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July 23, 2008

Ms. Florence Harmon
Acting Secretary
Securities and Exchange Commission
100 F Street N.E.
Washington, DC 20549-1090

Re: Comments on Fair Value; File No. 4-560

Dear Ms. Harmon:

BDO Seidman, LLP is pleased to submit comments about fair value related to the SEC's July 9 Roundtable on the subject.

We have two comments, related to estimating fair value in distressed markets and the application of fair value to nonfinancial liabilities.

Estimating Fair Value in Distressed Markets

FASB Statement No. 157, *Fair Value Measurements*, defines fair value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants…." It further clarifies that market participants are "willing to transact for the asset or liability; that is, they are motivated but not forced or otherwise compelled to do so."

In the past year, the liquidity in certain markets has decreased substantially. Transactions still occur, but at substantially reduced volumes compared to prior years. In some cases, the transaction prices suggest that the seller may be under compulsion to sell and may be accepting a price lower than what would be expected in an orderly transaction. For example, mortgage-backed securities for which defaults are expected to peak at 20% may sell at a price that implies a 70% default rate. Other entities holding similar financial assets are uncertain about whether to consider the existing transactions in estimating the fair value of their own holdings and, if so, how much weight to give to those transactions. While a transaction price may suggest that the seller is under compulsion to sell, other entities may have no direct evidence that it is a distress sale. We believe it would be helpful if the SEC, perhaps in conjunction with the PCAOB, would provide guidance about what evidence is relevant in concluding that a transaction observed in the market is a distress sale.

Fair Value of Nonfinancial Liabilities

The Roundtable focused, appropriately, on the application of fair value to financial assets and liabilities, because they have been the focus of most of the recent controversy about fair value. However, the FASB and IASB increasingly have been requiring fair value measurements for nonfinancial assets and liabilities, for example, liabilities for lawsuits assumed in business combinations and asset retirement obligations. We believe that fair value for nonfinancial assets and liabilities, especially liabilities, is problematic. These are often the costliest estimates of fair value to develop, because no markets exist. Furthermore, the estimates often are developed based on the present value of estimated future cash flows. The reporting entity develops several potential scenarios, ranging from pessimistic to optimistic, and assigns a probability to each scenario. The computations involve multiple subjective judgments—how many scenarios to develop, the cash flows associated with each scenario, what discount rate to use, and, above all, the probability assigned to each scenario. We question how useful the result, based on multiple subjective judgments, is to users of financial statements. Given the high cost of developing the estimates, we also question whether such fair value measurements provide benefits in excess of costs. We believe that the SEC should recommend to the FASB and IASB that they be circumspect in the future in extending fair value measurements to additional classes of nonfinancial liabilities.

We would be pleased to speak with the Commission or the staff in more detail about our comments. Please contact either Wayne Kolins (212-885-8595) or Ben Neuhausen (312-616-4661).

Very truly yours,
s/ BDO Seidman, LLP