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**Christopher J. Gregoire**  
Vice President and Controller

March 13, 2012

Ms. Leslie F. Seidman, Chairperson  
Financial Accounting Standards Board  
401 Merritt 7  
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Norwalk, CT 06856-5116

Submitted via electronic mail to [director@fasb.org](mailto:director@fasb.org)

Subject File Reference No. 2011-230

Dear Ms. Seidman:

Thank you for the opportunity to review and comment upon the Exposure Draft entitled *Revenue Recognition (Topic 605) – Revenue from Contracts with Customers, Revision of Exposure Draft Issued June 24, 2010* (the "Exposure Draft"). Lockheed Martin Corporation is a global security and aerospace company with about 123,000 employees worldwide, and is principally engaged in the research, design, development, manufacture, integration, and sustainment of advanced technology systems and products. We also provide a broad range of management, engineering, technical, scientific, logistic, and information services. We serve both domestic and international customers with products and services that have defense, civil, and commercial applications, with our principal customers being agencies of the U.S. Government. We reported net sales of \$46.5 billion in 2011.

In our industry, we enter into arrangements with customers to provide highly customized and complex engineering, design, and manufacturing services, often extending over multiple years. These arrangements are usually with an individual customer (principally the U.S. Government) and are generally priced based on estimated costs plus a reasonable margin for the risks we assume in the contracts. Our industry is specialized, and our contracts consequently embody various complexities, such as incentive or award fees; change orders; options; modifications; combining and segmenting; claims; and penalties. The existing revenue recognition models for such contracts under Financial Accounting Standards Board (FASB) Accounting Standards Codification® (ASC) 605-35, *Revenue Recognition, Construction-Type and Production-Type Contracts* (ASC 605-35), and International Accounting Standard 11, *Construction Contracts*, are well established and understood by investors and analysts in our industry, as they align with how our contracts are bid, negotiated, and managed. The proposed standard would result in substantial changes to our systems, processes, and internal controls, which will impact people supporting thousands of contracts during a time when our principal customer, the U.S. Government, is under substantial cost pressures. We do not believe these additional costs

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justify the proposed change to a single revenue recognition model nor will they enhance the decision-useful information currently available to financial statement users in our industry.

Notwithstanding the above, we believe the second Exposure Draft is an improvement over the original Exposure Draft also entitled *Revenue Recognition (Topic 605) – Revenue from Contracts with Customers* issued by the FASB in June 2010. Although we appreciate that the second Exposure Draft has made significant improvements to address concerns from the original Exposure Draft regarding accounting and reporting for long-term construction and production-type contracts, we believe there remain areas regarding accounting, transition, and disclosure that should be reconsidered or clarified in the final standard.

We appreciate the Board's consideration of many of the concerns raised in our previous comment letters on the joint revenue recognition project and the efforts made by the Project Staff to better understand the impact of the proposed framework on our business. We respectfully request that further consideration be given to ensure the framework is operational for our company by clarifying or modifying the proposed standard with respect to our remaining concerns so we can continue to provide decision-useful information to our investors. Our letter is limited to those Questions for Respondents that are relevant to us and other observations that we have on the Exposure Draft. Our comments relative to the Exposure Draft are as follows:

### **Identifying Performance Obligations**

We understand that the Basis for Conclusions supported the inclusion of paragraph 29 in the Exposure Draft to address concerns of the construction and manufacturing industries that historically have applied the revenue recognition guidance of ASC 605-35. Under the Exposure Draft, we believe the new revenue recognition framework provides guidance that would allow, for example, the production of a lot of aircraft to be accounted for as a single performance obligation. However, we are concerned that certain major public accounting firms, in their recent Aerospace and Defense (A&D) publications, have interpreted the Exposure Draft to mean that in a production contract for multiple units, each aircraft would be treated as a separate performance obligation. This is based on their interpretation that the individual aircraft are not deemed to be "highly interrelated" even if they are delivered in a pattern over a specified period of time. We are concerned that this interpretation of the Exposure Draft does not reflect the underlying economics of our contracts, the risks involved, or the way we bid our contracts. To ensure the guidance is properly applied to contracts in the A&D industry, we recommend that the Board provide indicators to better clarify whether goods and services that are bundled would meet the criteria of "highly interrelated". The necessary clarification would not only benefit the companies in their consistent application of the guidance but also the judgments made by the public accounting firms and regulators. The indicators could be based on the guidance in ASC 605-35-25-8 for combining contracts and include, but not be limited to, the following:

- The bundle of goods or services is negotiated as a package with a shared risk profile in the same economic environment with an overall profit margin objective.
- The bundle of goods or services constitutes in essence an agreement to do a single project. A project for this purpose consists of construction, or related service activity with different elements, phases, or units of output that are closely interrelated or

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interdependent in terms of their design, technology, and function or their ultimate purpose or use.

- The bundle of goods or services requires a significant service to manage and coordinate closely interrelated construction activities.
- Goods or services in the bundle are produced or performed concurrently or in a continuous sequence under the same project management at the same location or at different locations in the same general vicinity.
- The bundle of goods or services is significantly modified or customized to fulfill the contract.

We also recommend that the Board clarify the scope of paragraph 29 in the Exposure Draft by providing a list of contract types where the goods or services in the bundle would likely be “highly interrelated.” We believe that the contract types contemplated in paragraph 29 in the Exposure Draft could be based on the guidance in ASC 605-35-15-3, but not be limited to, the following:

- Contracts in the construction industry, such as those of general building, heavy earth moving, dredging, demolition, design-build contractors, and specialty contractors (for example, mechanical, electrical, or paving). In general the type of contract here under consideration is for construction of a specific project. While such contracts are generally carried on at the job site, this Subtopic also would be applicable in appropriate cases to the manufacturing or building of special items on a contract basis in a contractor's own plant.
- Contracts to design and build ships and transport vessels.
- Contracts to design, develop, manufacture, or modify complex aerospace or electronic equipment to a buyer's specification or to provide services related to the performance of such contracts.
- Contracts for construction consulting service, such as under agency contracts or construction management agreements.
- Contracts for services performed by architects, engineers, or architectural or engineering design firms.
- Arrangements to deliver software or a software system, either alone or together with other products or services, requiring significant production, modification, or customization of software.

We believe that the guidance in paragraph 29 of the Exposure Draft would have a greater likelihood of being applied and interpreted consistently by preparers, public accounting firms, and regulators if the Board provided the additional clarifying criteria described above.

### **Satisfying Performance Obligations**

#### **Waste / inefficiency costs**

We agree conceptually with excluding inefficiencies from an input measure, however, we believe there will be significant application challenges associated with the proposed requirements. In our industry, we often bid an estimate of rework into our contracts which we view as a normal cost of providing highly complex, specialized, and cutting-edge deliverables.

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Therefore, we would not view changes in estimate related to varying degrees of trial and error efforts (which are a normal course of business in performing on contracts in our industry) as “waste.” These costs result from the realization of risks that were possible (but not considered highly likely) at the inception of a contract, which under existing revenue recognition models are included in contract cost estimates and that affect the overall profitability of the contract (i.e., rework, work-arounds, re-design costs and similar items). As rework and trial and error is inherent to the process of delivering highly complex solutions, ultimate success on our contracts would not be possible without the benefit of knowledge gained from our efforts in these areas. Separately expensing these rework costs would distort contract margins over the remaining periods of performance and not faithfully depict the economics of the underlying transactions. The concept as currently proposed in the standard may evoke the need for continuous efficiency studies and measurements that would be subject to much judgment and second guessing.

For instance, it would be difficult to determine if a cost represents waste or inefficiency when the concept of rework is priced into our bids across a portfolio of contracts with the knowledge that rework will vary from contract to contract. Further, it is unclear at what point prior to a performance obligation becoming onerous that costs would be considered waste (e.g., on a contract with an initial expected 10% margin, should costs be considered waste when margin declines to 8%, 5%, or 2%). Under the Exposure Draft, it is unclear whether costs incurred that were in excess of those budgeted to realize a 10% margin are deemed onerous and expensed. If companies were to immediately expense such costs, this requirement would distort profit margins in the normal course of business based on assumptions made at the inception of a contract that can change over time.

Under existing U.S. GAAP, actual rework costs in excess of the initial estimated amount for a contract with an expected margin rate of 10% would be included in the estimated costs to complete and reduce the contract margin rate. However, if we were to treat these rework costs as “waste”, the proposed standard might be interpreted to imply that we would expense the rework costs and still report a 10% gross margin on the overall contract going forward. This would appear to skew reported results in a manner that does not reflect the economic substance of contracts with customers and renders any assessment of future performance less predictive. In addition, this approach may present application challenges, as increased cost estimates are often identified after the initially incurred effort. For example, costs incurred on a contract during a particular quarter may be determined in a subsequent quarter to be “waste”, and as a result, charged to earnings. This will benefit the estimated future costs and profits on this contract. Excluding these costs from contract margin rates as “waste” could result in variability in reporting practices and reduce the comparability of information between similar companies in our industry.

We suggest that the concept of wasted materials, labor, or other resources be eliminated from paragraph 45 of the Exposure Draft as it could result in the requirement to record an onerous performance obligation when one did not truly exist (e.g., result in an amount in excess of the transaction price of the performance obligations) and would distort the measurement of profit on individual contract. Further, the recognition of “waste” or “inefficiencies” that could result in an onerous performance obligation is inconsistent with the criteria in paragraph 87 of the Exposure Draft.

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If the Board decides to retain the guidance in paragraph 45 of the Exposure Draft, we suggest the following revisions:

A shortcoming of input methods is that there may not be a direct relationship between the entity's inputs and the transfer of control of goods or services to the customer because of inefficiencies in the entity's performance or other factors. Hence, when using an input method, an entity shall exclude the effects of any inputs that do not depict the transfer of control of goods or services to the customer (for example, the costs related to excess / idle capacity or similar costs that provide no utility to contract performance, or infrequent / non-recurring costs such as those related to work stoppages, natural disasters, or other force majeure incidents not anticipated in the normal course of business / reflected in pricing across an entity's portfolio of contracts of wasted materials, labor, or other resources to fulfill the contract that were not reflected in the price of the contract).

We believe these revisions would clarify that certain "rework" costs associated with delivering highly complex products and services are considered in how we bid and manage our contracts and ensure that we continue to report results in a manner that reflects the economic substance of our transactions.

### **Uninstalled materials**

The Exposure Draft in paragraph 46 states, "When applying an input method to a separate performance obligation that includes goods that the customer obtains control of significantly before receiving the services related to those goods, the best depiction of the entity's performance may be for the entity to recognize revenue in an amount equal to the cost of those goods" if certain conditions are present at contract inception. However, under contract terms with the U.S. Government, we are entitled to margin on all of our costs and in the event of a termination-for-convenience, our customer would owe us reasonable profit in addition to reimbursement of our allowable costs regardless of the type of costs (i.e., internal labor, subcontractor costs, installed materials, uninstalled materials, etc.). It does not seem intuitive that certain activities within a performance obligation would be measured with a distinct price and margin, which is different than the performance obligation itself. This seems to conflict with the underlying definition of a performance obligation. We would suggest this section be eliminated from the proposed model as it does not align with the underlying economics of the contract.

### **Contract Costs**

We believe the Board should provide guidance permitting companies to select a systematic and rational approach for recognizing costs to reflect the single overall profit objective of a performance obligation satisfied over time. Paragraphs 38 through 48 of the Exposure Draft provide guidance for determining the timing of revenue recognition for a performance obligation satisfied over time. If an input-based measure similar to the percentage-of-completion (POC), cost-to-cost method, is selected for recognizing revenue, we believe it is clear that costs would be recognized as incurred. However, if any other measurement method (e.g., units of delivery, milestones) is selected for recognizing revenue, we do not believe the guidance provided will adequately allow for the determination of the amount of costs to be recognized at each revenue

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recognition event. The Exposure Draft eliminates much of the accounting guidance that exists for allocating costs to certain production-type contracts under ASC 605-35 through accumulating and allocating production costs to units produced or delivered based on average unit costs. Therefore, we recommend the following be added after paragraph 40 of the Exposure Draft to address recognition of costs:

For each separate performance obligation satisfied over time, an entity shall apply a rational and systematic approach for relieving contract assets and recognizing cost of sales that reflects the single overall profit objective for that performance obligation.

We believe the Board should provide guidance permitting lot accounting in instances where multiple production units do not meet the criteria in paragraph 29 for bundling into a single performance obligation. Lot accounting, as described in ASC 605-35-25-9, is an average costing method that reflects the economics of long-term production efforts and contracting. We recommend the following be added after paragraph 93 of the Exposure Draft to permit average unit costing in certain circumstances:

Performance obligations that do not meet the criteria in paragraph 29 for bundling into a single performance obligation may be combined into groupings such as production lots or releases for the purpose of accumulating and allocating production costs to units produced or delivered based on average unit costs in the following circumstances:

- Performance obligations are for the production of substantially identical units of a basic item produced concurrently or sequentially.
- Performance obligations are for the production of highly complex, specialized equipment where costs incurred on initial performance obligations benefit all performance obligations.

We believe companies should disclose their policy for relieving contract assets and recognizing cost of sales related to performance obligations satisfied over time. We recommend the following be added after paragraph 127 of the Exposure Draft to address disclosure:

An entity shall disclose information about the methods, inputs, and assumptions used to relieve contract assets and recognize cost of sales when performance obligations are satisfied over time.

### **Onerous Performance Obligations**

We agree with the revision that the Board made to scope out performance obligations that are satisfied in less than a year, as this will likely provide relief for many industries. However, given the long-term nature of our contracts, this scope revision does not go far enough to address our previously expressed concerns regarding the unit of account for this test. We continue to believe that recording a liability for an onerous performance obligation at inception of an overall profitable contract does not provide decision-useful information. Instead, we believe that the appropriate unit of account for purposes of this test should be aligned with the “profit center” level, meaning the level at which the arrangement was negotiated by the seller (in most cases, the contract). In determining the overall price of a particular contract, a seller may accept (and

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even expect) a loss on certain performance obligations within that contract because that loss will be offset by other profitable performance obligations within that same contract. From an economic standpoint, the seller accepts this situation only because these performance obligations are being negotiated and performed together under a single contract. We do not believe that separating performance obligations for this test and requiring up-front recognition of a loss on some performance obligations while recognizing strong margins on other performance obligations would accurately depict the expected economic outcome of the contract.

We understand that the Board's focus with this test is to ensure timely reporting of adverse changes in circumstances that affect the profitability of the arrangement. This is not achieved at the performance obligation level if it was anticipated that certain performance obligations would be performed at a loss while the overall contract would be profitable. It would be more useful to investors to understand when, at the contract level, due to cost overruns or unanticipated production issues, the contract has fallen into an overall loss position. This would truly represent an adverse change in circumstances for which an onerous performance liability should be recorded and the change in circumstances should be disclosed in the notes to the financial statements. Therefore, we recommend that the onerous performance obligation test be performed at the contract level.

Alternatively, we would suggest providing a principles-based framework for performing the onerous test based on the overall economics of the business arrangement. Such a framework should provide guidelines to allow a company to make a qualitative assessment based on certain specific criteria, and only when this qualitative assessment indicates an adverse change in circumstances would the entity be required to perform a quantitative calculation of an onerous liability. To facilitate consistency, the Board could outline various economic indicators that a company should use in its qualitative determination of whether or not adverse circumstances exist.

### **Contract Modifications**

We are concerned that the language of paragraphs 18 and 19 of the Exposure Draft may be too restrictive relative to unapproved change orders given the nature of our industry. In many instances, we receive authorization from the U.S. Government customer to proceed with increases or changes in the scope of work on contracts for products and/or services with the final pricing to be determined at a later date. Although the costs incurred for work performed on an unpriced change order may be deemed probable of recovery based on the likelihood that a future event will occur, the actual pricing for the change order is definitively agreed to with the customer at a later date. The language of paragraph 18 in the Exposure Draft states:

If a contract modification has not been approved by the parties to a contract, an entity shall continue to apply the proposed revenue guidance to the existing contract until the contract modification is approved.

This would indicate that a contractor should not apply the proposed revenue guidance to the unpriced change order until the modification has been formally approved by the customer.

Paragraphs 18 and 19 of the Exposure Draft instruct as to when the proposed revenue guidance can be applied to a contract modification. Together, paragraphs 18 and 19 of the

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Exposure Draft could be read to suggest that an unapproved change in the scope of work should not modify the transaction price of a contract for purposes of applying the proposed revenue guidance until such time that the change in scope has been approved by the customer. We suggest the language of the Exposure Draft in paragraph 19 be amended to incorporate some of the existing guidance contained in ASC 605-35-25-28 as follows:

If the parties to a contract have approved a change in the scope of the contract but have not yet determined the corresponding change in price, an entity shall apply the proposed revenue guidance to the modified contract when the entity has an expectation that the price of the modification will be approved. For all unpriced change orders, recovery should be deemed probable if the future events necessary are likely to occur. Some of the factors to consider in evaluating whether recovery is probable are the customer's written approval of the scope of the change order, separate documentation for change order costs that are identifiable and reasonable, and the entity's favorable experience in negotiating change orders, especially as it relates to the specific types of contract and change orders being evaluated. To estimate the **transaction price** in such cases, an entity shall apply the proposed guidance in paragraphs 50-67.

For the companies in the A&D industry, we believe more definitive revenue recognition guidance is needed to evaluate factors that would indicate an unpriced change order (contract modification) is reasonably likely to be approved by the customer. Such guidance would provide better guidance to companies to properly determine when revenue should be recognized on contract modifications.

### **Disclosure**

We support the Board's goal of improving the ability of financial statement users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. However, given that the proposed model will apply across all industries, we do not believe prescriptive disclosures are beneficial given the substantial differences across business models. We suggest requiring disclosures at a principles-based level, as this would allow different industries to provide information relevant to their respective financial statement user groups, while maintaining the principles based intent of the Exposure Draft. Further, we do not believe that many of the proposed disclosures provide decision-useful information. For instance, the tabular reconciliation of changes in the balances of net contract assets/liabilities is merely a reconciliation of account balances with no other utility. Also, we suggest replacing the volume of required quantitative disclosures with decision-useful qualitative disclosures such as contract type or activity that companies can supplement with quantitative data about an entity's relevant contract activities. We also urge the Board to take into consideration the cost-benefit of the proposed disclosures as much of the qualitative information required is already disclosed under existing standards such as percentage of revenue derived by contract type, significant customers and concentrations, and remaining backlog. We believe that the Exposure Draft contains many non-substantive quantitative disclosures that will overwhelm financial statement users with data that is not decision-useful and does not pertain to how we manage our business. It should be noted that the reconciliation of a net contract asset or liability is not prepared as part of the management of our contracts on a day-to-day basis as it does not provide decision-useful information. We suggest that in refining the disclosure requirements,



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the Board emphasize a "Management Approach," as presently set forth in ASC 280, *Segment Reporting*.

### **Reconciliation of contract balances**

In our industry, we do not provide products or services that are mass-produced in homogeneous categories or groupings. Rather, we perform thousands of unique contract activities to meet the specific needs of our customers, and it is typical to revise estimates for these thousands of contracts on a quarterly basis. Today, we generally use the contract as the profit center for evaluating the operating performance results for our business. In this context, the compilation of quantitative information across a broad range of contracts or programs is of little value in providing an understanding of how our business is operating and will be overly burdensome to compile. This is not how we currently compile and aggregate financial information to manage our business. Explaining the performance of our major programs, and providing an understanding of the contract mix (flexibly priced vs. fixed-price) within our contract portfolio would be more insightful to financial statement users.

We believe the disclosure requirements, as written in the Exposure Draft, from the definition of a contract asset and liability to the required components of the account reconciliations are not defined sufficiently for companies in our industry to interpret and apply the requirements in a consistent manner. Consequently, any intended benefit of being able to provide financial statement users with consistent, comparable information to evaluate performance across different companies will be negated. We suggest that if the Board carries these very prescriptive rollforward requirements through to the final standard that the guidance also includes detailed examples illustrating the definition of contract assets and liabilities, as well as the components of the tabular rollforwards across industries including in our industry. The Board should also consider whether it would be more appropriate to incorporate the prescriptive account reconciliations into the overarching financial statement presentation project.

### **Interim reporting requirements**

U.S. GAAP contains many examples of disclosures that are required on an annual basis but are not deemed cost effective to justify their preparation on an interim basis. These include, among others, detailed disclosures related to the components of accounts receivables and inventory, income tax disclosures, long-term debt disclosures, postretirement benefit plan disclosures and operating lease disclosures.

We do not believe that dissecting our contracts into three-month periods in a manner suggested in the proposed standard would provide consistent meaningful information to users about risks and trends related to our performance. We believe a longer-term view must be taken to derive any analytical value from this information. Consistent with existing guidance that limits disclosures in interim financial statements to meaningful information, we suggest that interim disclosures be limited to the following:

- A disaggregation of revenue in a manner similar to the annual financial statements.
- New material onerous performance obligations occurring during the period.

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- Material performance obligations that have been terminated during the period.

### **Disclosure of forecasted financial information**

We believe the requirement to disclose forecasted financial information such as the aggregate amount of the transaction price allocated to remaining performance obligations significantly expands the scope of the financial statements and is inappropriate in accounting guidance that is otherwise devoted to the reporting of historical financial results. This disclosure would result in the disclosure of material, non-public information based on projections of forward-looking data in the audited footnotes. This level of information goes beyond what is currently provided to shareholders and analysts in the typical earnings guidance, and would disclose sensitive information to our industry competitors.

Additionally, auditors would be required to audit long-range planning information that is subject to many changes and variability, and subjective estimation. Lastly, inclusion in the footnotes would forego legal protections afforded by the U. S. Securities and Exchange Commission (SEC) under Rule 175. If the Board views this information as necessary, we would suggest requiring it be disclosed in a qualitative discussion.

### **Transition**

We are strongly opposed to the full retrospective implementation approach advocated in the revised Exposure Draft on revenue recognition. Current systems limitations and the prodigious effort required to retrospectively apply the new guidance would be extremely cost prohibitive and would not result in significantly more useful financial information for users. Our contract base is comprised of thousands of contracts, many of which have terms that span multiple years, with contract inception dates several years prior to the earliest periods presented in the five-year Selected Financial Data table required by the SEC for inclusion in the Form 10-K. It would be extremely complex and time consuming to assess and restate the accounting for all contacts from their inception, requiring the development of cost estimates and the revision of quarterly estimates of profitability over a multi-year period for perhaps many individual performance obligations within these contracts. Furthermore, restating historical financial information would not be limited to revenues and costs as there would be impacts to income tax expense, various balance sheet accounts, and disclosures for the affected periods due to the pervasive effects of the proposed revenue recognition model.

Restating revenue recognition from contract inception would be an extremely complex, very time consuming, and manual process for contract management and financial personnel, given the wide range of systems, manual files, and manual journal entries used to record revenues. Furthermore, many systems are not currently designed to track actual or estimated costs or record revenues at the level required by the proposed revenue recognition model. Therefore, in order to track the affected contracts and adjustments to historical financial information, companies would be required to incur a significant amount of time and costs to implement new systems and transfer data. Alternatively, system upgrades or revisions to the historical contract accounting records would need to be captured through the use of processes outside of the general ledger systems such as spreadsheets. This would be cumbersome, time consuming, and potentially less reliable to properly account for differences between the existing and new revenue recognition models. There is also the concern that the use of non-ledger systems may

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introduce new risks that require additional internal controls over financial reporting for companies in the U.S. who must comply with Section 404 of the Sarbanes-Oxley Act, which are not inherent in current general ledger systems. We do not believe the cost-benefit of a full retrospective application would provide more decision-useful, accurate, reliable, or comparable information for financial statement users.

While we are concerned about the cost benefit of this project as pointed out in our introduction; if the proposed guidance continues to be applicable to our industry, we believe the proposed standard should provide application guidance that considers when retrospective treatment may be impractical. Accordingly, we recommend that the Board allow companies to adopt the provisions of any new revenue recognition guidance using either the full retrospective transition method described in the Exposure Draft or a modified prospective transition method, whichever best fits their circumstances. We believe a reasonable approach under a modified prospective transition method would be one that permits companies to apply the new accounting and reporting model to contracts executed, extended, or amended after the date of adoption as well as to performance obligations in contracts executed prior to the adoption date but were unsatisfied as of the adoption date. We believe this approach would provide investors with sufficient decision-useful quantitative and qualitative information about the effect(s) of adopting the standard on an entity's results, without the financial and process burdens to preparers associated with providing a full retrospective presentation.

Previously, other significant accounting standards have been effectively applied on a prospective or modified prospective basis, including Accounting Standards Updates (ASU) No. 2009-13, *Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements*, and ASU No. 2009-14, *Software (Topic 985): Certain Revenue Arrangements that Include Software Elements*, and Statement of Financial Accounting Standard No. 123 (Revised 2004), *Share-Based Payment*.

We appreciate the opportunity to comment on the second Exposure Draft relative to concerns that our company and industry has regarding the proposed revenue recognition framework. Please feel free to contact me if you or your staff would like to discuss any of the points made in the Comment Letter.

Sincerely,

A handwritten signature in black ink that reads "Christopher J. Gregoire". The signature is written in a cursive style with a large, stylized initial "C".

Christopher J. Gregoire