



Ms. Patricia Donoghue
Project Manager, FASB
401 Merritt 7
Norwalk, CT 06856

Dear Ms. Donohue:

I appreciate the opportunity to provide comment on the Exposure Draft for the changes to lease accounting standards. By way of introduction, I am Vice President and Treasurer of Forsythe Technology, Inc. Forsythe provides independent technology and business consulting services, technology leasing services (through its wholly-owned subsidiary Forsythe/McArthur, Inc.), and value-added reseller services for all the leading technology product manufacturers. The company started exclusively as an IT equipment lessor some 39 years ago, and while our focus has broadened well beyond just leasing, equipment leasing has been an important part of our go-to-market strategy for our entire history. I personally have held management responsibilities for over 25 years with several leading equipment leasing companies, including Forsythe, Banc of America Leasing and Capital, Fleet Capital Leasing and Heller Financial. I also served on the Board of Directors of the Equipment Leasing and Finance Association from 2003-2006.

I would like to first say that I understand the complexities of the issues that you are addressing. A standard for the recognition of leases is a difficult endeavor because leasing encompasses everything from a \$3000, 36 month computer lease, to longer-lived assets like rail cars and aircraft, to real estate leases for big box retailers. It is a daunting task to create a set of rules that can be applied across such a broad spectrum of transactions without becoming disruptive to the business flows and operating models of a variety of companies. I would like to highlight a few of the issues I believe our industry will face in light of what is presently proposed.

General Economic Considerations: There are a number of reasons why companies decide to lease equipment acquisitions: conservation of capital, management of periodic budgets, matching of economic cost and benefits, obsolescence risk management and ease of use are but a few of these reasons. While I understand the Board's desire to standardize the accounting treatment of lease obligations, I believe an unintended consequence of the methodology is that acquiring equipment will become a less attractive option at precisely the time the economy can ill-afford it. I believe the ease-of-use rationale will diminish greatly due to the ongoing requirement to reassess the likelihood of exercise of any options or contingencies over the life of the lease. Many of our lessees are large companies that acquire millions of dollars worth of equipment during the course of a year, but many of the leases are for much smaller dollar amounts, some as low as a few thousand dollars. When the effort of reassessment is applied to hundreds of lease schedules for multiple departments and locations, my concern is that the cost of compliance makes leasing a much less viable option (we estimate that we would need to add two accountants to our staff to manage the lessor requirements). In a time when

companies are conserving cash to guard against a double-dip recession, it could clearly have a depressive impact on the acquisition of equipment and the economy as a whole.

Cash Flow vs. Balance Sheet Considerations: The Board has stated as a goal to have lease obligations capitalized on the balance sheet. I understand the logic here, but I also know as a lender that banks and finance companies have made adjustments to their analyses to take such leases into consideration, in fact, the covenants to my company's credit facility require that we add lease obligations back in to calculate any leverage test. My concern comes not from the capitalization of the obligations, but the amortization of a "right to use asset" on the income statement. My concern is that in fixing the issue of understatement of the balance sheet may create another issue on the statement of cash flows by treating an actual cash expense as the amortization of an intangible asset.

Residual Accretion: I do not understand the rationale of disallowing accretion of residual value over time. The practice of accretion very closely mirrors the true economics of a lease transaction. We make residual investments with the expectation of a return on that investment. We have individual wins and losses that impact those numbers, but in general, that assumption is reflective of how we run our businesses. If there is no accretion of interest on residuals, it will reflect a choppiness of earnings and will overstate the end of lease results for a lot of lessors.

In addition to issues that may arise from the changing standards, I would like to applaud the Board for forcing the industry to be much more transparent. The addition of almost all lease transactions to the balance sheet takes away some of the "smoke and mirrors" lessors and lessees have used to engineer transactions into favorable accounting treatment. I believe in the long run, this openness will benefit the leasing industry and business in general.

Again, I thank you for the opportunity to comment and look forward to addressing these issues in person in January.

Very Truly Yours,

Gary W. LoMonaco
Forsythe Technology, Inc.
Vice President and Treasurer