Thank you for the opportunity to comment on File Reference Number 2013-220, Recognition and Measurement of Financial Assets and Financial Liabilities. I appreciate the FASB's continuing efforts to improve the fair value accounting standards. I have included my comments in the following paragraphs. My comments, all of which are offered with goodwill, will be general and will speak to higher-level issues. I hope that the FASB would consider my comments to be responsive to the Exposure Draft.

The Exposure Draft is a step in the right direction, but the FASB really needs to address additional matters that lay the foundation for fair value accounting (I have written at length about these in prior letters to the FASB as well):

- 1. The exit price premise of value must be removed. As the basic assumption underlying all fair value measurement requirements, it makes everything we do needlessly complex and ignores important information about the transaction in which the asset was acquired. Most troubling, an exit price premise of value creates a technical basis for the concepts of Bargain Purchase Gain and Overpayment Loss, but the FASB chooses only to acknowledge Bargain Purchase Gain. Overpayment Loss, which has been widely written about, is not considered by the FASB. Not only is Bargain Purchase Gain subject to quite some abuse, it is technically incorrect. A company's acquisition of an asset is by definition a market price which is valid for financial reporting purposes whether management under-paid or over-paid. The only way anyone can tell if management under-paid or over-paid for an asset is to wait and see what the company does with it. So there is no need to create a hypothetical transaction by "market participants" to measure value because that information is irrelevant. This one change would dramatically improve the fair value standards.
- 2. The three-tier fair value hierarchy must be reduced to a two-tier hierarchy Level 1 and all other. There is no evidence to suggest that Level 2 measurements produce more reliable fair value results than do Level 3 measurements. In fact the FASB had to issue a "patch" a few years ago because many Level 2 measurements were producing fundamentally incorrect results. This one change would help to simplify the application and reporting of fair value requirements.
- 3. Liabilities should not be subject to fair value measurements under any circumstances. The only time a gain should be recognized is when a liability has actually been legally extinguished at less than face value and the company remains a going concern. The FASB regularly acknowledges that, "those financial liabilities designated under the fair value option are not usually settled at their fair value before maturity." But this is most important If the FASB continues to allow the reporting of any liabilities at fair value, and if there are reported reductions in a liability as a result of changes in credit risk, the outcome should never be an increase in the equity of a firm. The only valid offset to a reduction in a liability measured at fair value due to credit risk must be a reduction in the reported assets of the firm. Under current and proposed rules the FASB has created a reporting model for liabilities that is at odds with established business practice and legal requirements.

More specifically, I would like to note:

- a. All loan assets should be recorded at amortized cost. If loans are held in a business that may sell them, then footnote disclosure of the possible downside exposure on the loans if they were sold at the reporting date should be made. But there would be no changes in value to flow into the equity of a firm until the loans are actually sold.
- b. For equity investments without a readily determinable fair value, I do think it would be useful to somehow capture the value of equity investments that do not have a readily determinable fair value; even if it is only as a range in a footnote. The practicability exception may short-cut information that is useful to users of financial statements. This is an area where I feel that fair value measurements could be useful. But we would need to adopt valuation assumptions that are different than what the FASB currently requires (as an example, exit price premise of value and three-tier hierarchy must be changed). This could prove to be difficult for companies, but I think this information is much more relevant than the measurement of a Bargain Purchase Gain.
- c. Parenthetical numbers on the financial statements would be a distraction, in my opinion. I think we should be creating an uncluttered presentation if at all possible.

Thank you for considering my comments. I hope that they are useful in your deliberations.

Take care, Ron

Ronald D. DiMattia

President

Corporate Value Partners, Inc.

1340 Depot Street, Suite 102

Rocky River, Ohio 44116

440-333-1910

ron@corporatevaluepartners.com

www.DealDesk.com

Valuation and Corporate Finance Services