From:
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 To:
 Director - FASB

 Subject:
 Proposed FSP FAS 157-q

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Comments on Proposed FSP FAS 157-g

Paragraph 15 of the proposed FSP refers to the Measurement as a practical expedient.

One of the meanings of *expedient* is "something done or a method used to achieve an objective quickly, regardless of whether it is fair, right, or wise in the long term." (*Encarta Dictionary*) Such options are generally offered in response to popular demand and complaints over the difficulty of compliance with a given rule or standard. They are therefore not necessarily the best options for the long run, and should generally be avoided. With this in mind, I offer the following comments on FSP FAS 157-g. The paragraph numbers below correspond to those in the FSP.

First, let me also comment that I am somewhat disappointed that this FSP still used the old FAS designations despite the impending activation of the Codification. Although the Codification was not yet authoritative when Proposed FSC 157-g was released, the Staff should be leading the way to the soon-to-be new authoritative guidance at this point in time.

Notice for Recipients (answers to questions in indicated paragraphs)

1. The Board should clarify that in addition to meeting the definition of investment company in the investment

companies Guide, and determining the NAV per share in accordance with that Guide, the value should be shown

on *audited* financial statements. The Guide requires the use of FAS 157 (FASBASC section 820). In order to provide

greater assurance that such values are fairly reflected, the source should be *audited* in accordance with GAAS

(or PCAOB standards, if applicable). This requirement should be added to the Staff Position paragraph 15,

Measurement.

I would agree that application of the proposed FSP should not be permitted if the value is readily determinable. To do so would open the possibility of management's choosing the value that best suits the purpose of the financial statements. This would not always lead to a fair presentation of the value of the investment.

No specific comment. Let the final position reflect minimization of the scope in keeping with avoiding use of expedients. 3. It appears that since the expedient as written contains the condition that the investee's NAV per share "is

determined in accordance with the investment companies Guide as of the reporting entity's measurement date,"

the expedient would not be available to entities that have investments with reporting periods differing from

their fiscal years. This may have the effect of narrowing the availability of the expedient. Since use of the

approaches in this paragraph may tend to increase the availability, I would recommend that these and such

other approaches that tend to widen the scope *not* be added to the final version. This is in keeping with avoidance

of using a method that achieves "an objective quickly, regardless of whether it is fair, right, or wise..."

Therefore, any change in the scope should serve to narrow it, not widen it.

4. I agree with the decision to "permit rather than require the application of this proposed FSP." Were it not for this

provision, a reporting entity would presumably be required to estimate the fair value of ALL of its investments, including those contemplated by this provision, under FAS 157 (FASBASC 820). For those reporting entities that wish to follow the original guidance, *requiring* the use of this provision may actually *force* them to misstate the value of the investment. The Board should not issue guidance that *contravenes* compliance of its own previously issued standards by those willing and able to comply with them. The unintended consequences then, of *requiring* use of this provision could include misstatements of amounts that would otherwise not have been misstated. Therefore, *permitting* the use rather than *requiring* the use, would also be in keeping with minimizing the use of a possibly unwise expedient.

5. I would suggest that it may be confusing or misleading to allow more aggregation and still require disclosure of

"a description of the significant investment strategies of the investee(s)." The disclosure should be kept as

proposed. As for providing disclosures for prior periods for which financial statements have not yet been issued,

this should be kept optional for statements that are "imminent". Define "imminent" as actually being issued

within a reasonably short time of the effective date. It would not be fair to impose a new disclosure such as this

when there is the possibility that it may cause a delay in some critical reports in order to collect or create the

needed information. However, perhaps it would be appropriate to require a statement that such disclosures have

been omitted, and the reasons for such omissions. Statements not qualifying as "imminent" should not be

exempted. To do so would not be in keeping with avoiding a possibly unwise expedient. For additional

disclosures, does the Board intend that these covered investments also be classified according to the fair value

hierarchy? This issue should be made clear, whether for or against.

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