



The **WALT DISNEY** Company.

October 7, 2003

Mr. Robert H. Herz, Chairman  
Financial Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, Connecticut 06856-5116

Dear Mr. Herz:

The Walt Disney Company (“Disney”) appreciates the Financial Accounting Standards Board’s (“FASB”) recent efforts to address concerns over the effective date of FASB Interpretation No. 46, *Consolidation of Variable Interest Entities*, (“FIN 46”). We also appreciate the opportunity to comment on FASB Staff Positions (“FSP’s”) proposed by the FASB.

In particular, we wish to share our views on the proposed FSP FIN 46-e (“FIN 46-e”), which delays the effective date for certain VIE’s from the current effective date to the end of the first interim or annual period ending after December 15, 2003. We have several significant issues related to FIN 46-e that we believe should be addressed immediately as they are critical to the reporting of our fiscal year ended September 30, 2003 results and financial position. We have other concerns related to the implementation of FIN 46 that we would like to address with you. However, due to the year-end close that is currently in process, we will address the other less immediate although critical implementation issues in a separate letter.

Overall, we believe that the proposed deferral should apply to all VIE’s or potential VIE’s because there continues to be a significant amount of confusion and lack of clarity regarding the application of FIN 46. With respect to FIN 46-e, our immediate concerns are as follows:

Firstly, it is unclear as to how condition 3, “undertake a narrow and well-defined objective” should be interpreted. We believe this statement to be ambiguous given that an interest in an operating joint venture or a licensee may meet these conditions. While we believe an overall deferral is most appropriate for the current circumstances, if the Board decides to move forward with only a partial deferral, then condition 3 should be more narrowly defined to make it clear that the intention is to exclude from the scope of deferral only entities that were considered special purpose entities (“SPE’s”) before FIN 46 was issued. Under this approach, FIN 46-e should explicitly specify that only those entities which were subject to the authoritative literature that addressed SPE type transactions (e.g. EITF 90-15, EITF Topic D-14 and FAS 140) meet condition 3.

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Secondly, we believe condition 4 should be removed. This condition only adds to the confusion surrounding FIN 46. We believe that the current guidance lacks clarity and is still evolving as evidenced by the significant number of recent FSP's and other proposed adjustments to be issued through a proposed exposure draft release. This continuing evolution hinders us from making the correct decision as to whether our analysis is complete for entities under review.

We strongly support an overall deferral of FIN 46. We are concerned that implementation of FIN 46 by Disney effective July 1, 2003 may be premature in that our conclusion will be based on the current state of FIN 46 for which guidance is still being drafted. Current guidance will likely be altered after the FSP's are finalized and other proposed changes are made through a proposed exposure draft. In addition, our current interpretation of FIN 46-e may result in a deferral of the implementation of FIN 46 relating to certain entities that might be questioned at a later date resulting in a potential restatement since the subjectivity surrounding conditions 3 and 4 make it unclear as to which entities would be excluded from the proposed deferral.

Our final concern is the risk relating to the potential for multiple adoption dates. For Disney, this could possibly create adoption dates in two different fiscal years. We strongly believe that adoption dates, spanning two separate fiscal years, would hinder our shareholders ability to perform appropriate diligence resulting in inappropriate decisions which could be to their detriment.

We appreciate the Board's consideration of concerns in their upcoming deliberations on proposed FIN 46-e.

Sincerely,

Jack Garand  
Executive Vice President, Planning and Control  
The Walt Disney Company