

PETER C. STOCKETT, CFP®
8 COMMERCE AVENUE
SELINGROVE, PA 17870
570-374-4788
STOCKETT@PTD.NET



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Observations about Mark to Market

The following are my thoughts on how the Government Officials and the Private Sector may arrive at a compromise over Mark to Market accounting. When Mark to Market was instituted, it was an attempt to be more transparent concerning the values of assets on corporate financial statements. This has been accomplished however, I believe no one ever expected to see such large fluctuations in asset values and completely inadequate ways to value certain assets.

If the F.A.S.B, the Federal Reserve, The U.S. Treasury, SEC, and FDIC could agree on a method to smooth out the extreme value changes, I believe more stability in our financial markets could be obtained.

I suggest that a model be constructed using the system to average bank reserves with the Fed over two week periods. When a financial company initially purchases a financial asset the value would be carried on the books at that price. Upon the quarter end after the acquisition of an asset, the purchase price would become part of a calculation that compares it to the market price. These calculations would then be averaged with prior quarter calculations to derive the asset prices that are published on the balance sheet. These quarterly calculations would be averaged over 24 to 28 quarters. As part of this disclosure a small speedometer like or clock like illustration could be presented using zero to one hundred percent to simply illustrate the correlation between published value and Mark to Market. As part of this policy I would also suggest that financial companies could write down their published value utilizing excess capital if available to bring their published values and Mark to Market values closer. This would allow financial companies to make their balance sheets stronger.

The conflicts between F.A.S.B wanting to show complete transparency and the interest of investors looking for smoother valuations may be accomplished through some variation of this suggested model. If these suggestions can be of assistance in formulating a plan to solve our current accounting requirements please use them any way you like.

Respectfully Submitted

Peter C. Stockett, CFP