PRICEWATERHOUSECOOPERS

July 7, 2006

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, Connecticut 06856-5116

**RE: File Reference No. FSP FAS 123(R)-e, Amendment of FASB Staff Position FAS 123(R)-1**

Dear Mr. Smith:

PricewaterhouseCoopers LLP appreciates the opportunity to respond to the Financial Accounting Standards Board (the "Board") on its proposed FASB Staff Position No. FAS 123(R)-e, "Amendment of FASB Staff Position FAS 123(R)-1" (the "proposed FSP").

Within the Board's framework for classifying an award as either a liability or equity instrument under FAS 123(R), we support the issuance of the proposed FSP to clarify the application of FSP FAS 123(R)-1, "Classification and Measurement of Freestanding Financial Instruments Originally Issued in Exchange for Employee Services under FASB Statement No. 123(R)." We agree that adjustments to reflect a business combination or equity restructuring made to an award held by a former employee should not cause the award to become subject to other applicable generally accepted accounting principles (GAAP) when (a) the adjustments do not increase the value of the award, or the adjustments are not made in contemplation of the business combination or equity restructuring, and (b) all holders of the same class of equity instruments are treated in a similar manner. We believe that such adjustments, which are intended to preserve the award's value after the business combination or equity restructuring, are fundamentally different than a modification to other features of an award (e.g., a repricing or change in vesting conditions) and should not cause a change in classification due to the application of other GAAP.

We believe, based on our interpretation of the proposed FSP, that any adjustments which do not meet the specified criteria of the proposed FSP, including an adjustment to add an antidilution provision in contemplation of an equity restructuring event, would result in an award held by a former employee becoming subject to other applicable GAAP. This conclusion is based on the belief that such adjustments would increase the value of the award. If this conclusion is consistent with the Board's intent, we recommend clarifying the proposed FSP.

We would suggest the following wording changes to improve the clarity of the proposed FSP (additions are *underlined and deletions are struck-through*).

> "Other ~~M~~modifications of ~~that~~ an instrument when the holder is no longer an employee shall be subject to the modification guidance in paragraph A232 of Statement 123(R)."

If you have questions regarding our comments, please contact John Horan at (973) 236-4997.

Sincerely,

PricewaterhouseCoopers LLP