



BDO Seidman, LLP
Accountants and Consultants

BDO Seidman, LLP announces Joint Statement on FAS 159



Three Leading Accounting Firms Announce Joint Statement

Deadline Approaching for Entities Planning Early Adoption of FAS 159

Bloomington, MN – April 20, 2007 –

Three leading accounting firms (McGladrey & Pullen LLP, Crowe Chizek and Company LLC, and BDO Seidman, LLP) today announced their collective support of the principles of Financial Accounting Standards Board Statement No. 159.

Preparers, users, regulators and auditors are all overwhelmed with the volume of accounting standards and interpretations in place today. Most agree that something has to be done, and there is a wide call for more “principles-based” standards. However, before principles-based standards can ever be effective, a mind-set change is required. Specific provisions within a principles-based standard must not be read in isolation but in context of the objective of the standard.

Financial Accounting Standards Board Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (FAS 159), is an example of a principle-based standard that will test everyone involved in preparing, auditing and using accounting information about how to apply such a standard.

Recently, a number of entities announced the early adoption of FAS 159 to take advantage of a perceived “free pass” opportunity in FAS 159’s transition provisions to restructure their investment portfolios or certain debt obligations.

We believe a principle-based approach is warranted when determining if early adopting FAS 159 is really a “free pass.” Due to the stated objective, we believe that a strategy of electing the fair value option only to dispose of existing securities or refinance

existing debt, with no intention of electing the fair value option for the replacement securities or debt, is not a substantive or good faith adoption of FAS 159. Furthermore, a subsequent sale of securities would contradict prior assertions that such securities would be held to recovery. We believe this same principle-based analysis should be applied to other similar structured transactions that are intended to take advantage of the transition provisions to accomplish a certain accounting result.

Companies considering adoption of FAS 159 should consider the following additional issues:

- Because such an adoption raises policy and reputation issues, the issue should be discussed and approved by the audit committee or board of directors.
- Statement 159 requires various disclosures, including why a company elected the fair value option and how it chose the specific assets or liabilities for which it elected fair value. Those disclosures should be forthright in describing the company’s motives.
- A company that adopts FAS 159 early also is required to adopt the provisions of FASB Statement No. 157, *Fair Value Measurements*, for all assets and liabilities measured at fair value, not just those for which FAS 159 is adopted. FAS 157 is a lengthy and complex document that significantly changes many past practices regarding fair value and expands disclosures. Companies should allow adequate time to do a thorough and accurate adoption of FAS 157.

Statements No. 157 and 159 may be found in their entirety on the Financial Accounting Standards Board Web site (www.fasb.org).

Please contact your engagement professional should you have questions regarding this communication.