MNB FINANCIAL GROUP, INC.

August 2, 2006

LETTER OF COMMENT NO. 56 A

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

Dear Mr. Smith,

I appreciate the opportunity to comment on Emerging Issues Tas Force (EITF) Issue No. 06-4, Accounting for the Deferred Compensation and Postretirement Benefit Aspects of Split-Dollar Life Insurance Arrangements. Below are some concerns I have with the proposal and its possible effects of distorting our bank's true financial position. We urge the EITF to vote against ratifying the draft abstract for the following reasons.

- o The split-dollar death benefit to the employee's beneficiary will be paid directly by the insurance company when the employee dies. This is an obligation of the insurance company to the employee for the amount of death benefit endorsed under the arrangement. It is not our liability. We do not have any obligation to pay any benefit, under any circumstances, to the employee or their beneficiary.
- I believe that by recording a liability that is not the liability of the bank, we are not properly reflecting our liabilities. It is hard to imagine that by misrepresenting the actual transaction by recording a liability that will never be paid by the bank can properly reflect the bank's financial position.
- The abstract incorrectly states that in some endorsement split-dollar plans all insurance proceeds are paid to the employer who passes on the benefit payment to the employee's beneficiary. The endorsement means that the insurance company is obligated to pay the split-dollar benefit to the employee's beneficiary, not the owner of the policy.
- I disagree with the tentative conclusion that the benefit obligation is not settled by the underlying life insurance policy in an endorsement split-dollar arrangement. While the policy cash values will vary with market interest rates, the cash value performance does not affect the death benefit portion of the policy that is split to the participant. The policy does not permit charge backs for adverse mortality experience or provide for dividends from positive mortality experience. We believe that the EITF interpretation of settlement is incorrect.
- The liability required under the proposed guidance is only a liability if the contingent asset from the underlying insurance policy is realized when the employee dies. To record the liability conditioned upon and directly settled by realization of a contingent asset without recording the contingent asset itself completely misrepresents the economics of the transaction.

o It seems to me that the proposed consensus fails to understand the nature of the split-dollar arrangement and will result in a misleading presentation of the transaction. It would appear that the proposal will duplicate expense recording by recognizing the cost of the insurance coverage and the expense for the insurance coverage itself. That seems to be a duplication of expense – expensing the term insurance premiums for employee coverage and expensing the death benefit coverage of that term insurance.

Again I appreciate the opportunity to share my opinion on this issue with the EITF. I reiterate my position that to properly reflect our bank's financial position in the future, the EITF to vote against ratifying the draft abstract.

Sincerely,

P. Mark Graff Chairman & President/CEO MNB Financial Group, Inc. P. O. Box 1208 McCook, NE 69001-1208