

From: James Rainwater  
To: CommentLetters

July 26, 2006

Financial Accounting Standards Board  
PO Box 5116  
Norwalk, Connecticut 06856

Re: File Reference 1310-100 Request for Comment

To all interested parties:

I have reviewed the proposal for Enhancing the Financial Accounting and Reporting Standard-Setting Process for Private Companies. I think this is an excellent idea and undertaking. Since the purpose is exploratory in nature and seeks to address the needs of private companies, without a preconceived agenda, I do believe that this venture will improve the standard-setting process for private companies.

I see the greatest benefit coming from a decrease in the required disclosures for those companies that have reached the level of being required to obtain an audit for purposes of reporting to lending, leasing or insurance constituents. In my experience, reporting to these constituents is typically done on a proprietary document, using the audit or reviewed financials as its basis, and drawing its calculation from the individual lending/leasing/insurance contract. As a result, many of the required GAAP disclosures are unnecessary. Having a set of reporting requirements specifically addressing the reporting needs of the private company should allow the reporting to be more efficient, less cumbersome and less costly. Having worked in both public and private accounting I know that work on both sides can be reduced. If this can be accomplished and provide a report that is more useful to constituents, it ends up being a win-win situation. My concern is that this becomes an additional set of requirements or regulations for private companies to comply with, thus increasing the burden to both the private companies and their audit firms.

While others have disagreed, the considerations for change must be based on a cost-benefit analysis. If, in the name of simplification, a new set of reporting requirements is created for compliance and ends up being like SOX, this burden is borne by the private company. This burden in additional work and professional fees does not sound consistent with the proposal, however, leaving cost-benefit out of the equation does not fully meet the needs of the private company.

For both independence reasons and out of a desire to have the committee exist without an incentive to self-perpetuate, I agree that the committee members should only be reimbursed for reasonable expenses. Having served on prior AICPA committees, I think this arrangement works well.

If the committee is well balanced, based on the mix of representatives from private companies, lenders, CPA firms, and so forth, I do agree with the committee setting its own agenda and priorities. The committee should be independent and autonomous, however, I think a “coaching” team from FASB and the AICPA would be helpful in keeping the committee on track and keeping strong personalities from imposing an agenda on the committee.

Overall, I am glad to see this initiative taking shape. It is something that has been needed for a long time now and if done wisely, can be very helpful.

Best regards,

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