

SOUTHERN MISSOURI BANK

August 4, 2006



LETTER OF COMMENT NO. 90

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

Dear Mr. Smith:

Southern Missouri Bank appreciates the opportunity to comment on EITF Issue No. 06-4, *Accounting for the Deferred Compensation and Postretirement Benefit Aspects of Split-Dollar Life Insurance Arrangements*.

The Bank does not agree with the proposed guidance. The benefits would be paid by the insurance company, not the bank. Therefore, it is not the bank's liability. It is not rational to record a liability on the bank's books that is not the bank's obligation to pay. To record this liability would present a distorted picture of the bank's financial position.

The impact on bank capital under the proposed guidance will need to be evaluated. If the proposed consensus is ratified, the implementation date should be extended until fiscal years beginning after December 15, 2007 to give banks adequate time to evaluate the impact on regulatory capital and take corrective action prior to the implementation date. The short time period with the proposed guidance does not give banks ample time to evaluate the negative impact and take steps to amend or terminate plans to maintain required capital.

If the proposed guidance is ratified, to ensure that diversity of practice is avoided, we would request that guidance as to the proper income tax accounting treatment of the benefit liabilities accrued be given. The tax accounting treatment is unclear because the guidance is requiring employers to accrue a benefit obligation that will not be paid by the bank, but by the life insurance company.

The draft abstract requires the accrual of an imaginary liability which apparently would be reversed upon the death of the employee and payment is made by the insurance company. If ratified, guidance would be necessary for the proper presentation in the cash flow statement.

While accounting for the policy cash value, the Bank would also recognize insurance expenses charged against the policy values. The proposed consensus would require the Bank to also expense the death benefit provided by the insurance coverage. This duplication is totally misleading and would misstate the economics of the split-dollar arrangement by overstating expenses.

Southern Missouri Bank appreciates the opportunity to express our views on the proposed guidance. We would propose that all areas of concern be evaluated and corrected and ample time given to Banks to comply before any new guidance is put in place.

Sincerely,

Greg Steffens
President