GUARANTY BANK & TRUST CO.

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August 30, 2010

Mr. Russell Golden
Technical Director
Financial Accounting Standards Board
401 Merritt 7, PO Box 5116
Norwalk, CT 06856-5116

File Reference: No. 1810-100 "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities

Dear Mr. Golden:

I appreciate the opportunity to express my opinions concerning the exposure draft referenced above. I currently serve as president and chief executive officer of our bank, and as a member of the board of directors of the bank and our holding company. More importantly as it pertains to the proposals included in the exposure draft, I am a shareholder of the holding company. My philosophy as a bank manager has always been to maximum transparency regarding the financial position of the bank in order that the board of directors be well informed as to all matters important to their decision making responsibilities. As a director I, together with my fellow board members, take seriously our responsibility to maximize the shareholders' return while at the same time insuring the continued viability of the bank long into the future. As a shareholder I, like the other 42 shareholders of our company, want the bank to operate in the most efficient, effective manner while protecting the investment that I have made in the bank and the company.

The exposure draft that FASB has put out for comment concerns me greatly, particularly as it pertains to the issue of reporting loans at their market value. The other aspects of the draft would have little impact on our bank since we are a small, non-complex operation in rural Louisiana. Like most small, community banks we have long been reporting investments at their market value since it is relatively easy to determine what that value is at any given point in time. The valuations of these investments can easily be tested by simply offering to sell any one of them at any given time. The market will readily respond to such an offer particularly since the investments that our bank purchases and thus has available for sale are those that are "readily marketable." In the case of these type investments the purchaser knows exactly what he/she is buying since there are common characteristics in these investments. This is not the case with loans.

Our bank's balance sheet assets include agency paper, municipal bonds, certificates of deposit from other banks, and loans. The type of loans that we make in our bank are those that would be typical of any other small, community bank in rural Louisiana: personal loans, agricultural production loans, small business loans, residential mortgage loans, small commercial loans, and commercial real estate loans. Like other community banks our bank has a loan policy that provides us with guidance relative to the underwriting of the loans that we make. These are our underwriting standards, and not those of any other community bank. In like manner, every community bank has its own underwriting standards and like our bank, they make loans based on their standards. All of this is to say that every bank has a different set of "standards." If such is the case, and it is, how would one ever determine the "market value" of loans that in almost every case would be substantially different than other such loans that other banks would have made? The answer is simple: it cannot be done in any way that would ever be determined as being reasonable. Some bean counter might attempt to come up with some dream land idea of value, but like the value of a standard type of investment, the only real, true market value is that amount which a purchaser would be willing to pay. This, of course, would have to be the case or the values that we have all been applying to our investments these many years would have to be false since that is exactly how we determine "market value" of investments. "Market value" is not some amount that is arbitrarily determined, but instead is equal to the exact amount that a capable buyer is willing to pay for an investment that is offered for sale by a willing seller.

When this same standard is applied to loans held by banks many problems are encountered that are most difficult to address. First, there is the issue of underwriting standards. For loans to have a true "market value" the underwriting standards and particular aspects of the loans would have to be well understood by both the buyer and the seller, as is the case with standard investment instruments. Should the seller's standards be anything other than that understood by the buyer, the transaction would possibly not yield the results expected by the buyer, specifically as such would pertain to credit, repayment, amortization, rate, etc. In such a case the buyer would end up owning something other than what he/she thought had been purchased. Unless the buyer could have sound assurances as to exactly what he/she was purchasing, one would likely not be a willing buyer. Secondly, and very importantly the owner of the loan would have to be a willing seller. If a loan is not for sale it would be most difficult, if in fact impossible to

determine what the true "market value" is at any given time during which the loan was not for sale. If the owner's value of the loan is based in large part on the ability of the owner to continue his/her ownership of the loan, how would the "market value" be determined when the owner never offers to sell the loan? In short, there is no true "market value" of something that is never offered for sale. If, on the other hand, a loan is offered for sale the true "market value" of the loan will not be determined by the seller of the loan (although he could refuse to sell if the offered price is not acceptable), but by the buyer who is "making" a market for the loan by offering to purchase. If such is the case, and it is, how then will an owner of a loan that does not want to sell the loan ever determine what the true "market value" of the loan is when the loan is never presented to the market for a purchase offer to be made? In simple terms, what is the true "market value" of something that is not for sale? The answer is there is no true "market value" unless there is both a capable and willing buyer and a willing seller. It is not possible to put a market value on something that is not for sale, or did someone at FASB not know that? Yes, some kind of value could be put on the loan that is not for sale, but not a "market value." Since there is no market for non-standard loans such as our bank makes it is conceivable that the "value" of our loans would end up as a "distressed" value similar to what is applied to loans in failed banks that are closed by the FDIC.

The intrinsic value of a loan that is not for sale is not easily determined, but it could be impacted by the following: compensating balances, borrower relationship, future lending opportunities, monthly payments versus annual payments, fee opportunities, collection problems, refinancing issues, collateral, down payments, amount of servicing time required, skill level of the officer required to provide servicing, etc. All of these factors and many more that could be listed determine just how valuable the loan is to the bank's current business model, but would be almost impossible to factor into determining the "market value" of the loan should some bean counter or "valuing system" attempt to do so. Much is left to the subjective judgments that are not easily measured. But even if all these factors could be incorporated into a Star Wars type calculation of value, that value would still not reflect a "market value" unless there was a capable and willing buyer and a willing seller.

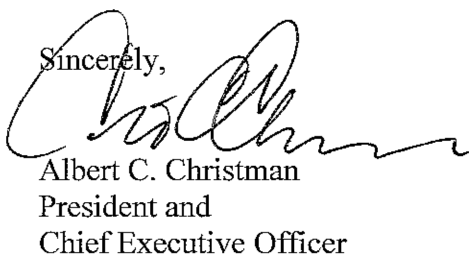
Finally, the costs of such a system as a small, community bank would have to employ to calculate the true "market value" of non-standard loans of various types that are not for

sale would certainly not be offset by any advantage to bank management, the board of directors, or the shareholders. In the end it would be a very expensive exercise that would yield little other than to increase the costs of the bank's operation and thus reduce the profitability of the bank and company. As a shareholder I would not appreciate this kind of non-sense.

This entire effort appears to be a continuation of the "mark-to-market" effort that likely lead our economy into its current mess, but that is another story. No doubt by extension we could all "mark-to-market" everything in our economy for the sake of transparency and then no one would have a clue what anything was worth at any given time in the future. Imagine a $500,000 home that was purchased two years ago and on which the borrower still owes almost all of the $475,000 that was financed. If today that house was appraised and found to be worth only $400,000, what would happen to the borrower should he/she have to pay the loan down to the "market value" of the property? The answer can be found in reviewing what happened to a lot of banks in this country when they were forced to write down assets that were not for sale, but whose so-called "market value" had been reduced due to conditions in the marketplace that the bank had no control over whatsoever. Where does it all stop? When does reason come into the equation? What FASB is proposing could result in a loan valuing system that would improperly value good, well collateralized, amortizing loans to the point that a community bank's equity is drastically reduced and the bank's very survival threatened. Is that what FASB seeks?

If FASB considers the current system to be so corrupt and without any redeeming value, then why not at least limit the imposition of these proposed changes to those companies that are publicly traded, and not impose it on closely held, non-public companies. It was not the value of loans in small, community banks that threatens our financial system and those same small, community banks should not have to suffer the effects of these proposed changes just to satisfy some additional desire on the part of FASB to impose "mark-to-market" in our financial system.

Sincerely,



Albert C. Christman
President and
Chief Executive Officer