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June 9, 2011

Board of Trustees
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Dear Financial Accounting Foundation:

This letter is to express my support for the recommendations made by the Blue Ribbon Panel on Private Company Financial Reporting regarding differential standards and a separate standard-setting entity for private companies. Such historic change is necessary to effectively bring about meaningful financial statements and sensible and useful financial reports for private companies and the users of their financial statements (such as bankers/lenders, insurers, venture capitalists and others). Without delay, it is essential that the FAF accept and implement these recommendations made by the Blue Ribbon Panel.

I believe a systemic problem exists. The current standard-setting process does not adequately take into account the needs of the private company sector. There is an increasing lack of relevance of accounting standards for private companies and their financial statement users. Accounting standards have been and are driven by issues affecting public companies. The FASB carries out the SEC's statutory responsibility for accounting standards, so it is destined to primarily reflect the capital markets and investors' needs. Further, the panel was correct in that private companies are incurring significant unnecessary costs for GAAP financial statement preparation and audit, review or compilation services. It does not make sense to incur significant cost to comply with standards that have become more irrelevant in the private company world. There is not a proper weighing of costs and benefits when it comes to setting standards for private companies.

In addition, substantive differences in current and future standards for private companies, where appropriate, are necessary. The problem is fundamental, and not just about disclosures and relief on effective dates for new standards. Private company financial reporting, as it stands now, is too complex, embodies too much irrelevant information and is too costly and time-consuming given its benefits. Having appropriate differences will lead to more relevant financial statements that provide decision-useful information to the users of private company financial statements.

Further, a new, separate body with standard-setting authority must be established directly under FAF and not subject to FASB approval. Given the public company reporting pressures placed upon FASB, the board cannot adequately respond to the competing needs of the private company sector. History and the current environment clearly show that FASB cannot effectively balance the competing needs of both the public

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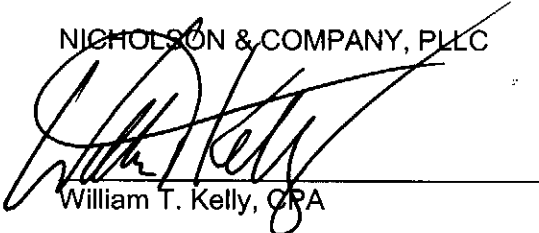
company and private company areas. This might be the most important recommendation to implement. An autonomous standard-setting body is the only answer to address the problem. Without such a body, the differences needed in the standards are unlikely to occur, just like with past committees and efforts.

The panel's report is based on a year of discussion, research efforts spanning thirty (30) years and input from private companies and their financial statement users, among others. The work done by the panel was extensive and took into account input from all the key constituencies of private company financial reporting. Users and preparers of financial statements as well as others provided valuable and adequate research to the panel on the problems and needed solutions related to private company financial reporting.

Differential standards and an autonomous standard-setting body to implement them for private companies are needed now.

Sincerely,

NICHOLSON & COMPANY, PLLC



William T. Kelly, CPA

WTK/mje