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Mr. Lawrence W. Smith Chairman of Emerging Issues Task Force Financial Accounting Standards Board 401 Merritt 7 PO Box 5116 Norwalk, Connecticut 06856-5116



Dear Mr. Smith,

Peapack-Gladstone Bank appreciates the opportunity to comment on the draft abstract for EITF Issue No. 06-4, "Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements."

We strongly disagree with the provisions in the proposed consensus for the reasons explained below.

1. The bank has no liability:

• The split-dollar death benefit to the employee's beneficiary will be paid directly by the insurance company when the employee dies. This is an obligation of the insurance company to the employee for the amount of death benefit endorsed under the arrangement. It is not the bank's liability.

2. Misleading and unfair representation of financial statements:

• The liability required under the proposed guidance presents a misleading picture of the bank's financial position and is inconsistent with the terms of the actual transaction. This imaginary liability would imply to the reader of the financial statements that the bank is obligated to make a payment that will actually be made by a third party (insurance company).

3. Incorrect assumptions, the bank will never pay a benefit to the employee's beneficiary:

• Apparently the EITF does not fully understand the exact nature of an endorsement split-dollar arrangement. The endorsement means that the insurance company is obligated to pay the split-dollar benefit to the employee's beneficiary, not the owner of the policy. The liability required under the proposed conclusion would be appropriate where the employer receives life insurance proceeds and then pays a benefit to the beneficiary, but that is not the case in an endorsement split-dollar plan. The proposed consensus is based on a flawed understanding of an endorsement split-dollar arrangement.

4. Potential significant negative impact on bank capital and transition schedule:

• The short interval between the EITF's final decision and implementation of the proposed guidance is inadequate for affected banks to thoughtfully evaluate its negative impact on capital and take steps to amend or terminate plans to maintain adequate capital for regulatory purposes. Should the EITF vote to finalize the proposed guidance, the implementation date should be delayed to fiscal years beginning after December 15, 2007.

5. Mismatch of asset and liability:

• The draft abstract requires recognition of a liability by the employer for the insurance company's contractual obligation to pay a death benefit to the employee's beneficiary under the endorsed insurance contract. Since the obligation to be recorded by the employer is the contingent liability of the insurance carrier, it stands to reason that the employer should also record the contingent gain asset from the insurer because they are one and the same. Recording only half of the transaction is misleading and seriously misstates the substance of the split-dollar arrangement.

6. Duplication of expenses:

• The proposed consensus creates duplicate expense for the employer. Consider an employer's purchase of annual renewable term insurance for an employee with annual premium payments. The premiums would be expensed in the period paid (or for the period covered.) This is the same thing that is already taking place in the life insurance policies described in the draft abstract. The cost of insurance is assessed each period against the cash value and flows through the employer's income statement. By applying the proposed consensus the employer would then, in addition to expensing the cost of the coverage, accrue a liability for the policy

coverage. Does that mean the death benefit for the term insurance should also be accrued? The guidance is flawed and should be rejected.

Peapack-Gladstone Bank appreciates the opportunity to share our thoughts on this issue with the EITF. We respectfully request the EITF reject the proposed consensus on Issue No. 06-4, and continue to pursue resolution of the proper accounting for split-dollar.

Sincerely,

Frank A. Kissel

Chairman and Chief Executive Officer

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Arthur F. Birmingham

Executive Vice President and Chief Financial Officer.