



September 13, 2013

Financial Accounting Standards Board  
401 Merritt 7  
Norwalk, CT 06856

Re: Leases – Topic 842 Proposed Accounting Standards Update (Revised), Issued: May 16, 2013

Dear Board Members and Staff:

Odessa Technologies is the developer of a system called LeaseWave®, a comprehensive lease management and accounting platform widely used by leasing companies to administer the lifecycle of all types of leases including finance leases, leveraged leases, sales type leases and operating leases. LeaseWave® facilitates the management of day to day activities such as origination, invoicing, receipts management, administration of sales and property taxes, collections, customer service, remarketing off-lease assets, etc., and automatically creates all the accounting entries associated with these transactions. Leasing companies who use our system would be best described as “Financial” lessors, meaning lessors that price and structure each lease as a discreet financial investment. LeaseWave® is used by many different types of “Financial” lessors, including bank-owned lessors, independently owned leasing companies and captive leasing companies.

Since the FASB and IASB jointly undertook the reconsideration and convergence of the standards of accounting for leases in 2006, the basic premise of this project has been to improve financial statement transparency of lessees by accounting for leases on balance sheet, to simplify the accounting standards related to leases, and to eliminate rules that were deemed arbitrary. With respect to “Financial” lessors, we do not believe that potential investors and lenders to “Financial” lessors were ever concerned with a lack of transparency in the presentation of their financial statements. In accordance with FAS 13, “Financial” lessors have always recorded leases on balance sheet, either as Direct Finance Leases or Sales Type Leases where lease receivables and residuals were presented on balance sheet or Operating Leases where the underlying asset being leased remains on the balance sheet. Also, the revised Leases exposure draft does not represent a significant improvement in financial statement transparency or simplification of accounting standards because the proposed changes are extremely similar to today’s standards when observing Financial Statements with and without the proposed changes. However, the proposed changes, albeit small from a Financial Statement presentation standpoint, will lead to massive cost implications from a “Financial” lessors standpoint.

This begs certain questions such as “What Is the Benefit of These Changes” and “Who Will Benefit from These Changes”. These questions need to be answered and then compared to the costs of compliance, in order to make an informed decision and one that is in the best interest of all stakeholders. Any changes to business processes, and the lease management system that is responsible for automating these processes, will involve cost. The following are some examples of current processes that will require modification within typical lease management systems:

- Modification of system rules and tests in order to determine the proper accounting treatment.

- Modification of pre-defined templates and rules that allow users to perform functions such as booking a lease and automatically create the proper journal entries.
- Modification of cash flow calculations designed to incorporate tax credits, grants and book/tax differences related to leased assets.
- Modification of financial accounting reports

Modification of the workflows, rules, user interface, templates and data base of any lease management system will necessitate gathering requirements, performing design, performing development work, testing and training. Once the modifications are ready, each client has their own process to follow in order to test and install the upgrade in their environment. Depending on the software vendor and the terms and conditions of the specific license and support agreements in place with their clients, some of the cost will be borne by the software company and some by the lessor. Regardless of whose responsibility it is, there will be a significant cost.

Transition is and will continue to be an additional concern related to the proposed changes for “Financial” lessors. Per the Revised ED, “Financial” lessors will be required to present comparative Financial Statements up to two years prior to the effective date following the new standards. If a “Financial” lessor has a number of Operating Leases currently on their books that will have to be accounted for as R&R leases given the proposed changes, lease management/accounting systems may have to be ready two years prior to the effective date. When examining transition methodologies and effective date determination, we request that you take this into account so that systems have adequate time to become stable.

Odessa is exclusively focused on the Equipment Leasing and the Vehicle Leasing & Fleet Management segments of the leasing industry and derives 100% of its revenues from the industry. As such, Odessa is committed to making the necessary investment in LeaseWave® in order to support whatever accounting and reporting rules that are incorporated into the final regulations. This means that Odessa faces the big challenge of providing our clients with the necessary features and automation functionality to facilitate a smooth transition while concurrently ensuring that our clients can continue to operate as efficiently and as cost-effectively as possible with minimal disruption to their respective businesses.

Compliance with accounting and other securities regulations is an expected cost of doing business and benefits all of us in terms of creating safe and efficient markets that increase investor confidence and financial system stability. But, to the extent that regulatory costs become excessive while not adding value, they lead to higher transaction costs and hurt the economy. Having said that, we recommend the boards further analyze the benefits of these changes as they relate to “Financial” lessors and the cost of these changes. We do not see how the benefits of changing lessor accounting outweighs the cost and therefore we respectfully request the boards consider leaving current lease accounting per FAS 13 in place for “Financial” lessors.

Respectfully yours,

*Jim Humphrey*

Jim Humphrey  
Odessa Technologies, Inc.