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October 20, 2010

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

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

Re: Comment Letter - File reference No.: 1820-100

Dear FASB Technical Director:

As a surety producer for The Horton Group, the nation's 47<sup>th</sup> largest broker as ranked by Business Insurance, I'm following with great interest the Boards' project on revenue recognition, particularly as this impacts the accounting for construction contracts. It is my desire as a surety professional to ensure high quality accounting for the construction industry is maintained.

I have significant concerns over how the new standard may be applied to my contractor clients, and how this might impact their ability to qualify for and/or maintain current levels of surety support. The current guidance in the Exposure Draft for recognizing revenue at the "performance obligation" level represents tremendous challenges for the surety industry. We as an industry greatly rely on the CPA's Audited or Reviewed year-end reports to gauge a contractor client's project performance, overall financial condition and ability to complete the bonded obligation, thus holding Sureties harmless from loss. The principles of SOP 81-1 for revenue recognition and income for construction contracts, has proved for many years to provide a consistent standard to evaluate the overall performance of what amounts to a single performance obligation that has interrelated overall risks that are inseparable. A departure from the SOP 81-1 principles, will only lead to inherent subjectivity for identifying and allocating revenue to performance obligations, resulting in an inconsistent approach to revenue recognition for construction contracts.

I also believe the contract price used for measuring revenue recognition should exclude the effects of bonuses or penalties, until the impact of these bonuses or penalties can be measured with reasonable certainty. Again, this gets back to the belief that the principles of SOP 81-1 should be incorporated into the new revenue recognition standard, to maintain consistency in recognizing revenue on construction contracts. A departure from the percentage of completion method of accounting, can lead to reduced Surety support for many of my contractor clients, due the need to produce additional financial information Sureties will likely require, placing a further burden on construction firms, particularly smaller firms that may have fewer resources to bear such additional burdens.

It is also my belief that private companies be granted additional time, such as one to two years beyond the effective date for public businesses, to comply with any new revenue recognition standard, to allow private businesses, particularly contractors, to better understand its impact more completely.

I applaud the Boards' efforts to create a single standard to apply to all industries, but the guidelines of SOP 81-1 need to be incorporated into the new revenue recognition standard, to avoid the risk of creating inferior accounting rules and less consistency in recognizing revenues, as applied to the construction industry.

Thank you for allowing me the opportunity to outline my concerns.

Sincerely,

John J. Naso, Jr., AFSB

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