



September 11, 2013

Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116
RE: File Reference No. 2013-270

Dear Director:

We are writing in response to your invitation to comment on the Revision of the 2010 Proposed Accounting Standards Update entitled “Leases (Topic 840)” (“Exposure Draft”).

LEAF Commercial Capital, Inc. (“LEAF”) is one of the largest independent equipment finance companies in the US, is headquartered in Philadelphia with approximately 235 employees across the United States and maintains a nationwide origination footprint, working with manufacturers, distributors, and dealers (“Vendors”) of essential use equipment and software in a variety of industries including office products, telephony, technology, medical, and light industrial. Its seasoned management team has been working together in the small-ticket, commercial equipment leasing and finance industry for over 25 years.

LEAF’s lessee customers are primarily small to medium sized businesses that rely on leasing as a vehicle to obtain capital equipment for their business. The Vendors that LEAF supports rely on our leasing products to help in the Vendors’ sales process.

Our primary objections to the ED relate primarily to the lessees’ accounting treatment of leases. The ED is problematic because it:

- adds unnecessary complexity to financial statements that is not understood by the typical financial statement user;
- disassociates the accounting treatment of leases from the legal and tax treatments of leases and does not report the intended business purpose of an operating lease; and
- creates additional costs to businesses without apparent benefit.

Users of financial statements, including lenders and investors, are best served when there is consistency and transparency in financial reporting using rules that are easily understood by users. The ED does not meet these objective and needs of the users of financial statements and is not an improvement to existing account standards. We fail to see a compelling reason to change from

existing practices and these proposed changes create more problems than they solve at a cost that clearly outweighs the benefits. While we understand the desire to reflect lease obligations on the balance sheet, doing so has an adverse impact on both the timing of the expense in the income statement and the location of these operating expenses in the statements of cash flow. The proposed ED adds judgment (which creates the opportunity for manipulation) to the process as to discounts rates and historic financial statements and benchmark metrics are no longer consistent. We feel that current method to use footnote disclosure as the reporting method for operating lease obligations is effective.

The current existing accounting principles have been in use for over 30 years and these standards effectively identify the intent of a lease as to whether to acquire a piece of equipment (direct finance lease) or whether it is intended as a rental. We believe the current required financial statement presentations and footnote disclosures effectively provide the financial statement user with the future contractual cash flow requirements for operating leases which currently are not being capitalized on the balance sheet. Financial statement users are familiar with the current GAAP, and financial analysis and performance metrics are based on long established current lease accounting. Change without apparent benefit creates unnecessary costs and could likely lead to errors in judgment.

We also find it inconsistent that operating lease obligations be capitalized on the balance sheet yet other commitments such as employment contract obligations or other purchase commitments or executory contracts are not required to be capitalized.

The ED will create dramatic changes to the analysis of financial results of a company's balance sheet, income statement and statement of cash flow, without any actual change to a company's cash flow. As a result of the ED businesses will now need to spend additional time and money revising loan covenants and developing new data collection and lease tracking systems.

Usability of financial statements is enhanced with transparency by having the accounting treatment of a lease mirror the legal treatment and the tax treatment. However, under the ED, a lease will no longer mirror the legal or tax classification of the lease agreement and instead be inconsistent and therefore result in less transparency and more confusion.

With regards to lessor accounting, we believe a principle based approach should be used to drive the accounting. LEAF is a commercial finance company, and we agree with the ED's proposed lessor accounting eliminating operating leases for lessors that are providing financing. In LEAF's business model, we typically do not re-lease the equipment if a customer returns it at the end of the lease. However we believe that lessors that provide sales type leases should continue to be able to recognize the sales profit on the residual portion of the lease as is current GAAP, contrary to the ED. There are also lessors whose business model is to re-lease the equipment at the end of the lease to other parties. These lessors have a rental business model where the existing operating lease rules may be appropriate for their business. We don't think there should be a one size fits all approach.

We appreciate the Board's willingness to accept feedback on the proposed changes to lease accounting. LEAF hopes the Board continues to weigh the benefits and costs of the ED keeping at the forefront

the needs of users, lenders and investors. We respectfully hope the Board considers the following questions: Are financial statement users really benefitted? Is the ED an improvement or merely a different way to look at a lease? Do these complex rules that make financial analysis more difficult and will it further erode the public's confidence in the accounting profession? What is the cost and disruption to businesses, primarily smaller businesses? Does the ED promote greater consistency and transparency?

We appreciate this opportunity to provide our views. Please do not hesitate to contact us with any questions or if we can be of further assistance.

Sincerely,

LEAF Commercial Capital, Inc.

Robert K. Moskowitz
Chief Financial Officer