paragraph 8 in Determining Expected Losses and Expected Residual Returns of a Variable Interest Entity under FASB Interpretation No. 46, *Consolidation of Variable Interest Entities*" (the "Proposed FSP").

We support the issuance of the Proposed FSP. However, we have the following comments:

- We do not believe that a fixed (in dollar amount) *paragraph 8 fee* that will absorb no losses in any of the estimated outcomes is a variable interest, as is indicated at the end of the first page of the Proposed FSP. Paragraph 2(c) of Interpretation 46 defines a variable interest as "contractual, ownership, or other pecuniary interests in an entity that change with changes in the entity's net asset value." A fixed fee will not change as the entity's net asset value changes because it is fixed.
- We believe a *paragraph 8 fee* should only be added back to the net outcome of a variable interest entity for purposes of developing the estimates of the entity's net income or losses to be allocated to variable interest holders if the fee is a variable interest (e.g., the fee is subject to variability in amount, either because the fee is a percentage of the entity's results or it is a fixed dollar amount subject to potential credit risk).
- The meaning of the phrase "or distributions to other variable interest holders" at the end of the last paragraph on page 6 is unclear. Does it mean interest payments on debt (fixed or variable rate) that is a variable interest in the entity should be added back for purposes of determining the cash flows available to variable interest holders? We believe the final FSP should clarify that point.

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We would be pleased to discuss any of our comments with the Board or the FASB staff. Please direct your questions or comments to Joe Graziano at (732) 516-5560 or Jeff Ellis at (312) 602-8991.

Very truly yours,

Grant Thornton LLP