CAPSTAR
BANK

September 17, 2010

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

Re: File Reference #1810-100

I appreciate the opportunity to comment on the exposure draft, "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities."

On behalf of and as the Chief Financial Officer for CapStar Bank, a community bank in Nashville, Tennessee with total assets of $430 Million, I am providing comment to express my opinions on specific provisions of the exposure draft.

I. COMMENTS ON FAIR VALUE

I am opposed to the portion of the proposal that requires all financial instruments, including loans, to be reported at fair value on the balance sheet. Our bank does not sell our commercial loans and stating our balance sheet on fair values leads the users of our financial statements to assume that we will sell the loans which is simply not the case.

If there are issues with a borrower's ability to repay a loan, we work through the collection process with the borrower rather than sell the loan.

There is no active market for many of our loans, and estimating a market value provides no real value. The incentive to sell often does not exit since the since the loan is just one part of the broad financial relationship that we have with the customer.

Marking all loans to market would also cause our bank's capital to fluctuate with the market even if the entire loan portfolio is performing. Instead of providing better information about our bank's health the proposal would mask it. Even if our banking regulators' Tier 1 capital excludes fair value fluctuations, we still will have to explain it to our investors and customers.

The costs and resources that we will need to comply with this new requirement would be significant, sustained, and unwarranted. This will require us to employ the special services of consultants and auditors to estimate market value.

Our investors have not expressed an interest in receiving this information. We believe our investors would not consider the cost of implementation as being either reasonable or worthwhile.

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For the reasons stated above, our bank respectfully requests that the fair value section of the exposure draft be dropped.

II. COMMENTS ON LOAN IMPAIRMENT

I support the Board's efforts to revise the methodology to estimate loan loss provisions. However, I have concerns about how such changes can be implemented. I recommend that any final model be tested by banks my size in order to ensure that the model is reasonable, reliable and workable.

It is very important that any new processes are agreed upon and understood by regulators, auditors, and bankers prior to finalizing the rules.

I do not support the proposal for recording interest income. Interest income should continue to be calculated based on contractual terms and not on an after-impairment basis. Changing the way interest income is recorded to the proposed method makes the accounting more confusing and subjects otherwise firm data to the volatility that comes naturally from the provisioning process. I recommend maintaining the current method.

I appreciate the opportunity to comment and thank you for your consideration.

Sincerely

Lynn R. Rhodes

Lynn R. Rhodes
Chief Financial Officer

LRR:scw