

Letter of Comment No: 4
File Reference: FSPFAS140B
Date Received: 2/2/2/

9/3/84

September 2, 2004

Mr. Lawrence Smith
Director of Technical Application and Implementation Activities
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

Re: Proposed FASB Staff Position No. FAS 140-b, Application of EITF Issue No. 85-24 when Future Distribution Fees Are Sold to Unrelated Third Parties

Dear Mr. Smith:

PricewaterhouseCoopers LLP appreciates the opportunity to respond to the proposed FASB Staff Position (the "Proposed FSP"), Application of EITF Issue No. 85-24 when Future Distribution Fees Are Sold to Unrelated Third Parties. We have the following comments and observations for your consideration.

We agree with the conclusion reached in the Proposed FSP that transfers of the rights to future fees that are not recognized as a receivable by the distributor are not within the scope of FASB 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities, and we agree with the effective date and transition features in the Proposed FSP.

We could accept the conclusion that revenue or gain recognition is not appropriate at the time cash is received from the third party for a right to future fees. However, the Proposed FSP does not establish a principle or set forth a framework under which to evaluate such transfers, and the Proposed FSP is not clear about how the facts presented bear on the staff's conclusions. Establishing the underlying principle to support the accounting conclusion and providing more insight into the staff's rationale in reaching the conclusion will aid practitioners in applying the FSP prospectively.

There are a number of facts included in the background to the Proposed FSP for which it is unclear whether and how these are relevant facts as it relates to the staff's conclusions. Among others, these include:

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- Paragraph 4, the fund's board is obligated to regularly reevaluate the benefits of the 12b-1 plan to the fund shareholders;
- Paragraph 5, Other types of 12b-1 plans (generally referred to as enhanced or board-contingent plans) have features that continue payments or provide that payments may continue to the distributor for previously sold B shares in the event of plan termination; and,
- Paragraph 7, these exchanges may include some level of recourse and various indemnities that protect the third party in the event that the 12b-1 plan is rescinded by the fund's board.

Clarification of whether these and other facts are relevant to the conclusion will add clarity to the application of this FSP prospectively.

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We appreciate the opportunity to express our views on the Proposed FSP. If you have any questions regarding our comments, please contact Woody Wallace (646-471-3850) or Donald Doran (646-236-7214).

Sincerely,

PricewaterhouseCoopers LLP