

From: Patrick O'Winter [mailto:powinter@christysports.com]
Sent: Friday, September 06, 2013 6:19 PM
To: Director - FASB
Subject: Comment on Proposed Accounting Standards on Leases

Attn: Technical Director

I am writing this comment in opposition to the proposed accounting standards on leases, particularly the concept of recording as a liability on the balance sheet all or part of future real estate lease obligations, and recording on the asset side a fake asset of a value which is impossible to determine, in order to balance such liability.

I am the Chief Executive Officer of Christy Sports LLC, a Colorado Company which operates 45 retail stores in Colorado and Utah as well as an online platform. Our company is a leading privately-held specialty retailer of ski and snowboard equipment, apparel and accessories. Christy Sports is also the exclusive North American representative of Skiset, Europe's largest ski and snowboard rental provider, with over 700 stores in France, Italy, Germany, Switzerland, Austria and Spain. I am very familiar with the economic, legal and financial components of commercial retail leases in the US and in Europe, particularly France.

I have always thought that the concept of international convergence, while making sense in theory, makes far less sense in practice for all intangible assets, given that there will not, at least for the next 100 years or so, be an international convergence of legal systems, and that the accounting and legal systems do overlap with respect to intangible assets.

Concerning commercial retail leases in particular, it should be noted that tenants' rights in most European countries (France in particular) are much stronger than in the US. The reason why recognizing the future lease obligations as a balance sheet liability may make sense by European standards is that a commercial retail lease is a substantial asset in most of Europe (France in particular), which can often be bought or sold with minimal landlord's interference (re: "droit au bail" and associated rights conferred to a tenant under French law, and similar rights under German law and other European laws). None of those rights exist in the US. In addition, a lease liability is substantially limited in case of bankruptcy under US law (one year of lease or 15% of the remaining lease obligation, subject to mitigation), whereas the mitigation obligations and liability limitations are much lower in Europe.

As a consequence, imposing upon US companies the obligation to carry the full lease liability makes little sense, since that liability can be significantly reduced under some circumstances, unlike other liabilities, and carrying the lease value as an asset makes no sense either, since there is no connectivity between the alleged value and the liability.

Has the FASB ever considered that aspect?

Most mid-size retailers, including Christy Sports, see that future accounting standard more as a method to generate additional fees than as a way to bring more fairness to the presentation of financial statements.

Sincerely,

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