## 1. See attached

2.

- a. The Company is an investor, not just a preparer, as are most of the executives in the Company. We focus a lot on the net income and the cashflows of the company. We also read the footnotes very carefully. We look at EBITDA as an indicator of performance.
- b. There is an enormous amount of information included in current GAAP financial statements that requires a PhD to understand. Fair value accounting is an excellent example. Stock compensation, FIN 46, FIN 48 are also a few of the newer standards that make understanding how a company is really doing difficult. Most private company financials that we've dealt with are fairly straight-forward with respect to the business, but the added layers of GAAP requirements often times make reading those financials difficult at best. I've also found that many smaller and even regional CPA firms simply don't have the expertise to properly prepare GAAP financials. It's almost like the enormous rules and regulations that were meant to make financials more informative have actually had the opposite effect. Small private companies don't understand what the rules are and half of the time, neither do their CPA's. Please make Private Company GAAP standards!!!

3.

- a. See #2a above.
- b. Systemic.
- c. I would say that the users of public company financial statements do look at them differently than private company financials. I've often thought that private company financial statements would be much more informative if you simply put into the footnotes many of the "theory" or "phantom" items that are now reported on the face of the financials. Most bankers that we speak with can't make heads or tails of many of the new accounting pronouncements require. Neither can investors. It goes back to the statement that in order to try and make financials more informative, the FASB has made them more confusing.

I feel like the added use of supplementary schedules and footnote disclosure instead of balance sheet or income statement presentation is a much better way to present information. Banks and users want to know what the real results are, not some high-flying theory. In addition, adding IFRS to private company financial reporting would probably have little effect because the bankers and investors who use this information would

be completely dumbfounded...just like many of the accountants who are trying to figure this stuff out are.

- 4. We should not try and compare SEC financials and private company financials as apples to apples. GE's financials versus Smith's Feed and Seed. Seriously...
  5.
  - a. No effect
  - b. None
- 6. Please help out the small CPA preparers, small company preparers, small bankers and investors who use audited financial information. Make Private Company GAAP straight-forward. Take all of the estimates of fair value and theory out of the equation. I graduated college with an accounting degree in 1996 and accounting was pretty straightforward at that time. Since then, Enron, WorldCom and the SEC have changed that.
- 7. Both individual and company views.

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