FIRST NATIONAL BANK

BASTROP 🖈 ELGIN 🖈 SMITHVILLE

P. O. DRAWER F BASTROP, TEXAS 78602

Member FDIC

(512) 321-2561 Metro (512) 303-1003

PRESIDENT AND
CHIEF EXECUTIVE OFFICER

Letter of Comment No: /22 File Reference: EITF03-1A

October 27, 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 First National Bank of Bastrop 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). We are a \$250 million bank located in Bastrop, Texas – a town of about 5,000 in central Texas.

I would like to thank the FASB for delaying the effective date and taking more time to consider the views of the industry.

In my opinion, the proposal is unsound and the impact it will have on our asset/liability management will be adverse. Losses in value, solely due to increases in interest rates, should not trigger impairment charges on debt securities. Impairment decisions should consider all the facts and circumstances. The decision involves significant judgment and should be required to involve deterioration in credit quality.

The rule currently requires that investors justify the intent and ability to hold securities for investment purposes. In order to encourage prudent risk management practices, the rule should only require that investors demonstrate the ability to hold securities and should eliminate from the rule the requirement to justify the intent to hold.

Again, we appreciate the opportunity to comment on this proposal. Thank you for considering our views. If you would like to discuss this letter in more detail, please contact Robert Berryhill, Executive Vice President at (512) 321-2561.

Sincerely,

Reid Sharp President/CEO