



November 9, 2004

Letter of Comment No: 240
File Reference: EITF03-1A

Mr. Lawrence Smith
Director & Chairman of the Emerging Issues Task Force
Financial Accounting Standards Board
401 Merritt 7
Norwalk, Connecticut 06856

Regarding: Proposed FASB Staff Position, EITF Issue 03-1-a, Implementation Guidance for the Application of Paragraph 16 of EITF Issue 03-1, "The Meaning of Other Than Temporary Impairment and Its Application to Certain Investments."

Dear Mr. Smith:

Highland Commercial Bank appreciates the opportunity to comment on the proposed staff position, issued on September 15, 2004, by the Financial Accounting Standards Board (FSP 03-1-a).

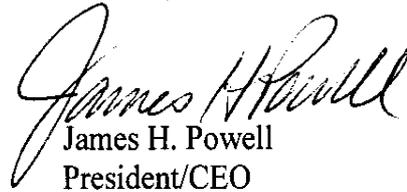
As a newly chartered commercial bank, opened August 30, 2004, we are just beginning to build our asset base and investment portfolio. How our investments may be treated from a valuation standpoint could become a critical issue for new banks such as ours. I thank you for the delay which allows time for this input.

- Debt security held in AFS should not be written down for changes in market values that are solely due to increases in interest rates. Like most new banks, we will be purchasing investments on a very conservative basis to build-in future liquidity support as the funding of the bank develops. In a rising interest rate environment, it is likely that all of our securities will see some depreciation in sale value based solely on increases in interest rates. None of our securities will be purchased with the idea of selling them before maturity; however, the available for sale category does allow us this flexibility which is important to us.

- Requiring an intent to hold in AFS is inconsistent with AFS. Instead the focus should be on the ability to hold. This does indeed become crucial for a new bank, in that we will pay very close attention to the structure of our investment portfolio vis a vis our loan portfolio to ensure as much as possible our ability to hold the securities until maturity. If we structure our portfolio correctly our maturing securities should allow us to make decisions about reinvestment at the maturity date rather than at some other time.

Again, we appreciate the opportunity to comment on this proposal. Thank you for considering our views and those of our fellow community bankers.

Sincerely,



James H. Powell
President/CEO