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G. Kenneth Perine, President & CEO

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October 28, 2004

Mr. Lawrence Smith, Director and Chairman Emerging Issues Task Force Financial Accounting Standards Board 401 Merritt 7 Norwalk CT 06856 Letter of Comment No: 213
File Reference: EITF03-1A

RE:

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 in this Application to Certain Investments"

Dear Mr. Smith:

Thank you for the opportunity to comment on the proposed staff position issued on September 15, 2004, by the Financial Accounting Standards Board (Proposed FSP EITF Issue 03-1-a). As president of National Bank of Middlebury, a \$180 million community bank in Middlebury, Vermont, I wear many hats. One of these hats involves management of the bank's Balance Sheet in tandem with our chief financial officer.

We are very concerned that the proposed staff position on the above-referenced issue will have a serious deleterious affect on our ability to manage our small bank in a prudent manner. The proposal has much ambiguity that leaves us, as management, in a state of doubt of how certain of our actions will be considered under the proposal. While some conditions have been suggested that might allow management the flexibility to sell securities out of the "available for sale" category at a loss without "tainting" remaining holdings, major concerns of this proposal are (i) earnings distortion, (ii) illiquidity, and (iii) disruption of management's ability to use the securities portfolio as an ALCO tool. We do not believe that debt securities, which we can hold to maturity, should be subject to write-downs solely due to changes in interest rates. Since we do use our securities portfolio as an ALCO tool and, at times, for liquidity, any proposal that would subject our income statement to effects of the sale of any of these securities is counterproductive to good bank management.

Furthermore, the ultimate goal of this proposal should be to provide more transparency in financial statements. It is difficult for us to understand how potentially volatile earnings' reports and/or capital positions due to marking our securities portfolio to market would really assist the public in comprehending our financial statements when we have the ability to hold those securities to maturity.

In conclusion, we feel the proposal provides uncertainty for bank management that can affect the prudent operation of financial institutions without providing any improvement in financial-statement transparency. Thank you again for the chance to comment on this proposal and for your time and attention to our concerns.

Sincerely,

G. Kenneth Perine President & CEO

GKP/clw