



GALLINA_{LLP}

CERTIFIED PUBLIC ACCOUNTANTS

June 6, 2011

Board of Trustees
Financial Accounting Foundation
401 Merritt 7, P.O. Box 5116
Norwalk, CT 06856-5116

presidentsdesk@f-a-f.org

RE: Private Company Financial Reporting

Dear Board of Trustees Financial Accounting Foundation:

In my opinion, FAF should accept 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 appropriate financial information for private companies and the users of their financial statements (such as bankers/lenders, insurers, surety underwriters and others).

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 members of the FASB do not fully understand the reporting problems of small private companies operating in various business entity forms other than as a 'C' corporation.

Further, the panel was correct in that it does not make sense to incur significant cost to comply with standards that have become ever more irrelevant in the private company world.

Board of Trustees
Financial Accounting Foundation
June 6, 2011
Page 2

In addition, substantive differences in current and future standards for private companies, where appropriate, are necessary. It does not make sense to incur significant cost to comply with standards that have become ever more irrelevant in the private company world. 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.

Further, a new, separate body with standard-setting authority must be established directly under FAF and not subject to FASB approval. In my personal conversations with several past members of the FASB, I have come to know that they do not envision the reporting differences of an 'S' corporation, or sole proprietorship business organization. Certainly understanding the needs of an owner managed business enterprise, versus an independently managed business enterprise is even less understood. Without such a separate body, the differences needed in the standards are unlikely to occur, just like with past committees and efforts.

The work done by the panel was extensive and took into account input from Users and preparers of financial statements as well as others. This provided 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.

Very truly yours,

Edmond E. Traille, CPA, CEO
GALLINA LLP, Certified Public Accountants
(preparer of private company financial statements)

Edmond E. Traille, Director, Chair Audit Committee
California Bank of Commerce
(private company financial statement user)

A handwritten signature in black ink that reads "Edmond E. Traille". The signature is written in a cursive, flowing style with a large initial "E".

CC: AICPA
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