

October 22, 2010

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

Attention:

Technical Director

File Reference No. 1820-100 FASB

I am the Vice President of Finance for a midsized, privately held, general contractor and am writing to express my concerns with regard to FASB and ISAB's Preliminary View on Revenue Recognition: Revenue from contracts with customers (ASC 605).

We currently use the percentage of completion (POC) method to recognized revenue on our construction contracts. We firmly believe that the use of this method provides for the best matching of revenues and expenses for our business and therefore provides the most accurate reporting to the readers of our financial statements (sureties, banks and owners). The POC method is a well established industry standard and fully incorporated into our information systems.

The process of trying to subdivide our contracts into multiple profit centers or performance obligations will be a very difficult and time consuming one – one with enormous subjectivity that will afford contractors that want to "push the envelope," the ability to manipulate their revenue recognition. I foresee endless disputes (or differences of opinion) between our operations staff and accounting staff, as well as between our external auditors and accounting staff regarding the proper definition of each performance obligation. Not only will this make it more difficult for us to manage our projects, it will cause a substantial increase in our audit fees.

We do not view the risks of our contracts as separable within the contract. All of our subcontractors (trades) must work together to produce a functioning finished product. Trying to subdivide each subcontractor and supplier invoice into common performance obligations will be next to impossible. Most of our subcontractors do not possess that level of financial sophistication. I foresee us being bogged down in the details of trying to manage "common performance obligations" and losing track of the big picture of building a quality project, in a timely mariner, while making a profit.

We will need to make a choice to either spend an enormous amount of time and money, or choose to not be in compliance with the new rules.

Therefore, we respectfully request that construction contracts for privately held companies be an exception from the new proposed rules.

Thank you for your consideration.

Sincerely,

Donohoe Construction Company

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Vice President - Finance