John F. Sturm
President and CEO

September 27, 2010

Mr. Russell G. Golden
Technical Director
Financial Accounting Standards Board
Norwalk, CT 06856-5116

Re: File Reference No. 1810-100, Proposed Accounting Standards Update, “Accounting for Financial Instruments (Topic 825) and Revisions to the Accounting for Derivative Instruments and Hedging Activities (Topic 815)”

Dear Mr. Golden:

The Newspaper Association of America (NAA) is a nonprofit organization representing nearly 2,000 newspapers and their multiplatform businesses in the U.S. and Canada. NAA members include daily newspapers, as well as other non-dailies, other print publications and on-line products. Our members represent almost 90 percent of the daily circulation in the United States. We welcome the opportunity to comment on this Exposure Draft.

We note that the Board is proposing new guidance for accounting and reporting for financial liabilities, including loans. Specifically, the Board is proposing fair value, with all changes in fair value recognized in net income, as the default option for classification of measurement of all financial instruments, whether financial assets or financial liabilities.

The newspaper industry is deeply concerned that the proposed change requiring loans and all financial liabilities to be marked to market on a regular basis will exacerbate a tight credit market, which would harm businesses that are just beginning to see the light at the end of the tunnel in the economic recovery. We believe the change may result in inaccurate values for those financial liabilities that are illiquid and not traded on a recognized market. All of this will be translated into an increased cost of obtaining credit in a fragile economic environment.

It has been well documented that a severe drop in newspaper advertising has had a serious impact on newspapers in every state over the last two years. Despite these challenges in the industry, newspapers have generally fulfilled loan covenants. It is the performance of the loan – not the market value of the loan – that should continue to take precedence. In fact, the minute a bank makes a loan to a local small business, it will be forced to write down the value because no one else will pay 100 cents on the dollar for that loan, especially in times of economic uncertainty.

NAA respectfully requests that the FASB reconsider the inclusion of financial liabilities for which there is no active market in this Exposure Draft.

Respectfully submitted,

John F. Sturm

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