SAO
Surety Association of Oregon

October 8, 2010

Financial Accounting Standards Board
Technical Director
File Reference No. 1820-100
FASB, 401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Dear Technical Director,

I am writing to you on behalf of the Surety Association of Oregon (SAO), a professional non-profit trade association consisting of insurance companies, insurance agents, attorneys and accountants (all users of financial statements) that provides a forum for communication between firms and individuals engaged in the surety industry. I am writing to you to express our views on the proposed FASB revenue recognition rules contained in Exposure Draft, *Revenue from Contracts with Customers*, released in June 2010. The SAO believes that the proposal, if enacted, will significantly change the content and usefulness of contractors' financial statements which, in turn, will complicate and hinder the underwriting of construction firms by surety professionals.

We would like to begin by affirming our support of comments made by other industry groups such as the Construction Financial Management Association (CFMA), the National Association of Surety Bond Producers (NASBP), the Surety & Fidelity Association of America (SFAA), and the Associated General Contractors of America (AGC).

We feel that the "percentage of completion" revenue recognition method that has been in place since 1981 is a far superior method to the "performance obligation" method proposed by the Exposure Draft. Because the "performance obligation" process involves a much higher degree of subjectivity and judgment, the credibility, consistency and usefulness of financial statements under the proposed method will be greatly diminished. SAO members use and rely on financial statements every day to make decisions (often multi-million dollar credit decisions), hence any erosion of financial statement credibility is unacceptable. As a result, construction firms will be forced to provide additional schedules beyond what the new standard requires and may even be required to prepare a second set of statements under the current industry accepted standards. This will, of course, lead to increased costs for construction companies and, in turn, for consumers of construction services.

It is our position that the proposed changes are not acceptable. We encourage FASB to **not move forward** with proposed changes. At the very least, we suggest that FASB exempt the construction industry from the new standard.

Sincerely,

Joel Dietzman, CPCU, CRIS, AFSB
President