

August 15, 2006
Financial Accounting Standards Board
401 Merritt 7
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Re: File Reference No. 1310-100

David R. Waddell, Partner and Padgett, Stratemann and Co., L.L.P. is pleased to present the following responses to the Invitation to Comment on “Enhancing the Financial Accounting and Reporting Standard-Setting Process for Private Companies,” File Reference #1310-100. We would like to address each question in the Invitation to Comment and to provide additional recommendations where appropriate.

There are sometimes significant differences in accounting standards usefulness to users and reporting entities, between publicly traded companies and private sector companies. The usefulness and cost benefit of all standards should be measured for both sectors. The formation of the proposed committee is a significant step to ensuring that the needs of private companies are met.

In addition, we believe the members of this proposed Committee must be chosen carefully, or this due process will not succeed. We believe that the members of the Committee must have substantial experience working in or providing services to private entities. A Committee member without a strong background in private company financial reporting is not in a position to make recommendations which best represent the needs of private companies. On the other hand, we do not believe that there should be a requirement that a minimum number of Committee members have public company financial reporting experience. The imposition of this rule could potentially exclude a qualified individual. If an entity wants to follow public company rules, there already is a due process in place that they can adhere to.

The makeup of the Committee members should be diverse and reflect representation from all major US industries, including members representing reporting entities and users.. In addition, the selection of Committee members should be based on pre-determined qualifications which need to be clearly outlined. Additionally, we recommend that the AICPA and FASB should expressly commit to a good faith requirement to follow the recommended nominations of major industry groups so long as those individuals meet the minimum requirements of the Committee.

The proposed changes are a substantial first step toward more useful and relevant reporting standards for private companies, provided that the Committee is given adequate autonomy and authority. We are concerned, however, that this new committee be funded adequately to ensure that it has the resources it needs to carry out its mission. The adequacy of funding should not be a debilitating factor limiting the important and necessary work of the Committee. FASB should have a presumptive obligation to follow the recommendations of the Committee, and that any decision to vary significantly from

the Committee's recommendations should be memorialized in the adoption of final accounting and financial reporting standards with adequate explanations after discussion with the Committee.

On the issue of compensation of the Committee, we strongly believe that the Committee members should be compensated sufficiently to perform their roles. This issue exposes one of the differences between public and private entities due process. There are fundamental differences in the overhead structures of many public and private companies. Because of their size, public companies or large public accounting firms can allow highly qualified employees to participate in time intensive projects such as being a member of the FASB. In the private company arena, however, few private companies can absorb the associated overhead. Compensating Committee members, or their companies, for their time would provide a larger pool of capable individuals and create more opportunity and diversity within the Committee, and promote a higher level of commitment. The proposed compensation should be set at a rate that approximates the earnings standards of their given occupation and should be set annually, possibly by outside groups such as the AICPA and FASB together.

Finally, in answer to the question on setting its own agenda and priorities, we agree, if the Committee has an adequate budget and support staff. It is essential that, as proposed, the Committee be given its own discretion to revisit the application of existing accounting and financial reporting standards to private companies.

Sincerely,
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