1850-100 Comment Letter No. 40



18 MW 2020

Sent Via Email to Director@fasb.org

November 17, 2010

Financial Accounting Standards Board

Re: Proposal to Adopt Fair Value Accounting and Lease Accounting Standards

Ladies and gentlemen:

I'm writing today in the hope that you will consider the ramifications of pending proposals to reform accounting standards relative to how we value real estate assets and leases in our financial statements. There are three specific areas of concern that are shared by our company's senior managers, board of directors and professional advisors relative to the proposals. They are:

- 1) Benefit and suitability for the user of our financial statements
- 2) Liability related to establishing procedures for and reporting of results
- 3) Cost to administer procedures and ensure compliance

Benefit and suitability for the user. The financial information we report to the public is only as useful as the ability of the user to understand it. I believe we discourage the use of this information if it is too voluminous or complicated for someone with limited business knowledge. Many of the people I talk to tell me that without an accountant they cannot fully understand what is being reported. We make an effort in our presentations to try and simply financial results as much as possible for this reason.

When we report financial results to our lenders we often make adjustment to the numbers reported to simplify them. For example it is common practice for a lender to require GAAP income to be adjusted to exclude straight line rents and income or expense from intangible lease assets or liabilities. The proposals at hand would add a significant additional layer of adjustments to reclassify major components of income and expense to conform to the compliance reporting of the lenders. The majority of our required compliance is based on receipt of rental income, so if the proposals are adopted, we would need to keep a separate set of books based on current standards. This would place a significant burden on us as we place individual financing on each asset that we purchase.

Our industry has adopted a measure of profitability based on Funds From Operations, or FFO. Use of this measure allows a Real Estate investment Trust to compare its results with industry peers. This measure would, in my opinion, become obsolete as each individual company would determine the value of leases based on potentially different criteria. Whatever objectivity there is to this process would be lost or, at a minimum, subject to question



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Liability Related to Establishing Procedures. Historical cost financial statements are based on contract facts while fair value statements will be based on assumptions present at a particular point in time. Commercial real estate values are determined in large part based on an income stream generated through lease obligations. To the extent we value our assets or have them valued it will be necessary us to determine which leases we believe will be renewed at estimated lease rates. Further, we will be make assumptions related to lease options. These assumptions will be based on information which subject to continual change including lease terminations, rental reductions, etc. In short, some of the valuations will be out date as soon as they are completed. How can senior management certify the reliability of the valuations and resulting financial performance under these circumstances? How can board of directors approve the issuance of financial statements under these circumstances?

Cost to Administer Procedures. Under current conditions, we value each acquisition to determine intangibles and straight line rents associated with that purchase at the time of closing. The straight line rents must be continually updated as lease activity occurs. This is a time consuming and expensive process. Requiring quarterly adjustments to each property value and the present value of the lease income stream in addition to these procedures will place a disproportionate burden on us. We would no doubt, have to increase our staff with analysts who would continually monitor these situations. Would also likely need to engage independent professionals to issue opinions on our valuations or actually perform separate valuations. In any case the costs will be substantial.

Property valuations certainly have a place in a financial report and could be included as supplementa information. The frequency of such presentation should likely depend upon the extent to which management's estimates would be considered appropriate. The cost of repetitive third party valuation would be excessive.

Potential lease valuations are, in my opinion, subject to too much volatility to be considered reliable Reporting amortization and interest income in place of rental income is fraught with complication. A is, we report our projected annual income stream from leases as supplemental information in each cour financial filings. This data is relevant because it is easily understood.

I appreciate the board's consideration of my comments and would be pleased to answer any questic or provide additional information regarding this matter.

Sincerely,

Barry L. Lazarus, CPA

President/COO

INLAND DIVERSFIED REAL ESTATE TRUST, INC.