

**TOWN FINANCIAL CORPORATION**

July 28, 2006



LETTER OF COMMENT NO. 35

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

Re: EITF Issue No. 06-4 "Accounting for Deferred Compensation and Post Retirement Benefit of Endorsedment Split-Dollar Life Insurance Arrangements"

Mr. Smith,

We are urging the EITF not to vote in favor of the proposed accounting issue for post retirement benefits. In an endorsement split-dollar arrangement the employer does not have any obligation to make benefit payments. Since the bank does not pay any benefit it is misleading to accrue for a liability that does not exist. This is not a fair representation of the bank liabilities and misstates the financial position to stockholders and investors.

Since the position of the EITF will not be finalized until September 2006, there would not be sufficient time to analyze the impact on capital, review the plans and implement any changes required to ease the pressure on capital. The grandfathering of existing plans should be a very strong consideration to avoid an undue charge to capital. This change in accounting would also create an undue concentration in the ratio of life insurance holdings to capital, which is a concern of bank regulators. Actions required to correct undue concentrations would create unwanted tax consequences.

We strongly urge the EITF not to vote in favor of this proposal. At the very least, it should be delayed until more research and study can be applied.

Sincerely,

R.E. Black, SVP  
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