## SMITH SHELLNUT WILSON Investment Counsel and Management

Frank W. Smith Raymond F. Thompson Steven P. Given

Kenneth M. Lott William P. Johnson, Jr. Frank W. Smith, III

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Financial Accounting Standards Board 401 Merritt 7 P. O. Box 5116 Norwalk, Connecticut 06856-5116

**Dear Sirs:** 

Smith Shellnut Wilson, LLC (SSW) is an SEC registered investment advisory firm located in Madison, MS. Among our client base are 43 financial institutions from ten (10) states, many of which own collateralized debt obligations (CDOs). As you know, such assets are severely stressed with weakened underlying collateral and no active trading in the marketplace.

We are aware of FASB's issuance of Accounting Standards Update (ASU) No. 2010-11 entitled "Derivatives and Hedging". In layman's terms, it is my understanding that paragraph 815-10-65-5 allowed the owning institution the ability to fair value classify any securitized asset such as a private label MBS or Trups (CDOs). The initial adjustment to fair value (from current carrying value) would be reflected as a cumulative effect adjustment within retained earnings, not within earnings. It is also my understanding that this update was issued in March, 2010. For those institutions which report on a calendar quarter, the adjustment had to be made no later than July 1, 2010. After that date, the opportunity for adoption was over.

FASB is to be commended for its willingness to assist CDO owners with the above-referenced update; however, my partners and I respectfully request that another window of opportunity be granted to take advantage of the Update's options. Our thoughts are outlined below:

- In our view, the time between the March 5, 2010 pronouncement date and the July 1, 2010 adoption
  date (for those entities reporting on a calendar quarter basis) was too short a window to allow for
  consultation with advisors in order to effect the proper implementation of this provision;
- The authorization specifically mentioned in the second paragraph above was a small part of a much bigger publication. It was difficult to digest it's very important implications;
- 3. Because of the extreme stress in the financial industry, a longer, more publicized opportunity to adjust CDOs to fair market through retained earnings is warranted and would be very much appreciated.

Thank you for taking the time to read this letter. I look forward to your written response.

Sincerely,

Kenneth M. Lott

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Principal