December 15, 2010

Leslie Seidman, Acting Chairman  
Financial Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856-5116

Subject: File Reference No. 1850-100: Leases (Topic 840)

Dear Ms. Seidman:

We appreciate the opportunity to provide our comments on the proposed Exposure Draft entitled, Leases (Topic 840) ("the Exposure Draft") issued by the Financial Accounting Standard Board ("FASB") and International Accounting Standards Board ("IASB") (collectively, "the Boards"). The intent of our letter is to address our position on the Exposure Draft, from our perspective as a leading provider of systems, products, and solutions to U.S. Government and commercial customers, also taking into consideration the other FASB and IASB convergence projects currently underway.

As a US government contractor, we operate in a unique industry subject to many statutory and regulatory requirements not shared by our commercial counterparts. The pricing and costing of federal government contracts are governed by cost principles contained in the Cost Accounting Standards ("CAS") which govern the accounting for defense contracts and subcontracts and are applied through the Federal Acquisition Regulation ("FAR"). These requirements necessitate the development of complex, government contract-unique accounting and data collection systems as well as strict adherence to government costing principles which contradict certain aspects of the proposed standard. Several of the more
Ms. Leslie Seidman
December 15, 2010

substantive provisions of these regulations affecting our industry relating to lease accounting are as follows:

- We have a significant number of cost reimbursable contracts with the U.S. Government subject to the FAR. As a result we are directly impacted by the proposed changes in lease accounting because interest expense is not an allowable and recoverable cost under the FAR for cost reimbursable contracts. Therefore, costs that were previously allowable and recoverable under the prior lease standards as lease expense will no longer be recoverable as interest expense.

- We are explicitly reimbursed for the imputed value of capital investments on contracts using a “cost of money” factor that is a predetermined rate provided by the U.S. Government. In essence, the customer is reimbursing our cost of capital for assets used in the performance of our contracts. Under these conditions, we believe it would be appropriate to use this contractual cost of money rate as the discount rate in establishing our lease liabilities and right-of-use assets for leased assets that will be utilized by our businesses that engage in government contract activities.

- We are often contractually required by our US Government customers to execute leases to satisfy the specific performance requirements of a given contract. The utility of the leased asset is totally consumed within the performance of the contract and furthermore the cost of the leased asset is generally fully recoverable under the terms of the contract. We do not believe that contractors should be required to establish a right-of-use asset and related liability for these leases and request that the final standard scope out these “pass through” arrangements.

We respectfully request that consideration be given to clarifying or modifying the guidance in the proposed new standard for leases with respect to the areas of concern outlined above and in our answers to the ensuing questions (in Attachment I). For the convenience of the reader, we have included the original Exposure Draft questions in Attachment I followed by our response to each question.
Ms. Leslie Seidman
December 15, 2010

We do not have specific comments related to certain questions presented in the Exposure Draft and therefore have limited our responses to those questions for which we have substantive concerns.

We appreciate the opportunity to comment on this Exposure Draft, and would be pleased to discuss further our company's perspective.

Respectfully,

[Signature]

Kenneth N. Heintz
Corporate Vice President, Controller and Chief Accounting Officer

Attachment
Replies to Questions for Respondents
Exposure Draft: Leases (Topic 840)

Question 1: Lessees

(a) Do you agree that a lessee should recognize a right-of-use asset and a liability to make lease payments? Why or why not? If not, what alternative model would you propose and why?
(b) Do you agree that a lessee should recognize amortization of the right-of-use asset and interest on the liability to make lease payments? Why or why not? If not, what alternative model would you propose and why?

We agree in principle with the Boards that a lessee’s balance sheet should reflect a right-of-use asset and a corresponding liability to better reflect the economic substance of the transaction than exists in the current lease accounting model. We also agree with the amortized cost-based approach for the right-of-use asset and the recognition of costs related to amortizing the liability associated with the right-of-use asset.

However, we believe the guidance for the initial measurement of lease liabilities requires additional clarification to ensure the values of these liabilities, and the related assets, are set at levels that appropriately reflect the underlying economics of the transaction in question. While we agree that the effective interest method is the most appropriate way to amortize the lease liability, we believe there are other appropriate alternatives in addition to the two discount rate options suggested in paragraph 12 of the Exposure Draft to establish lease liabilities and assets. In our industry, we are explicitly reimbursed for the imputed value of capital investments on contracts using a “cost of money” factor that is a predetermined rate provided by our customer. In essence, the customer is reimbursing our cost of capital for assets used in the performance of our contracts. Under these conditions, we believe it would be appropriate to use this contractual cost of money rate as the discount rate in establishing our lease liabilities and right-of-use assets for leased assets that will be utilized by our businesses that engage in government contract activities.

To effect this change, we recommend that paragraph 12 of the Exposure Draft be modified as follows:

12. At the date of inception of the lease, a lessee shall measure:

   The liability to make lease payments at the present value of the lease payments (see paragraphs 13-15), discounted using one of the following, as appropriate to the circumstances:

   i. The lessee’s incremental borrowing rate;

   ii. If it can be readily determined, the rate the lessor charges in the lease (see paragraph B11); or
iii. If it can be readily determined, the cost of money factor used by the U.S. Government customer to reimburse the entity for invested capital used on government contracts.

Additionally, the proposed standard uses the term “interest expense” to describe the difference between the periodic payment of the lease obligation and the amortization of the accrued lease liability. FAR 31.205-20 Interest and other financial costs states that interest on borrowings are unallowable costs which are not reimbursable under Federal Government cost-type contracts. As we have a significant amount of cost reimbursable contracts, the characterization of costs as “interest expense” that under the prior operating lease model would have been rental expense could result in substantial negative economic consequences to us and other companies that operate in the government contracting industry. Simply put, the adoption of the guidance proposed for lease accounting will negatively affect our financial statements by causing costs that were previously recoverable under our contracts to become disallowed and non-recoverable. We believe that this is an unintended outcome of the proposed guidance and believe that the Boards should consider whether there is a means to remedy this situation. Notwithstanding our request that the Boards consider alternatives to address this situation, we request that the Boards consider delaying the effective date of this standard to provide us and others within this industry with adequate time to resolve these and other complicated issues coming out of the proposed standard with our regulators.

We suggest that the term “interest expense” not be used, as it means something specific (i.e., the amount paid to lenders under contractual borrowing arrangements). We believe the term should be characterized more along the lines of “imputed lease obligation costs” and disclosed as such in the financial statements.

**Question 2: Lessors**

(a) Do you agree that a lessor should apply (i) the performance obligation approach if the lessor retains exposure to significant risks or benefits associated with the underlying asset during or after the expected lease term and (ii) the derecognition approach otherwise? Why or why not? If not, what alternative approach would you propose and why?
(b) Do you agree with the boards’ proposals for the recognition of assets, liabilities, income and expenses for the performance obligation and derecognition approaches to lessor accounting? Why or why not? If not, what alternative model would you propose and why?
(c) Do you agree that there should be no separate approach for lessors with leveraged leases, as is currently provided for under US GAAP (paragraph BC15)? If not, why not? What approach should be applied to those leases and why?

We do not have significant lessor transactions and therefore have limited our comments to lessee accounting only.
Question 3: Short-term leases

This exposure draft proposes that a lessee or a lessor may apply the following simplified requirements to short-term leases, defined in Appendix A as leases for which the maximum possible lease term, including options to renew or extend, is 12 months or less:

(a) At the date of inception of a lease, a lessee that has a short-term lease may elect on a lease-by-lease basis to measure, both at initial measurement and subsequently, (i) the liability to make lease payments at the undiscounted amount of the lease payments and (ii) the right-of-use asset at the undiscounted amount of lease payments plus initial direct costs. Such lessees would recognize lease payments in the income statement over the lease term (paragraph 64).

(b) At the date of inception of a lease, a lessor that has a short-term lease may elect on a lease-by-lease basis not to recognize assets and liabilities arising from a short-term lease in the statement of financial position, nor derecognize any portion of the underlying asset. Such lessors would continue to recognize the underlying asset in accordance with other Topics and would recognize lease payments in the income statement over the lease term (paragraph 65).  (See also paragraphs BC41—BC46.)

Do you agree that a lessee or a lessor should account for short-term leases in this way? Why or why not? If not, what alternative approach would you propose and why?

We believe that short-term leases should be scoped out of the standard as a practical exception.

Typically, we enter into short-term operating leases to maintain flexibility to adapt to both changes in technology and changes in capacity (i.e., the need for more capital as contracts are awarded and reduced capital needs as contracts are completed). As a large organization with numerous short-term operating leases for a wide variety of technologies, it would be a cost prohibitive and an onerous process to value associated assets and liabilities that arise out of these leases on a continual basis as outlined in the Exposure Draft. We believe the Board should consider some mechanism in the proposed standard for companies to scope out certain short-term leases, which we would define as six months to a year in duration, and allow them to be recognized in a fashion similar to the way that operating leases are recorded today.

In scoping out short-term leases, the guidance should establish appropriate parameters to evaluate such leases to determine whether the underlying assets are being leased to satisfy temporary needs, which should be appropriately scoped out, or constitute a series of short-term leases to meet long-term requirements in an attempt to use the scope exception to circumvent the requirements of the standard.

Question 4

This exposure draft proposes to define a lease as a contract in which the right to use a specified asset or assets is conveyed, for a period of time, in exchange for consideration (Appendix A, paragraphs B1—B4 and BC29—BC32).
This exposure draft also proposes guidance on distinguishing between a lease and a contract that represents a purchase or sale (paragraphs 8, B9, B10 and BC59–BC62) and on distinguishing a lease from a service contract (paragraphs B1–B4 and BC29–BC32).

(a) Do you agree that a lease is defined appropriately? Why or why not? If not, what alternative definition would you propose and why?
(b) Do you agree with the criteria in paragraphs B9 and B10 for distinguishing a lease from a contract that represents a purchase or sale? Why or why not? If not, what alternative criteria would you propose and why?
(c) Do you think that the guidance in paragraphs B1–B4 for distinguishing leases from service contracts is sufficient?

Why or why not? If not, what additional guidance do you think is necessary and why?

No comment.

Scope

Question 5: Scope exclusions

This exposure draft proposes that a lessee or a lessor should apply the proposed guidance to all leases, including leases of right-of-use assets in a sublease, except leases of intangible assets, leases of biological assets and leases to explore for or use minerals, oil, natural gas and similar non-regenerative resources (paragraphs 5 and BC33–BC46).

Do you agree with the proposed scope of the proposed guidance? Why or why not? If not, what alternative scope would you propose and why?

We generally agree with the scope and related exclusions for the reasons stated by the Boards in the Exposure Draft.

However, as a U.S. Government contractor, we are often required to enter into leases to satisfy the specific needs of our customers. Currently, these leases are generally accounted for as operating leases and included in contract costs. In these instances, based on the terms of the contract, the leased asset is one component of an overall complex solution driven by specifications determined by the customer. The utility of the leased assets is totally consumed within the performance of a given contract. As a result, we do not believe these leased assets meet the intent of the Exposure Draft’s definition of “right-of-use assets.” We believe that these lease arrangements are tantamount to the contractor serving as an intermediary between the lessor and the customer. Therefore, it does not seem to fit the intent of the proposed standard to require the contractor to recognize such arrangements as assets/liabilities on its books. Furthermore, to the extent that such leases are required to be recognized on the contractor’s books, contractors will be facing an economic penalty resulting from the recharacterization of lease payments as disallowed interest expense as discussed in our response to Question 1 above.
We recommend the Boards consider the following pass-through indicators in determining whether these arrangements should be considered within the scope of the proposed standard:

- Is the leased asset required to perform under a single contract and is it either fully consumed in the performance of the contract or will the lease terminate upon completion of the contract?

- Does the customer have significant input with respect to the specific asset being leased to fulfill the contract or does the company retain significant latitude in determining how to fulfill the contract?

- Is the cost of the leased asset fully recoverable under the terms of the contract?

- Is the lessee effectively acting as an agent for its customer or another third party or has an agency relationship otherwise been created whereby the lessee serves in both a lessee and a lessor capacity?

We believe the final standard should allow for a scope exclusion for those leases deemed to be “pass through” leases based on a review of the underlying economics and intent of the contracting parties as described above. We would further recommend that leases meeting the indicators described above be recorded in a manner similar to that way that operating leases are recorded today under the existing literature.

**Question 6: Contracts that contain service components and lease components**

This exposure draft proposes that lessees and lessors should apply the guidance in proposed Accounting Standards Update, Revenue Recognition (Topic 605): Revenue from Contracts with Customers, to a distinct service component of a contract that contains service components and lease components (paragraphs 6, B5-B8 and BC47-BC54). If the service component in a contract that contains service components and lease components is not distinct:

(a) The FASB proposes the lessee and lessor should apply the lease accounting requirements to the combined contract.

(b) The IASB proposes that:

(i) A lessee should apply the lease accounting requirements to the combined contract.

(ii) A lessor that applies the performance obligation approach should apply the lease accounting requirements to the combined contract.

(iii) A lessor that applies the derecognition approach should account for the lease component in accordance with the lease requirements, and the service component in accordance with the guidance in the exposure draft on revenue from contracts with customers.

*Do you agree with either approach to accounting for leases that contain service and lease components? Why or why not? If not, how would you account for contracts that contain both service and lease components and why?*

We generally agree in principle with the Boards regarding accounting for leases that contain service and lease components.
Replies to Questions for Respondents

If the service component can be easily separated and is clearly distinct from the lease component it should be bifurcated and accounted for separately as a service contract. If the service component is not easily separated, the contract should be treated as a combined contract under the proposed lease accounting guidance. We do however believe the final standard should establish guidelines to look to in order to facilitate consistent application of the standard. Because lease arrangements can be structured in ways that obscure the underlying substance of the transaction, we believe that lease accounting guidance should be utilized to evaluate contracts where a tangible asset is utilized over an extended period of time to satisfy the contractual requirements.

Question 7: Purchase options

This exposure draft proposes that a lease contract should be considered terminated when an option to purchase the underlying asset is exercised. Thus, a contract would be accounted for as a purchase (by the lessee) and a sale (by the lessor) when the purchase option is exercised (paragraphs 8, BC63 and BC64).

Do you agree that a lessee or a lessor should account for purchase options only when they are exercised? Why or why not? If not, how do you think that a lessee or a lessor should account for purchase options and why?

We agree that purchase options should be accounted for only when exercised. Although we acknowledge that purchase options may be of some value, we do not believe the likelihood of exercise, and therefore the fair value of the option, can be objectively or reasonably estimated until such time as the lessee intends to exercise the option.

Measurement

This exposure draft proposes that a lessee or a lessor should measure assets and liabilities arising from a lease on a basis that:

(a) assumes 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 (paragraphs 13, 34, 51, B16–B20 and BC114–BC120).
(b) includes in the lease payments contingent rentals and expected payments under term option penalties and residual value guarantees specified by the lease by using an expected outcome technique (paragraphs 14, 35, 36, 52, 53, B21 and BC121–BC131). Lessors should only include those contingent rentals and expected payments under term option penalties and residual value guarantees that can be reliably measured.
(c) is updated 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 (paragraphs 17, 39, 56 and BC132–BC135).
Replies to Questions for Respondents

**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 agree with the fundamental principle established by the guidance, but believe that additional indicators would be helpful in determining the appropriate lease period to select.

In determining the “more likely than not” criteria, we believe that management should utilize its best estimate of its intended use of the asset in question. In developing its business plans and financial forecasts, management must, by necessity, determine an expected profile of the financial consequences of its leasing activities to include an estimate of the period over which it intends to hold and utilize its leased assets. These considerations often have no bearing on the lease terms available in the marketplace and management must do its best to negotiate lease terms that fit its future business needs. Once a lease is committed, we believe that management has made a reasonable determination of the period over which it intends to use the leased asset, and it is this term that should be used in applying the guidance contained in the new standard. Therefore, we suggest that indicators such as past practices, market conditions, financial projections and forecasts, and an entities’ business plans for new products or projects should all be identified as potential indicators that could be used in determining the appropriate useful life of a leased asset.

**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?

Do you agree that lessors should only include contingent rentals and expected payments under term option penalties and residual value guarantees in the measurement of the right to receive lease payments if they can be reliably measured? Why or why not?

We do not object to the inclusion of contingent rentals in the calculation of the lease obligation.

Many companies have lease agreements whose lease payments are derived almost exclusively through contingent rental agreements. Historical revenue trends and internal cash flow projections should provide adequate evidence to arrive at a reasonable estimate of revenues for purposes of calculating a lease liability. Just as in the case of measuring the lease term discussed in response to Question 8, companies must use their business judgment in determining the expected costs of their leased facilities that contain contingent rental arrangements. Thus, we believe that the standard should allow for the use of the company’s best estimate of contingent rental amounts based on prior experience, comparable transactions, market estimates or other similar valuation tools used by management for its internal decision making purposes.
Replies to Questions for Respondents

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?

We appreciate the Board’s change in the reassessment timing criteria from the position in the Discussion Paper, which requires reassessment at each reporting period on the basis of any new facts or circumstances, to the currently proposed timing of only requiring reassessment when there is a significant change.

However, we would ask for more clarification and implementation guidance addressing what would be considered a significant event that would warrant reassessment. In developing this guidance, we would suggest the Boards look to ASC 360-10-35 Impairment or Disposal of Long-Lived Assets, providing similar types of events or changes in circumstances that entities should monitor.

Sale and Leaseback

This exposure draft proposes that a transaction should be treated as a sale and leaseback transaction only if the transfer meets the conditions for a sale of the underlying asset and proposes to use the same criteria for a sale as those used to distinguish between purchases or sales and leases. If the contract represents a sale of the underlying asset, the leaseback also would meet the definition of a lease, rather than a repurchase of the underlying asset by the lessee (paragraphs 66–67, B31 and BC160–BC167).

Question 11

Do you agree with the criteria for classification as a sale and leaseback transaction? Why or why not? If not, what alternative criteria would you propose and why?

No comment.

Presentation

This exposure draft proposes that lessees and lessors should present the assets, liabilities, income (or revenue), expenses and cash flows arising from leases separately from other assets, liabilities, income, expenses and cash flows (paragraphs 25–27, 42–45, 60–63 and BC142–BC159).
Replies to Questions for Respondents

**Question 12: Statement of financial position**

(a) Do you agree that a lessee should present liabilities to make lease payments separately from other financial liabilities and should present right-of-use assets as if they were tangible assets within property, plant and equipment, but separately from assets that the lessee does not lease (paragraphs 25 and BC143–BC145)? Why or why not? If not, do you think that a lessee should disclose this information in the notes instead? What alternative presentation do you propose and why?

(b) Do you agree that a lessor applying the performance obligation approach should present underlying assets, rights to receive lease payments and lease liabilities gross in the statement of financial position, totaling to a net lease asset or lease liability (paragraphs 42, BC148 and BC149)? Why or why not? If not, do you think that a lessor should disclose this information in the notes instead? What alternative presentation do you propose and why?

(c) Do you agree that a lessor applying the derecognition approach should present rights to receive lease payments separately from other financial 10 assets and should present residual assets separately within property, plant and equipment (paragraphs 60, BC154 and BC155)? Why or why not? Do you think that a lessor should disclose this information in the notes instead? What alternative presentation do you propose and why?

(d) Do you agree that lessors should distinguish assets and liabilities that arise under a sublease in the statement of financial position (paragraphs 43, 60, BC150 and BC156)? Why or why not? If not, do you think that an intermediate lessor should disclose this information in the notes instead?

We agree with the Boards’ proposed presentation of right-of-use asset and related lease liabilities in the statement of financial position. We believe they should be reported in close proximity to the related property, plant and equipment and long term debt but clearly distinguished and disclosed as “Fixed Assets under Long Term Lease” and “Imputed Long Term Lease Obligations” or other similar characterization. We believe presentation of these amounts should not be aggregated with historical PP&E and long term debt line items.

Since we do not act as a lessor for third parties, our comments have therefore been restricted to lessee accounting only (no comments on (b), (c) and (d)).

**Question 13: Income statement**

Do you think that lessees and lessors should present lease income and lease expense separately from other income and expense in the income statement (paragraphs 26, 44, 61, 62, BC146, BC151, BC152, BC157 and BC158)? Why or why not? If not, do you think that a lessee should disclose that information in the notes instead? Why or why not?

Please see response to question 14.
Replies to Questions for Respondents

**Question 14: Statement of cash flows**

Do you think that cash flows arising from leases should be presented in the statement of cash flows separately from other cash flows (paragraphs 27, 45, 63, BC147, BC153 and BC159)? Why or why not? If not, do you think that a lessee or a lessor should disclose this information in the notes instead? Why or why not?

We believe in most cases the current presentation of these items in the income statement is understandable and relevant to users of financial statements today and do not recommend changing current practice. Similarly, we believe that the cash flow presentation of leasing activities could follow the treatment used today for depreciation expense reporting and supplemental disclosure of the non-cash change in the lease liability shown on the balance sheet.

However, we acknowledge that there may be compelling reasons for certain entities or industries to disclose lease related transactions separately on the face of the financial statements to enhance comparability. This would be the case where leasing transactions were significant to a company’s financial position and/or results of operations.

**Disclosure**

**Question 15**

Do you agree that lessees and lessors should disclose quantitative and qualitative information that:
(a) identifies and explains the amounts recognized in the financial statements arising from leases; and
(b) describes how leases may affect the amount, timing and uncertainty of the entity’s future cash flows?
(paragraphs 70–86 and BC168–BC183)? Why or why not? If not, how would you amend the objectives and why?

We generally agree with the Boards’ proposed approach to disclose quantitative and qualitative information regarding leases as indicated in paragraph 70. However, we disagree with the proposed disclosures in paragraph 77 that require a lessee to present a tabular reconciliation of the right-of-use asset and liabilities to make lease payments.

We believe that the disclosure requirements for the right-of-use asset and liability to make lease payments should be consistent with the requirements for property, plant and equipment in Topic 360 and debt in Topic 470. Singling out lease arrangements for additional disclosure when such reconciliations are not required for owned assets or other financing liabilities provides little in additional value to users of financial statements, while creating additional burdens for preparers. Furthermore, the disclosure requirements within paragraphs 26 and 27 already provide sufficient information on the amount of lease payments made during the year. Thus, the requirements in paragraph 77 would provide little incremental value. We believe the presentation of the right-of-use asset as a separate class within property, plant and equipment, with the corresponding useful lives...
assigned, in addition to the maturity analysis of the liability to make lease payments is sufficient and consistent with other disclosure requirements in Topic 360 and Topic 470.

Transition

Question 16

(a) This exposure draft proposes that lessees and lessors should recognize and measure all outstanding leases as of the date of initial application using a simplified retrospective approach (paragraphs 88–96 and BC186–BC199). Are these proposals appropriate? Why or why not? If not, what transitional requirements do you propose and why?
(b) Do you think full retrospective application of lease accounting requirements should be permitted? Why or why not?
(c) Are there any additional transitional issues the boards need to consider? If yes, which ones and why?

We agree with the proposed simplified retrospective approach as of the date of initial application as indicated in paragraphs 88-96 and BC186-BC199 however we do not agree that an entity should adjust the opening balance of each affected component of equity for the earliest prior period presented and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had been applied from the beginning of the earliest period presented. We believe that adequate pro-forma disclosure could be made in the footnotes to the financial statements to provide comparative prior period financial data to the financial statement users without restating prior period issued financial statements.

Benefits and Costs

Question 17

Paragraphs BC200–BC205 set out the boards' assessment of the costs and benefits of the proposed requirements. Do you agree with the boards' assessment that the benefits of the proposals would outweigh the costs? Why or why not?

No comment.

Other Comments

Question 18

Do you have any other comments on the proposals?

It is not clear how the proposed standard will affect or be affected by other existing accounting standards which currently interpret FASB No. 13, Accounting for Leases. For example FASB Interpretation No. 23, Leases of Certain Property Owned by a Governmental Unit or Authority
Replies to Questions for Respondents

("FIN 23") states that leases of certain property owned by a governmental unit or authority shall be classified as operating leases. We recommend that the Boards provide more clarification and implementation guidance addressing these other standards.

Non-Public Entities

Question 19

Should any of the proposed guidance be different for non-public entities (private companies and not-for-profit organizations)? If so, which requirement(s) and why?

No, we do not feel that any of the guidance should be different for nonpublic entities. Leasing transactions can be significant to all entities, public or nonpublic. If the Boards determine that the proposed standard is an improved lease accounting model, then all aspects of it should be required for all entities. Allowing non-public entities to follow different requirements for some areas of the proposed standard will reduce comparability.

* * * * *