

January 6, 2010

Mr. Russell G. Golden
Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: Amendments to Statement 167 for Certain Investment Funds

File Reference No. 1750-100

Dear Mr. Golden:

In connection with the proposed Accounting Standards Update (ASU) of Consolidations (Topic 810), Amendments to Statement 167 for Certain Investment Funds, Legg Mason, Inc. appreciates the opportunity to comment. Legg Mason is a global asset management firm with approximately \$700 billion of assets under management. Our global asset management affiliates offer a full spectrum of equity, fixed income, liquidity and alternative solutions to individual and institutional investors in over 190 countries around the world.

We support the deferral for "Certain Investment Funds" while the FASB and IASB continue to work on their joint project to provide a common consolidation model that can be applied by reporting entities under U.S. GAAP or IFRS. We believe a consistent conceptual framework that indicates, among other items, when a service provider is acting in an agency versus principal relationship as well as whether kick-out rights are substantive if held by more than one party is essential. In addition, Legg Mason participated in the development of the comment letter submitted by SIFMA's Asset Management Group and we support the comments in that letter.

However, we believe that the deferral for asset managers should include Collateralized Debt Obligations and other similar products (collectively CDOs) where the asset manager's involvement and risk exposure are similar to investment vehicles which do qualify for the deferral. Specifically, CDOs have been established by asset managers for the benefit of unrelated third parties, without providing any performance guaranties or obligation to absorb expected losses. Further, asset managers have not set up CDOs to provide liquidity/financing, i.e. no assets are transferred from asset managers' balance sheet to these vehicles. Asset managers may also have little, if any, equity interest in sponsored CDOs.



We perform an investment advisory service for a market based fee and our risk profile (agency relationship) is consistent with our other investment products.

We believe potential consolidation of products like CDOs by investment managers will, among other things, cause a significant reduction in the overall transparency and understanding of our corporate financial statements, including key operating metrics. One could argue that, in some cases, our financials would actually be misleading to a user. To illustrate this, we believe users of our financial statements, like analysts and rating agencies, will require us to furnish, as a supplement to the consolidated financial statements, deconsolidated, non-GAAP information that basically removes the impact of FAS 167.

If required to consolidate, some of the key impacts to our corporate financial statements are as follows:

- Our income statement would not be reflective of our core operations because our primary source of revenue, investment advisory fees, would be eliminated for consolidated products and would be replaced by investment income (gains and losses, dividends and interest) earned by the entities, offset by non-controlling interest
- Gross balance sheet distortion, with the consolidation of assets to which we have no
 access for corporate purposes and liabilities which the corporate entity has no
 obligation to pay and with no recourse available to corporate creditors
- Significant changes to cash flow statement for categorization of operating versus financing or investing activities
- Significant increase in footnote disclosures for items such as fair value and derivatives, for assets and liabilities with no economic risk or reward to the corporate shareholder
- Distortion of core metrics like operating margins, debt to capital ratios, and working capital

We fully support the FASB's efforts to effectuate meaningful standards that lead to transparent and robust financial information. However, the consequence of potentially consolidating CDOs by an investment manager with no change in our risk profile does not lead to meaningful financial information. Further, it may be extremely confusing to users of corporate financial statements for asset managers to consolidate certain managed funds under FAS 167 only to deconsolidate those funds if the joint FASB/IASB project results in different consolidation principles than are currently embodied in FAS 167.



We appreciate the opportunity to comment on the proposed ASU and would be pleased to provide any additional information you may require. If you have any questions regarding my comments, please contact me at 410-454-3108.

Sincerely,

Robert J. Moy
Director of Financial Reporting