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August 3, 2010

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

File Reference: Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities

Dear Mr. Golden:

We appreciate the opportunity to provide comment on the above-referenced exposure draft (the "Draft Proposal"). As the members of Lakeland Financial Corporation's Audit Committee, we strive to ensure that our bank's financial reporting is transparent and accurate so that investors can ascertain the strength of the bank's financial position and make sound investment decisions. We disagree with the conclusion that the accounting standards contained in the Draft Proposal will present a clearer economic picture for investors. To the contrary, we believe that the proposed standards will obscure financial performance and will negatively impact economic growth. The balance of this letter describes in more detail the basis of our concern.

The Draft Proposal would require banks to record loans on their balance sheets at market value. This proposal possibly makes sense for loans that will be sold. At Lakeland Financial Corporation's wholly owned subsidiary Lake City Bank, however, the vast majority of loans on the balance sheet are commercial loans, with unique terms, collateral and guarantee structures, and payment streams. There is simply no market into which these loans could reliably be sold. Fair market value of a loan, therefore, is an imperfect proxy for a loan's intrinsic value, and would not reflect the performance of the loan. Even when performance of a loan is in doubt, the bank would work the loan out to achieve maximum repayment. Indeed, it is difficult to conceive of a scenario in which the bank would simply sell the troubled loan rather than go through a workout process.

Clearly, due to the unique nature of the commercial loans that comprise most of Lake City Bank's portfolio and the lack of a market for such loans, assigning a market value to the loans would be at best irrelevant. But at worst, at times of economic compression, the values would be impacted by market variances that would affect bank capital, irrespective of whether the underlying loan performance had

deteriorated. This market-based decline in bank capital would likely cause the bank to slow its loan growth to preserve capital, which would only exacerbate an economic compression.

This fluctuation in market values that is unrelated to loan performance will have another significant impact on investors because they will not be able to ascertain the difference between true loan quality or capital deterioration and market value deterioration. Because many investors in this sector favor business models that produce stable, consistent results, it doubtful that traditional bank sector investors will continue to invest in banks whose stocks are now "volatile", even though the core business has not changed.

Finally, Lake City Bank does not currently have the resources to generate market values of the generally individualized loans, nor does it have staffing levels adequate to audit such data. The costs of ensuring that sufficient resources are dedicated to compliance with the Draft Proposal would ultimately be borne by the shareholders. And because of the truly artificial nature of any estimated market value, shareholders do not achieve anything of value to them to justify the significant expenditures.

We respectfully request that the FASB consider our opinion that the Draft Proposal would not improve financial reporting and would instead have a detrimental impact on the bank's shareholders, and drop the Draft Proposal. Thank you in advance for your consideration.

Sincerely,

Lakeland Financial Corporation Audit Committee

Charles E. Niemier, Audit Committee Chairman