



June 10, 2011

Board of Trustees  
Financial Accounting Foundation  
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presidentsdesk@f-a-f.org

Dear Financial Accounting Foundation:

This letter is written in support of 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 and much more useful financial reporting 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. The current standard-setting process does not adequately take into account the needs of the private company sector in that:

- 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.
- 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 the cost of compliance with many of the current reporting standards are onerous on private companies who do not have the in-house resources to comply. This typically adds a burden to those companies and does not add meaningful information to the users.

In addition, substantive differences in current and future standards for private companies, where appropriate, are necessary. 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. History and the current environment clearly show that FASB cannot effectively balance the competing needs of both the public company and private company areas. It is just too difficult to wear two hats when setting standards. That is why a new separate body will be required.

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. This project should move forward as quickly as possible as many of the current standards are wasting valuable time and money. We suggest that we not wait until the new standards are perfect, but instead, make changes needed now and tweak them as needed in the future.

Respectfully,

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