From: cliffs@firstmnbank.com
To: Director - FASB
Subject: Comments on No. 1810-100, "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities" Exposure Draft
Date: Monday, September 20, 2010 12:37:59 PM

Cliff Simon
4525 County Road 101
Minnetonka, MN 55345-2630

September 20, 2010

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

Dear Mr. Golden:

I am President of First Minnesota Bank, Minnetonka, Minnesota, a $380 Million dollar Community Bank with offices located in the Western Minneapolis/St. Paul metro area and in central Minnesota Farm country. I am writing to urge FASB to not go forward with the proposal. The accounting that would result from this proposal would greatly misrepresent the financial condition of our bank and other community banks. The primary business of community banks is to hold financial instruments to collect contractual cash flows, not to trade them on a regular basis. Accounting standards and guidance should not be pro-cyclical. Recent market conditions have demonstrated the pro-cyclical nature of mark-to-market accounting as declining values of financial instruments necessitated write-downs and sales, causing further write-downs and sales. The proposed accounting changes will exacerbate cyclicality in financial results due to the greater reliance on fair value measurements, valuations that will be less accurate than current accounting requirements. These accounting changes will increase the volatility of bank balance sheets, forcing them to face higher capital requirements or decrease lending at a time when regulators are calling for more capital and our economy needs more, not less, credit availability.

As an example, go back to 1989 or thereabouts when the market priced Dennis Evan's bond portfolio at First National Bank System (now US Bank) with a large discount, driving the stock price from about $25.00 per share to about $10.00 per share. The book value of the bank far exceeded the market value at that point. All the Bank had to do was hold on to the bonds to maturity, and within three years the stock was trading back at its previous value, eventually going to approximately the $90.00 range, then splitting 3 for 1. People that understood the bond market made a lot of money on that situation, but the Bank did not really change a bit.

Again, we thank your for the opportunity to comment on this proposal.

Sincerely,

Cliff Simon
952-908-3801