

L.L.C. November 17, 2010

Mr. Robert Herz Chairman FASB

Sir David Tweedie Chairman IASB

Dear Sirs:

I have been a practicing CPA for the past two decades, while spending the last seven years as chief financial officer of an independent leasing company: Geneva Capital, LLC. I have seen many exposure drafts over the years, but have never felt the need to submit a comment until now. Thank you for this opportunity to express my concerns regarding the lease exposure draft.

In recent years, we had been hearing rumors that lessees would someday be required to capitalize all leases, thus eliminating the traditional operating lease treatment. The argument was that any lease arrangement is truly a liability, and should therefore be reflected on the balance sheet as such. One of the justifications given for this proposed change was that this treatment would be consistent with international accounting standards.

I have no major disagreement with the concept of requiring lessees to capitalize all leases. One assumed that FAS 13 would simply be modified to treat all lease arrangements as capital leases. This would be an easy change for the lessee to apply and for the users of the financial statements to understand. I anticipated the exposure draft would follow this line of thinking, with little or no impact to the lessor.

I was extremely surprised to discover the quantity and complexity of the proposed changes to *lessor* accounting for leases. Being a lessor, I will focus my attention on the lessor-related items in the exposure draft. I will let others address the lessee side.

Here are my primary objections/concerns:

1. **Unnecessary Changes.** While I understand the rationale behind addressing the *lessee* treatment of leases, the current lessor accounting treatment was never widely criticized, to my knowledge. What we see in the exposure draft with respect to lessors appears to be a solution in search of a problem. I see no reason to undertake so many significant accounting changes with little or no justification.

- 2. **Estimates Involved in Lease Term.** Requiring the lessor to estimate the lease term to include anticipated renewals has two problems. One, it is highly subjective. This opens the door to manipulation by lessors. Different lessors could estimate the lease term of the same lease radically differently. Second, it is extremely labor intensive. Revising estimates on leases in our portfolio (approximately 2,500 contracts) every month would be impossible for our current staffing levels. The result is a disproportionate amount of work for very little benefit, if any.
- 3. Lack of Residual Accretion. This proposal was one of the biggest surprises. It does not reflect economic reality. It also does not match revenues against expenses, resulting in large gains at the end of the lease term. We currently treat our leases as direct finance leases, which includes residual accretion. Our company is very similar to a bank, except that instead of a loan portfolio we have a lease portfolio. Requiring a portion of our portfolio to be on "nonaccrual" status until the end of the lease term would distort our earnings. As such, I strongly object to this proposal.
- 4. **Residuals as Property, Plant, & Equipment.** Treating the residual as a fixed asset makes little sense, especially considering the direct finance lease method we currently use (see #3 above). The residual is more in the nature of a balloon payment than actual equipment.
- 5. **Restatement of Existing Leases.** Revising our current portfolio to comply with the proposed accounting changes would be an enormous undertaking. I do not see what benefit the users of our financial statements would derive from such changes, making our efforts all the more frustrating.

My list of concerns above is not meant to be all inclusive. Rather, it is a summary of issues that would directly impact our business. For a more comprehensive listing, I refer to the dissent offered by Mr. Steve Cooper of the IASB. I am in agreement with his alternative views, especially his proposal to allow accretion of the residual to reflect the time value of money. Another more detailed response appears in the comment letter submitted by Mr. William Bosco of Leasing 101 dated September 30, 2010. Mr. Bosco is well respected in our industry. His knowledge of lease accounting is evident in his letter. Therefore, I endorse his proposals as well.

In conclusion, I strongly recommend that the proposals in the exposure draft relating to lessor accounting be excluded from any final draft of changes to lease accounting.

Thank you for taking these concerns into consideration during your decision process.

Sincerely,

Paul N. Wilmesmeier, CPA

CFO