FIRST NATIONAL BANK OF PANA, ILLINOIS

August 2, 2006

LETTER OF COMMENT NO. 80

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

Via email to jerichter@fasb.org

SUBJECT: EITF Issue No. 06-4, Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements

Dear Mr. Smith:

Our bank, FIRST NATIONAL BANK OF PANA, ILLINOIS, is an independently owned community bank, organized in 1930 with $106 million in total assets with approximately 40 full time employees. In late 2005, we purchased a Bank Owned Life Insurance plan with split dollar benefits for ten officers. The primary purpose was to invest in a tax free product to generate income to help offset the cost of existing employee benefit plans. It is my understanding the EITF Issue No. 06-4, if approved, would potentially create an issue whereby we would have to realize a reduction in capital in 2007 of approximately 25% of our expected reported income for 2007. As an organization, we are highly opposed to the proposed ruling for reasons I will address in the paragraphs that follow.

We have no obligation to ever pay any benefit to any employee under our arrangement. The life insurance company disburses directly to the beneficiary at death. We feel strongly that recording a liability for an event that will never occur is totally misleading financial accounting to our stockholders. It is an incorrect assumption that any policies funds would flow through our bank when an insured dies.

Financial reporting under any such ruling would be extremely misleading and difficult to understand for our stockholders. The single year impact would be so extreme that it would require an unusual amount of time and effort in explaining the irrational logic of the ruling should it come to pass. The time of implementation is extraordinarily short as I can honestly say this came to my attention within a week of the ending of comment letter deadline. If one were to realize any such expenses I would argue that we should also offset with an income accrual as the future benefit paid will never run through the bank's books. I cannot help but wonder how the Internal Revenue Service would approach a tax deduction (deferring real dollars in our U. S. Treasury) for a make believe expense?

There are certainly other issues and concerns with this ruling that suggest it would not be a good ruling and can only ask that you give strong consideration to opposition to any such adoption/recommendation. I have strong feelings for fair accounting but adoption of this ruling

would certainly distort any financial report compliant with these proposed guidelines. Your consideration is appreciated.

Sincerely,

John Livesay
President