

Private Company Financial Reporting Committee

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JUDITH H. O'DELL
Chair

January 15, 2009

Mr. Robert Herz
Chairman
Financial Accounting Standards Board
401 Merritt 7
Norwalk, CT 06856

Re: Proposed FASB Staff Position No. FAS 107-a, *Disclosures about Certain Financial Assets: An Amendment of FASB Statement No. 107* (“Proposed FSP”)

Dear Mr. Herz:

The PCFRC has reviewed Proposed FSP FAS 107-a and provides the following response to question number 6 of the Notice to Recipients section of the Proposed FSP.

Question Number 6. *Are all of the disclosures in this proposed FSP operational based on the proposed effective date? Why or why not? Please be specific in your response.*

PCFRC Response

The Proposed FSP will affect a significantly larger group of private companies than the FASB may have intended. FASB Statement No. 126's exemption from the requirements of FASB Statement No. 107 for nonpublic entities does not apply to those nonpublic entities that have derivative instruments. When originally issued, FASB Statement No. 126's exemption applied to most private companies because very few of those companies had derivatives. Since that time, the use of interest rate swap derivatives has become much more prevalent among private companies, as the minimum notional amount for a swap has dropped dramatically over the years. Indeed, private companies are often required to employ interest rate swap derivatives as part of lending arrangements. Furthermore, interest rate caps, collars, and floors have also become more common among private companies. Thus, the use of a basic interest rate swap derivative draws many private companies into the scope of

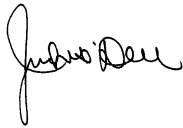
FASB Statement No. 107 and therefore many private companies will be drawn into the scope of the Proposed FSP, which the PCFRC assumes is not the intent of the FASB.

The PCFRC is not aware of any compelling private company financial statement user need for this type of information that justifies the significant departure from the FASB's normal deliberative due process. The financial reporting user representatives on the PCFRC do not believe that the proposed disclosures are needed to address any significant shortcomings in the information they utilize in making lending, investing, or bonding decisions.

Based on the foregoing, the PCFRC recommends that the disclosure requirements of the Proposed FSP be made applicable only to the industries and constituencies where these disclosures are needed. An option for the FASB to consider is exempting from the scope of the Proposed FSP private companies whose total assets are less than \$100 million on the date of the financial statements, including those private companies that have interest rate swap derivatives.

Please contact me if you have any questions or comments.

Sincerely,

A handwritten signature in black ink, appearing to read "Judith H. O'Dell". The signature is fluid and cursive, with the first name "Judith" being the most prominent part.

Judith H. O'Dell
Chair
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