

October 22, 2010

Financial Accounting Standards Board 401 Merritt 7 P.O. Box 5116

Norwalk, CT 06856-5116

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

Re: Comments on the FASB and IASB Exposure Draft on Revenue Recognition from Contracts with Customers

Dear FASB Technical Director:

As a surety agency providing credit to the construction industry, 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 our industry. The current guidance in the Exposure Draft for recognizing revenue at the "performance obligation" level presents significant challenges for us, and carries the very real risk of adverse economic effects on our industry. Subjectivity for identifying and allocating revenue to performance obligations will lead to less consistency. Subjectivity also opens the door to financial engineering and outright manipulation. Surety credit will become more difficult to obtain in the future with inferior accounting rules.

We believe the reason the Boards are hearing negative feedback from the construction industry is that the proposed revenue recognition rules are not based on economic reality. We believe that relatively modest refinements can be made to the guidance to conform with economic reality.

We request that the Boards recognize that ALL construction activities for most projects are highly interrelated and have overall risks which are inseparable. Construction companies lack a basis for determining the price at which they would sell the components separately. There are typically no more than a single performance obligation for most construction contracts.

We concur with the guidance in the Exposure Draft regarding continuous transfer and we believe it is appropriately reasoned.

We believe that variable consideration (i.e. bonuses or penalties) should be excluded from the calculation of contract revenue until they can be reasonably assured. Any

inclusion is highly subjective and most users of financial statements will not want to see such amounts included in revenue.

While we appreciate the Boards' efforts, we believe the key principals of the proposed standard need to be interpreted in such a way to preserve the key tenets of SOP 81-1. Otherwise, the Boards run the very real risk of creating inferior accounting rules.

Finally, we 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,

GARRETT-STOTZ COMPANY

William A. Kantlehner, President

Steven M. Garrett, Treasurer

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