December 10, 2010

Technical Director
Financial Accounting Standards Board
401 Merritt 7
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RE: File Reference No. 1850-100

Kelly Services, Inc. ("Kelly"), a NASDAQ listed company and leader in providing workforce solutions, appreciates the opportunity to comment on the Financial Accounting Standards Board’s (FASB) Proposed Accounting Standards Update, Leases (Topic 840), (the "proposal").

We acknowledge the good intentions of the FASB in drafting revised requirements related to leases and we accept that the recognition of assets and liabilities arising out of lease contracts can provide financial statement users with a more complete and understandable picture of an entity’s leasing activities. However, we are concerned that the potential benefit from the proposed standard would be heavily outweighed by the incremental burden and cost to financial statement issuers if issued in its present form. In particular, we are concerned about the practicality of continuously assessing the probable life of a lease.

The reason that companies enter into mid-term leases with the ability to negotiate extensions is because the future attractiveness of a particular location is so difficult to predict. Given the nature of our business and the nearly 1,000 property leases related to branch locations globally, the proposal will result in significant cost and complexity for Kelly. The change from minimum to expected lease payments, with the related requirement to make ongoing revisions, will be particularly burdensome. The technical challenge in estimating future rents, valuing potential extensions, with the probability-weighted estimates and ongoing adjustments throughout the life of the lease, will be substantial. The maintenance obligation, particularly for entities with hundreds or thousands of leases, will put a significant burden on staff resources, and new systems or upgrades will be needed to ensure entities can capture the appropriate data. The required information will not only be very costly to capture and prepare, but will also result in increased audit fees as external auditors must obtain comfort with management’s assumptions and methodology.
In most cases, the extended lease terms fall beyond an entity’s typical planning period and planning granularity, which reduces, or eliminates, the reliability of the measurement. For example, Kelly does not perform mid-to-long term financial projections at a branch level. Even if we did, there are many non-financial factors that impact the decision to extend a lease. What will the property market in a particular region look like in 3-5 years? Will there be more affordable space somewhere else? Will our customers move within a city? Will our candidate base move within a city? Will changes in public transportation or safety necessitate a change? Will the branch be profitable by the end of the lease or will it be necessary to close the branch and exit the facility? Frankly, it is hard to imagine putting in place a robust system to assess these factors, around the globe, refreshed quarterly.

This increased use of judgment and extension of projection periods will result in more frequent reassessments and increased volatility of charges flowing through the income statement. With regard to these reassessments, the proposal’s requirement to perform a reassessment when there has been a “significant change” in each leased asset also leads to increased judgment by financial statement preparers. We recommend increased guidance in defining “significant” in order to reduce the subjective nature of this requirement. We believe the FASB needs to consider the workload inherent in polling each lease quarterly to determine if a change has taken place.

Further, the incremental burden to financial statement issuers may result in a change in lease versus buy decisions. As an example, Kelly recently considered leasing personal computers. The cost of administering the proposed standard altered the economics of the transaction and we decided to buy rather than lease. This seems to me to be a telling example of the cost of the information outweighing the benefits to the shareholder.

Based on the above points, we encourage the FASB to carefully consider the cost versus benefit of adopting the lease proposal as drafted. We appreciate the opportunity to comment and would be pleased to discuss further Kelly’s perspective on the proposal.

Respectfully,

Patricia A. Little
Chief Financial Officer

cc: Leslie A. Murphy, Director and Audit Committee Chair