## All respondents:

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.

RESPONSE - There is an alarming concern among financial statement users, preparers and auditors about the growing burden being placed on private companies with the ever increasing complexity and extensive disclosures of accounting standards, both recently issued and under development.

The FASB has aggressive plans in 2010-2011 to finalize major projects that will fundamentally change virtually every financial statement (and most of the numbers in them): revenue recognition, leases, financial statement presentation, financial instruments, liabilities/equity, and consolidation. In addition, there are a number of existing reporting requirements that offer challenges and excessive burdens on private companies for little value to the primary users. For example, certain fair value measurement requirements (i.e.-goodwill impairment, etc.) and disclosure requirements, variable interest entity model for consolidation, uncertain tax positions, etc.

The FASB is challenged to satisfy the different needs of investors, regulators, trade groups, preparers, and auditors. They are trying to do the right thing. However, with many constituents to satisfy, it is hard to agree on what the right thing is. That is why it is critically necessary to develop U.S. accounting standards that can best meet the needs of users of private company financial statements.

There is increasing concern that accounting standards are primarily designed to meet the needs of analysts and equity holders. Private companies, on the other hand, have a greater need to meet the requirements of lenders. For example, disclosure requirements related to rollforward analysis has little incremental benefit to users of private company financial statements.

Further, it is the belief that the current direction of accounting standards is essentially lifting the disclosures in management's discussion and analysis required of public companies into the basic financial statements of all enterprises. In addition to having what many believe to have limited usefulness to private company financial statement users, there is a significant cost to prepare and audit those financial statements. Some also believe the disclosures being required may be duplicative of what may be derived from other sources, for example, the cash flow statement.

However, until just recently, the FASB has not articulated its analysis and consideration of whether differences for recognition, measurement, disclosure, or transition and effective date should exist for private companies, nor has it consistently asked for input on whether differences in those areas should exist for private companies. Recent information indicates private companies are comprised of millions of businesses as compared to roughly 17,000 public companies. Further, studies have established that private businesses by just about any measure represent half of the United States' economic output.

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

RESPONSE - We believe the issues and concerns above are systemic, and address the broad issues that a financial statement user cares about. For example, many private company financial statement users care about where the cash flows to repay a loan come from, versus how a stock price increases in value based on how a company performs.

For example, on a systemic basis, financial statement preparers and their auditors need to cope every day with the reality of faithfully doing their best to account for routine transactions, understand the changes new standards bring, research the accounting standards for guidance on transactions with which they are not familiar, apply their best judgment to account for issues with conflicting or no guidance, look for the substance of transactions, and determine whether the form or substance is more important to the accounting. All of this, when those individuals employed by private companies to prepare financial statements are involved in many key business functions such as entering into profitable business arrangements, carefully controlling costs, and being accountable to senior management and owners.

The financial statement users who rely on the work of preparers and their auditors depend on the fairness of that information and the disclosures that go with it. Accordingly, the concerns for private company accounting standards should address a broad range of accounting guidance on both basic and complex transactions.

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

RESPONSE - The effects of proposed accounting pronouncements directly affect private companies. It has been noted that certain facts and circumstances unique to private companies could result in misleading and/or confusing financial presentations and disclosures when governed by rules written with public companies in mind.

Standard setting has continued to focus on the perceived needs of users of large public companies. Considering the primary users and the costs to implement many of these issues, it is clear that many current GAAP requirements fail the cost/benefit test. U.S. GAAP is moving further away from providing relevant and reliable financial information that is easy for most users of private company financial statements to understand.

These concerns are primarily confined to private companies. Public companies that desire to be part of the U.S. public marketplace generally understand the additional reporting burdens and requirements. As such, public companies are generally able and willing to have more financial resources and technical expertise on staff.

3. What short-term and/or long-term actions do you believe are necessary to address those issues or concerns?

RESPONSE - The FASB must carefully assess its role in standard setting for private companies. We suggest there be careful consideration in developing generally accepted accounting principles for private companies. We would support a model of either (1) U.S. GAAP with Exclusions for Private Companies-with enhancements, or (2) U.S. GAAP-Baseline with Public Company Add-Ons. Further, we would support a new standing committee comprised of members who understand and are knowledgeable about private companies, and would be active and responsive in developing accounting standards appropriate for private companies and their primary users.

The FASB's mission should be to make the private company financial statements as understandable as possible. Ensuring fairly stated and the most understandable financial statements and disclosures possible, within a cost/benefit model, should be the objective of changing the accounting standards.

The time is right to address the problems private companies face in applying accounting standards. We strongly support the Blue Ribbon Panel's effort, but this effort must result in an in-depth, serious review of the problems with current private company accounting standard setting and define a new solution for the future.

4. 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?

RESPONSE - We don't believe any future requirement of the SEC for public companies to adopt IFRS impact any previous responses. It may, however, present an opportunity to determine what set of GAAP best suits the needs of private company financial reporting constituents.

However, it is our understanding the Blue Ribbon Panel has eliminated any models for private company financial reporting that are based on IFRS.

For companies that choose to stay out of public markets (U.S. or foreign), standard setting and financial reporting requirements for those private companies should be focused on the needs of users in the private market.

If a private company decides to go public, the costs/benefits of compliance with SEC reporting, including the potential adoption of IFRS, will need to be considered and whether gaining access to the public market is worth the additional costs and reporting requirements.

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

RESPONSE –The primary users (banks) of private company financial statements will ultimately drive what standard setter is the preferred/required for their purposes. As a result, if public companies are required to report under IFRS in the future, banks may begin to demand consistency in the reporting of private companies. As such, a banks willingness to accept different financial statements for its private market and public market companies may ultimately determine what standards are most appropriate for private companies.

In the short-term, these outside factors do not change our answers above. From a long-term perspective, we believe the panel needs to strongly consider the potential reporting demands of banks on private companies in the future.

5. Is there any other input that you'd like to convey to the panel?

RESPONSE – Users of private company financial statements, private companies and their auditors would greatly benefit from a standard setter that is focused primarily on their needs and the types of financial information that is most reliable and relevant for the users. It appears that a number of large public company abuses continue to drive current standard setting for all entities. This approach addresses the few abusers by punishing all companies with additional reporting burdens. In many cases, the users of private company financial statements find this additional reporting more confusing.

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

The responses represent the views of Battelle & Battelle LLP, a public accounting firm headquartered in Dayton, Ohio.