



July 31, 2006

Mr. Lawrence W. Smith (email to jerichter@fasb.org) Chairman of Emerging Issues Task Force Financial Accounting Standards Board 401 Merritt 7 Norwalk, Connecticut 06856-5116

Chairman Smith:

I am the Chief Executive Officer of First Community Bank and Trust and have reviewed the information regarding EITF Issue No. 06-4, "Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements" in order to evaluate the impact of the EIFT's proposed consensus on our bank.

I am very concerned that the accrual expenses, especially the reduction to retained earnings, will cause a significant impact on our bank. The proposed consensus creates not only a change in accounting in the future, but forces a change in the accounting method for past decisions that were made based upon widely accepted accounting practices at the time of those decision. This is not a fair and just method of adjusting the accounting in my opinion. Many bankers are unaware of the potential impact of the proposed consensus and as a result will be extremely surprised when they do realize the impact. First Community Bank and Trust's reduction to retained earnings is estimated to be \$500,000.00. Seeing our regulatory capital ratio and legal lending limit decline due to the proposed consensus will have a negative impact on the communities we serve when there has been no real liability assumed by our company due to these future benefits.

I am also concerned that the accrual expenses for a benefit that, by agreement, is an obligation of an insurance company and not the bank, has to be accounted for on the bank's balance sheet and may, in fact, misrepresent the bank's liability. Why should the bank have to post an expense for a benefit and then reverse the expense for the same benefit when the insurance carrier has been paid by the bank to satisfy the benefit? The bank is not being paid the cost of the benefit by the insurance carrier at the time of the death of the insured employee or director. The beneficiary of the insured employee or director is being paid by the insurance carrier according to the agreement between the bank, the insured employee or director and the insurance carrier. As a result, the liability for the payment lies with the insurance carrier, not the bank. If the liability were decined

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to even momentarily reside with the bank due to a remittance arrangement, would there not need to be a future asset booked as well that would offset the liability?

I do not understand the logic behind the proposed consensus and disagree with the accounting changes it will create. It does not appear to be logical or reasonable to duplicate expenses by recording both the cost of insurance coverage and the death benefit that is being provided by the insurance coverage. The proposed consensus also causes many other issues that will have to be addressed by the bank such as income tax reporting, cash flow statement reporting and the matching (or potential mismatching) of assets to liabilities. These will all create more time and expense for the bank without any resultant gain in financial statement transparency. I firmly believe that accounting statements should properly represent the bank's financial condition at a point in time. Duplicating the posting of an expense, only to reverse the accrued liability when the benefit is paid by another unrelated entity, will do nothing to make my bank's financial statement any clearer to those who need to rely on its information.

Although I am not an accountant. I feel that accounting should be based on factual, not perceived evidence of income and expenses and I recommend that the Financial Accounting Standards Board either spend more time evaluating the impact as well as the logic of the proposed consensus, or preferably, decide to forgo adopting the proposed consensus.

I appreciate the opportunity to comment, and I also thank you for your time and consideration on this very important matter to First Community Bank and Trust.

Sincerely.

Øreg M. Ohlendorf President & CEO