PRICEWATERHOUSECOOPERS

ricewaterhouseCoopers LLP
)0 Campus Dr.
orham Park NJ 07932
elephone (973) 236 4000
acsimile (973) 236 5000
ww.pwc.com

March 27, 2007

LETTER OF COMMENT NO. 7

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

RE: File Reference No. FSP 128-a, *Computational Guidance for Computing Diluted EPS under the Two-Class Method*

Dear Mr. Smith:

PricewaterhouseCoopers LLP appreciates the opportunity to respond to the Financial Accounting Standards Board (FASB or the "Board") on its proposed FASB Staff Position 128-a, "Computational Guidance for Computing Diluted EPS under the Two-Class Method" (the "proposed FSP"). We support the Board's continued efforts to address implementation issues related to FASB Statement No. 128, *Earnings per Share* ("FAS 128").

Overall, we support the guidance in this proposed FSP because it will eliminate diversity in how companies determine diluted EPS under the two-class method. However, we recommend that the Board consider providing this guidance as part of its planned amendment of FAS 128, which we understand could be issued less than a year from now. In our view, the diversity that exists today in determining diluted EPS under the two-class method does not necessarily demand immediate action and therefore including the guidance as part of the amendment would seem to be simpler and more appropriate. If the Board issues the proposed FSP, we would like to make the following suggestions:

- We agree that specific consideration should be given to FAS 128's antidilution sequencing provisions for all other dilutive potential common shares; however, we recommend that the final FSP clarify the two approaches under Step 2, as follows:

  Approach a: We recommend clarifying in paragraph 4 that the antidilution sequencing provisions in FAS 128 do not apply to the participating security. Thus, it will be assumed that the participating security has been exercised, converted, or issued, even when it is antidilutive. That clarification will make it easier for readers to understand Scenario 2a, Approach a of Step 2 ("Calculation of Diluted EPS for Class A Assuming the Use of the If-Converted Method"), under which earnings per share reflects the effect of the participating security, even though the participating security is antidilutive. Clarifying this will help preparers to remember not to exclude the effect of the participating security (i.e., prevent them from ending their calculation at the last dilutive instrument).

  Approach b: We recommend clarifying in paragraph 4 that the add-back and subsequent reallocation of undistributed earnings is a change in FAS 128's antidilution sequencing provisions. For example, in Scenario 2, Approach b of Step 2 ("Calculation of Diluted EPS for Class A Assuming the Use of the Two-Class Method and That Class B Does Not

Convert"), the add-back of undistributed earnings allocated to the participating security creates a new "control number" (as defined in FAS 128), which is to be used in determining whether potential common shares are dilutive. This control number (which is higher than the control number calculated under Approach a of Step 2), allows otherwise antidilutive potential common shares to become dilutive.

Furthermore, based on the language in the proposed FSP, we believe there may be diversity in views on whether the add-back and reallocation of undistributed earnings is done once or for each dilutive instrument in the computation of diluted EPS. To avoid any diversity, we recommend the final FSP clarify the approach. We would be supportive of either approach.

If you have any questions regarding our comments, please contact Ken Miller (973-236-7336) or John Lawton (973-236-7449).

Sincerely,

PricewaterhouseCoopers LLP