

September 19, 2010

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

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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 ("proposal"). As a bank investor, of utmost importance to me regarding the banks in which I own stock is their financial position, and transparent financial reporting is key in order for me to make investment decisions. With this in mind, I am writing to express my concerns and opposition to the portion of the proposal that requires all financial instruments to be marked to market. From a bank investor's perspective, this will cloud transparency rather than improve it, and put into question the most critical element of bank financial statements: bank capital. Furthermore, the complexity and judgment involved in establishing assumptions would make comparing one bank to another very difficult, if not impossible.

In your proposal, banks must record loans on the balance sheet at their market value. In all my meetings with bank management regarding financial results, market values of loans are never discussed. The reason for this is that investors are interested in how loans perform, not how the market views loan performance. Although I understand the rationale for providing banks with the ability to provide more robust loan loss reserves, I believe the focus on mark to market is not relevant for loans that are not being sold. Additionally, with individualized payment terms, collateralization, and guarantee structures, the vast majority of commercial bank loans have no reliable market in which they could be sold, further calling into question the reliability of using fair value as the basis for financial statements. Even if there were active markets, fair value is not the appropriate measurement for these loans since it does not represent the cash the bank will receive.

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I understand that a loan's intrinsic value may change because of current interest rates or because of problems the borrower may have. But if there is a problem in repayment, the banks' typical process is to work the problem out with the borrower rather than sell the loan. So, even if it were easy to find a market value, that market value is irrelevant, since the bank typically would not sell the loan. As a result of the proposal, bank capital will be affected by market swings that cannot reasonably be expected to ever be realized by the bank.

Another serious concern I have is whether, because the proposal to mark loans to market does not reflect a bank's business model, requiring them to do so could result in a need for banks to change their business models. As an investor, my desire to hold equity securities generally declines as volatility increases. Because I do not view this as "true" volatility, I will be in a quandary about the true reported financial position under the proposal. Some investors will likely put pressure on banks to reduce the volatility, and, in many cases, this may result in shifting toward an investment banking model rather than a traditional banking model, or result in limiting products to those that are sheltered from market volatility. This, to me, seems to be an illogical and unintended result, and a situation where the accounting should not be driving the business model.

Additionally, I am very concerned about the costs and resources that will need to be dedicated to produce and audit such data. We have learned from the recent financial crisis that markets are sometimes illiquid and sometimes irrational. These conditions have occurred more frequently than most would expect. Because banks do not use fair values in managing their cash flows, I anticipate that this could require banks to hire more staff and/or consultants to assist with estimating fair values and to pay significantly higher audit fees.

With this in mind, I recommend you drop your proposal to mark loans to market, as, from my perspective as an investor, it will be detrimental to the usefulness and understandability of financial reporting for small and medium sized banks.

Thank you for considering my views. Please feel free to contact me if you would like to discuss my concerns.

Sincerely

Gary Mahn Chairman

