

Certified Public Accountants & Consultants

Writer's Direct Number: 334-260-2366 Writer's Direct Fax: 334-274-1566 jmastin@wilsonprice.com

Writer's Direct Number: 334-260-2355 Writer's Direct Fax: 334-274-1555 bwilkinson@wilsonprice.com

3815 Interstate Court Montgomery, Alabama 36109-5220

P.O. Box 3295 Montgomery, Alabama 36109-0295

P: 334.271.2200

F: 334,274,1500

www.wilsonprice.com

Carl A. Barranco

Paul B. Fields

Thomas P. Gilliland

Thomas H. Hicks, Jr.

William F. Barranco

William R. Sims

Robert H. Gould

Edward G. Reifenberg

Richard M. Stabler

Charles A. Jordan, III

John M. Mastin

M. Clinton Freeman

Robert A. Buss

T. Daniel Newman

Jon H. Deal

John W. Parrish

D. Clynton Hart, Jr.

Jeffrey B. Myer

W. Brett Wilkinson

Gregory E. Sellers

Billy R. Daniels

Steven M. Barranco

Tatia W. Knight

Kristan W. Pryor

S. Adam Stephenson, III

Technical Director File Reference No 1850-100 **FASB** 401 Merritt 7. P O Box 5116 Norwalk, CT 06856-5116

November 30, 2010

Thank you for the opportunity to comment on the exposure draft of the proposed Accounting Standards Update of Topic 840(Leases).

While the exposure draft addresses issues related to the reporting requirements for both the lessee and the lessor we will limit our comments to those issues addressed from the lessor perspective.

Our practice consists primarily of non-public entities in the business of leasing real estate comprised of retail, multi-family, commercial and office properties. The acquisition and construction costs of these properties are generally financed through non-recourse lending. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America primarily for use by the owners and lenders in evaluating the operations of the various properties. These properties are held for the purpose of producing cash flow from rental income and capital appreciation.

If the exposure draft is adopted as written, we anticipate that our clients, as lessors, would implement the "performance obligation approach" rather than the "derecognition approach." We are concerned the proposed guidance, as currently written, will not meet the objective of the standard "to report relevant....information to users of financial statements about the amounts, timing and uncertainty of the cash flows arising from leases". (Page 15)

We concur with the comments from the staff of the FASB and IASB and believe that real estate is fundamentally different from other leased assets because it is actively

managed to produce investment return, and rental income is an important measure for the owners and lenders. The proposed guidance would no longer reflect rental income in the statement of income.

We are aware that the Board is currently considering in a separate project whether entities should be given the option (or be required) to measure an investment property at fair value through earnings and how an entity should consider a lease when measuring the fair value of a leased investment property. We are also aware that the decisions reached in that project could impact the required accounting for lessors as proposed in this exposure draft.

We disagree with either approach from the perspective of the lessor and believe the current accounting model provides accurate, relevant and faithful representation of the leasing transaction both in the statements and the disclosures.

In response to the questions for respondents we offer the following:

The Accounting Model Question 2: Lessors

We do not agree that a lessor should apply either the performance obligation approach or the derecognition approach.

We disagree that a new asset (right to receive lease payments) and a new liability (performance obligation) is created by the lease. We also disagree that this obligation is a present obligation that meets the definition of a liability. The lease is a contract with the tenant and as such the revenue from the contract should be recorded as earned over the term of the lease.

Question 3: Short-Term Leases

We agree that a lessor should not recognize assets or liabilities from a short-term lease. We are concerned that in the case of multi-family properties there could be situations where the individual lease with a tenant could be greater than twelve months and the lessor would be forced to record an asset and liability. It is interesting to note on page 81 of the exposure draft (BC46) the Board acknowledges the lease is a contract and the income statement would reflect only the lease payments that are contractually due. Why should this acknowledgement only apply to short term leases?

Question 4: Definition of a Lease

We have no disagreement with defining a lease as a contract in which the right to use a specified asset or assets is conveyed for a period of time. We disagree with the Board's

view that a lease is not an executory contract after the date of commencement of the lease. We also disagree that this contract creates a new asset and liability to be recorded at inception of the lease.

Scope

Question 6: Contracts that contain service components and lease components

We agree that lease contracts that contain distinct service components should be reported separately from the lease component. We read the exposure draft to allow the lessor to include normal pass through charges and tenant reimbursements for common area maintenance (CAM), insurance, and property taxes as a separate service component of the lease payment to be excluded in the calculation of the asset and liability at inception of the lease.

Measurement Question 8: Lease Term

We disagree that a lessor should determine the lease term as the longest possible term that is more likely than not to occur taking into account the effects of any options to extend or terminate the lease.

Unless there are severe penalties for not extending the initial lease term there is too much room for subjectivity in determining the probability for each term.

We are concerned about the reliability and accuracy of the calculation to determine the "longest possible lease term" that is more likely than not to occur. The potential cost to be incurred by the reporting entity in order to develop the systems and controls to properly document this calculation will prove to be far in excess of any perceived benefit.

Question 9: Lease Payments

We disagree that contingent rentals and expected payments under term option penalties and residual value guarantees should be included in the measurement of assets and liabilities.

We do not believe that a contingent lease payment to be made in the future that is calculated based on a percentage of future sales of the tenant can be reliably measured at inception of the lease. We disagree that a contingent rental creates a "right to receive lease payments" at the commencement date of the lease.

We agree if lessors are required to use contingent rentals in the measurement of the right to receive lease payments that those contingent lease payments should be able to be reliably measured.

We are concerned about the reliability and accuracy of the calculation to determine the expected contingent rentals and expected term option penalties used in making the calculation of the lease payment. The potential cost to be incurred by the reporting entity in order to develop the systems and controls to properly document this calculation will prove to be far in excess of any perceived benefit.

Question 10: Reassessment

We agree that if the lessor is required to apply the performance obligation approach it should remeasure assets and liabilities arising under a lease when facts and circumstances indicate there is a significant change in the right to receive lease payments.

Presentation

Ouestion 12: Statement of Financial Position

We agree that if a lessor is required to apply the performance obligation approach it would present the underlying assets, rights to receive lease payments and lease liabilities gross in the statement of financial position, totaling to a net lease assets or liability.

Question 13: Income Statement

We agree that lessors should present lease income and lease expense separately from other income and expenses.

Question 14: Statement of Cash Flows

We agree that cash flows arising from leases should be presented separately from other cash flows.

Question 15: Disclosure

We do agree that lessors should disclose quantitative and qualitative information that identifies and explains amounts recognized in the financial statements and how leases affect the entity's future cash flow.

Question 16: Transition

We do agree that if lessors are required to use the performance obligation approach they should recognize and measure all outstanding leases as of the date of initial application using a simplified retrospective approach.

We are concerned about the reliability and accuracy of the calculation to recognize and measure all outstanding leases. The potential cost to be incurred by the reporting entity in order to develop the systems and controls to properly document this calculation will prove to be far in excess of any perceived benefit.

Question 17: Benefits and costs

We do not agree with the Board's assessment that the benefits of the proposals outweigh the costs.

We believe the costs to implement this proposal and the additional continuing costs to remeasure the asset and liability at each reporting date will exceed any perceived benefit. For our clients the primary users of the financial statements are the owners and lenders. The financial statements presently being prepared in accordance with accounting principles generally accepted in the United States of America report relevant information about the amounts, timing and uncertainty of cash flows from leases. This proposal will not lead to any more accurate or relevant information.

Question 18: Other Comments

We disagree that the existing accounting model fails to meet the needs of financial statement users. The existing model provides an accurate, relevant and faithful representation of the leasing transaction both in the body of the financial statements and the disclosures in those statements.

Question 19: Non-public entities

We believe that the proposed guidance should be different for non-public entities. We believe the cost to devise the systems and internal controls necessary to implement the requirements of this proposed guidance will far exceed any perceived benefits to users of the financial statements.

Sincerely,

WILSON, PRICE, BARRANCO, BLANKENSHIP & BILLINGSLEY, P.C.

h .

John M. Mastin, CPA

W. Brett Wilkinson, CPA