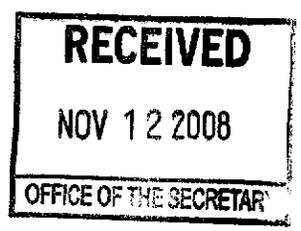


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November 3, 2008

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

Re: File No. 4-573

Dear Ms. Harmon,

This is in response to the Commission's request for public comment related to the study to be conducted under the Emergency Economic Stabilization Act of 2008 on mark-to-market accounting applicable to financial institutions.

In December 1991, The Financial Accounting Standards Board ("FASB") issued FAS No. 107, "Disclosures about Fair Value of Financial Instruments" incorporating banks and thrifts with traders in recording current market values in their financial statements. Although only disclosure was required at that time, it was clear to most observers that the introduction of Fair Value Accounting into financial statements would be problematical. At the time, *Forbes* reported that "under the rules the SEC wanted, financial companies' earnings would gyrate wildly as interest rates rise and fall. Goldman Sachs & Company bank analysts concluded that "under the proposed rules the bank's net income would have dropped 90% in 1981, jumped 48% in 1982 and another 93% the next year, before dropping back 52% the year after that." In a June 1992 Wall Street Journal Article, Walter Wriston, former Chairman of CitiBank, referenced comments by William Taylor, Federal Deposit Insurance Chairman who joined the Secretary of the Treasury Nicholas Brady and Federal Chairman Alan Greenspan in pointing out that "current value accounting could have serious unintended effects on the availability of credit as well as on the stability of the financial system."

In performing a field test in 1992 as a member of the Financial Accounting Standards Advisory Council, my conclusions was that fair value accounting, with its assumptive methodology and lack of transparency, presents information that is neither fair nor useful, due to its blatant misrepresentation of providing a timely and accurate picture of financial worth. A more comprehensive test by KPMG, Peat Warwick dated July, 1992 presented the view that "the retention of historical cost accounting principles has been supported by Treasury, bank regulatory agencies and most depository institutions. In general they believe that market value financial statements are designed to meet the needs of a limited group of users - those interested in an estimate of liquidation value - while the historical cost accounting model adequately meets the needs of all users." In presenting the argument for market value accounting, the study states that model

advocates believe that it would “more accurately and quickly reflect the economic value of an entity, particularly with respect to unrealized gains or losses or off-balance sheet activities that are not captured in historical cost statements.” However, the study warns that “items such as franchise value and fixed assets may not be disclosed or adequately addressed.” A further impediment is the fact that “the reliability of fair value estimates is also related to the timeliness of the information. Users and preparers were in general agreement that the passage of time would quickly diminish the usefulness of fair value disclosures.” Thus, the tests reflected an accounting model, purported to reflect corporate worth that was neither accurate, nor timely. Adding credence to the unreliability of FAS 107, the accounting profession immediately added strong disclaimer footnote language to financial statements distancing themselves from the data.

Undeterred by high level warnings and real world phenomena, “FASB” continued to tweak the standard allowing unrealized security gains and losses to be reported as “Comprehensive Income” in the stockholder’s equity section of the financial reports, obviously reflecting some apprehension about the impact these adjustments might have on earnings. It should be noted that in the bank’s *Consolidated Reports of Condition and Income or Call Report* this adjustment was eliminated from regulatory capital. The regulators apparently preferred to ignore the standard rather than object to it.

During the ensuing years, in various “fits and starts” FASB has forged ahead in an attempt to establish a financial reporting model based upon the mostly academic mantra that a net worth amount is attainable versus historical cost accounting which reflects a review of past performance. While the attempt to provide a current value model might be seen as commendable, the subjectivity of the methodology and the necessary delay in publishing the information has made the goal unattainable. Reporting financial data using a four-times-a-year faded snapshot of quarterly earnings predicated on the vagaries of economic conditions should cause reasonable accounting practitioners some pause. Without the pretense of measuring current value, historical cost accounting provides a picture of recent corporate activity without introducing the unmanageable phenomenon of current market fluctuations.

In September of 2006, “FASB” published FAS 157 providing guidance on the definition of fair value ostensibly to replace the patchwork of meanings which had developed over the years. After 15 years of financial statement reporting, the standard established guidelines for how to measure fair value creating a hierarchy of pricing as one of three levels: (1) Directly quoted prices in and actively traded market. (2) Prices derived from inputs received from outside sources, market information and other quoted inputs. (3) Prices derived from inputs largely internally generated. Apparently believing delineation would improve transparency and objectivity, the third guideline, along with FAS 159, allowing the use of a fair value option for financial assets and liabilities, merely continued the practice of making financial reporting an exercise in modeling manipulation and intrigue.

Up to now the effect of these suspect accounting standards, in which the market trumps management, has been to misrepresent data for investors and the public. During the current economic crisis the impact has been to exacerbate declining market trends and to serve as an affirmation of the prescience of professional warnings and testing at the onset of the mark-to-market accounting standard. For those few who are interested in purchasing a financial entity, due diligence continues to be the only reliable option irrespective of which accounting model is utilized.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert F. Muth". The signature is written in a cursive, flowing style with some loops and flourishes.

Robert F. Muth, CFP

Encl: Biography

Biographical Outline
Robert F. Muth

Bob Muth is Vice President and Principal of BankLogic.Net and a Director of Andover Bancorp, Inc. He is past Chairman, President and Chief Executive Officer of Andover Bancorp, Inc. and the Andover Bank. He earned his MBA at the University of Pittsburgh, and is a Certified Financial Planner.

Mr. Muth has been in bank management for over 40 years, with past experience as Corporate Accounting manager and Comptroller for a large regional bank and as Vice President Finance for a community bank. He was active in the leadership of the Independent Community Bankers of America as a member and chairman of the Operations Committee. He has served on the Financial Accounting Standards Advisory Council (FASAC), the Consulting Group on International Economic & Monetary Affairs (Group of 30), and the Federal Reserve Bank of Cleveland's Small Bank Advisory Council.