



December 9, 2010

Financial Accounting Standards Board  
401 Merritt 7  
Norwalk, CT 06856  
Re: August 17, 2010 Exposure Draft- Leases

Dear Board Members and Staff:

Odessa Technologies is the developer of a system called LeaseWave™, a comprehensive lease management and accounting platform widely used by leasing companies to administer the lifecycle of all types of leases including finance leases, leveraged leases, sales type leases and operating leases. LeaseWave facilitates the management of day to day activities such as origination, invoicing, receipts management, administration of sales and property taxes, collections, customer service, remarketing off-lease assets, etc., and automatically creates all the accounting entries associated with these transactions. LeaseWave™ is used by many different types of leasing entities including bank-owned lessors, independently owned leasing companies and captive leasing companies.

Odessa is exclusively focused on the Equipment Leasing and the Vehicle Leasing & Fleet Management segments of the leasing industry and derives 100% of its revenues from the industry. As such, Odessa is committed to making the necessary investment in LeaseWave™ in order to support the accounting and reporting rules that are incorporated into the final regulations. This means that Odessa faces the big challenge of providing our clients with the necessary features and automation functionality to facilitate a smooth transition while concurrently ensuring that our clients can continue to operate as efficiently and as cost-effectively as possible with minimal disruption to their respective businesses.

We agree in principle that lessee lease-obligations arising from operating leases should be capitalized. We are, however, concerned with certain elements of the Lease Exposure Draft that effectively result in the addition of complexity and uncertainty to the processes associated with accounting. We contend that, contrary to intended goals, these elements of the Lease Exposure Draft will actually cause less standardization, more inconsistency and greater confusion. The following are the issues/questions with which we are most concerned:

*Question 8: Lease Term- Do you agree that a lessee or a lessor should determine the lease term as the longest possible term that is more likely than not to occur taking into account the effect of any options to extend or terminate the lease? Why or why not? If not, how do you propose that a lessee or a lessor should determine the lease term and why?*

We disagree with the inclusion of a potential renewal term for purposes of initial measurement of the lease obligation. Asking lessees and lessors to determine what is "more likely than not" to occur by examining contractual factors such as the level of lease payments in any renewal period, contingent rents, term option penalties, return provisions, and residual value guarantees as well as non-contractual factors (such as local evergreen rent regulations, economic compulsion, tax consequences, and the lessee's past practices) imposes a significant and unreasonable undertaking on them. Furthermore, this does not provide users of financial statements with any more faithful representation of leasing

transactions than under status quo. The resulting determination will be based on so many potential factors, with many subjective measures, that there will undoubtedly be a large potential for lack of symmetry between lessees and lessors in accounting for the same contract. Understandably this poses a set of unprecedented challenges to a lease management system that needs to keep lessors in regulatory compliance. Especially ironic and troublesome is that the significant investment Odessa would need to make to ensure such compliance is only to help our customers move towards an accounting environment and outcome that very quickly becomes more complex and more confusing and more rife with the potential for inconsistency across the board. We recommend retaining the current GAAP definition of the lease term.

*Question 9: Lease payments-Do you agree that contingent rentals and expected payments under term option penalties and residual value guarantees that are specified in the lease should be included in the measurement of assets and liabilities arising from a lease using an expected outcome technique? Why or why not? If not, how do you propose that a lessee or a lessor should account for contingent rentals and expected payments under term option penalties and residual value guarantees and why?*

On behalf of our customers, we disagree with the inclusion of contingent rents for purposes of initial measurement of the lease obligation. Contingent rents do not meet definitions of liabilities and these estimates will not be reliable due to uncertainty and the long time between inception and the triggering contingent event date. In addition, calculating these estimates will also add complexity, while not improving comparability or symmetry between financial statements. Instead we recommend retaining the current GAAP definition of the minimum lease payments and supplement with new principles that deal with contingent rents if they are disguised minimum lease payments.

*Question 10: Reassessment-Do you agree that lessees and lessors should remeasure assets and liabilities arising under a lease when changes in facts or circumstances indicate that there is a significant change in the liability to make lease payments or in the right to receive lease payments arising from changes in the lease term or contingent payments (including expected payments under term option penalties and residual value guarantees) since the previous reporting period? Why or why not? If not, what other basis would you propose for reassessment and why?*

Once again, on behalf of our customers and our industry, we disagree with the requirement for lessees and lessors to reassess, at each reporting date, the facts and circumstances under which potential renewal terms and/or contingent rents have been calculated, making the performance of these ineffective processes a recurring event. The current GAAP definition of lease term and lease payments should be retained. When a renewal is exercised, a contingent rent is triggered, or when a residual payment is likely under a residual guarantee, then and only then, should the amounts be accounted for. While LeaseWave would be able to accommodate the proposed changes, our customers are faced with more administrative burden.

The equipment leasing industry plays a vital role in the formation of capital in the U.S. and around the world. There are thousands of small, medium and large businesses that rely on this industry for a significant portion, or all of their revenues. Most of us in the industry expect some reduction in lease volume as the off balance sheet treatment of operating leases is eliminated. But, to the extent that leasing volume is further negatively impacted because the proposed approaches cited above cause the amount capitalized to be excessive (further ballooning balance sheets) and introduce new levels of estimation and interpretation that increase the cost of leasing for both lessees and lessors (without providing any true benefit to the investment community), employment will suffer.

Compliance with accounting and other securities regulations is an expected cost of doing business and benefits all of us in terms of creating safe and efficient markets that increase investor confidence and financial system stability. But, to the extent that regulatory costs become excessive while not adding value, they lead to higher transaction costs and hurt the economy. If the primary goal of the Financial Accounting Standards Board and the International Accounting Standards Board is to improve clarity of

presentation as it relates to leasing activities on financial statements, we respectfully request reconsideration of “more likely than not” and/or “expected outcome” decisions cited above and elimination of these inefficient and subjective processes from the final regulations, in favor current GAAP definitions.

Respectfully yours,

Jim Humphrey  
Odessa Technologies, Inc.