

October 21, 2005

Mr. Robert Herz
Chairman
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: Financial Accounting Standards Board ("FASB") Exposure Draft, Proposed Statement of Financial Accounting Standards, "Business Combinations, a replacement of FASB Statement No. 141"

Dear Mr. Herz:

The U.S. Chamber of Commerce appreciates the opportunity to comment on the Exposure Draft referenced above, which proposes several major changes to accounting rules regarding Business Combinations.

We support FASB's mission of raising the standards and quality of financial reporting, and of establishing a single standard of accounting practices to which the global business community adheres. However, we believe that the proposals would lead to financial statements that do not reflect the underlying economic reality of business combinations. Moreover, we believe that the proposed changes will make it more difficult for investors to understand the financial and operating performance of companies that are engaged in merger transactions, thereby leading to less transparency in financial reporting. Companies will thus find themselves compelled to provide investors with adjusted or "pro-forma" financial results in order to clarify GAAP financial statements.

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It appears that the underlying rationale for the proposed changes is FASB's desire to promote increased use of fair value in purchase accounting. However, in our view, the proposals inappropriately extend fair value to non-financial items for which there are no clear markets. In addition, the proposals require recognition of certain transaction costs in current period results, which more properly are associated with the cost of the acquisition. As a result, the proposals would introduce volatility in reported financial results that does not reflect the ongoing operations of the underlying business.

The proposals will also lead to increased accounting restatements, not as a result of errors in application of the rules, but rather as a consequence of additional information becoming available as a merger is implemented. Our constituents are very concerned that, in the current environment, any restatement may be viewed negatively by market participants. This would be a significant disincentive for companies to engage in strategically important transactions.

We are aware that several business organizations have submitted comment letters expressing similar concerns about the proposal changes. We would also note that the particular concerns of international companies about the issues described above.

The proposals in the Exposure Draft will make merger transactions more complex to report and execute, and will result in less transparency and clarity for investors. We strongly urge FASB to constructively respond to legitimate concerns over its approach before adopting any proposals.

Sincerely,

David C. Chavern
Vice President
Capital Market Programs