KATZ, SAPPER & MILLER

1810-100 Comment Letter No. 1310

Katz, Sapper & Miller, LLP Certified Public Accountants

800 East 96th Street Suite 500 Indianapolis, IN 46240

Tel 317.580.2000 Fax 317.580.2117

September 29, 2010

VIA EMAIL TO DIRECTOR@FASB.ORG

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

Re: Reference Number 1810-100 "Accounting for Financial Instruments and Revisions to the Accounting for Derivatives Instruments and Hedging Activities" (the "Proposed ASU")

Dear Mr. Golden:

Katz, Sapper & Miller, LLP appreciates the opportunity to comment on the proposed Accounting Standards Update, "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities."

We appreciate the Board's effort to make accounting for financial instruments more transparent. We support providing timely and appropriate information to financial statement users, but we do not support the proposed ASU as currently drafted.

The proposed ASU will have the opposite of its intended effects on the transparency and value that the financial statements provide to the users.

Financial Instruments

A typical commercial loan and many other financial instruments are not easily sold in an open market, and our clients' businesses do not typically involve selling these instruments. They more often involve holding these assets to maturity and managing the assets to achieve a maximum return. Requiring the use of fair value accounting in this scenario is inconsistent with how the financial instruments are managed. The proposed ASU more closely reflects a liquidation of our clients' businesses. We do not believe that our clients, who are going concerns, should be forced to record their financial instruments at hypothetical selling prices.

In addition, there would be significant costs incurred by our clients to apply the requirements of the Proposed ASU and to track this additional information. Most mid-size and smaller entities do not have the resources to apply these requirements or to track the information. In short, we do not believe the benefits justify the additional costs. Further, with the expanded use of judgment and unobservable inputs in measuring these financial instruments, more imprecision is introduced into the financial statements. Comparability among entities may not be achieved as intended.

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Credit Impairment

We do believe that future conditions or events must be considered in the determination of expected credit losses. Future expectations are based on historical trends, statistical analyses and all information available to determine expected future losses. Excluding the use of future conditions is not consistent with using all of the best information available to project future losses. Accordingly, credit loss reserve changes would not be as closely tied with changes in economic conditions, and the financial statements could be more misleading to users.

Conclusion

The proposed ASU along with the many other regulatory changes over the past year, has created an unprecedented compliance issue for our clients. Our clients are typically privately held with much smaller administrative and regulatory departments than many larger institutions. As a specific example, many of our clients systems will not be able to track fair value separately from amortized cost. Although the delayed effective date for nonpublic entities with less than \$1 billion in total consolidated assets is meant to bridge this gap, there are many entities with greater than \$1 billion in assets for which the implementation of the proposed ASU would be overly burdensome.

The cost of implementation of the proposed ASU will be significant and the additional added utility of the financial statements to users will be minimal. Additionally, in many cases the financial statements could be misleading as the positions taken on the financial statements are not consistent with the actual business activity. For these reasons, we urge you to reconsider the proposed ASU.

Sincerely,

Katz, Sapper & Miller, LLP

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