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**Subject:** Private Company Financial Reporting

Board of Trustees  
Financial Accounting Foundation  
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Dear Financial Accounting Foundation:

I urge FAF to adopt 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 sensible, useful financial reports for private companies and the users of their financial statements (such as bankers/lenders, insurers, venture capitalists and others).

I believe a systemic problem exists. Accounting standards have been and are driven by issues affecting public companies. 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 private company world.

In addition, substantive differences in current and future standards for private companies, where appropriate, are necessary. 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. An autonomous standard-setting body is the only answer to address the problem.

The work done by the panel was extensive and took into account input from all the key constituencies of private company financial reporting. . Differential standards and an autonomous standard-setting body to implement them for private companies are needed now.

Thank you.

Sincerely,

JAMES PAOLUCCI  
Private company financial management  
EDWARD G. SAWYER CO. INC.