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August 4, 2006

LETTER OF COMMENT NO. 102

Mr. Lawrence Smith
Chairman, Emerging Issues Task Force
Financial Accounting Standards Board
401 Merritt 7
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Proposed EITF Issue No. 06-4, "Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements"

We appreciate the opportunity to comment on the above referenced EITF Issue. We agree with the opinion that the obligation has not been settled based upon the strict, rules based definition.

We found it interesting that the Conceptual Framework for Financial Reporting was issued on the same date as this EITF Issue. We note that the conceptual framework discusses Relevance and Faithful Representation. We do not believe that this proposed accounting meets either of those criteria if management has either 1) the intention and ability to retain the policy to fund this benefit, or 2) the unilateral contractual ability to cash out the policy for its CSV and cancel the obligation (should the employee decline to purchase the policy for the cumulative premiums). The economic reality is that the obligation is not separable from the insurance proceeds and it does not make sense to recognize an expense early on that will be completely offset by a subsequent gain. For this reason, we believe that a contingent asset should be recognized that offsets the impact of recognizing the PBO. We believe that this is one of the "unusual" circumstance for which it would be appropriate under SFAS No. 5 paragraph 17. a. since the realizability of the contingent asset is assured to the same extent as the obligation. For simplicity sake, we would not object to "net" accounting whereas an enterprise records the lesser of the premiums paid or the CSV.

We also note the proposed Standard on Business Combinations is expected to require the recognition of a contingent asset such as this. Accordingly, an acquisitive company would have different accounting based upon the origin of insurance policies. This is clearly nonsensical.

We would be pleased to discuss our comments with the Board members or the FASB staff at your convenience.

Very truly yours,

Henry R. Sturkie, III
Senior Accounting Policy Manager