

From: Debbie Clayborn [mailto:dclayborn@contact.1776bank.com]
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I appreciate the opportunity to get to comment on the advance notice of proposed rulemaking covering Incorporating Employee Compensation Criteria into the Risk Assessment System. I appreciate the fact that the FDIC has taken a stand to correct the compensation system in many of the large institutions. This last year has been very painful for the agencies and the banks, I believe that we need to fix many issues in the industry.

In response to questions:

1. Covering the payment of compensation, I am worried about requiring payment of compensation in the form of "restricted, non-discounted company stock for those banks, like ours, that are closely held and family owned. I can see this working for our CEO, who owns majority share, but I cannot see this working for anyone else in my organization. The FDIC may want to consider the effects that this requirement may have on closely held and/or family owned banks. The payment of incentive compensation for such organization may need to be in cash, but be delayed so that incentive in 2012 will be paid on the performance of 2010.
2. I think with the state of the industry, penalties appear to work better than reward. However, which ever way the penalty/reward is presented it must be large enough to be meaningful to the banks presenting higher risks. After spending 35+ years in banking, I am aware enough to know that a weak penalty will not improve actions for those that are inherently unethical.
3. Requiring a compensation committee may strictly of unrelated, independent directors would prove to be a sufficient way to ensure board involvement.
5. I believe that all banks should be responsible when setting their compensation plan; however, large banks appear to have the largest gap between employer interests and the company's interest. I would think that the type of activities that the bank and subsidiaries are involved in would have to be a factor. Generally the riskier the activity, the larger the return and the larger the bonus to be paid to management and larger banks have the more diverse product lines.

Again I thank you for this opportunity. While I believe that all financial institutions must base their compensation on risk to the company, I think that will be harder to do with closely held companies. No financial institution should be exempted from the FDIC's determination of risk to the safety and soundness of the company, but the FDIC may want to allow some modifications based on the type of products and services offer and the type of organization.

Debra A Clayborn, CRCM, CTA
VP Compliance and CRA Officer
2425 Frederica St
Owensboro, KY 42301
270-686-1776