

December 9, 2010

Financial Accounting Standards Board 401 Merritt 7; PO Box 5116 Norwalk, CT 06856-5116

International Accounting Standards Board 30 Cannon Street London ED4M 6XH United Kingdom

## Dear FASB & IASB:

I am a CPA by training and an ex-Price Waterhouse professional. I have spent half of my 25 year career outside of finance and the latter half in finance and leasing. Yes, leasing. I have been President of a middle market leasing company that currently has a \$400 million lease portfolio for over 5 years. Our company was purchased by a \$10 billion publically traded bank just over 8 years ago. We are a fair market value, leveraged lessor providing financing in the IT and material handling markets.

My professional life is spent assessing and controlling residual and credit risk. Understanding and controlling both is key to our success. On the credit side it is important to get a clear picture of a customer's credit worthiness. Although we look at the balance sheet to get a sense of overall leverage, we focus on earnings and cash flow. The most critical aspects are cash flow generated from operations and the timing of debt repayment. Current financial statement disclosures clearly point out the timing of future cash outlays for debt repayment (and capital lease obligations). Disclosures on future minimum operating lease obligations are also provided. I have often extended credit to highly leveraged companies whose debt is not due for many years, because debt repayment is often offside the financing window I'm looking at. It is more important, in my view, to have easy to comprehend disclosures on the schedule of debt payments, than a gross-up of the balance sheet which simply shows a snapshot of a company at one point in time. I believe even average investors, like myself, understand current financial statement presentation and the information provided in footnote disclosures. When assessing credit, it is more important, in my humble opinion, to clearly understand earnings and cashflows and their timing rather than overall leverage. Using information provided in current GAAP formats I have extended over \$500 million in credit with less than \$1 million in losses.

The second risk we manage is residual risk. In our financing practice, only a few of the assets are ultimately acquired by the lessee. Our customers lease because they know they want new equipment every 3-4 years or because they are not certain they want to own an asset for an extended period of time. In the latter case, leasing is like buying a hedge. The actual implicit rates in our deals are often in the low single digits to our customer. That is because they are

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leasing and returning equipment at or near the lease termination. Many of our clients are not "owners" but users based on our historical residual patterns. So why should they book an asset they never expect to own?

If the decision is ultimately made to move ahead with the elimination of FASB 13, please consider simply moving to the existing model used to account for Direct Finance Leases. This adoption would be much easier and eliminate the need to double book entries under the performance obligation approach. Lease accounting is already difficult for many to understand, why make it more difficult and time consuming?

One last thought in conjunction with simplifying the new reporting. Using existing rules for DFL accounting will eliminate the need to review leases quarterly. We often have no idea of what our lessee's plans are for the equipment until the day before they return them. Allowing companies to estimate and change residual assumptions, even under a profitability model, and restate future earnings opens the door to great manipulation.

And finally, if auditors (our brethren) are doing their jobs with appropriate due diligence, material leases are already being formidably reviewed in order to ensure that they are being properly reported and disclosed.

We appreciate your consideration.

Sincerely,

LASALLE SYSTEMS LEASING, INC.

Robert J. Metzen President

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