

From: kjohnson@csbpalacios.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: Tuesday, September 21, 2010 1:30:39 AM

Kenneth Johnson
459 Main Street
Palacios, TX 77465-5463

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:

September 20, 2010
Mr. Russell Golden
Technical Director
Financial Accounting Standards Board

Re: Comments on No. 1810-100 "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities" Dear Mr. Golden:

The purpose of my letter is to comment on FASB's Exposure Draft: Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities. I have managed Community Banks for 40 years in the State of Texas and I hope you will join me in urging FASB to not go forward this proposal.

This proposal, if passed would greatly distort and misrepresent the financial condition of our bank and other community banks. Our bank supports the agriculture industry here locally and it is very difficult see how fair value measurements will provide a better understanding of the values of illiquid agricultural loans held by small banks in rural areas such as this bank.

It would be extremely costly to community banks to establish fair values and I believe it would end up resulting in data of questionable reliability. Community banks such as ours create and hold small business loans for which there would be no active market. It would be very difficult and require banks such as ours to engage professional third party consultants. This activity would hurt our profitability and place additional expenses to create fair value statements that would not have any benefit to investors, bank management and regulators.

Our bank does not sell any loans - we hold them for the long term. We do not trade bank assets on a regular basis. There is no need to create financial reporting that is less accurate than our current accounting requirements.

There may well be banks that these proposals would apply to but not ours. The last two or three years have proven that community banks will provide the lending ability to get Main Street America back on its feet. Proposals such as this would actually hurt our efforts to provide the support that small businesses need to recover from these economic times.

Thank you for your attention on these issues.

Sincerely,

Kenneth Johnson
President and CEO
City State Bank of Palacios
361-972-2585

Sincerely,

Kenneth Johnson
3619722585