From: Ron DiMattia [ron@corporatevaluepartners.com]

Sent: Tuesday, October 07, 2008 6:10 PM

To: Director - FASB

Subject: File Reference Proposed FSP FAS 157-d



LETTER OF COMMENT NO. 20

I appreciate the opportunity to comment on Proposed FSP FAS 157-d "Determining the Fair Value of a Financial Asset in a Market That is Not Active." Because of the compressed time frame requested by FASB staff, I will make my comments brief.

While the guidance included in FSP FAS 157-d is useful, it demonstrates the difficulties in the application of SFAS 157 and potential weaknesses in the disclosure model described in it. It would appear that there is little controversy related to "Level 1" measurements, briefly defined as follows:

a. Level 1 – Quoted price, identical asset, active market.

"Level 2" measurements encompass a wide range of calculations and introduce an element of subjectivity, which FSP FAS 157-d attempts to address. "Level 2" measurements are briefly defined as follows:

- a. Level 2 Quoted price, similar asset, active market.
- b. Level 2 Quoted price, identical or similar asset, inactive market.
- c. Level 2 Inputs other than quoted prices that are observable.
- d. Level 2 Inputs that are derived from or supported by observable market data.

"Level 3" measurements are calculated with the use of unobservable inputs.

Through the Fair Value Hierarchy detailed in SFAS 157 (and summarized above), the FASB implicitly establishes Level 1 measurements as being more reliable than Level 2 measurements, which in turn are more reliable than Level 3 measurements. This concept of reliability is reinforced by the disclosure requirements of SFAS 157, which establish more detailed disclosures for Level 3 assets/liabilities than for Level 1 and Level 2 assets/liabilities.

FSP FAS 157-d, however, highlights that Level 2 measurements are affected by a great deal of subjectivity, particularly when markets are inactive. Likewise, business valuation analysts have long struggled with the concept of comparability, or similarity, when valuing a security or business due to the subjectivity involved. Thus, for two types of Level 2 measurements - a)Quoted price, similar asset, active market and b)Quoted price, identical or similar asset, inactive market - it is not proven, nor would it appear to be widely accepted, that they are likely to produce demonstrably more reliable results than are Level 3 measurements.

While providing useful guidance for the measurement of a security that is not actively traded, FSP FAS 157-d brings into question the Fair Value Hierarchy established in SFAS 157; in particular whether Level 2 measurements are more reliable than Level 3 measurements. The FASB has a number of options to consider in this regard, including a 2-tier hierarchy or eliminating the hierarchy altogether.

I appreciate this opportunity to comment. Thank you.

Ronald D. DiMattia President Corporate Value Partners, Inc. 1340 Depot Street, Suite 102 Rocky River, Ohio 44116 440-333-1910 440-333-4449 FAX ron@corporatevaluepartners.com www.dealdesk.com