

December 13, 2010

Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116
(File Reference No. 1850-100)

Dear Sir/ Madam:

Thank you for providing the opportunity to comment on the Financial Accounting Standards Board's ("FASB") Proposed Accounting Standards Update ("Proposed ASU") entitled "Leases (Topic 840)", issued on August 17, 2010 and hereafter referred to as the "Exposure Draft."

In our comments on the Exposure Draft, we have not focused on answering the questions listed in the Introduction and Invitation to Comment section but have instead provided our general views on the proposed changes.

W. P. Carey & Co. LLC provides long-term sale-leaseback and build-to-suit transactions for companies worldwide and manages a global investment portfolio of approximately \$10 billion. We are publicly traded on the New York Stock Exchange (ticker: WPC) and have provided sale-leaseback financing to companies for 37 years. We invest primarily in commercial properties, domestically and internationally, that are each triple-net leased to single corporate tenants. We also earn revenue as the advisor to publicly owned, non-actively traded real estate investment trusts, which are sponsored by us under the Corporate Property Associates brand name (the "CPA® REITs") and invest in similar properties. We are currently the advisor to the following CPA® REITs: Corporate Property Associates 14 Incorporated ("CPA®:14"), Corporate Property Associates 15 Incorporated ("CPA®:15"), Corporate Property Associates 16 – Global Incorporated ("CPA®:16 – Global") and Corporate Property Associates 17 – Global Incorporated ("CPA®:17 – Global"). Collectively, W. P. Carey & Co. LLC and the CPA® REITs provide sale-leaseback financing to approximately 284 tenants worldwide and generated approximately \$735 million in lease revenue during fiscal 2009.

While we support the FASB's decision to issue a proposed accounting standard update to attempt to achieve convergence with International Accounting Standards on accounting for investment properties, we are strongly opposed to and do not support many of the concepts outlined in the Exposure Draft. Because we are in the sale-leaseback business, we are impacted on both sides – lessee and lessor.

We are very concerned that implementation of this Exposure Draft as currently written will have significant negative implications to our business. Specifically, we are concerned that the proposed guidance will mitigate or eliminate financial statement comparability, confuse users of





our financial statements, significantly increase the effort and cost to prepare financial statements with little to no benefit to the financial statement users, and impact the way we conduct business with new and existing tenants (lessees). Our concerns are described in more detail below.

Financial Statement Usefulness and Comparability:

Lessor Accounting

We believe that the two approaches to lessor accounting will not only add complexity to the financial statement preparation process but also result in a lack of comparability as companies with similar fact patterns could arrive at different conclusions regarding the lessor model they should apply (i.e., performance obligation or de-recognition). Additionally, requiring the lessor to estimate the lease term to include anticipated renewals will lead to a lack of comparability as different lessors could estimate the lease term of the same lease in significantly different ways.

The real estate industry has adopted a measure of profitability based on funds from operations, or FFO. Use of this measure allows REITs and analysts to compare results with industry peers. In our opinion, the use of FFO as an industry standard for measuring performance would become obsolete as each REIT would determine the value of leases based on potentially different criteria.

Further, we understand that the right of use model for lessees was developed by the FASB to be consistent with the conceptual framework - a right of use asset is a resource controlled by the lessee as a result of entering into a lease and from which future economic benefits are expected to flow to the lessee. However, under the performance obligation model, the lessor continues to recognize the underlying asset because it has control over the asset. We find this rationale conceptually inconsistent with the lessee's right of use model. In addition, the FASB must consider the multiplication of assets that the performance obligation model creates - a lease that creates some rights attached to ownership for a third party results in creating an additional asset for the same physical asset which is generating one stream of economic benefits.

Lessee Accounting

The recording of an asset and liability on the lessee's books unnecessarily grosses up the balance sheet and the recording of an asset for a true operating lease would artificially inflate the assets of a business. These asset values would be for items not legally owned by the business. Further, the amortization of the corresponding lease obligation would create a front-loading of expenses even for leases with no rent escalation, which will not be representative of the economic and financial reality of the transaction. Additionally, the significant judgments involved in determining the assumptions can lead to significant volatility in the income statement and will reduce comparability and transparency and would serve to confuse the reader of the financial statements.

Analysts and other capital market stakeholders in general do understand the current off-balance lease obligations and factor such accounting into their decision making by including the operating lease expense in their analyses or by considering certain key performance indicators, such as FFO and EBITDA. Including operating lease expense on a straight line basis is much closer to the actual cash flows and the economic substance of a lease than the front-loaded expense that the users would see under the proposed model. Accordingly, the FASB should consider requiring additional disclosures on operating lease obligations, such as the nature and purpose of asset



leased and contractual lease terms and options, instead of proposing an entirely new model for lease accounting.

Cost to Administer Procedures and Ensure Compliance:

In addition to adding complexity to the financial statement preparation process and confusing users, we believe it will be significantly expensive to implement and ensure the continued compliance of the proposed guidance. The requirement to revise estimates on all leases in our portfolio every quarter is extremely labor intensive and would be impossible for our current staffing levels. Additionally, our computer systems would need to be upgraded significantly or new systems purchased and implemented as our current systems were not designed to handle the proposed changes.

Other Areas of Concern:

Sale Leaseback

We are also very concerned that the FASB has included the conditions for recognizing a sale for purchase as well. The criteria provided in B10 and B31 of the Exposure Draft would preclude the lessor from recognizing a purchase of property and would instead recognize a receivable. We believe this could have significant adverse consequences. It would be misleading to the readers of the financial statements as assets legally owned by entities would be recorded as receivable balances. Also, it would result in a lower depreciation charge and could have potential tax implications as well.

Build to Suit

An area that has not been specifically addressed by the Exposure Draft involves transactions where the lessees are involved in the construction of the asset to be leased. Current U.S. GAAP guidelines (notably, paragraphs 2-16 of Proposed ASU 840-40-55) describe when a lessee should be considered to be the owner of an asset during the construction period. It is unclear from the Exposure Draft whether this guidance will be carried forward following the issuance of any new leasing guidance, or whether it will simply be eliminated. We believe that not addressing how costs incurred during the construction period will be accounted for may have a negative impact on the ability to complete such transactions, which would have a detrimental effect on the economy.

Lease Modification

Another area that has not been addressed is lease modification. Under the current guidance, both lessees and lessors have to evaluate the lease amendment to assess whether it is a modification or a new lease in order to determine the appropriate accounting treatment. It is unclear from the Exposure Draft how lease modifications would be factored into the proposed lessee right-of-use model and the dual lessor model. We believe that not addressing lease modifications in the Exposure Draft will lead to confusion and a lack of consistency in accounting for such transactions throughout the real estate industry.



Potential Scope Exception

We understand that the FASB is considering a project to seek convergence with the International Accounting Standards for fair valuing real estate investment property for certain types of entities. We support such a project and urge the board to consider the timing of this project and also provide a scope exemption for entities that hold investment properties.

We thank the FASB for the opportunity to comment on the Boards' Exposure Drafts with respect to this very important project.

We would be pleased to discuss our comments or answer any questions that the Boards may have. Please contact Mark DeCesaris at 212-492-1140.

Yours respectfully,

Mark DeCesaris, CPA Chief Financial Officer

W. P. Carey & Co. LLC