



October 15, 2010

Financial Accounting Standards Board  
401 Merritt 7  
PO Box 5116  
Norwalk CT 06856-5116

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

Re: Comments on the FASB and IASB's Exposure Draft on Revenue Recognition

To Whom It May Concern:

As the Owner and the Controller of a \$50 million commercial general contractor founded in 1932, we are extremely interested in the Boards project on revenue recognition and it is our desire to ensure that high-quality accounting for the construction industry is maintained.

We have significant concerns over how the new standard may be applied to both our company and our industry. The current guidance in the Exposure Draft for recognizing revenue at the “performance obligation” level presents significant challenges for our company and carries the risk of adverse economic effects on our industry stemming from an apparent inferior method of revenue recognition. The subjectivity of the prescribed process for identifying and allocating revenue to “performance obligations”, rather than costs driving revenue, will lead to less consistency and transparency in the financial reporting process in the construction industry. This will cause significant concerns in both the surety and banking communities that are closely affiliated with, and critical to, the construction industry. As a result, both surety and banking credit could become more difficult to obtain in the future.

Specifically, we request that the Boards recognize that in most cases, all construction activities for a given project are highly interrelated and have overall risks which are inseparable. Construction projects are built and subsequently billed to the owners as costs are incurred and a percentage of completion is achieved. Construction companies lack the basis for determining the price of “performance obligations” of a contract separately, and as such, revenue and profit margins will be recognized subjectively. This will render the financial statements produced somewhat meaningless to the users of such statements who depend on this information for making business decisions, especially the company owners and financial management teams as well as their surety and bank professionals.

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While we appreciate the Boards efforts to create a single standard to apply to virtually all industries and transactions, we maintain a belief that the key principals of the proposed standard need to be interpreted in such a way to preserve the key tenets of SOP 81-1. SOP 81-1 is a widely accepted, objective and transparent standard in the construction industry that has worked extremely well for almost 30 years. We would hope that the Boards recognize this fact and keep that in mind while adopting an Exposure Draft, when applied to the construction industry, that could run the real risk of creating inferior accounting standards, and at the same time increasing overhead costs in our unsure economic environment.

In excess of 96% of construction companies in the United States are privately owned, and Haren & Laughlin is proud to be one of those companies. We would ask the Boards to consider giving private companies additional time to comply with the proposed standard should it become effective for public companies.

Thank you for your time and consideration.

Sincerely,

HAREN & LAUGHLIN CONSTRUCTION COMPANY, INC.

  
Wells Haren  
President

  
M.J. Lewis, CCIFP  
Controller

