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September 13, 2013

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

File Reference: No. 2013-270, Exposure Draft on Leases (Topic 842)

Dear Board Members:

Regarding the Boards' Exposure Draft on Leases, my comments are set forth below.

LEASE ACCOUNTING MODELS

In the Exposure Draft the Boards complain that existing accounting models for leases do not always provide a faithful representation of leasing transactions. The Boards believe that the solution is to require capitalization of substantially all leases with terms extending over 12 months. I disagree.

The Boards' concern that the current accounting model omits relevant information about operating lease rights and obligations can be efficiently and adequately addressed with disclosures. The FASB's Investor Advisory Committee also recommends that the Boards increase disclosure requirements about operating leases rather than placing them on the balance sheet.

LEASE CLASSIFICATION

The lease spectrum is broad and ranges from short-tem rentals to in-substance installment purchases or financings. A lessee's right to temporarily use a lessor's asset is not equivalent to a financed purchase of property or equipment and lease accounting must distinguish a rental from the acquisition of a tangible asset. When leases finance purchases, both assets and liabilities should be recognized on the entity's balance sheet. Rental payments should be expensed.

The current classifications of operating and capital leases should be maintained. The Boards' could tweak the bright-line criteria (in lieu of the subjective "more than an insignificant portion of the economic benefits concept") to capture leases that shouldn't escape capitalization. I concur with Mr. Linsmeier's concept which would require that lease contracts that transfer substantially all of the benefits of the underlying asset from the lessor to the lessee be accounted for as constructive sales by the lessor and constructive purchases by the lessee of the underlying asset.

LEASED ASSETS

A lessee often uses owned assets and leased assets for the same purpose and derives the same economic benefits from both owned and leased assets. Accordingly, capital lease assets should be presented on the balance sheet as tangible assets (equipment, buildings, airplanes, etc.), not an intangible right.

Capital lease assets should be depreciated utilizing an appropriate method over the economic life of the asset rather than amortized under prescribed straight-line or effective interest methods. The depreciation expense should be charged against operating income in the same manner as for owned assets.

LEASE LIABILITY

The capitalized lease liability should continue to represent the present value of future lease payments and lessees should present capitalized lease liabilities separately from other financial liabilities.

Reassessment of a lease obligation arising from variable lease payments based on a change in interest rate shouldn't be necessary because such rate change would also represent a change in the discounting rate. To the extent lease payments vary due to a change in interest rate, the change should be reflected in the income statement rather than an adjustment to the lease liability (like a variable interest rate note).

DISCLOSURES

Sufficient information should be provided in the notes to financial statements for users to consider the financial impact of future cash commitments under operating lease contracts. The amounts payable on an annual basis for each of the first five years after the reporting date plus a lump sum for the remaining years should be sufficient.

The addition of a caption "Operating Lease Obligations" appearing in the balance sheet without an amount (similar to the commonly used caption "Commitments and Contingencies") would direct a user's attention to the disclosures included in the notes to the financial statements.

SUMMARY

This Exposure Draft was issued in response to perceived demands for more robust reporting of operating lease obligations. The requirements proposed in the exposure draft, however, would add overwhelming complexity without meaningfully improvement to the reporting of lease economics. The preparation of financial statements under the current model is effortless compared to the complexities of the proposed requirements.

I urge the boards to address their lease accounting concerns with disclosure requirements only.

Sincerely,

/s/ Marc Porter

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Executive Vice President – Finance & Administration