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VIA ELECTRONIC MAILU.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549Re: File No. S7-06-03.
Auditor attestation for non-accelerated filers

Dear Sirs:

In Release Nos. 33-8889, 34-57258, the Securities and Exchange Commission (“Commission”) requested comments on the Commission’s proposed rule amendments extending, for non-accelerated filers, the compliance date for the auditor attestation report on internal controls over financial reporting (“ICFR”). For the reasons set forth below, my client, The First National Bank of Groton (the “Bank”), favors the proposal.

Summary. The proposal is in the public interest because (1) auditor attestation of ICFR offers little incremental benefit to investors in a smaller business and (2) the auditor attestation requirement would burden smaller businesses more than larger businesses.

The Bank. The First National Bank of Groton (the “Bank”) is a community bank with its principal office in Groton, New York. Groton, New York is a Village of approximately 2,400 inhabitants and is located in Tompkins County in the Southern Tier of New York State. The Bank has a second office in the nearby Village of Moravia, New York. On December 31, 2007, the Bank had total assets of approximately \$106.8 million, and its net income for 2007 was approximately \$1.5 million. The Bank at present has 46 employees.

The Bank was chartered under the National Banking Act in 1865. It has no holding company. Since the date of the Bank’s organization, its shares have become widely owned in the Groton area. The Bank has 60,000 shares, \$5 par value, issued and outstanding, and there are currently 420 shareholders of record. The Bank is not obligated to register with the Commission under Section 12 of the Securities Exchange Act of 1934. The Bank mails to its shareholders an annual report, with a summary of financial results drawn from its audited financial statements, and an unaudited balance sheet and operating statement after the close of the first, second and third quarters.

Bid and ask information for Bank shares appears on the Pink Sheets under the symbol "FIGR". The most recent bid and ask information for Bank shares has been roughly \$300-\$350 per share. This would place the market capitalization of the Bank in the neighborhood of \$18 million-\$21 million.

Management of the Bank is concerned that if the total number of shareholders of record of the Bank were to equal or exceed 500, then the Bank would become subject generally to the Sarbanes-Oxley Act and incur compliance expenses disproportionate to investor protection. This would give the Bank an expensive dilemma: either become an Exchange Act reporting entity and have its earnings depressed from compliance costs, or reduce its total number of shareholders of record, by means of a reverse stock split or otherwise.

The Bank is worried about adverse reaction in the Groton community from a reverse stock split or other recapitalization method that forces its smaller investors to give up their Bank shares. At present, its shareholders are, or influence, present and prospective Bank customers. If they became embittered from being forced to give up their Bank shares, the Bank's business could suffer.

The point of diminishing returns. The Bank's internal controls are presently subject to at least three levels of review and testing. First, the Bank's Chief Financial Officer and Compliance Officer & Audit Manager review and test the internal controls. Second, the Bank is regularly examined by the Office of the Comptroller of the Currency. Third, the financial statements of the Bank are audited annually by its independent auditing firm. For a business the size of the Bank, adding a fourth level of review is not likely to detect a material weakness in ICFR.

The diminishing returns have been recognized in the Statement on Application of Recent Corporate Governance Initiatives to Non-Public Banking Organizations, by the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and Office of Thrift Supervision, published by the Board of Governors as Supervisory Letter SR 03-8, May 5, 2003. In this statement, the bank regulatory agencies said:

Our regulatory approach, as well as the approach adopted by Congress in the Sarbanes-Oxley Act, has sought to balance the goal of strong corporate governance with the recognition that smaller, non-public banking organizations typically have fewer resources and less complex operations than public organizations.

Consistent with the balancing of regulatory concerns, each insured depository institution that has assets of \$1 billion or more, whether or not it (or its holding company) is subject to the Sarbanes-Oxley Act, is required by regulations of the FDIC at 12 CFR § 362.2(b)(3) to have a management assessment of the effectiveness of its internal control structure and procedures, and is further required at § 363.3(b) to have an examination, attestation, and report by its independent public accountants concerning management's assessment.

If the Bank were to reach the 500-shareholders-of-record threshold, it would become subject to the Exchange Act. As a national bank, the Bank would file reports under § 12(i) of the Exchange Act with the Office of the Comptroller of the Currency, as a non-accelerated filer because the aggregate market value of the Bank's common equity is significantly less than the threshold of \$70 million provided in Exchange Act Rule 12b-2. The Bank would then eventually be subject to the auditor attestation requirement in the Exchange Act Rules whenever that requirement becomes applicable to non-accelerated filers. In contrast, the FDIC requirement does not depend upon the number of shareholders of a depository institution, or of the institution's holding company if it has one, but depends solely upon the size of the institution (at least \$1 billion).

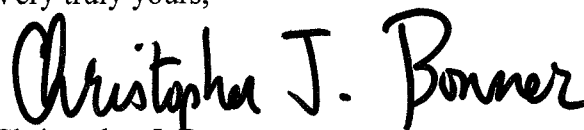
Comparative burdens and benefits. The auditor attestation burdens an institution inversely according to the institution's size. As with many other regulatory burdens, it costs a small business a higher percentage of revenue than it costs a big business. At the same time, an auditor attestation is of increasing benefit to investors as the size of the business increases.

Policy. Having numerous shareholders who reside in the Bank's local area is beneficial both for the Bank, because it encourages customer relationships, and for the shareholders, because of the opportunity to hold an investment in a local business. If the Bank becomes subject to expensive additional regulation when the number of its shareholders of record equals or exceeds 500, then the Bank would need to consider taking appropriate corporate capital steps to reduce the number of its shareholders of record, such as a reverse stock split or a merger into another bank. In the view of the Bank's management, such courses of action are less beneficial to the Bank and its shareholders, compared to its present status.

Conclusion. The view of The First National Bank of Groton is that the auditor attestation requirement simultaneously burdens small businesses more than their competitors and benefits investors in small businesses less than it benefits the investors of larger institutions. Therefore, delaying the requirement for non-accelerated filers is in the public interest.

The Commission might further consider whether the thresholds for Exchange Act compliance might be raised, such as by amendment of Exchange Act Rule 12g-1 or 12h-1, so that smaller businesses with many shareholders would not become subject to the Exchange Act.

Very truly yours,



Christopher J. Bonner

cc: Stephen Gobel, President
The First National Bank of Groton