September 27, 2010



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

File Reference No. 1810-100

Email Address: director@fasb.org

Dear Mr. Golden:

Thank you for the opportunity to provide comments on the exposure draft Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities ("exposure draft"). We are a publicly traded community banking institution of approximately \$900 million in assets. We are writing to express concern and opposition to the mark to market requirement for financial instruments. We also have concerns with certain provisions with the credit impairment section of the exposure draft.

Fair Value Presentation

In reading the Basis for Conclusion section of the exposure draft (paragraph BC57), it is clear that the board understands the arguments on both sides of this controversial topic. Our management and board believe that fair value presentation for our loan portfolio does not reflect our business model and would result in misleading volatility in reporting, as well as unnecessary administrative costs for our organization. In addition, we have yet to find an investor in our firm who believes that fair value is more relevant than amortized cost as a basis for reporting our portfolio loans.

While we appreciate the "initial measurement" treatment allowed in paragraph 12.b. of the exposure draft, this treatment would be modified by the "subsequent measurement" at the end of the quarter. At that time, we would distort the fair value of our portfolio loans as we apply a liquidity discount required by the "exit price" concept within "fair value accounting." Since our business strategy is to collect the contractual cash flows of our loan agreements, liquidity discounts have little meaning or value and are not cost-beneficial to obtain.

This exposure draft attempts to quantify the credit risk and interest rate risk inherent in financial instruments. Since the credit risk inherent in financial instruments is addressed separately in this exposure draft, we believe that a more useful and cost-beneficial approach would be to standardize and clarify disclosure requirements relating to the interest rate risk inherent in the financial instruments covered by this exposure draft. Done properly, these disclosures could provide users with meaningful information regarding the potential income effect of given interest rate fluctuations.

Credit Impairment

While we can't disagree with the theory presented in the exposure draft, we are concerned about the practical difficulties in attempting to quantify projected credit losses beyond a 12-24 month horizon. This concern is exacerbated by the paragraph #42 assumption that economic conditions existing at the reporting date would remain unchanged for the remaining life of the financial assets. We believe this would lead to more pro-cyclical volatility in the reporting of credit impairment.

Secondly, we don't understand the lack of guidance provided in paragraph #62 regarding how an entity should identify financial assets that are to be evaluated individually for collectability. We believe this would result in less consistency across the industry, and suggest that the current principles and methods be retained to identify and report estimated losses on individually evaluated financial assets.

Finally, we would suggest a modification to the estimation of credit impairment for an individually impaired financial asset that is collateral-dependent (covered by paragraphs #71-74 of the exposure draft). We suggest that the discount rate implicit in the calculation of the fair value of the collateral correspond with the planned workout of the loan. If the institution plans to work with a cooperative borrower to collect the loan, the appropriate discount rate would be the effective rate of the loan. If foreclosure is probable, then the much higher investor rate used in the appraisal evaluation would be appropriate.

Thank you for the consideration of our comments.

Sincerely,

Randal J. Rabe

Executive Vice President & Chief Financial Officer

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