

From: [Tom Petrokubi](#)
To: [Director - FASB](#)
Subject: Re: Mark to Market Accounting
Date: Tuesday, September 07, 2010 9:26:38 AM

Dear Sir or Madam,

We at North Valley Bank find the proposed FASB on Mark to Market Accounting to be a threat to our balance sheet, income statement, and possibly our ability to operate as a small community bank. This proposed FASB will alter the way we do business as a traditional commercial bank.

The availability of fixed rate long term lending, which is preferred by our borrowers, will be threatened as we strive to match up the duration of our loans with that of our depositors, who prefer to maintain liquidity and typically keep a short position with their deposits. As a result, in order to maintain a mark to market neutral position, we will have to keep our loan pricing short as well. During a period of strong upward movement in interest rates, this could put pressures on the ability of our loan customers, especially our home mortgage customers, to repay their debt. The alternative to invest in derivatives to offset any mismatches is something we are not comfortable with and prefer not to do.

Our income statement will be confusing and could reflect high fluctuations in bottom-line net income in reaction to swings in market interest rates. This volatility will not only confuse internal management but also investors and depositors who might overreact during strong changes in the market. This could result in panic selling of stock as well as panic withdrawals by our depositors. Ultimately, this confusion of core earnings versus mark to market earnings, could create a hostile operating environment for our bank through a liquidity crisis brought on by exiting depositors and a capital crisis as investors divest of our stock.

Added to this, are the issues of increased costs from reprogramming our core systems, increased costs of financial reporting, and increased costs of educating our staff, directors, customers, and shareholders. As such, I strongly urge the FASB board to reconsider its position on Mark to Market Accounting and rescind its implementation.

Thank you for your consideration,

Thomas G. Petrokubi
SVP and CFO
North Valley Bank
Zanesville, OH

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