

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

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Cornerstone Bank 529 Lincoln Avenue P.O. Box 69 York, Nebraska 68467 Phone: 402-363-7411 Fax: 402-362-3249

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 ("proposal"). As a Bank director and small owner in a community Bank in Nebraska I understand the need for transparency in financial reporting. However, the proposal that requires all financial instruments to be marked to market has no place in the banking world. From a analyst of other Banks, we do Bank Holding Co. stock loans, this will cloud transparency rather than improve it, and will cause real questions about what the true capital of the organization is.

As a banker and analyst our concern with loans is how they are performing not the time value of money due to long-term or short-term rates. Although I understand the rationale for providing banks with the ability to provide for 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. The "fair value" of these loans truly does not represent the cash the bank will receive and how reliable the receipt of that cash is..

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. Even if it were easy to find a market value, that market value is irrelevant, since the bank would not sell the loan. As a result of your proposal, bank capital will be affected by market swings that cannot reasonably be expected to ever be realized by the bank.

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. I anticipate that this proposal will require our Bank as well as the Banks that we work with hire more staff and/or consultants to assist with estimating fair values and to pay significantly higher audit fees. In the end the result for a Bank will be numbers pulled from the air rather than providing valuable information. With this in mind, I recommend you to drop your proposal to mark loans to market, as, from my perspective as an investor, it does not improve financial reporting.

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

Sincerely,

Daryl Wilton

Senior Vice President