

October 13, 2010

Financial Accounting Standards Board-via Electronic Mail

Attn: Technical Director-File Reference No. 1820-100

Re: FASB and IASB's Exposure Draft on Revenue Recognition from Contracts

Dear Sir or Madam:

As chief financial officer for a construction company I am very interested in the Board's project on revenue recognition.

I have significant concerns over how the new standard may be applied to our company and our industry. The current guidance in the Exposure Draft for recognizing revenue at the "performance obligation" level presents significant challenges for any company in our industry and carries the very real risk of adverse economic effects on our industry. The inherent subjectivity of the prescribed process for identifying and allocating revenue to performance obligations will lead to less consistency and transparency in the financial reporting for our industry. The inherent subjectivity also opens the door to engineering and outright manipulation. There are significant concerns in the surety community about any approach that diminishes consistency and increases subjectivity. As a result, surety credit could become marginally more difficult to obtain in the future to offset the risks associated with these proposed accounting rules.

Construction activities for a given project are highly interrelated and have overall risks which are inseparable. Therefore, construction companies lack a basis for determining the price at which it would sell components of a contract separately and, as such, characteristics of distinct profit margin will not be met in most cases and hence there are typically no more than a single performance obligation for most construction contracts.

While I appreciate the Board's efforts to create a single standard to apply to virtually all industries and transactions, I believe that the key principals of the proposed standard need to be modified in such a way to preserve the key tenets of SOP 81-1. Otherwise, the Board runs the risk of creating inferior accounting rules when applied to our industry.

Finally, I ask that private companies be given at least one additional year to comply with the proposed Standard once it becomes effective for public companies.

Sincerely.

Robert McManus, CPA