

COUNCIL OF INSTITUTIONAL INVESTORS

Suite 500 • 888 17th Street, NW • Washington, DC 20006 • (202) 822-0800 • Fax (202) 822-0801 • www.cii.org

Via Hand Delivery

July 15, 2008

The Honorable Christopher J. Dodd
United States Senate
Washington, DC 20510

Re: Fair Value Accounting and the Credit Crunch

Dear Mr. Chairman:

I am writing to you on behalf of the Council of Institutional Investors (“Council”) to thank you for your continuing efforts to examine the reasons for, and develop solutions to, the current turmoil in the U.S. credit markets. The Council is a nonprofit association of public, union, and corporate pension funds with combined assets that exceed \$3 trillion. Member funds are major long-term shareowners with a duty to protect the retirement assets of millions of American workers. The Council strives to educate its members and the public about good corporate governance, shareowner rights and related investment issues, and to advocate on our members’ behalf.

As you are aware, some parties have alleged that the ongoing turmoil in the U.S. credit markets has been exacerbated by accounting standards that require or permit the reporting of certain assets and liabilities at fair value. In response to those and other related allegations about fair value accounting the Council commissioned Stephen G. Ryan, Professor of Accounting and Peat Marwick Faculty Fellow at the Stern School of Business, New York University, to evaluate those issues.

Professor Ryan’s resulting white paper, entitled *Fair Value Accounting: Understanding the Issues Raised by the Credit Crunch*, is attached to this letter. The white paper concludes that although some of the recent criticisms of fair value accounting may be valid, fair value accounting provides more useful information to investors than other existing accounting approaches.

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We are hopeful that the white paper will be helpful to you in your continuing consideration of these important matters. If you have any questions regarding the white paper, or if we can be of any other assistance to you or your staff, please do not hesitate to contact me at jeff@cii.org or 202.261.7081.

Sincerely,

A handwritten signature in cursive script that reads "Jeff Mahoney".

Jeff Mahoney
General Counsel

Attachment

cc: The Honorable Richard C. Shelby, Ranking Member, Committee on Banking, Housing, and Urban Affairs
The Honorable Jack Reed, Chairman, Securities, Insurance, and Investment Subcommittee of the Committee on Banking, Housing, and Urban Affairs
The Honorable Wayne Allard, Ranking Member, Securities, Insurance, and Investment Subcommittee of the Committee on Banking, Housing, and Urban Affairs