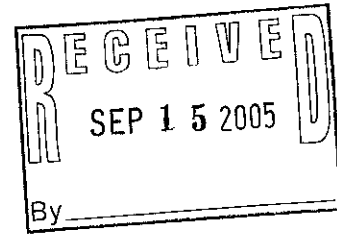




FARMERS BANK & TRUST



September 7, 2005

RE: FDIC – 12 CFR Part 363 - FIL-72-2005 – RIN 3064-AC91, Annual Independent Audits and Reporting Requirements Proposed Amendment to Part 363; August 2, 2005

Mr. Robert E. Feldman, Executive Secretary
Attn: Comments
Federal Deposit Insurance Corporation
550 17th Street NW
Washington DC 20429

Dear Mr. Feldman

We, the audit committee of the Board and the management team of Farmers Bank & Trust Co., strongly support the proposed amendment to Part 363 to raise the asset size threshold from \$500 million to \$1 billion for requirements relating to internal control assessments and reports by management and external auditors, and the requirements that members of the audit committee, who must be outside directors, be independent of management.

Our institution is held by a one-bank holding company that is organized as a closely held S-corporation. Our institution has not yet reached the \$500 million threshold, although, we expect to reach this threshold next year, if not sooner. We have already spent many hours and thousands of dollars on officer training and in planning for the internal control assessments and testing with our external auditors. Currently, we are the largest institution examined by our FDIC office in Shreveport, Louisiana, therefore, our FDIC examiners possess limited expertise to assist us in our preparations for internal control assessments and testing. We expect that the internal control assessments and testing will be very burdensome and costly, since we will likely have to hire at least one additional internal auditor or consultant and since external audit fees will increase significantly. We have been successful in keeping our efficiency ratio lower than peer; therefore, the additional work that will be required for the internal control assessments and testing will be particularly burdensome on our senior management team, whose priority must be decision making and planning in order for the bank to remain safe and sound while earning an adequate return for shareholders.

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The requirement that audit committee members must be outside directors who are also independent of management would be particularly burdensome for us. Our community is a small rural community in South Arkansas with a population of less than 11,000. In a community this size, there are a limited number of professionals; finding a competent professional who is not affiliated with our institution in any capacity is difficult. There are four banks and a credit union in our small community. Therefore, we will have great difficulty in recruiting outside directors who are (1) competent to serve on the Board and the audit committee; (2) willing to accept the responsibilities of serving on the Board and the audit committee, (3) not affiliated with competing institutions; and (4) independent of our institution's management. This is especially difficult when it is preferred that at least one member of the audit committee be a "financial expert."

We strive to follow safe and sound banking principles, evident by our audit and exam reports. Following is a description of some of our procedures and practices which strengthen our internal controls, help us to operate in a safe and sound manner, and put us in compliance with many of the provisions of the Sarbanes-Oxley Act

1. We engage a competent, independent audit firm to perform an annual audit of the holding company and its subsidiaries' financial statements in accordance with auditing standards generally accepted in the United States of America to determine that the financial statements comply with accounting principles generally accepted in the United States of America.
2. In compliance with Section 303 of Sarbanes-Oxley, the external audit firm is approved by the Audit Committee of the Board, and the Audit Committee meets annually with the external auditor following the annual audit to review all audit reports.
3. The independent external audit firm does not perform any of the prohibited services specified in Section 201 of Sarbanes-Oxley; all allowed non-audit services performed by the external audit firm are approved by the Audit Committee.
4. The external auditor reports the following to the Audit Committee in compliance with Section 204 of Sarbanes-Oxley.
 - a. All critical accounting policies used by the company.
 - b. Alternative accounting treatments that the audit firm has discussed with management, including potential ramifications, and the treatment preferred by the audit firm.

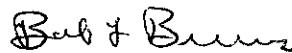
- c Other written communications the audit firm has provided to the company's management, including a management letter and a schedule of unadjusted adjustments
- 5 In compliance with Section 406 of Sarbanes-Oxley, the Board has adopted a Code of Ethics, not only for senior financial officers, but also for all directors and employees of our institution
- 6. The Audit Committee is composed entirely of outside directors, and the Chairman is an experienced CPA who qualifies as a financial expert.
- 7 The Internal Audit Department is independent of management and reports directly to the Audit Committee of the Board
- 8. The risk-based internal audit plan is approved annually by the Audit Committee
- 9. In compliance with Section 301 of Sarbanes-Oxley, the Audit Committee has established procedures whereby employees can anonymously report concerns to the internal audit department and the Audit Committee regarding any questionable accounting or internal control matters

Again, we strongly support the proposed amendment to Part 363, and we appreciate the opportunity to comment on this important proposal.

Respectfully,



Jim Phillips, CPA
Audit Committee Chairman



Bob L. Burns
President & Chief Executive Officer