



October 9, 2008

Mr. Russell G. Golden
Director of Technical Application & Implementation Activities
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

File Reference: Proposed FSP FAS 157-d

Dear Mr. Golden:

We appreciate the opportunity to comment on proposed FASB Staff Position (FSP) No. FAS 157-d, "Determining the Fair Value of a Financial Asset in a Market That Is Not Active." Huron Consulting Group helps clients address complex challenges that arise in accounting advisory, litigation, disputes and investigations. Huron provides services to a wide variety of organizations, including Fortune 500 companies, medium-sized businesses, leading academic institutions, healthcare organizations, and the law firms that represent these various organizations. Clients have engaged us to help them estimate the fair value of complex financial instruments, so we are familiar with some of the challenges that companies are facing given today's credit markets.

We believe an example of how a reporting company might estimate fair value in an illiquid market in accordance with Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements*, will be helpful. We have the following comments on the proposed FSP:

- We believe the guidance should apply to all financial instruments, not just financial assets. The issuer of a credit default swap on a senior tranche of a collateralized debt obligation that is not actively traded (or traded at all) will presumably be faced with the same issues concerning valuation as the holder of that tranche.
- In the last sentence of paragraph A32B, we suggest inserting "unobservable" between "significant adjustments". Although we think the sentence clearly implies that the company is using unobservable inputs to adjust the transaction prices, you can avoid any unintended confusion by making it explicit.
- The first bullet point under paragraph A32D refers to the "last date on which the market was considered active...." That wording implies the reporting company should go back to the last date on which it had a Level 1 fair value measurement. We think the first sentence of that point should simply refer to the last date on which the company estimated the fair value of the financial instrument for financial reporting

purposes. We don't believe the level in the fair value hierarchy in which the company classified its most recent measurement should be relevant.

- We recommend modifying the discussion in (a) of the first bullet point under paragraph A32D to avoid any unintended confusion. As currently written, the reference to prices "that represent orderly transactions for the same or similar ... securities" could be read as requiring evidence that a transaction occurred in an orderly market. We think SFAS 157 requires evidence that a transaction is a forced liquidation or distressed sale in order to ignore that price.
- With regard to the second bullet point under paragraph A32D, we suggest adding discussion about how the broker or pricing service developed the indicative quote. A reporting company is obligated to obtain information about how indicative quotes are developed. The reporting company would use that information to assess the quality of the quote, which would affect the amount of reliance it places on that quote in estimating fair value.
- We recommend adding a reference to prices received from independent pricing services to paragraph 9 of the proposed FSP. That paragraph currently only refers to broker quotes.

We suspect that some constituents would have preferred guidance that suspended the application of SFAS 157 and therefore will be disappointed to find an example that is consistent with that guidance. We also suspect the FASB will continue to come under political pressure to weaken its guidance on fair value measurements because it is always easier to blame the accounting (or the accountants) than accept responsibility for bad policy or questionable business decisions. We hope you will not bend to that pressure.

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We would be pleased to discuss any of our comments with the Board or the FASB staff. Please direct any questions or comments to Jeff Ellis at 312-880-3019 or Ken Evola at 202-585-6860.

Sincerely,

/s/ Jeffrey H. Ellis

Jeffrey H. Ellis
Managing Director

/s/ Kenneth Evola

Kenneth Evola
Managing Director