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1810-100 Comment Letter No. 1343 ADMINISTRATIVE OFFICERS

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September 21, 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 Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities

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."

We are writing on behalf of Cashmere Valley Bank, a community bank, owned by several hundred local citizens, holding \$1 billion in assets, and serving three rural counties of Washington State. We are writing to express our opposition to the fair value proposal included in the exposure draft.

Cashmere Valley Bank has been in business since 1932, when it was formed by local business owners in response to the closure of the last banking institution in the area. The bank's primary focus has always been, and remains to this day, to provide a sound and stable funding and depository resource for the communities it serves, while offering its investors a stable and sound investment.

Cashmere Valley Bank holds its loan portfolio to maturity. The Bank manages its interest rate risk through maturity and pricing models. It manages its asset quality through credit standards that focus on the borrower's ability to repay the loan in its entirety, not just to rate reset, balloon, or sale.

The exposure draft's proposal to require banks to report the balance sheet at full fair value threatens the ability of our investors, customers, and community leaders to accurately assess our financial position. As the most recent financial crisis has proven, a bank's capital is by far the most important factor in the company's ability to weather unexpected events. Yet marking loans to market would significantly cloud a financial statement reader's ability to assess the stability of bank capital, much less the stability of the bank's assets. It would allow swings of a sometimes irrational and volatile market to

affect bank capital in ways that ultimately will have nothing to do with the actual financial position of the company.

It does not make sense for us to present to our readers, in the first pages of our financial statements, an estimated market value on loans that will never be sold. We will be reporting increases and decreases in value and capital each period that have no relevancy to our operations or financial position. Reporting loans at market value is also misleading because it implies a pending sale that will never occur and it subjects the valuation of a bank's largest asset to multiple assumptions that, for the most part, have no reliable market basis. It implies asset and capital growth and shrinkage that are caused by accounting standards, rather the company's operations.

As a management team focused on maintaining a stable and traditional banking business model, we are also deeply concerned about the potential unintended consequences of the fair value portion of the exposure draft. The vast majority of our shareholders and customers seek a financial institution that is stable, viable in the long-term, with low volatility and predictable earnings.

A full fair value balance sheet would indicate that we are the opposite. It would represent that our equity is volatile, all our assets could be sold in an active market at any moment, and that earnings may fluctuate from period to period. Thus, it is very likely, that under the proposed accounting standard, we would be pressured to avoid assets that are more sensitive to market value fluctuations, even if such investments were sound and stable and met the needs of our communities and customers. We may also be pressured to seek buyers for assets, even though our business model depends on holding those assets to maturity. Accounting standards should not place banks in a position of having to avoid or sell stable and sound investments that meet the needs of their communities because such investments imply financial volatility or potential earnings or losses that are based on estimates derived from unreliable markets.

For the reasons stated above, our bank respectfully requests that the fair value section of the exposure draft be removed.

Thank you for considering our comments. Please feel free to contact any of us if you would like to discuss our concerns in more detail.

Sincerely

Ken Martin

CFO

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Chairman of the Board of Directors

Jenny Cravens

Judy Conner \

Director, Audit Committee Chair