

Via E-Mail to smector or fasts.org

March 31, 2009

Mr. Russell G. Golden Technical Director FINANCIAL ACCOUNTING STANDARDS BOARD 401 Merritt 7 P.O. Box 5116 Norwalk, CT 06856-5116



LETTER OF COMMENT NO. 324

Re: Proposed FSP FAS 157-e

Dear Mr. Golden:

Costco Wholesale Corporation ("Costco") appreciates the opportunity to comment on the proposed FASB Staff Position (FSP) FAS 157-e, Fair Value Measurements.

Costco does not operate any businesses that would be considered part of the financial services industry. We do, however, currently have two investment portfolios that would be subject to the provisions of this FSP. Both portfolios hold asset and mortgage backed securities, some of which have been other than temporarily impaired. It has never been our intention to hold some of these securities directly, however as a result of the current financial crisis we ended up holding a vertical slice of an enhanced money market fund containing a number of these illiquid and otherwise troubled securities. Accordingly, we have had to apply FAS 115 and 157 with respect to these assets resulting in a significant expenditure of time and resources.

To date, a significant number of responses to this proposed FSP have been received from constituents in the financial services industry. We offer the perspective of a constituent outside of that industry.

Question 1 - Is the proposed effective date of interim and annual periods ending after March 15, 2009, operational?

Comments to Question 1 – Because of the additional information that would have to be gathered from third parties, the development of models and related analysis applied on a security by security basis, we believe the proposed effective date should be delayed until these matters are clarified.

Question 2 - Will this proposed FSP meet the project's objective to improve financial reporting by addressing fair value measurement application issues identified by constituents related to determining whether a market is not active and a transaction is

not distressed? Do you believe the amendments to Statement 157 in this proposed FSP are necessary, or do you believe the current requirements in Statement 157 should be retained?

Comments to Question 2 – The proposed FSP does provide a framework for assessing whether a security is not active and a transaction is distressed, but needs additional modification to be operational. However, a transaction in an inactive market may not necessarily be distressed.

Question 3 – Do you believe the proposed two-step model for determining whether a market is not active and a transaction is not distressed is understandable and operational? If not, please suggest alternative ways of identifying inactive markets and distressed transactions.

Comments to Question 3 – We agree with the Board in providing additional guidance to determine if a market is not active and the proposed two-step approach is operational, subject to the comments below. We also concur with the Federal Home Loan Bank of Chicago, *Letter of Comment No. 130*, in their response to question 3 in stating that further enhancements are necessary to make it operational for all entities.

Many issuers rely heavily on external portfolio investment managers and pricing services for the market prices used in the valuation of its investment portfolio. Some pricing providers receive prices from a variety of broker/dealer sources and assimilate those multiple prices into their quoted price. In determining their published price quote, a single security may have several price points. The final FSP should specifically address the use of pricing services and provide examples of evidence that could be obtained from those pricing services, or other sources, to substantiate that the requirements of the guidance in the proposed FSP are met.

We encourage providing a detailed Step 1 example of an active and in-active market, thereby adding clarity to the operational guidance. Additionally, a detailed Step 2 example highlighting the circumstances of when a quoted market price should be used and when a model should be applied would also be helpful. Notwithstanding the foregoing, for the investor who is relying on third party investment portfolio managers, the development of models presents an operational burden and may require resources not available within the entity.

The Federal Home Loan Bank of Chicago, Letter of Comment No. 130, also makes a valid request for additional Step 2 guidance addressing how to assess and document whether multiple bid scenarios represent non-distressed transactions.

We do not agree with the conclusion in Step 2 that, barring evidence to the contrary, all transactions in an inactive market are deemed distressed transactions. The investor may have evidence indicating the transaction is not distressed which falls outside of the prescribed Step 2 requirements. Therefore,

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management should be permitted wider discretion in its distressed transaction determination.

Question 4 - Are the factors listed in paragraph 11 of the FSP that indicate that a market is not active appropriate? Please provide any other factors that indicate that a market is not active.

Comments to Question 4 - Some securities, by their nature, may trade less frequently. The FSP should address how the Step 1 criteria would be applied to that scenario.

A further complication in applying the portfolio valuation process is the fact that there may be a wide range of prices present. The FSP does not address how this situation would be handled. Allowing the entity to use average pricing when multiple prices are provided may be an alternative.

We concur with Genworth Financial, *Letter of Comment No. 122*, in their comment regarding paragraph 12 and the modification of the language from "After evaluating all factors..." to "After evaluating all relevant factors that are readily observable without undue cost and effort." We, as well, are concerned about the time and cost involved in applying these valuation requirements.

Question 5 – What costs do you expect to incur if the Board were to issue this proposed FSP?

Comments to Question 5 – When the quoted price is associated with a distressed transaction, paragraph 15 indicates the reporting entity "must" use a valuation technique other than one that uses that quoted price without significant adjustment. Our preference would be to apply a valuation technique discounting the quoted price and supporting that determination with appropriate documentation.

From the investor perspective, having to develop present value models to estimate the fair value presents an operational challenge. Investors utilizing third party pricing services have not previously developed independent valuation models and to do so now would require significant entity resources. Additionally, these alternative fair value methodologies require the incorporation of various estimates and assumptions that are not readily available to the investor. Because we have significant reliance on our portfolio investment managers and pricing services, which in turn rely on associated broker/dealers, we would look to them to provide the necessary information. This effort becomes a significant operational burden.

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We thank the Board for its review and consideration of these comments. If the Board or Staff has any additional questions, please do not hesitate to contact me at (425) 313-6124.

Very truly yours,

COSTCO WHOLESALE CORPORATION

∕Řue A. Jenkins ∠ Assistant Treasurer