August 26, 2010

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

Dear Board Members and Staff:

Thank you for the invitation to comment on the Proposed Accounting Standards Update regarding *File Reference No. 1850-100: Leases (Topic 840)*. On behalf of a middle market lending institution with over 1,000 operating leases, we would like to offer the following comments and responses to questions noted in the aforementioned Proposed Accounting Standards Update:

Question 8

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?

Response

We feel that the lease term should NOT consider lease renewal or termination options and should reflect the base lease term ONLY noted in the leasing agreement. Not considering the options in a lease will lead to a more consistent application of the standard and increase the comparability of financial statements across companies.

Options are NOT a guaranty of expense (lessee) or future income (lessor). Predicting the probability of exercising lease options is too subjective of an estimate to consider on a lease-by-lease basis, especially for a retail or other branch-based business with hundreds or even thousands of leases. Predicting the likelihood of lease option renewals is also significantly more difficult on the lessor's books.

Additionally, a lot of circumstances can change during a 5-10 year real property lease that has an automatic month-to-month, year-to-year, or any other renewal option clause. The confidence level of predicting the probability of remaining 15 years on a five year lease on a new operation or piece of equipment at the inception of a lease is extremely low. Lessees would have to incur unnecessary losses (impairment loss on the NBV of the asset, partially offset by the gain on termination of lease liability) if they mistakenly overestimate the lease term based on a guess at the number of years the company will stay at the location with an automatic lease renewal clause.

Under the current proposed standards update (paragraph 17), companies are required to "reassess the carrying amount of the liability to make lease payments arising from each lease if facts or circumstances indicate that there would be a significant change in the liability since the previous reporting period... and adjust the right-of-use asset to reflect any change to the liability... arising from changes to the lease term." This is an unnecessary burden that opens the proposed standard to widespread inconsistency in application.

We propose that whenever the base term ends and the company executes a new or updated lease agreement, the Company adjust the right-of-use asset and corresponding liability to reflect the new lease.

Question 10

Do you agree that lessees and lessor 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?

Response

See response to Question 8. We believe that remeasurement should be performed if the lease is going to be terminated prematurely or at the effective date of an updated, legally binding contract. If new circumstances arise that suggest that the lessee will engage the lessor to renew a lease, remeasurement should occur at execution of a new, legally binding contract, as this is the timing in which the liability has changed. Currently, the vague language could be interpreted that if a right-of-use asset is currently contributing to positive operating cash flows and the lease has a renewal option, the Company would have to guess at the length of time the asset will continue to be in use to remeasure the liability and corresponding asset. This can be particularly difficult and could lead companies to blindly guess the lease term on real property leases with renewal options that can span several years or go month-to-month.

Question 13

Do you think that lessees and lessor should present lease income and lease expense separately from other income and expense in the income statement? Why or why not? If not, do you think that a lessee should disclose that information in the notes instead? Why or why not?

Response

We agree with BC146 that "if considered relevant to an understanding of the entity's financial performance, an entity would present such items [amortization expense on the right-of-use asset and interest expense on the liability] in the income statement," otherwise footnote disclosure would be appropriate and sufficient to disclose the expenses associated with assets under open leases. Materiality of the disclosure should dictate separate income statement presentation.

Thank you again for the opportunity to comment on the Proposed Accounting Standards Update to the accounting treatment of leases.

Sincerely,

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