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August 18, 2006

Nancy M. Morris
Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-1090

Re: **Proposed Distribution Plan for Columbia Management Advisors, Inc. and Columbia Fund Distributors, Inc. (Administrative Proceeding File Number 3-11814)**

Dear Ms. Morris:

The SPARK Institute, Inc. ("SPARK")[1] appreciates this opportunity to comment regarding the proposed distribution plan for Columbia Management Advisors, Inc. and Columbia Fund Distributors, Inc. ("Columbia") that was published by the U.S. Securities and Exchange Commission ("SEC") on July 19, 2006 (the "Distribution Plan"). The SPARK Institute members include the retirement plan service providers that will be responsible for reconstructing accountholder balance information, making certain allocations, receiving distributions, and making distributions to plan participants who are the intended beneficiaries of a substantial portion of the distribution at issue.

We commend the SEC for its prior efforts to address and minimize the administrative complexities associated with allocating and distributing payments to retirement plans. We also appreciate the SEC's most recent efforts to address the issues raised by The SPARK Institute in

1 SPARK represents the interests of a broad based cross section of retirement plan service providers, including members that are banks, mutual fund companies, insurance companies, third party administrators and benefits consultants. SPARK members include most of the largest service providers in the retirement plan industry and the combined membership services more than 90% of all defined contribution plan participants.

our comment letter regarding the proposed distribution plan for Pilgrim Baxter & Associates, Ltd (the "Pilgrim Baxter Distribution Plan").[2] However, The SPARK Institute is concerned about certain aspects of the Columbia Distribution Plan. Additionally, as we noted in our comment regarding the Pilgrim Baxter Distribution Plan we are concerned that both plans appear to be setting precedent for the other distribution plans that are pending with the SEC.[3]

At the outset, we note that we are concerned about the fact that the Distribution Plan provides virtually no guidance or assistance with respect to the handling of retirement plans and retirement plan omnibus accounts. As the SEC knows, such accounts involve thousands of plans and millions of participants who are likely the intended beneficiaries of a large percentage of the total distribution. The rules and regulations that apply to such plans are extremely complex and raise potential fiduciary duty issues for service providers who are not otherwise plan fiduciaries. The Distribution Plan expressly addresses the treatment of non-retirement plan omnibus accounts and the Fund Administrator undertakes to perform the allocations with respect to such accounts on behalf of the omnibus account holders. However, without any explanation, and in our opinion without any justification, retirement plan accounts are treated differently and effectively ignored. The SPARK Institute urges the SEC to require the "IDC" to modify the Distribution Plan to address the concerns specific to retirement plans and retirement plan omnibus account holders, and provide more assistance with respect to such accounts.

I. The Distribution Plan Substantially Limits The Ability Of Retirement Plan Service Providers To Cost Effectively Allocate Payments And Rely On Certain "Safe Harbors" Created By The Department of Labor.

The Distribution Plan provides that **"**Intermediaries of retirement accounts shall be required to distribute the monies received under this Plan in accordance with their fiduciary and contractual obligations, and consistent with guidance issued by the Department of Labor, if any" (Section 7.7). It is our understanding that the foregoing provision effectively means that retirement plan service providers who held positions in the affected Columbia funds for retirement plans through non-transparent omnibus accounts will be responsible for all aspects of determining the allocations and making the payments. Such responsibilities include making all plan level and individual participant level allocations. It is also our understanding that substantially all of the other provisions in the Distribution Plan that relate to the allocation and payment of the proceeds do not apply to non-IRA retirement plan accounts.[4]

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[2] The SPARK Institute comment letter submitted by Robert G Wuelfing, President, and Larry H. Goldbrum, General Counsel, dated July 31, 2006 is available at http://www.sec.gov/comments/3-11524/3-11524.shtml.

[3] The SPARK Institute has similar concerns with respect to the proposed distribution plan for Banc One Investment Advisors Corporation (Administrative Proceeding No. 3-11530) that was published on August 7, 2006 and currently intends to submit a comment with respect to such plan.

[4] We have assumed that Section 7.7 is the controlling provision with respect to the handling of retirement plan omnibus accounts. In the event that such assumption is incorrect, The SPARK Institute requests that the

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The Distribution Plan appears to utilize a distribution methodology (the "Methodology") that allocates the available funds according to the relative harm suffered by investors on a daily basis (Section 2.2). In order to apply the Methodology, retirement plan service providers must reconstruct the historical account balance information at the participant level from 1998 through October 2003.

The Department of Labor ("DOL") provided guidance regarding these matters in Field Assistance Bulletin ("FAB") 2006-1, dated April 19, 2006. The FAB provides a safe harbor for retirement plan service providers if the service provider utilizes the particular allocation methodology set forth in a distribution plan. Because of the costs and complexity of applying the Methodology to individual participant data, and the fact that the Fund Administrator will not undertake to determine plan level or individual participant level allocations with respect to retirement plan omnibus accounts, the Distribution Plan substantially limits the ability of a retirement plan service provider to rely on the safe harbor provisions. A retirement plan service provider who is neither a plan fiduciary nor has fiduciary discretionary authority over plan assets, and is unwilling to assume a fiduciary role with respect to such assets has no choice but to undertake extremely costly historical data reconstruction in order to apply the Methodology. (The costs issues are discussed in greater detail under Section II.) For many retirement plan service providers, the fiduciary implications created by the receipt of funds under the Distribution Plan are not contemplated in their arrangement with the plans they service. It is unreasonable to expect a retirement plan service provider to apply the Methodology across thousands of plans and millions of participants in order to avoid unexpected fiduciary concerns.

II. The Costs To Apply The Methodology Based On Historical Balance Information Will Be Significant and Will Substantially Reduce The Beneficiary Payments Unless Either, Columbia Absorbs Such Costs, Or The SEC And The DOL Provide Additional Guidance Regarding The Application Of The Methodology By Retirement Plan Service Providers.

The information required to make plan level allocations across thousands of plans and millions of participants over the five year period at issue will be significant. Although applying the Methodology based on historical balance data may be the most precise allocation method, the effort and cost associated with gathering this information with respect to retirement plans, even at the plan level, may not be cost effective and may not be justifiable given the ultimate benefit of such accuracy.[5] Such financial burdens that are not absorbed by Columbia will very likely be ultimately borne by the individual plan participants who are the intended beneficiaries. Accordingly, as discussed in greater detail below, the SEC should facilitate efforts through the Distribution Plan to minimize such costs in such a

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Distribution Plan be modified and additional time for comment provided as needed to the extent that treatment of retirement plan service providers is intended to be different.

[5] At the request of the SEC in response to our comment letter regarding the Pilgrim Baxter Distribution Plan, The SPARK Institute is working with its members to develop specific cost estimates.

way that does not force retirement plan service providers out of the DOL safe harbor and does not subject them to fiduciary responsibility rules under the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

Most retirement plan record keeping systems do not retain historical balance information in the way a typical brokerage system retains such information. Although the balance information can be calculated, the data gathering process is extremely complicated and will require the dedication of significant information technology ("IT") resources. For example, many retirement record keeping systems maintain participant holdings in "units" of ownership rather than the actual fund shares. Generally one unit does not equate to one share of the fund. Consequently, the information gathering process will require the plan record keeper to develop a process or program to convert the unit information into share information. Each record keeper will, among other things, likely have to dedicate IT resources to develop programs or applications to extract the required data from among millions of historical records and then review the output for quality control purposes. Some of our members have advised us that they may have to hire additional IT staff to meet the demands of all of the impending distributions plans.

Also, some retirement plan record keeping systems frequently do not maintain historical account balance information, and such information would have to be recalculated. In some cases, a program can be run to recreate the account balance information for each plan and participant on every day during the restitution period. In other cases, the record keeper may have a prior month-end account balance available on historical files and can re-create the subsequent daily account balances by adding and subtracting each day's transactions from the prior balance. Regardless of the record keeping system involved, reconstructing daily, monthly, or quarterly balance history will be time consuming and costly because many service providers process hundreds of thousands and even millions of transactions each day. Under some record keeping systems the use of month-end or quarter-end data would greatly reduce the costs and time required in this effort and preserves a greater amount of the proceeds for beneficiaries without arbitrarily disadvantaging such beneficiaries. The Distribution Plan should expressly provide the opportunity for retirement plan service providers to use monthly or quarterly records to determine allocations, as the plan offers for other omnibus account holders (Section 7.6(f)(ii)). Such change to the Distribution Plan will help some retirement plan service providers to fall within the safe harbor under the FAB. However, such change will not resolve our concerns with respect to most record keeping systems.

Additionally, retirement plan record keeping systems have changed significantly since 1998. Many service providers have changed record keeping platforms, have outsourced their record keeping operations to other entities, or have been involved in mergers and acquisitions. Some of the information may be on systems that are no longer supported by the service provider or its software vendor. The combined costs and demands that this Distribution Plan, the others that are pending, and other SEC matters affecting retirement plan service providers[6] are significant and should not be overlooked by the SEC when considering how to resolve these matters.

In order to fully address these concerns, The SPARK Institute urges the SEC to modify the Distribution Plan to provide clear and specific guidance in the form of an alternative allocation methodology (the "Alternative Methodology") that would apply when the net costs (after taking into account Columbia cost reimbursement) for allocating the proceeds according to the Methodology among plans and participants, as reasonably determined by the retirement plan service provider and properly documented for the Fund Administrator, exceeds 50% of the gross proceeds.[7] The Alternate Methodology should provide that the proceeds can be allocated among the plans that held the affected funds during the restitution period according to their weighted monthly average account balances. Participant level allocations would be made according to the directions given to the service provider by the plan sponsor. The SPARK Institute also urges the SEC to modify the Distribution Plan to clearly and specifically acknowledge that it would be reasonable for retirement plan service providers to apply the Methodology to a simplified data set (i.e., month-end or quarter end account balances) in order to make plan and participant allocations where, based on the record keeping system involved, it is more cost effective and administratively feasible to do so. The combined impact of this additional guidance and relief would greatly reduce the costs and time required in this effort and preserve a greater amount of the proceeds for beneficiaries without arbitrarily disadvantaging such beneficiaries.

III. Retirement Plan Service Providers Will Require Significant Time <u>To Complete Their Roles In Connection With The Distribution Processes</u>.

Under the FAB, the DOL concluded that a retirement plan service provider becomes a fiduciary upon receipt of settlement funds, even if such entity is not otherwise a fiduciary with respect to the plan it services. Consequently, retirement plan service providers will likely elect to handle the distributions according to the provisions in the DOL FAB that

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[6] SPARK Institute members are concerned that they are already devoting significant IT resources towards making system changes to facilitate mutual fund industry compliance with SEC Rule 22c-2. Absent an extension from the SEC, Rule 22c-2 has a compliance deadline of October 16, 2006.

[7] For example, assume gross proceeds under the Distribution Plan of $1,000,000 and a proposed cost reimbursement estimate of $150,000 to a particular record keeper. Additionally, assume that the record keeper estimates that the costs and expenses to follow the Methodology will be $300,000 and is permitted to offset such costs against the proceeds under its plan agreements. The net proceeds to be allocated under this example would be $850,000 ($1,000,000-300,000+150,000). Accordingly, the service provider would follow the Methodology for the plan level allocation, and possibly the participant level allocation, because the net allocation costs will not exceed 50% of the gross proceeds ($300,000 - 150,000 < 1,000,000 x 50%). Alternatively, assume gross proceeds under the Distribution Plan of $450,000 and a proposed cost reimbursement estimate of $67,500 to the same record keeper. The allocation costs to follow the Methodology remain at $300,000 because such costs are not driven by the amount of the proceeds but instead by the costs to reconstruct the balance history and complexity of the Methodology. Under these facts the record keeper would follow the Alternate Methodology because the net cost to follow the Methodology will be $232,500 which is greater than 50% of the gross proceeds ($225,000), unless Columbia agrees to absorb a greater portion of the allocation expenses.

suggest that a record keeper "may be able to avoid fiduciary status" if the "receipt, allocation and/or distribution services . . . are carried out in accordance with the directions and approval of appropriate plan fiduciaries. . . ." (FAB 2006-1.) Accordingly, the service provider must have adequate time to obtain the required instructions from the appropriate plan fiduciaries and make the allocation before receiving any payments from the Fund Administrator. Identifying the affected plans and obtaining the required instructions will be a time consuming process.

The SPARK Institute urges the SEC, the IDC and the Fund Administrator to allow retirement plan record keepers the time that is reasonably necessary to, for example (1) identify and provide targeted notification to the affected plans in order to obtain plan sponsor directions regarding participant level allocations; (2) gather the required transaction and balance information necessary to determine the plan level and participant level allocations, and (3) complete such tasks prior to the receipt of funds so that such service providers avoid or minimize the fiduciary status and potential fiduciary duties under ERISA. The SPARK Institute can provide additional information regarding these time concerns and needs, upon request by the SEC.

IV. The Distribution Plan Should Expressly Provide For Reimbursement Of Expenses To Retirement Plan Service Providers For Making Allocations And Distributions With Respect to Retirement Plan Omnibus Accounts.

The Distribution Plan provides that Columbia will bear the administrative costs associated with the Distribution Plan (Section 7.18). The Distribution Plan also includes certain other provisions regarding estimates and limits with respect to the reimbursement of costs (Section 7.6). However, it is not clear how such provisions will be applied with respect to retirement plan omnibus accounts which appear to be otherwise excluded from such provisions (Sections 7.6(a) and 7.7).

The costs for retirement plan service providers will be dictated by in large part by the complexity of the Distribution Plan, the level and extent of the data required to make the allocations under the Distribution Plan, the number of funds involved, and the number of plans and participants affected. Such costs are not impacted by the amount of the ultimate payments. The costs associated with allocating and making distributions that are not reimbursed by Columbia will likely be passed on to plan participants and reduce, if not entirely eliminate their distribution amount. The SPARK Institute recommends that if the Fund Administrator can reasonably estimate the gross payment amount to an omnibus account at the time it notifies the account holder, the Fund Administrator should also provide an estimate of the potential cost reimbursement to such account holder. This will allow the plan record keeper and the Fund Administrator to determine what is the most cost effective way to handle the matter. However, regardless of the approach taken, Columbia should remain responsible for all of the administrative costs incurred by retirement plan omnibus account holders.

Conclusion

We would be remiss for not pointing out that some of our members are extremely concerned about the fact that they are being required to play a significant role in this process which is the result of mutual fund scandals with respect to which they are not at fault. Such members are being asked, if not forced, to accept fiduciary responsibilities that they never contemplated undertaking, and to incur and absorb significant costs to facilitate this Distribution Plan and others that are pending. Such members are further troubled by the fact that these distribution plans are being developed by third parties without their participation. We respectfully request that the SEC consider these concerns as they evaluate this comment and our request for modifications.

We thank you for this opportunity to comment on this very important effort. Should you have additional questions or need additional information regarding this comment, please do not hesitate to contact us at (860) 658-5058.

Respectfully,

/s/

Robert G. Wuelfing
President

/s/

Larry H. Goldbrum
General Counsel

cc: Peter H. Bresnan, Division of Enforcement (Securities and Exchange Commission)
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