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August 26, 2003

Sue Bielstein, Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

Re: FASB 150 Implementation for Nonpublic Entities

Dear Sirs and Madams:

We are writing you concerning the issue about FASB Statement No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*, applicability to nonpublic entities. We understand that FASB will meet on August 27th, 2003, to reconsider whether nonpublic entities should be exempt from applying, or given further time to apply, the provisions of this Statement requiring mandatorily redeemable shares and certain other financial instruments to be classified as liabilities.

In our opinion, and from our experienced position as Certified Public Accountants, FASB 150 should not be applicable to nonpublic entities. Under the Statement, current amounts classified as equity will now be required to be classified as liability for many entities that have even simple buy-sell agreements, (whether or not these agreements are funded by life insurance policies or the equity "buy back" can be paid over time). The implementation of this Statement could be disastrous for many entities that are subject to current loan covenants that have financial covenants requiring certain ratios or loan criteria based upon certain minimal equity requirements. For example, a loan agreement covenant can be now considered in default if such a loan agreement has (1) a fixed charge coverage ratio provision, (2) certain minimum equity requirements, (3) certain maximum liability requirements, and so forth.

If the nonpublic entity is considered in default of their loan(s) based upon such a GAAP principle, the costs to the economy could be large or could put many nonpublic entities out of business. Such costs could consist of refinancing issues, default issues, the need to rewrite current loan provisions, the need for entities to get waiver letters about the default, the lack of financing for small businesses, and so on.

Sincerely,

Peter A. Freer, CPA
Principal