

From: ddraughon@keysourcebank.com
To: [Director - FASB](#)
Subject: File Reference: No. 1810-100, "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities"
Date: Friday, September 17, 2010 9:17:40 AM

Donald Draughon
280 S. Mangum Street, Suite 140
Durham, NC 27701-3673

September 17, 2010

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

Dear Mr. Golden:

My name is Don Draughon and I am the President and CEO of KeySource Commercial Bank located in Durham, NC. We are just a \$200 million in Total Assets bank with a diverse loan portfolio throughout the community. I wish to express my concerns over the "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities."

First it is amazing to me that mark to mark accounting for loans is even being considered after this financial crisis. I believe that mark to mark played a role in the financial meltdown or at least exacerbated it because it created an environment for investments that had to be marked down because there was no liquid market for them at any price thus driving down their value creating capital issues for banks that were only temporary in nature but caused the bank to fail because they could not raise enough capital in a hurry to repair the damage from the mark to market. How did this serve the best interest of the investors?

I am strongly opposed to the portion of the proposal that requires all financial instruments - especially loans - to be reported at fair value (market value) on the balance sheet. When 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. In fact, for small loans there is no market to sell loans so arriving at a value is impossible. This would make our bank's capital to fluctuate even if the entire loan portfolio is performing. That makes no sense and would cause even more unstableness in the market place.

The costs and resources to a small bank like ours to comply would also be one more thing to drive down profitability at our bank.

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

Sincerely,

919-383-4200
CEO
KeySource Commercial Bank