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FSP FIN 46-e  
Grant Thornton 

October 7, 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-e, "Effective Date of FASB Interpretation No. 46, *Consolidation of Variable Interest Entities, for Certain Interests Held by a Public Entity*" (the "Proposed FSP").

We support the issuance of the Proposed FSP. We believe preparers and auditors have struggled with properly implementing the provisions of Interpretation 46. The number of official (through FSPs and the Board's proposal to amend Interpretation 46) and unofficial interpretations of the guidance in Interpretation 46 has contributed to that struggle. Accordingly, we believe a limited deferral of Interpretation 46's effective date is necessary and appropriate.

We agree with the first three conditions in the Proposed FSP that must be met for a public entity to be eligible for the deferral of Interpretation 46's effective date. A public entity structuring a transaction after the issuance of Interpretation 46 would have been in a position to obtain information about the counterparty to determine whether it was a variable interest entity and the public entity its primary beneficiary. Further, a public entity that previously entered into transactions with special purpose entities was presumed to have sufficient information about the structure of the special purpose entities with which it was involved, at least for purposes of monitoring the equity at risk in the special purpose entity, enabling it to make those assessments. Accordingly, we agree that no deferral should be required for those entities.

However, we are concerned about the adverse reaction in the marketplace if a public company concludes that it is (or is not) a variable interest entity's primary beneficiary using the guidance that is available currently, but comes to a different conclusion upon issuance of proposed FSPs and the FSPs that the Board has directed the staff to issue (for example, how losses of a variable interest entity are to be allocated to the variable interest holders). We are also concerned that changes to or from consolidation resulting from the issuance of additional FSPs and the proposed interpretation of Interpretation 46 will undermine confidence in Interpretation 46.

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Accordingly, we believe the deferral should be extended to all public companies when the first three conditions are met, regardless of whether they have completed their analysis of whether the entity is a variable interest entity and, if so, whether the public entity is the variable interest entity's primary beneficiary.

We suggest that the Board and the FASB staff finalize all pending interpretations (either FSPs or the proposed interpretation) and provide preparers and auditors time to digest the changes before requiring adoption of Interpretation 46. We believe that will eliminate the risk of changes in conclusions regarding whether or not a public entity is the variable interest entity's primary beneficiary.

We also believe the proposed disclosures should be eliminated and public entities reminded of their obligations to provide the disclosures required by paragraph 26 of Interpretation 46, which provides the information proposed to be required by paragraphs (b) and (c) in the Proposed FSP. The proposed disclosure required by paragraph (d) is similar to the requirements in FASB Statement No. 57, *Related Party Disclosures*. Therefore, we believe the final FSP should remind companies to determine whether an interest other than an ownership interest in a third party creates a related party relationship and, if so, to provide the disclosures required by that standard. We do not believe the proposed disclosure in paragraph (a) should be required as it does not provide information about the potential exposure to loss from an interest in a potential variable interest entity. We believe the disclosures required by paragraph 26 are sufficient.

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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