

May 5, 2006

This proposed regulation will be detrimental to our bank as it will impose an immediate tax liability for us plus we will lose the tax deferral on future stock dividends. I also feel it will drive up the cost of doing business with the FHLB in the future or eliminate some of the services they offer.

Ray B. Sterling  
Executive Vice President/Chief Lending Officer  
First State Financial  
Pineville KY