OOSTBURG STATE BANK

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LETTER OF COMMENT NO. 115

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

Dear Mr. Smith

This letter is in regard to the draft abstract for the EITF Issue No. 06-4 "Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance arrangements.

We are a small bank in Wisconsin that has provided life insurance benefits extending past retirement to our key employees using Bank Owned Life Insurance as the vehicle to accomplish that. The proposal that is currently pending with the EITF would require us to accrue the present value of the death benefit discounted from mortality (whatever that is determined to be) to retirement age. This proposal would cause our capital to be reduced immediately and beyond and then distort it again at the death of the insured. We certainly would not provide this benefit without insurance.

We strongly disagree with this proposal. The proposal requires us to record a liability on the banks books even though it is not a liability of the bank rather it is a liability of the insurance company. The bank is currently reflecting the expense of the policy by charging the mortality expense each month against the cash value of the policy. It would seem to us that we would be doubling our expenses. The draft is completely ignoring

that there is insurance in place. You are treating this as if it is a deferred compensation plan which is a direct obligation of the company.

Please consider the ramifications and logic of this proposal.

Sincerely

Gary DeMaster
President