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LETTER OF COMMENT NO. 168

Financial Accounting Standards Board
Technical Director
401 Merritt 7
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RE: FSP FAS 115-a, FAS 124-a, and EITF 99-20-b

We are a mid-size community bank in Northeast Texas, serving our community since 1927. The following comments are our perspective based upon actual activity affecting our institution. We strongly support your efforts to issue additional guidance.

Question 1: Is the proposed effective date of interim and annual periods ending after March 15, 2009, operational?

No, the proposed guidance does not provide a clear method to calculate fair value in distressed and/or non-functioning markets. If changes are made to the Guidance on FASB 157 it is **critical** to allow retroactive treatment of any changes to the date of adoption in accordance with SFAS No. 154, *Accounting for Changes and Error Corrections*. As in any new pronouncement, unforeseen application of the rules should allow for amendments to the original intent. The logistics of the accounting treatment should allow for retroactive entries made incorrectly once the new guidance has been issued. When market values recover, then the financial information should reflect the new values (i.e. write-ups). This would be aligned with International Reporting Financial Standards (IRFS).

Question 2: Will this proposed FSP meet the project's objective to improve financial reporting by addressing fair value measurement application issues identified by constituents related to determining whether a market is not active and a transaction is not distressed? Do you believe the amendments to Statement 157 in this proposed FSP are necessary, or do you believe the current requirements in Statement 157 should be retained?

Part 1) Yes, this project will help in the reporting of fair value issues but still remains deficient in inactive and private markets. Inactivity or private label does not equal impairment.

Part 2) Yes, changes to 157 are necessary. Financial Statements should best reflect the financial position of any entity. Even though adjustments to the fair value of items is a good thing, adjustments to the financial positions that do not accurately report the financial position only tend to confuse the users of the reports. Capital write downs that are hypothetically derived or arrived from a distressed market are misleading. Recognition of a potential credit loss in an investment would be a better measurement of the true value. Market value adjustments include too many other factors. If the exchange of assets or liabilities is handled in a systematic manner, the true economic gains or losses would be recognized. One size DOES NOT fit all.

Question 3: Do you believe the proposed two-step model for determining whether a market is not active and a transaction is not distressed is understandable and operational? If not, please suggest alternative ways of identifying inactive markets and distressed transactions.

Step 1 is adequate.

Step 2 needs additional clarification. "No activity" does not equal "distressed" and "market demand" does not directly correlate to "economic value". The different reasons for no activity are economic restraints, regulatory restraints, lack of investor demand and political environment. This inactivity does not always directly impact the value of assets and should take into account contractual cash flows, redemption "in-kind" policies, credit performance and intent/ability to hold. It is difficult to bring accountants, regulators and management together on Level 3 "Unobservable inputs". Clarification is needed to determine if the two-step model applies to private label assets.

Question 4: Are the factors listed in paragraph 11 of the FSP that indicate that a market is not active appropriate? Please provide any other factors that indicate that a market is not active.

Yes, these factors are appropriate when items meet the criteria.

Question 5: What costs do you expect to incur if the Board were to issue this proposed FSP in its current form as a final FSP? How could the Board further reduce the costs of applying the requirements of the FSP without reducing the benefits?

Quarterly direct cost would be charged to our financial institution in the form of FDIC assessments and regulatory fees. Fees are assessed based upon capital ratios and bank ratings. Direct cost would be reduced if the true financial values were permitted to be reported. Negative public perception within our market demographics is an un-measurable cost.

Thank you for considering our proposed changes to FAS 157. Our primary commitment is to provide accurate, consistent and meaningful information to our stockholders and regulators.

Respectively submitted,

Joyce Kirby CPA
Vice President/Controller
March 26, 2009