

Letter of Comment No: 7
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From: ZuckerbrotK@gtlaw.com
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To: Director - FASB
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Subject: re: File Reference No. 1082-300

I would like to see a clarification as to whether subordinated leases and other subordinated obligations are deemed variable interests. It has been suggested that since long term leases are ignored as variable interests, that the subordination of a long term lease is also not a variable interest. Clarification on this point would be helpful, since many transactions, especially those involving new construction, make use of subordinated leases.

Additional clarification would be helpful on options to acquire the asset-these assets fall into three categories a) fmV options to be determined at the time of exercise b)fixed price options and 3) options at a multiple of developers costs. It appears that a) should not be a variable interest since there is no inherent economic advantage in the options, whereas b) and c) may have inherent value and might be classified as variable interests at the time of grant.

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