

August 14, 2006

Technical Director – File reference 1310-100

Re: Invitation to Comment
Enhancing the Financial Accounting and Reporting
Standard Setting Process for Private Companies

We are pleased to submit this letter for your consideration. We will answer the specific topics requested and then provide general comments and support for our responses.

In response to the specific issues:

1. We believe the proposal contained in paragraphs 16 – 29 will improve the accounting standard setting process for private companies.
2. We believe the proposed changes will help ensure the financial reporting needs of constituents of private companies are met.
3. We agree that differences in GAAP for private companies should be based on financial statement user needs and cost – benefit considerations.
4. We agree that the committee members should not be compensated beyond reimbursement of expenses.
5. We agree the FASB and AICPA must set its own agenda and priorities.

General comments:

We believe this is an excellent first step in addressing a very difficult problem. It is very important to understand the fundamental differences between public companies and private companies as it relates to the users of the financial information. Some of the recent pronouncements that have been more geared to the public sector have had significant unintended consequences to the privately held company. It is our hope and expectation that this committee will be proactive on these matters and is able to address these issues on a more timely and efficient basis. A recent example of this is certain provisions of FAS 150, which when applied could eliminate the equity of privately held companies.

It is imperative that this committee be allowed to perform its task as it sees fit. If other groups significantly influence this committee's priorities or agendas, we believe the committee will not achieve the desired outcome. In our opinion, part of the committee's objectives is to be a voice for private companies and not have private companies be an afterthought to the needs of public companies and SEC/ PCAOB requirements.

The need of the users should always be paramount in financial reporting, for any entity. However, the entity type often dictates the specific needs of the users. There must be a positive perceived cost/benefit to the users, especially the owners of small businesses. Otherwise they will be put in situations where they will not invest in having the required financial information and all users' (owners, lenders, etc) will suffer the consequences. This does not serve the industry, users, or public interest well.

The AICPA and FASB (paragraphs 19 and 20) are both dedicating resources and manpower to this project. We believe it is important that personnel assigned to the project have enough experience to be effective in the positions.

It is only in this environment that the proposed changes will help ensure the financial reporting needs of constituents of private companies are met.

Respectfully submitted,

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