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August 3, 2010

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

File Reference: No. 1810-100 Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities

## Dear Technical Director:

Thank you for the opportunity to comment on the exposure draft Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities ("proposal"). As the CFO and the Controller of a publicly traded financial institution, it is of highest importance to us that our shareholders and potential investors receive the transparency in financial reporting they need to assess our financial position and make investment decisions. We are writing to express our concerns and opposition to the portion of the proposal that requires all financial instruments to be marked to market. From bank management's prospective, this will cloud transparency, increase complexity and call into question bank capital, which is the most critical element of a bank financial statement.

In your proposal, banks must record loans on the balance sheet at their market value. While we agree with the rationale of giving banks the ability to grow more robust loan loss reserves, we do not feel the focus on mark to market is relevant for loans that are not being sold. In addition, since our institution is heavily commercial loan driven and because commercial loans by nature have individualized payment terms, collateralization, and guarantee structures this would result in the vast majority of our total loan portfolio having no reliable market in which it could be sold. Even with an active market, fair value is not the appropriate measure of these loans since it does not represent the cash the bank will receive.

We agree that a loans intrinsic value may change because of a change in interest rates, or because of problems the borrower may have. However, if a borrower is having a problem with repayment, our process is to work the problem out with the borrower rather than sell the loan. Even if it were easy for us to find a market value, that market value is irrelevant, since we would not sell the loan. As a result of your proposal, our bank's capital will be affected by market swings that cannot reasonably be expected to ever be realized by our bank.

From a broader prospective, the reliability and comparability of bank capital industry wide will drastically diminish due to dependence on the fair values of assets with no active markets. Additionally, bank management believes that reliance on individual modeling in order to determine "market" credit and

liquidity spreads on most commercial loans will likely confuse investors. We also view the requirements in the proposal as introducing complexity that most investors do not need or want.

Additionally, since bank management does not manage our loan portfolio on a fair value basis we will be providing less relevant information than amortized cost, while incurring higher costs to provide these fair value estimates, without benefit. Also, since the accounting will not reflect how our bank is managed, shareholders and potential investors may misunderstand the results and the expectations of management action, clouding transparency.

Bank management is also concerned that the unnecessary volatility of, and confidence in, bank equity will cause an increase in the cost of capital, due to perceived increased risk by some members of the market. This will invite more short-selling and other short-term trading activities, feeding volatility.

Based on this, we recommend that you drop your proposal to mark loans to market.

Thank you for the consideration of our views. Please feel free to contact us to discuss our concerns.

Sincerely,

David M. Findlay

Executive Vice President &

Chief Financial Officer

Lakeland Financial Corporation

Teresa A. Bartman

Senior Vice President - Finance &

Jeresa A-Bartman

Controller

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