From:
 Greer, Michael

 To:
 Director - FASB

 Subject:
 1820-100

Date: Wednesday, October 13, 2010 2:47:52 PM

Dear Sirs, as the head of surety for Penn National Insurance Company I am writing to express my thoughts on the proposed changes to revenue recognition standards.

I know that you have heard many many negative comments regarding the viability of these changes, especially as it pertains to the construction industry. I support the negative reaction and would strongly urge you to take reality into consideration. The proposed changes are needless, expensive and will benefit no one. More to the point, these changes will introduce uncertainty of the true financial condition of a contractor, create doubt as to whether the local CPA firm truly applied the very difficult valuations that are being called for and added needless costs to the Contractors, Banks and Surety companies that provide construction firms with credit.

The proposed changes will make construction accounting unreliable. Parts of a contract cannot reasonably be separated into distinct profit sectors they way the proposal reads. The difference in ability and knowledge of local CPA firms is significantly different than that of National CPA firms. The number of wrong/inaccurate statements that result from this change will be significant.

The proposal will dramatically raise the level of uncertainty of a contractor's financial condition for a Surety company. As a surety credit provider, a significant piece of our review process is determining the true profitability of construction projects while they are in progress. The proposed revenue recognition methods will, in our opinion, have a very detrimental effect on our ability to determine a contractor's profit levels. With this new level of uncertainty what will happen is that surety companies will lower the overall aggregate level of credit that we extend to a contractor because of the unnecessary uncertainty that is being created. The end effect of this will be the revenue levels of contractors will be reduced because of the proposed changes. When you extend this out to a national level, this proposal will cost the overall economy several billions of dollars just for the sake of a having a uniform set of revenue recognition standards. So who exactly is this proposal benefitting?

FASB has commented that the purpose of this is to help provide uniformity and ease of financial statement review. Why is this necessary? If you are a real estate investor in Chicago, does that mean that the rules and trends are going to be the same in Miami-of course not. Does a doctor who is qualified to be a neurosurgeon automatically get to do heart transplants, again the answer is no. So why should it be expected that there is only one set of revenue recognition rules. People who need to read or analyze different industries have many other things to become knowledgeable about in their area of expertise, learning different accounting standards is really not that large of an investment to make.

Creating a uniform set of accounting standards only helps when you are dealing with National or International size companies. This proposal will negatively affect small, local companies who do not have the funds to change the way they are doing things and more importantly neither they, nor their bankers nor will their sureties devise any benefit from this changes. If you really feel the need

to have uniformity, then do so where it is really needed or applicable, i.e. to companies that do billions of dollars of revenues and where other stake holders will actually care. People in Europe don't care about the revenue recognition of \$10 million revenue contractors in Central Pennsylvania.

So in summary, I would submit that the proposed changes create unnecessary costs to comply, create uncertainty in the end result, lower credit availability and cost the US economy billions of dollars. Yes someone in Bangladesh might now have the benefit of being able to read a contractor's financial statement from Lincoln Nebraska- so what! How does this help the United States' economy or make the granting of credit easier for the local company. This proposal does more harm than good.

Thank you for your time.

Sincerely,

Michael F. Greer Vice- President Surety & Fidelity Penn National Insurance (717) 255-6870 office (717) 255-6360 Fax (717) 645-6731 Cell
