

2. a) Briefly describe how you use GAAP financial statements in your decision-making concerning private companies. As a bank, we use financial statements to analyze a customer's financial position and the results of their operations to make lending decisions. Most of our lending customers' financial statements are typically prepared on a cash or tax basis, or are 'compiled' – a few may be 'reviewed' or perhaps 'audited', however, these are the exceptions. As an investor, owner and director, I use 'audited' financial statements of our Bank as an affirmation of our financial position and results. In addition, we provide the audited financials to correspondent banks and other entities with which the Bank does business. Therefore I am familiar with all types of financial statements.

b) Tell us about any issues or concerns that you may have with respect to the relevance of the information contained in those statements. Please be as specific as possible in your answer. In theory, if all financial statements were prepared the same, it would simplify the analysis of the information and make decision-making more uniform. However, in application, this is not practical. One size does not fit all. There is a cost / benefit perspective that needs to be applied. And relevance becomes the overriding issue. Would a full financial audit report make the financial statements for a very small lending customer more useful? Or, would having that small lending customer apply fair-value accounting to their business make the financials more meaningful? In most cases, I seriously doubt it. In the case of our Bank, fair-value accounting (for example) does nothing for me as an investor and owner – except increase my accounting costs and create confusion from our investors' perspective. Both the cost/benefit and the relevance perspectives should be taken into account when developing accounting guidance.

3. a) Tell us about any issues or concerns you have with current US GAAP accounting standards as those standards apply to private company financial statements. Many accounting standards are too complex to understand, too costly to implement and are not relevant for the majority of privately held companies. There should be some relationship between the complexity and cost of financial reports, and the size of the companies. The net effect is that US GAAP is becoming less relevant to smaller companies (such as our Bank and our customers' entities) from the perspective of being informative, useful, and cost effective. In the banking industry, when GAAP changes (i.e. when FASB adopts a new standard), regulatory reporting (Call Reports, etc.) for banks changes with it. However, the regulators do not apply a 'materiality' threshold! The result is unintended consequences – the application of almost all accounting standards regardless the materiality.

b) Are those issues or concerns confined to one or more specific standards, or are they more systemic? It is both specific and systemic. They are systemic in nature simply because they are designed to be 'one size fits all' standards. I do not have statistics to prove this, but I'm confident the '80/20 rule' applies here also. FASB, large public companies and their regulators adopt standards for the 20%, which are then being applied to the 80%. It is of specific concern for instance in applying FIN46R, FIN 48, derivatives and (in particular) fair value accounting.

c) Do you believe that those issues or concerns are largely confined to private companies, or are they broader? I can only speak from my perspective of dealing almost entirely with private companies.

4. What short-term and/or long-term actions do you believe are necessary to address those issues or concerns? In the short-term, this panel and the feedback it obtains, will hopefully positively impact the direction and pace of current standard setting. In the long-term, some common sense is needed

to realize who the users of financial statements are and what they need. Ultimately a separate standards setting body, for private company GAAP, is the best solution.

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 will magnify the problem. If the past is prologue, IFRS will eventually become the standard that will be applied to all companies' financials – and then adopted by the banking regulators. I'm confident IFRS would cause increased complexity and cost in producing financial statements for private companies.

b) To what extent, if any, would other outside factors affect your answers above? Which factors and why? None readily come to mind.

6. Is there any other input that you'd like to convey to the Panel? Thanks to the Panel for undertaking this research! The current standards seem to be getting more theoretical and further away from the basic needs of users – especially the users of private companies' financials.

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