From: <u>bankofclarkschris@clarks.net</u>

To: <u>Director - FASB</u>

Subject: File Reference: No. 1810-100, "Accounting for Financial Instruments and Revisions to the Accounting for

Derivative Instruments and Hedging Activities"

Date: Thursday, September 16, 2010 1:28:05 PM

Chris S. Caley P.O. Box 125 Clarks, NE 68628-0125

September 16, 2010

Russell Golden Technical Director Financial Accounting Standards Board 401 Merritt 7, PO Box 5116 Norwalk, CT 06856-5116

Dear Mr. Golden:

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."

As Chariman] of Bank of Clarks, a banking institution in Clarks, Nebraska with \$34,000,000 in total assets, I am writing to express my opinions on specific provisions of the exposure draft.

## I. COMMENTS ON FAIR VALUE

I am strongly opposed to the portion of the proposal that requires all financial instruments - including loans - to be reported at fair value (market value) on the balance sheet.

Our bank does not sell our commercial loans. Basing our balance sheet on fair values leads readers of our financial statements to assume that we will sell the loans, which is not the case.

If there are issues with a borrower's ability to repay a loan, we work through the collection process with the borrower rather than sell the loan.

There is no active market for many of our loans, and estimating a market value makes no real sense.

Even if we could easily obtain a market price, since the loan is just one part of the financial relationship that we have with the customer (multiple loans, investment and trust services, etc.), there is no financial incentive to sell.

Marking all loans to market would cause our bank's capital to sway with fluctuations in the markets - even if the entire loan portfolio is performing. Instead of providing better information about our bank's health or its ability to pay dividends, the proposal would cause more confusion for those people who actually want to review our banks performance and history.

The costs and resources that we will need to comply with this new requirement would be significant. This will require us to pay consultants and auditors to estimate market value.

We have discussed this with the few stockholders we have and none of them feel this would provide useful/meaningful information to them, especially in light of the additional costs that would incurred in providing the information.

## II. COMMENTS ON LOAN IMPAIRMENT

I do not support a change in methodology for determing impairment of a loan or the manner in which the loan valuation reserve is handled in the bank. You must realize that there is a very substantial difference between a small bank with a few investors/stockholders and a large regional or nationwide bank where stock is traded on a regular basis. While some of these changes may need to be made on the large banks, it does not make sense to apply these changes to the small banks as the cost of impleting said changes will be excessive and the end result will not justify the costs associated therewith.

The fact that bank;s are regulated should provide some assurance to the manner in which items are reported, especially after what has happened the past several years and the changes that are taking place in the regulatory arena.

I do not support the proposal for recording interest income. Interest income should continue to be calculated based on contractual terms and not on an after-impairment basis.

Changing the way interest income is recorded to the proposed method makes the accounting more confusing and subjects otherwise firm data to the volatility that comes naturally from the provisioning process. I recommend maintaining the current method.

Thank you for considering my comments.

Sincerely,

308 548-2223 Chairman of the Board and CEO Bank of Clarks

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