

Bay Bank & Trust Co.

September 20, 2010

Mr. Russell Gordon, Technical Director Financial Accounting Standards Board 401 Merritt 7 P.O. Box 5116 Norwalk, CT 06856-5116

Re:

File Reference No.

1810-1000

Dear Mr. Gordon:

This letter is in response to the mark to market accounting proposal which will require loans held in portfolio by financial institutions to be recorded at fair market value on the balance sheet.

I do not support requiring financial institutions, of any size, to report loans held in portfolio at fair market value. These loans are held by the respective institutions to 1) secure collection of contractual cash flows and 2) are valued based on amortized costs which represents the documented amount owed by the borrower. Consequently, I believe this is the best measure of value because it reflects future return of loaned capital to the bank. Any other means or measures of valuation are meaningless and are subject to various interpretations of the holder, the purchaser or anyone else trying to complete the evaluation.

Additionally, in times of economic stress, whether experienced locally or nationwide, a financial institution could be forced to immediately write down a new loan because no one would be willing to pay 100 cents on the dollar for that asset. Under the current conditions, it is difficult enough to reach a consensus with bank examiners on the valuation of a loan portfolio, or specific loans within a portfolio, and the examiners have the benefit of a strong working knowledge and understanding of credit risk. Can you imagine how much more difficult this process would be in trying to negotiate a reasonable value with someone without this skill set.

Bay Bank & Trust Co. is a community bank located in Panama City Florida with assets of approximately \$229 million. Our area of business includes Bay County and the surrounding counties located in the Northwest Florida panhandle. We are currently celebrating our 75th Anniversary of operations and look forward to another 75 years. We sincerely hope the Board will reconsider their position on mark to market accounting valuations and how it could negatively impact our industry going forward.

President & CE