LEGACY
Health System

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July 8, 2009

Mr. Russell Golden
Technical Director
Financial Accounting Standards Board
401 Merritt 7
Norwalk, CT 06856-5116

File Reference: Proposed FSP FAS 157-g

Dear Mr. Golden:

Thank you for the opportunity to comment on the exposure draft of the proposed FASB Staff Position (FSP) FAS 157-g, "Estimating the Fair Value of Investments in Investment Companies That Have Calculated Net Asset Value per Share in Accordance with the AICPA Audit and Accounting Guide, *Investment Companies*." I am the Vice President of Finance at Legacy Health System (Legacy). Legacy is not-for-profit healthcare system that operates five acute care hospitals in the Portland, Oregon metropolitan area. Our total revenue and total assets exceed $1 billion and our investment portfolio is roughly $400 million. We employ more than 9,000 full and part-time employees, and are one of the largest private sector employers in our community

I support your efforts to provide a practical expedient that would permit a reporting entity to estimate the fair value of an investment within the scope of this FSP using net asset value per share (NAV) without further adjustment. Given the subjectivity and effort that would be required to determine the fair value of alternative investments in accordance with FASB Statement No. 157, *Fair Value Measurements*, I believe this approach is more operational and will result in providing users of financial statements with more relevant information.

The remainder of this letter addresses specific aspects of the proposed FSP.

Paragraph 12 - Scope
According to paragraph 12 of the proposed FSP, this "FSP applies to investments in entities that meet the definition of an *investment company* in paragraph 1.06 of the Investment Companies Guide for which the entity's net asset value per share (or its equivalent, for example, partners' capital per share for an investment in a partnership) has been calculated in accordance with that Guide." This statement implies that investments in entities that do not follow U.S. GAAP (that is, they do not apply the Guide) would be

excluded from the scope of this FSP. For example, many offshore funds, which are specifically cited in paragraph 4 of the proposed FSP as one type of alternative investment, do not follow US GAAP and, therefore, under the current proposal would be excluded from the scope of this FSP. In many cases, these entities determine their NAV under accounting principles that are substantially consistent with the Guide. As a result, modifying this statement such that investments in entities that meet the definition of an investment company in the Guide and determine their NAV under recognized accounting principles substantially consistent with the Guide (that is, based on fair value) should be included in the scope of this FSP. This could be accomplished by replacing "in accordance" with "consistent" in the phrase "has been calculated *in accordance* with that Guide." Paragraph 15 and paragraph 12 should be consistent.

According to paragraph 12 of the proposed FSP, "this FSP does not apply if the fair value of the investment is readily determinable as defined in paragraph 3 of FASB Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities.* For example, this FSP does not apply to an investment in a registered, closed-end investment company whose fair value can be estimated using sales prices that are currently available on a securities exchange registered with the Securities and Exchange Commission or in an over-the-counter market, provided that those prices or quotations for the over-the-counter market are publicly reported by the National Association of Securities Dealers Automated Quotation System or by Pink Sheets LLC."

I believe the intent of this scope limitation is to exclude investments, which are traded on recognized exchanges and over-the-counter markets or, Level 1 securities under SFAS 157. However, I am concerned that paragraph 12 may change the definition of readily determinable fair value as defined in paragraph 3 of SFAS 124 (which is consistent with SFAS 115). Under paragraph 3 of SFAS 124, a readily determinable fair value exists "for an investment in a mutual fund, the fair value per share (unit) is determined and published and is the basis for current transactions". Many not-for-profit organizations have used this definition in order to obtain fair value accounting for certain types of alternatives investments, such as commingled trusts or foreign mutual fund. If this proposed FSP, defines readily determinable fair value in a different manner there could be unintended consequences that could force organizations to value these securities at cost versus fair value, which would result in SFAS 157 no longer being applicable for recognition purposes within the financial statements. I would recommend that the scope should focus on excluding those securities that are Level I type securities under SFAS 157 rather than the term readily determinable fair value.

Paragraph 16 - Disclosures

The disclosure requirements outlined in paragraph 16 of the proposed FSP will likely lead to confusion and wide diversity in practice. In particular, the phrasing of several of the disclosure requirements (particularly the use of the singular "investment" in the beginning of paragraph 16, and in 16b through 16f) appears to imply that disclosures should be provided for each investment subject to the proposed FSP's scope. Because some entities own dozens, and potentially hundreds, of individual investments, disclosures on the basis of individual investments would be too overwhelming to be useful. Further, many entities invest in alternative investments as only one element of an overall portfolio strategy (often not exceeding 5% to 10% of the overall portfolio) and I am concerned that the extent of the resulting disclosures may exceed their overall importance to the entity's financial position and results of operations, especially as it relates to quarterly reporting. Modifying paragraph 16 to permit summarized disclosures when numerous investment interests within the scope of the proposed FSP are held would be helpful.

I appreciate the opportunity to comment on the proposed FSP and am available to discuss these comments with Board members or staff at their convenience.

Sincerely,

Gordon T. Edwards
Vice President, Finance