



September 29, 2003

Mr. Robert H. Herz, Chairman
Financial Accounting Standards Board
401 Merritt 7
P.O. box 5116
Norwalk, CT 06856

Dear Mr. Herz:

The Committee on Corporate Reporting (“CCR”) of Financial Executives International (“FEI”) wishes to share its views on the Financial Accounting Standards Board’s (the “FASB”) proposed FASB Staff Position (“FSP”) FIN 46-e (“FIN 46-e”). FEI is a leading international organization of 15,000 members, including Chief Financial Officers, Controllers, Treasurers, Tax Executives and other senior financial executives. CCR is a technical committee of FEI, which reviews and responds to research studies, statements, pronouncements, pending legislation, proposals and other documents issued by domestic and international agencies and organizations. This document represents the views of CCR and not necessarily the views of FEI.

CCR appreciates the FASB’s recent efforts to address concerns over the effective date of FASB Interpretation No. 46, *Consolidation of Variable Interest Entities* (“FIN 46”), specifically through its proposed FSP FIN 46-e. We also appreciate the opportunity to comment on FSPs proposed by the FASB. We believe, in general, that this provides appropriate due process in issuing such positions. However, in this particular instance, we believe a comment period is not required, as it proves problematic from a practical standpoint.

FSP FIN 46-e delays the effective date for certain variable interest entities (“VIE”) from the current effective date (July 1, 2003 for most companies) to the end of the first interim or annual period ending after December 15, 2003. CCR has identified two issues related to this FSP to which we would like to draw your immediate attention.

First, our immediate concern relates to the comment deadline outlined in FSP FIN 46-e of October 20, 2003. This proposed comment deadline date, while in accordance with minimum due process requirements, is not practical nor beneficial for many of our member companies as earnings release dates for third quarter financial statements will likely occur prior to that date. Our member companies want to ensure that their financial statements are in accordance with existing generally accepted accounting principles. Additionally, Audit Committee approval generally occurs prior to the earnings release

date. It is imperative that we review financial statements that are in accordance with current GAAP with our Audit Committees. It will be difficult to do so given the timing of the proposed change in the effective date.

Second, CCR believes that the first three conditions of the proposed FSP FIN 46-e should be applied across all entities, regardless of whether the determination of the entity as a VIE has been completed. Therefore, we believe the fourth condition in the proposed FSP regarding determination as a VIE should be removed in order to ensure appropriate consistency among and within reporting companies.

Therefore, we believe that the FASB must act quickly in order for the proposed deferral in the FSP to have any beneficial effect for most public companies. We propose that in this instance the FASB act before the October 20th comment deadline and the FSP be issued immediately in its final form, taking into consideration the comments above. Accordingly, companies will then be able to issue their earnings releases and related certifications with confidence that they are reporting in accordance with existing GAAP.

Additionally, our members have raised numerous other implementation issues associated with FIN 46 that we would like the FASB to consider. As such, we will be sending a more detailed letter outlining these concerns in the near term, but at this time focus our concerns on the timing and finalization of the FSP.

We appreciate the Board's consideration in this and all matters and welcome the opportunity to discuss this and other related matters. If you have any questions regarding this letter, please don't hesitate to call me at (989) 636-1541.

Sincerely,



Frank Brod
Chairman, Committee on Corporate Reporting
Financial Executives International

CC:
George Batavick
G. Michael Crooch
Gary S. Schieneman
Katherine Schipper
Leslie F. Seidman
Edward W. Trott
William Donaldson, SEC Chairman
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