





ACCOUNTING DEPAREMENT

April 1, 2009

Re: FSP FAS 157-e

Dear FASB Board Members and Staff.

Thank you for the opportunity to comment on LSP EAS 157-e.

In general, I believe the ESP represents a reasonable approach to the challenge of valuing illiquid assets. However, it also raises difficult issues about the coherence of the of "Pair Value" concept and its appropriate scope of application in accounting measurement.

The accounting definition of Fair Value, with its three levels of valuation hierarchy, has always been a polyglot category. However, by further widening gap between strictly market based measures and permissible 'level three' measures, the FSP raises some fundamental questions. Should 'level one' and 'level three' methods really be considered part of the same measurement basis? Does the range of financial instruments currently reported at Fair Value belong in the same measurement category?

Going forward, we think it will be necessary to narrow, rather than broaden, the definition of Fair Value to more closely correspond with the economic concept of market value. However, we will also need to improve our measurement alternatives when market value is not a feasible or useful measure.

The current measurement alternative, where assets are classified as 'held to maturity', is purchase cost subject to adjustment for impairment. This measurement approach is grounded in expected future cash flows, and from a conceptual standpoint is clearly appropriate for assets satisfying the criteria for held to maturity classification. Both impairment and eash-flow based revaluation are difficult concepts to apply, however. The FASB's recent FSP is an advance over previous practice, but is unlikely to be the last word on the subject (see FSP FAS 115-a, FAS124-a, and LITF 99-20-b).

The strains on the accounting definition of Fair Value reflect the desire of its advocates to increase its scope of application, and thereby bring accounting closer to a pure financial markets

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model. However, applications of Fair Value are approaching the boundaries of what is feasible or useful for financial reporting. Not all financial instruments are created equal. Those held for their cash flows and with the ability and intent to hold to maturity should be classified as Held-to-Maturity and measured accordingly. Investors should still be informed about the potential sales price of these assets, as is the basic intent of FAS107 disclosures. However, as the Fair Value 'umbrella' extends further beyond 'market value', these disclosures may cease to provide the information they are intended to convey.

Again I wish to thank the FASB for this opportunity to comment, and to thank the Board and staff for your ongoing efforts to meet our many financial reporting challenges.

Sincerely.

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