3. a) Tell us about any issues or concerns you have with current U.S. GAAP accounting standards as those standards apply to private company financial statements.

My main concern is the complexity of the standards. Many of the new standards do not "add value" to the financial statements that are prepared – they do not help the owners manage the company nor do they improve the quality of the financial information presented. FASB Concept Statements 1 and 2 state that financial statements are supposed to contain "relevant, useful, and reliable information". In the last decade the rules promulgated by the FASB may have theoretical backing to them but they do not improve an investor's ability to value a business nor a manager's ability to run them. Each time someone comes up with a way to defraud the public a new standard comes out to try to combat that particular fraud. All these new rules do is make it so difficult for the average person to understand the financials, and it creates an environment for the fraudster to thrive.

A good example of these standards is Fair Value Measurement. The standard is cumbersome and required disclosures are in such legalese that it is confusing to many financial statement readers. The SEC has required plain language to be used in financials but the language required by this statement is anything but plain language. It is difficult even for those familiar with accounting to understand. In many cases this standard causes unnecessary fluctuations from year to year that have no real impact on the business itself. This standard also has no business being applied to employee benefits plans.

Another is Accounting for Derivatives. The amount of money spent by many companies just to be able to create the disclosures for something as simple as an interest rate swap that the company intends to keep until maturity is ridiculous. The only people who like this standard are the specialists who make money by calculating the values of swaps and the attorneys who write the agreements.

3. b) Are those issues or concerns confined to one or more specific standards, or are they more systemic?

They are predominately systemic, although there are particular standards that cause more problems for private companies (consolidation of variable interest entities, share based compensation, fair value accounting). The primary problem is that the standard setters do not seem to understand the needs and limitations of private companies.

3. c) Do you believe that those issues or concerns are largely confined to private companies, or are they broader?

While these issues impact private companies more, they are broader. The current standard setting environment is more interested in allying political pressure than creating

an environment that will ensure that the financials of companies present the best picture of the soundness of the business. Financial standards need to be simplified and rule making process needs to be designed so that it is not constantly changing. As soon as a financial statement users start to get their heads wrapped around the latest changes, they change again. Some standards have had major changes to them in just a period of a couple years.

4. What short-term and/or long-term actions do you believe are necessary to address those issues or concerns? Please be as specific as possible in your answer, and explain your reasoning.

My primary concern is that new standards are issued without adequate thought of consequences and without adequate guidance on implementation. While many of these may make theoretical sense, the true impact of the standard on all companies are not taken into consideration.

While I'm not an advocate of having two sets of standards, there needs to be a way for private companies to exempt themselves from certain standards or standards need to be written so that they can be implemented differently based on the size or whether the company is private or public.

There are some standards that companies should be able to opt out of altogether such as accounting for income taxes. Many private companies are taxed as partnerships and as such the taxes are paid by the partners and not the company.

5. a) To what extent, if any, would an SEC requirement for public companies to adopt IFRS at a date certain affect your answers above? Why?

It would not affect my answers above, as I am a believer in a single set of standards, private companies should adopt IFRS, although they should be given more time to adopt.

5. b) To what extent, if any, would other outside factors affect your answers above? Which factors and why?

Over the years public companies and the auditors that audit them have helped forge GAAP. It is time that private companies have representation in the rule setting arena.

6. Is there any other input would you like to convey to the Panel?

Less complex standards are necessary, not only for private companies, but also for publicly traded companies. As standards get more complex private companies are going to drift toward the use of OCBOA (other comprehensive basis of accounting) as most

private companies do not have the staff to keep up with the complexity and they do not see the value of paying an outside firm to create GAAP statements.

Over the next 12 to 18 months the FASB and IASB have planned to make a large number of new standards. Due to the large number of proposed changes it is going to be hard for even large accounting firms to keep up and participate in the process, let alone the accounting staff's of private companies. Hopefully the panel can convince these boards that they need to slow down, make good accounting policy and encourage and allow participation from all stakeholders instead of rushing new standards out in order to accomplish convergence.

7. Do these responses represent your individual views or are they submitted to represent the views of the organization with which you are associated?

My individual views.