THE COMMERCIAL BANK



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Technical Director
Financial Accounting Standards Board
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File Reference: No. 1810-100 Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities

Dear Members of the Financial Accounting Standards Board:

I am Bobbie McMillan, President and CEO of a \$28 million rural community bank in Central Texas Hill Country. This letter is being sent today to express my concern and my opposition to FASB's proposed expansion of "fair value" accounting to all financial instruments. Our industry has consistently opposed a fair value accounting model for our core banking activities. I suppose that FASB sincerely intends to make changes that affect and reflect more "transparent" balance sheets, however, I also believe that this particular proposal is a "knee jerk" reaction and will impact balance sheets for the "right now" problem, but will ultimately have unintended consequences when global economies make another turn in the future.

The changes proposed in No. 1810-100 expand current mark-to-market accounting by requiring banks to record all financial assets and liabilities at "fair value" on their balance sheets. It is my understanding that fair value accounting is mainly meant for assets that are bought and sold in some type of secondary investment marketplace with a specific method of determining a "value".

In our little rural community environment, we serve our customers by making plain vanilla types of consumer, agriculture, business and mortgage loans and we hold them. We do not make FNMA "qualified" mortgage loans because we keep them all, and therefore, none of them would have any "marketability" in the secondary market. We work out problem loans and, therefore do not sell them.

Two other areas of concern are (1) anticipated costs associated with FASB forcing banks to provide fair value estimates which benefits no one, not our customers, our shareholders, or of course our net income, and (2) I fear that our customers and shareholders will notice significant drops in our capital —both because of the move from amortized accounting for long term investments and because of the decrease in net income. This would create a mistaken belief that our bank's capital reporting is unreliable.

From what I have read, it seems that FASB's intent to provide consistent accounting globally is actually inconsistent with the standards utilized by the international financial reporting standards.

If FASB will not consider dropping this proposal in its entirety, would you please give us little guys and gals an exemption? We do not offer exotic products or operate in the "trading" environment and we are no threat to the global financial arena. We just want to provide financial services for our little community.

Thank you for your time and careful consideration to my letter. It is my request that FASB would withdraw this proposal.

Respectfully,

Bobbie McMillan President/CEO