

Letter of Comment No: 16 File Reference: 1082-300 Date Received: 12/04/03

December 2, 2003

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

Dear Mr. Herz:

We apologize for the late submission of our comment letter but hope that you will still consider our concerns discussed below.

The Walt Disney Company ("Disney") appreciates the Financial Accounting Standards Board's ("FASB") recent efforts to address concerns over the implementation of FIN 46 through the issuance of the recent exposure draft dated October 31, 2003. Although the exposure draft has provided some clarity on certain issues, we believe that there are still significant issues that were not resolved and in some instances, the exposure draft has increased the uncertainty with respect to the appropriate application of FIN 46. We have highlighted two specific issues below that we believe are in need of further clarity particularly given the imminent December 31, 2003 implementation deadline. Among our concerns, we also recommend a further deferral of the effectiveness of the standard.

First, Accounting Research Bulletin No. 51 Consolidated Financial Statements ("ARB51"), FIN 46, the corresponding FASB Statement of Positions ("FSP's") and the recent exposure draft have not addressed whether FIN 46 is applicable to an enterprise's transactions with governmental entities. We understand that it is the FASB's intention to exclude governmental entities from the scope of FIN 46 on the basis that ARB51 does not apply to these types of entities. We would welcome a formal confirmation of this intention. If this is not the FASB's intention, we are concerned that this is not an appropriate conclusion and may result in misleading financial reporting. For instance, as we have disclosed in our public filings, Disney has guaranteed certain bond issuances by governmental entities that were used to finance the construction of civil infrastructure improvements, the water and sewer system in a mixed use residential community and expansion and construction of other public use areas near Disney's theme parks. Disney is a for-profit-entity and clearly not in the business of providing transportation, utility or other public service infrastructure although this is clearly the purpose of these governmental entities. We believe that FASB Interpretation No. 45 Guarantors Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others adequately addresses

these types of arrangements. Further, we believe it would not be in the public interest that these governmental entities be treated as under the control of an enterprise whose business does not include providing such services and that is not contractually obligated or accountable to the community serviced by these projects. We believe that the disclosures in our public filings adequately address the risk associated with these transactions and that consolidation of these entities (and the underlying public works assets) under the provisions of FIN 46 would not improve the usefulness or transparency of our financial statements. Accordingly, we would welcome a FASB conclusion to exclude transactions with governmental entities from the scope of FIN 46.

Second, the proposed exposure draft does not provide sufficient guidance as to how transactions such as leases should be treated under FIN 46 when the transaction is already recorded on the enterprise's balance sheet pursuant to existing GAAP requirements. We believe that the recognition of a liability when an enterprise enters into such an arrangement is sufficient and the potential consolidation of the lessor entity under the provisions of FIN 46 would be confusing and detract from the usefulness of the affected financial statement. We recommend that the FASB amend the proposed exposure draft to clarify that an enterprise is not required to assess whether the lessor entity is a VIE when the obligation is already recorded on the enterprise's books and the enterprise has no other variable interest in the entity. Further, we recommend that the FASB clarify that Statement of Financial Accounting Standards No. 13 Accounting for Leases and other existing lease literature is the authoritative accounting guidance for leases and is not superceded by FIN 46.

Overall, we believe that the implementation of FIN 46 should be deferred until all the comments from the exposure draft have been addressed, all FSP's have been finalized and an updated statement has been issued. Further, we would recommend that sufficient time following the issuance of the final statement be provided for enterprises to apply the final guidance to their operations. This will ensure the appropriate application of FIN 46 as of the date of implementation. We believe that a hurried implementation will potentially result in inconsistent or incorrect application of the standard and a consequent lack of comparability across reporting entities.

We appreciate the Board's consideration of our concerns in the upcoming deliberations on the recent exposure draft. If you have any questions I can be reached at (818) 973-4030.

Sincerely, Brent A. Woodford Senior Vice President, Controllership The Walt Disney Company