LYNDON STATE BANK

817 Topeka Avenue
Lyndon, KS 66451

LETTER OF COMMENT NO. 7

July 20, 2006

Director
Financial Accounting Standards Board
Emerging Issues Task Force

RE: EITF0604 – Comment

Dear Financial Accounting Board:

We are submitting this comment in response to the request for comment on the exposed Draft Abstract for EITF Issue No. 06-04 that relates to split-dollar accounting.

It has come to our attention that the EITF proposes to require an accrual during an employee's service period for any post-retirement benefit promised under a split-dollar arrangement. We strongly object to this proposal for the following reasons:

1. We understand that the proposed change would require our Bank to lower its retained earnings to account for its existing split-dollar arrangements. As you may already know, bank regulations generally permit a bank to hold Bank-Owned Life Insurance in amounts not to exceed 25% of its capital. Lowering retained earnings could invite regulatory criticism. This is unfair to any Bank when prior accounting practices were working fine.
2. Another undesirable result of the proposed rule change is that a Bank may not be able to accrue for the split-dollar benefit and would have to completely terminate the plan. This could multiple negative side-effects that are too lengthy to detail in this letter.
3. A third undesirable result of this proposed rule change is that if our Bank decides to keep its split-dollar arrangements in place, in order to accrue for these benefits, we may very well have to cut back on benefits it provides to other employees.
4. Finally, our accountants who have reviewed these plans have never suggested that we accrue for the present value of the death benefit.

Our suggestion is that the FASB not adopt this proposed change in accounting treatment. Rather, we suggest they adopt View B. We are at a loss to understand any reasoning for FASB's proposal.

Sincerely,

Steven R. Niemack
Chief Executive Officer