

FRANDSEN FINANCIAL CORPORATION

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September 16, 2010

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

File Reference: No. 1810-100 Accounting for Financial Instruments

Dear Mr. Golden:

Thanks for the opportunity to comment on the above referenced proposal. I have been a life-long banker (37 years) and am also an investor in my bank, so it is very important to me to have accurate and sound bank financial reporting. With this in mind, I am writing to express my deep concerns and opposition to the portion of the proposal that requires all financial instruments to be marked to market.

In your proposal, banks must record loans on the balance sheet at their market value. In all my years of banking, market values of loans are never discussed. The reason for this is that investors are interested in how loans perform, not how the market views its value if sold. I believe the focus on mark to market is irrelevant for loans that are not being sold. Additionally, with individualized payment terms, collateralization, and guarantee structures, the vast majority of commercial bank loans have no reliable market in which they could be sold, further calling into question the reliability of using fair value as the basis for financial statements. Even if there were active markets, fair value is not the appropriate measurement for these loans since it does not represent the cash the bank will receive.

I understand that a loan's value may change because of current interest rates or because of problems the borrower may have. But if there is a problem in repayment, the banks' typical process is to work the problem out with the borrower rather than sell the loan (as there would be no market to sell a problem loan). So, even if it were easy to find a market value and sell the loan, that market value is irrelevant, since the bank would not sell the loan. As a result of your proposal, bank capital will be affected by market swings that cannot reasonably be expected to ever be realized by the bank.

Another serious concern I have is whether, because the proposal to mark loans to market does not reflect a bank's business model, requiring them to do so could result in a need for banks to change

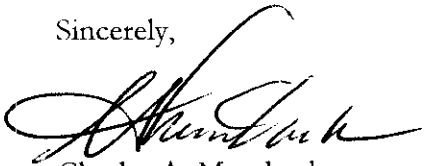
their business models. As an investor, my desire to hold equity securities generally declines as volatility increases. Because I do not view this as “true” volatility, I will be in a quandary about the true reported financial position under the proposal. Some investors will likely put pressure on banks to reduce the volatility, and, in many cases, this may result in shifting toward an investment banking model rather than a traditional banking model, or result in limiting products to those that are sheltered from market volatility. This, to me, seems to be an illogical and an unintended result, and a situation where the accounting should not be driving the business model.

Additionally, I am very concerned about the costs and resources that will need to be dedicated to produce and audit this. We have learned from the recent financial crisis that markets are sometimes illiquid and sometimes irrational. Because banks do not use fair values in managing their cash flows, I anticipate that this could require banks to hire more staff and/or consultants to assist with estimating fair values and to pay significantly higher audit fees. In the end, investors will be paying consultants and auditors significant sums to make estimates that my fellow shareholders and I will do nothing with.

I recommend you to drop your proposal to mark loans to market, as, from my perspective as an investor, it does not improve financial reporting.

Thank you for considering my views. Please feel free to contact me if you would like to discuss my concerns.

Sincerely,

A handwritten signature in black ink, appearing to read 'Charles A. Mausbach', with a large, sweeping flourish at the end.

Charles A. Mausbach
Executive Vice President and Shareholder
Frandsen Financial Corporation