

LETTER OF COMMENT NO. 12

From: lleguyad@aol.com

Sent: Sunday, September 28, 2008 1:27 PM

To: Director - FASB

Subject: Application of FAS157 to Non-Financial Items with Emphasis on Real Estate Assets

I am writing to make a formal request that the FASB re-open the FSP process which resulted in the postponed required application of FAS157 ("effective date") to Non-Financial Items.

Some have urged me to write to request the reopening of deliberations on FAS157 to result in a revised FAS157 ("FAS157r"), and it may be the case that this direction is preferable to the FSP discussion that I request. That choice is up to the FASB, as would be the choice not to act on this request in any way.

My attention is particularly focused on Real Estate Assets - both raw land and land in various forms of development up to and including completion, installation and placing "in service" of any building, whether that building is for habitation or commercial use of any kind.

While I write with this particular focus, prompted by the available information to me, my request applies to all Non-Financial Items. My belief is that if the FASB opens a new FSP process or reopens a settled FSP to respond to this request, constituents affected by a broad range of Non-Financial Items will be likely to come forward and express their views, provide information and support the request for a postponed application date.

I am writing after spending a large part of the last 12 months presenting FAS157 and the associated standard FAS159 to CPAs across the country in Continuing Education sessions. Those CPAs are primarily financial statement preparers and Non-Big 4 auditors of both public and private entities, both domestic and foreign concerns.

That FASB constituency has learned and improved their application of the FAS157 definition for Fair Value contained in FAS157 paragraph 5, and in particular the hierarchy provided by that standard, the so-called Level 1, Level 2, and Level 3 approach which applies both to valuation inputs and to the overall characterization of the resulting Fair Value measure. I am convinced after my work in this area that the specificity and idiosyncratic nature of Real Estate assets, both developed and undeveloped, is so extreme as compared to Financial items that the guidance contained in FAS157 will either be difficult or impossible to apply without substantial error or result in measures that do not satisfy the stated goals of FAS157 for the use of fair value measures in financial statements.

Further I would need to emphasize that this request is not prompted by the current capital markets maelstrom. That maelstrom surrounds the application of FAS157 to Financial items in the context of current market conditions. And FAS157 notions are at the heart of the economic measures being debated in the immediate press of legislation, and actions of both the United States Treasury and the Federal Reserve Bank of the United States in response to current overall market conditions and the particular conditions in the asset-backed securities and credit default swaps markets. However the link to current events is in part inescapable as Real Estate items, including residential assets and certain commercial assets - they constitute the collateral to these financing and risk management strategies and so are subject to fair value re-assessments under, in some cases FAS114, or other applicable FASB rules.

By opening an FSP process, or more formally an agenda item to revise FAS157 (which is more than requested), the FASB would, in the first part, immediately delay the application of FAS157 further as requested, and in the second part, open deliberations to provide more detailed guidance once FAS157 become applicable.

I hope you will consider this formal request and communicate it to the members of the FASB with my kindest regards.

Sincerely,

Lou

Louis Le Guyader East Islip, New York