HOMESTAR BANK



August 4, 2006

Delivery Via E-Mail

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

RE: EITF Issue 06-4: Accounting for Deferred Compensation and Post-Retirement

Benefit Aspects of Endorsement Split Dollar Life Insurance Arrangements

Dear Mr. Smith:

I am writing on behalf of HomeStar Bank to recommend the subject issue, EITF 06-4, be rejected because it is illogical, inequitable, and self-serving.

HomeStar Bank is a \$450 million Illinois-chartered community bank which has been locally owned and operated since 1946. The parent company is an S Corporation. Maintaining a talented staff of senior executives and maintaining strong capital is a challenge for our type of organization. Proposal 06-4 would threaten both of those matters, while providing no true accounting benefit whatsoever.

We ask: Where is the liability? The benefits under this split dollar arrangement will be paid directly by the insurance company to the employee's beneficiary. Benefits will not be paid by the bank.

We ask: Is this proposal fair to small privately-held banks? HomeStar Bank maintains a "well-capitalized" status within FDIC regulations. Issue 06-4 will cause a large, one-time charge and an annual charge against capital that will eventually get reversed. This is grossly inequitable to privately-held banks, particularly those with the S Corp status.

We ask: Who benefits from Issue 06-4? We don't believe the proposal is beneficial to our customers, nor our senior executives, nor our shareholders. The only parties that we can determine who benefit from this proposal are the accounting firms who would be hired to conduct the actuarial studies of how much liability needs to be booked against each individual policy holder, probably the same CPA firms that are pushing this proposal. We think these firms should be satisfied with their added revenue generated by the Sarbanes-Oxley provisions.

For the reasons cited above, HomeStar Bank believes that EITF Issue 06-4 should be rejected in its entirety.

If you would like further clarification on any of these issues, feel free to contact me by phone or e-mail.

Sincerely,

Patrick M. O'Brien Chairman/CEO