

SMITH & HOWARD

*Certified Public Accountants
and Advisers*

August 15, 2006

Technical Director – File Reference 1310-100
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Dear Sir or Madam:

Following are our comments regarding your questions on page iv of the proposal entitled, “Enhancing the Financial Accounting and Reporting Standard-Setting Process for Private Companies”:

Q1 – Do you believe the proposal contained in paragraphs 16-29 will improve the accounting standard-setting process for private companies?

A1 - We support the proposed changes and believe they will improve the accounting standard-setting process and will help ensure that the financial reporting needs of constituents of private companies will be met. The FASB should consistently consider whether differences for recognition, measurement, disclosure, transition date, and effective date should exist for private companies. We further believe that the FASB should consistently request and receive input from private company constituents. The committee to be formed will be essential for the FASB to better understand the differences in user needs and other considerations for private companies. As noted in paragraph 22 objective 3 the “FASB will address the Committee’s recommendations”. This is essential for any improvement in the accounting and reporting standard-setting process.

Q2 – Specific to paragraphs 16-29, do you believe that the proposed changes will help ensure that the financial reporting needs of constituents of private companies are met?

A2 – See response in A1.

Q3 – The FASB and the AICPA believe that differences in generally accepted accounting principles (GAAP) for private companies should be based on financial statement user needs and cost-benefit considerations. Do you agree?

A3 - We agree that any differences in GAAP should be based upon financial statement user needs but we do not agree that differences in GAAP should be based on cost-benefit considerations.

In recent years, with the issuance of standards pertaining to areas such as derivatives and hedging, intangible assets and goodwill, pension plan accounting and disclosure, variable interest entities and stock based compensation, private companies have been placed under an inordinate amount of complex accounting standards that must be followed to be in accordance with GAAP. However, users of these financial statements, which for the most part are lending institutions, surety bond underwriters, private equity groups and various individual stockholders, have little ongoing interest in the result of applying these standards. For example, a surety bond underwriter that provides a privately held construction company with bonding on long-term construction contracts is not concerned with whether or not the consolidation of a commonly owned limited liability corporation that holds the real estate the Company leases for its office space takes place or not. Understanding through disclosure that the relationship exists and what some of the key possible commitments or contingencies of the construction company are create enough understanding for the underwriter without having to consolidate the two entities. Providing alternative solutions to private companies (such as simply disclosing the existence of relationships or agreements) to satisfy “informing” financial statement users of some of these areas seems more appropriate.

With regard to cost-benefit considerations, what type of guidelines can possibly be given with regard to what is too costly and what is a benefit in one situation versus another situation? For example, the cost that private companies incur for valuations of intangible assets for financial reporting purposes under SFAS 141 and 142 can vary depending upon the size of a transaction, the various types of potential intangible assets and the information that is readily available to assist with the valuation. As such, does a \$10,000 fee for a valuation seem too costly to a company? What about \$20,000? And if required by GAAP for private companies because it is deemed important to the users of the financial statements, then when does a cost outweigh the importance to the users of the financial statements (the benefit)? Additionally, how will cost be measured consistently across the different markets within the United States? The cost of providing consultation and audit services in smaller markets will always be less than providing those same services in New York, Los Angeles or Atlanta so how is it possible to come up with a measure or a tolerable cost amount? Due to these hurdles, we believe that cost-benefit considerations are hard to standardize when attempting to differentiate GAAP for private companies.

Q4 – The FASB and the AICPA believe that members of the committee (except the chair) should not be compensated beyond a reasonable reimbursement of expenses. Do you agree?

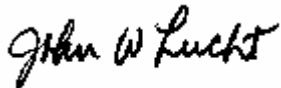
A4 - We believe that the members of the Committee should be reasonably compensated for their expertise. This should provide a higher level of dedication for the members of the Committee to achieve the desired objectives on a timely basis.

Q5 – The FASB and the AICPA believe that the committee should set its own agenda and priorities. Do you agree?

A5 - We agree that the committee should set its own agenda and priorities, but we do think a list of suggested priorities is an excellent idea. Then, since the committee will be selected by FASB and AICPA representatives it will take on a certain personality and should be given certain autonomy in order to be effective and efficient.

Your consideration of the above will be greatly appreciated.

Sincerely,

A handwritten signature in black ink that reads "John W. Lucht". The signature is written in a cursive, slightly slanted style.

John W. Lucht
Partner in Charge,
Accounting, Advisory and
Assurance Services