



FIRST COMMUNITY BANK
of Bedford County

September 9, 2010

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

Dear Mr. Golden:

Please allow me to express concerns regarding the exposure draft *Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities* ("proposal"). As a non-public community banker for the past 43 years, the 'mark to market' provisions of this proposal give me serious concern.

In your proposal, all banks will be required to record loans on our balance sheets at their market value; but the availability of a reliable market to determine that value is not established. We do not sell loans and have no plans to begin that practice. As a loan's value declines due to delinquency or repayment ability, we increase the amount of reserves held for the impaired loan – in essence reducing capital and moving the loan to a value similar to the market value approach. To mark every loan in the bank's portfolio to a market value would skew the balance sheets and not only confuse our shareholders but create regulatory nightmares in considering capital standards.

As a non-publicly traded community bank, my financials don't receive the same scrutiny as my larger counterparts, but my shareholders probably know as much about the bank's financial condition as shareholders in the larger institutions. The 'mark to market' impact on bank capital as a result of market swings and unrealistic changes in the value of the bank's loan portfolio could not only harm the confidence placed in the bank by its shareholders, but create undue concern in the general customer base as to the soundness of the institution. This does not need to happen at a time when nationwide depositor confidence is already shaken. I also ask that you consider the added costs and resources complying with this proposal would create, and that impact to community banks at a time when increased cost for compliance is already stressing many budgets.

I respectfully request you dismiss the proposal to mark loans to market. It will not improve financial reporting and will only increase uncertainty in 'bank' ownership.

Sincerely,

Donna Stone
Chief Executive Officer

