Ladies and Gentlemen:

The Blue Ribbon Panel and the earlier Castellano Task Force identified the users and preparers of private company financial statements as a separate and distinct constituency from those of publicly held companies. As recommended by the Blue Ribbon Panel, an independent board operating under the Financial Accounting Foundation would represent that constituency in a manner similar to the GASB which represents the state and local government constituency.

The FASB is, and must be, primarily concerned with the needs of the users of financial statements of publicly held companies. That responsibility can best be carried out if it does not have the additional responsibility of making exceptions and modifications for private companies. It seems to me that the members of the FASB would prefer to have this done by a separate board. The FASB has had, and would continue to have, difficulty reaching two different conclusions on one issue.

Under the umbrella of the FAF, there would be assurance that the Private Company Board would operate transparently adhering to due process procedures. Even though independent, it would work closely with the FASB and not in isolation.

There is a statement in the FAF Private Company Plan that there are from six to ten current standards that cause “most, if not all, of the current problems for private companies”. A separate, autonomous board would address only those standards that cause problems. There would be no “big GAAP – little GAAP” problem whether those problem areas were addressed by a Private Company Board or by the FASB.

Having been a member of the Board of Trustees of the FAF and a member of FASAC, I urge the current trustees to reconsider and to adopt the recommendations of the Blue Ribbon Panel.

Sincerely,

Samuel A. Derieux