Einhorn Yaffee Prescott

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----Original Message----

From: Cahal Stephens [mailto:cstephens@eypae.com]

Sent: Thursday, October 30, 2003 3:31 PM

To: Larry Smith

Subject: Proposed FASB Staff Position No. 150-c

On behalf of Einhorn Yaffee & Prescott Architecture & Engineering, P.C. ("EYP"), we appreciate the opportunity to comment on Proposed FASB Staff Position No. 150-c, entitled, Effective Date and Transition for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities of FASB Statement No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity ("Statement 150"). This email will be followed up with a hard copy of these comments in letter format.

EYP is principally engaged in the practice of architectural and engineering design. We employ over 375 individuals in four offices located throughout the Northeast and provide design services across the country as well as internationally. As a privately held, professional corporation, each of our approximately 25 owners is licensed to practice architecture or engineering within one or more states.

Each of our licensed owners has invested a substantial amount of their own personal net worth in our firm. Upon termination of their employment (retirement, death, or otherwise), their equity interests will be repurchased by the firm in order to maintain control over the ownership and to abide by State licensing requirements which do not permit non-licensed individuals to own shares in our firm.

We are concerned about the implications of Statement 150 on our financial statements and the significant impact it will have on our business. It will be difficult to effectively explain to our owners, clients and potential clients, financial institutions, vendors, and other users of our financial statements, that the application of this new accounting standard will completely eliminate our recorded equity.

While we agree with the application of Statement 150 to publicly traded companies in light of recent abusive accounting practices that some public companies have used to impact the value of their shares, we believe that it is unwarranted for non-public firms and will place them, and ourselves, at a significant disadvantage both competitively and with respect to raising private capital essential for growth and employment. Our reasoning is as follows:

We disagree that mandatorily redeemable common shares be considered liabilities in the
context of a private firm. To characterize them as such is a misrepresentation of the
substance of our relationship with our owners, and of their residual interests in the
success and failure of EYP. Even with a mandatory redemption provision in our

shareholders' agreement, our shareholders exercise ownership control and are subject to ownership risk. This control even would allow them to cancel any contractual redemption provision, for example, if they decide to sell the company to a third party. The risks are apparent should the business falter or fail, and this distinguishes the owner from all other obligees.

- Assets are resources available to an entity. Liabilities represent claims against those
 resources. Equity represents the residual interests in those assets assuming the satisfaction
 of all the claims. Common equity holders are residual interest holders until such time as
 the claim for the redemption of their shares is made and fixed, which only occurs at the
 point that the mandatory redemption provisions are effective. When all equity holders
 have the same rights of redemption upon termination, retirement, or death, all will receive
 their pro rata interest in the entity's net assets.
- Therefore, our owners are in the same position as if the redemption requirement did not
 exist; they are residual interest holders.
- Redemption features in owner agreements of privately owned firms exist to provide owners with liquidity that the "public markets" provide for public entities. By effectively eliminating the equity section of our company, Statement 150 will put EYP at a competitive disadvantage when compared to similar public entities, global competitors not subject to these accounting rules and competitors whose financial statements are prepared on a basis of accounting other than those generally accepted in the United States (GAAP). Our balance sheet, on its face, will appear insolvent, when all other things being equal and assuming a going concern, there is substantively little difference between our firm and public entities. In addition, owners of our firm, when seeking personal financing, will be placed at a competitive disadvantage when they are asked to submit financial statements supporting the valuation of their equity interests in our firm. While we guess that the application of Statement 150 will probably have a relatively small affect on the balance sheets of most public companies, it will certainly have a significant impact on the balance sheets of a very large number of private companies, including virtually every U.S. firm in our market.
- Considerable time and effort will be spent to renegotiate and amend current financing agreements containing covenants or representations related to our reported equity. Financing may, in fact, become unavailable, or in any event more costly, due to bank underwriting requirements based on GAAP statements. Due to restrictions on ownership of our firm dictated by the states in which we operate, we may be at a competitive disadvantage with other firms who may not have similar ownership restrictions. Alternatives will have to be considered including preparing financial statements on a basis of accounting other than GAAP.

As noted, this change will have significant negative ramifications for small businesses such as EYP. As a result, we respectfully request the Board to reconsider its decision to make Statement 150 applicable to non-public firms.

Thank you for your consideration of our comments on this matter

Sincerely,

Cahal Stephens AIA, FRIAI Chief Executive Officer Timothy N. Burditt Chief Financial Officer

EYP/

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