

12/14/10

Dear Board Members,

Thank you for the opportunity to provide you feedback on the Exposure Draft "Leases" dated August 17, 2010. After review of the draft, I have some major concerns with the proposed lessee requirements.

If implemented, this proposed standard would cause confusion among companies and their lenders. This confusion would result in having to come up with a new "standard" for debt covenant calculations such as cash flow coverages, debt-to-equity, capital asset acquisition limits, and other similar covenant calculations typical to normal lending agreements. This could ultimately strain relationships between the company and their lenders. Some companies may not meet their requirements or not have access to additional funding due to the significant changes in these calculations. What happens to companies that have a high volume of operating leases and now have to record additional debt for these leases, thus causing their debt covenant calculations to change significantly? What would be the new standard for these calculations? How would the lender respond to these changes? These are just some of the questions that should be addressed prior to implementing the new proposed standard on leases.

I agree with the board that the implementation of the proposal would make the financial statements more transparent to users, but I disagree that such a change has more benefits than costs. Costs associated with these proposed changes include higher auditor fees, additional time spent recording leases, and time spent by lenders trying to figure out the new "standard" for debt covenant calculations. Also the benefit of transparency is greatly mitigated as most users have vast knowledge and expertise in reviewing financial statements, and thus the current requirement of disclosing future commitments of operating leases in the notes is adequate. This is especially the case with private companies as the main users are lenders and insurance companies.

In conclusion, I hope you take my comments into consideration before implementing the new proposed standard. I believe as stated above, that if the new proposed standard is implemented the costs will far outweigh any benefit.

Sincerely.

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