

Letter of Comment No: 25
File Reference: 1201-100
Date Received: 9-7-04

From: Andrew Geisert [ageisert@jwmp.com]
Sent: Tuesday, September 07, 2004 9:18 AM
To: Director - FASB
Subject: Fair Value Measurements - File Reference No. 1201-100

September 3, 2004

Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

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Attention: Technical Director

JWM Partners, LLC is an investment manager for six private funds. We trade in a wide variety of financial products on a global basis and make significant use of financial derivatives. A significant portion of our investing style is focused on relative value trading which seeks to take advantage of pricing anomalies in various markets for similar securities. We will often take long positions and short positions in similar securities in anticipation of their prices changing relative to each other. Because the price differential between similar securities is often small, we make use of leverage to capture the profits resulting from the changes in price between securities.

Being in an industry that requires fair value reporting, we support the Board's effort to develop a consistent framework for determining fair value measurements and its effort to create a comprehensive disclosures model for such measurements. However, we do not agree with all the Board's conclusions in the exposure draft on Fair Value Measurements. In particular, we do not agree with the reasoning behind the proposal that instruments traded in active dealer markets should be marked to bid prices for long positions and asked prices for short positions. Rather, we believe that the ability to mark securities to mid prices, as allowed under SEC ASR No. 118 should continue to be allowed.

First, while we recognize that there are practical distinctions between how securities are traded and the pricing available in an exchange market versus a dealer market, we do not believe it should follow that the pricing of securities in each market should necessarily be different. In an exchange market, the closing price, which often reflects the last trade price, may be indicative of the bid price, the ask price or some price in between as of the close of the market. Just because an exchange market provides participants with a single closing price does not alter the fact that investors seeking to increase or decrease positions can not do so on identical terms. In a dealer market, although there is often bid and ask pricing available from the dealer community, we feel that marking to the adverse side does not necessarily reflect a "current hypothetical transaction between willing parties."

Further, the definition of fair value calls for prices that are in the absence of compulsion, or that are not a forced liquidation or distress sale. By requiring prices on the adverse side of positions, there is a liquidation emphasis in the calculation of a fund's NAV. Given that funds have regular capital contributions and withdrawals, we believe that mid-market pricing is more reflective of a going concern framework and provides symmetry of entry and exit. If we were to price our portfolio on the adverse

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side, it would be to the detriment of our existing investors and to the benefit of new investors in the funds. In effect, it would allow new investors to force all transactions costs associated with the bid/offer spread on current positions on the existing investors. This would contradict the philosophy that transaction costs generally be expensed in the period incurred (Section 16).

In Section 17, there is some allowance for marking to mid-market prices for offsetting positions. It would seem that the basis for this is similar to the reasons we feel mid-market pricing is appropriate for our relative value trades, even though our positions probably wouldn't meet the offsetting definition. Because we often execute our trades in matched pairs, we very often do not pay a full bid/offer spread on each side. Requiring us to mark to the adverse side would result in an unrealized loss and subsequent gain (the counter position to the one cited in Section C50 by the broker-dealer community). Interestingly, in the financial derivatives community, the International Swaps and Derivatives Association (which is comprised of 600 members, including the largest global broker-dealers) calls for exposure on derivative contracts to be calculated based upon mid-market quotations. We think this is significant given the Board's emphasis on "...assumptions and data that marketplace participants would use in their estimates of fair value."

Finally, there are two more reasons we feel mid-market pricing is appropriate. First, in the Board's discussion of blockage discounts there was an indication that prohibiting blockage discounts would not be representationally faithful of the underlying business activity and thus could result in distorted reporting. And second, in allowing entities to use the most advantageous market approach, the Board recognized both the buying and selling side of rational market behavior and normal profit motivations. Given this logic and the fact that we can often execute trades without paying the full bid/offer spread on each side, we believe mid-market prices are consistent with the Board's comments and recognition of real world circumstances and are a better reflection of economic reality.

In summary, while we agree that comparability of financial information is an important concept, mandated pricing directives shouldn't sacrifice accuracy or supersede economic circumstances. Mid-market pricing that has been adequately disclosed to investors and counterparties, is consistently applied and is based on actual economic principles should continue to be allowed.

We thank the Board for the opportunity to comment on this Exposure Draft.

Regards,

Andrew G. Geisert
Chief Financial Officer
JWM Partners, LLC