TRI CITY
NATIONAL
BANK

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

RE: File Reference #1810-100

Dear Sir,

As Chairman and Chief Executive Officer of Tri City National Bank, a $1.07 billion banking institution in Oak Creek, WI, I am writing to express my opinions on specific provisions of the exposure draft, "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities."

I. COMMENTS ON FAIR VALUE

I am strongly opposed to the portion of the proposal that requires loans to be reported at fair value (market value) on the balance sheet.

Our bank is a basic community bank. Our balance sheet consists of $750 million in loans from the communities we serve in Southeastern Wisconsin and $250 million in investment securities, which we hold to maturity. Funding is also very basic with $960 million in core deposits from the businesses and residents in our communities and $120 million of Tier 1 equity.

In short we are a community bank serving our community. We do not sell our commercial loans. Basing our balance sheet on fair values leads readers of our financial statements to assume that we will sell the loans, which is not the case.

There is no active market for our loans. Estimating a market value makes no real sense.

Even if we could easily obtain a market price, since the loan is just one part of the financial relationship that we have with the customer (multiple loans, depository services and other investments), there is no financial incentive to sell.

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We will have to explain fair value fluctuations to our investors, customers and depositors even though they have expressed no interest in receiving this information. We believe our investors will not view these costs, which must come out of bank earnings, as being either reasonable or worthwhile.

II. COMMENTS ON LOAN IMPAIRMENT

I support the Board's efforts to revise the methodology to estimate loan loss provisions.

Our management and board have always believed a counter-cyclical provision to be in the best interest of our bank and the industry in general. Years ago (as smaller community bank) and prior to the emphasis on FAS 5 and FAS 114 by our external auditors, our board set a level of 1.2% to 1.5% of outstanding loans as the target for the allowance for loan losses. Provisions were taken to maintain that level as the allowance in good times and the not-so-good. Our company also took additional provisions for any actual losses realized.

Unfortunately in the years leading up to the current financial crisis the opposite occurred. Based on a conservative lending style, our bank's demonstrated losses did not support additional provisions during the boom years. Auditor's concluded our loss history did not even support the reserve levels already achieved. As a result, our loan portfolio increased but the allowance did not keep pace. Reserves in the allowance for loan losses decreased to below 1.0% during the time when we could have most easily made a provision for future losses. This scenario cannot be allowed to repeat.

Any new processes must be agreed upon and well understood by regulators, auditors, and bankers. The environment today puts conservative bankers like us and safety and soundness minded regulators at odds with our public accountant's strict adherence to FAS 5 and FAS 114.

Thank you for considering my comments.

Very truly yours,
TRI CITY NATIONAL BANK

Ronald K. Puetz
Chairman, CEO