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W. LOUIS GRIFFITH
EXECUTIVE VICE PRESIDENT
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Letter of Comment No: 223
File Reference: EITF03-1A

October 25, 2004

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

Re: Proposed FASB Staff Position, EITF Issue 03-1-a, Implementation Guidance for the Application of Paragraph 16 of EITF Issue No. 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments"

Dear Mr. Smith,

The Bank of Clarendon 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). The Bank of Clarendon is an independent community bank that has been in business for over 70 years. We are located in a rural South Carolina county and serve our customer base through our three-office system. A substantial portion of our business is agricultural based, which is seasonal and dictates that our liquidity needs change periodically. Hence, our concern with EITF Issue No. 03-1.

I would like to also take this opportunity to thank the FASB for delaying the effective date of such an important piece of legislation that if enacted, will fundamentally change the way banks do business.

We understand that the purpose of this proposal is to address the accounting for other-than-temporary impairment. This is a critical issue for the banking industry. Banks often own various debt securities for investment and risk management purposes. Such securities are often classified as AFS because management has the intent and ability to hold the securities for an extended period of time. Situations involving changes in liquidity needs, changes in interest rates, or changes in sector spreads may arise and the bank may decide to sell certain securities. Our concern, however, is that the proposal overly restricts banks' ability to continue to practice prudent asset/liability management.

In my opinion, the proposal hinders my bank's ability to practice investment portfolio and asset/liability management. I need the flexibility to sell securities classified as AFS at a profit or loss to facilitate liquidity management. GAAP presently includes the AFS classification, which allows me the necessary tools to effectively manage the bank's interest rate risks.

Also, in my opinion, losses on AFS securities should be recognized when a decision is made to sell securities or when securities are permanently impaired. My bank regulators (State and FDIC) do not include unrealized gains in calculating regulatory capital. The AFS portion of my bank's investment portfolio is a management tool and my capital is

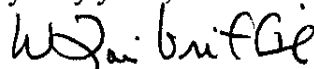
Additionally, securities backed by a U.S. government agency carry very little credit risk and sometimes there would be no economic reason that would force the sale of securities.

Often, available for sale securities are purchased as part of an overall asset/liability strategy whereby they serve to offset other securities that decrease in value in a rising interest rate environment. Banks need the appropriate level of flexibility to manage interest rate profiles. Many banks, such as my bank, do not use extensive off balance sheet transactions and therefore the ability to sell available for sale securities provides a method for my bank to respond to liquidity needs or to react to changes in interest rates.

Lastly, my bank operates as an ongoing business, which it has for over 70 years. My bank may sell AFS securities for many reasons, including good business sense, liquidity needs, changes in interest rates, changes in the availability and yield on other investments, changes in funding sources, or changes in asset/liability management. Selling securities as part of a risk management strategy is a common practice in independent community banks, and is a valuable tool in an independent community bank's portfolio.

Again, I appreciate the opportunity to comment on this proposal. Thank you for considering my views. If you would like to discuss this letter in more detail, please contact me at (803) 433-4451.

Very truly yours,



W. Louis Griffith
Executive Vice President
Chief Financial Officer

WLG/swf