



As an investor and a chief financial officer of a community bank, I would like to comment on the proposed definition of a private entity. Whereas it may be simple for FASB to take a broad broom approach to a definition to apparently simplify the process for accountants and lawyers, those of us affected by the decision are left to face heightened burdens with no added value.

Our bank was originally chartered in 1945 by a group of local investors with a few thousand dollars that saw a need for a local bank to serve the community. We now have about 400 investors the majority of whom are local customers and many have connections to the bank through original owners or some-time board members. The largest shareholder is the employee stock ownership plan. While most share transfers occur between private—often related—parties, the shares of the bank holding company are available to be traded over-the-counter. Of the over one million shares outstanding, the 3-year average is less than 2,000 shares per week traded OTC. Most days pass with no share transactions.

Our common investors are not day traders or institutional investors. The shareholders often voice concern and confusion of excess financial disclosure. In actuality the more disclosure provided the less valuable it becomes. Typically they contact an executive officer of the bank for interpretation or other financial questions.

The model of success for community banking is through relationship building. The same is true within the ownership structure. Community banks that do not build close relationships with shareholders soon become branches of regional or national banks. The public company designation and financial statement reporting are not conducive to the community banking model.

Much of the benefit of private company reporting is delayed and reduced compliance whereby we can draw on previously issued public company reports as models thereby reducing costs of research and audit. There would be no value added to the franchise by adhering to the requirements of a public company. Please do not push a broad broom definition of a public company that will sweep the community banks into additional regulatory hardship. We already face continually increasing oversight by regulators for issues caused by to-big-to-fail banks. It is only serving to increase cost, restrict capital and diminish the value of community bank franchises—the true core of local and rural economic engines.

Thank-you,

Mark Lemmon
Executive Vice President & CFO
Bank of Eastern Oregon