December 15, 2010

Technical Director
File Reference no. 1850-100
Financial Accounting Standards Board
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Lowes Companies, Inc. (“Lowe’s”) appreciates the opportunity to provide comments on the FASB’s Proposed Accounting Standards Update, Leases (Topic 840). With fiscal year 2009 sales of $47.2 billion, Lowe’s Companies, Inc. is a FORTUNE® 50 company that serves approximately 15 million customers a week at more than 1,700 home improvement stores in the United States, Canada, and Mexico. Founded in 1946 and based in Mooresville, NC, Lowe’s is the second-largest home improvement retailer in the world.

We support the general principle regarding a Lessees’ recognition of a right-of-use asset and a related liability to make lease payments. However, we believe that certain technical aspects of the proposed Lease accounting model create an operational burden without commensurate value in terms of improved accuracy, reliability and usefulness of financial information. Therefore, we suggest certain modifications, as outlined in more detail in the attached appendix. Areas of greatest concern center on the proposed requirements for Lease Term, Contingent Rentals, and Reassessment. In general, we believe that adopting a “right-of-use” model, while carrying forward certain definitions and concepts from the existing literature, will ease the burden of adoption and ongoing compliance. Additionally, we believe that the proposed standard should provide further guidance on accounting for certain existing situations in lease accounting, and for certain transitional issues.

**Lease Term**

We believe that the proposed standard’s requirement that a lease term be measured as the longest term more likely than not to occur would require issuers to make difficult judgments about renewal options that are, in many cases, too far in the future to accurately analyze at the beginning of the lease term. In addition, we believe using the “more likely than not” threshold as the point at which a company would recognize additional terms has the potential to include liabilities on the balance sheet that do not meet the definition of a liability. Until a company has obligated itself to the renewal period contractually, or has effectively obligated itself to renew, a renewal period does not meet the current definition of a liability as “a probable future sacrifice of economic benefits due to present obligations.” Therefore, we would support retaining the current “reasonably assured” definition of Lease Term as the threshold in assessing whether optional periods will be renewed and therefore considered in measuring the initial right-of-use asset and liability to make lease payments.
Contingent Rentals

We believe that the draft’s requirement that companies develop a probability-weighted expected outcome for contingent rentals is problematic due to the highly speculative nature of the assumptions needed. Therefore, to the extent contingent payments are incorporated into measurement, we recommend consideration of additional approaches, such as a “best estimates” approach, which is simpler and less costly to put into practice. In addition, we believe it is important to differentiate between a **contingency which reflects a current obligation with uncertainty as to amount** and a **contingency which reflects a potential future obligation**. In the determination of lease amounts, inclusion of contingent payments which reflect potential future obligations would result in recording liabilities on the balance sheet that do not meet the definition of a liability. Any payment that is contingent on the occurrence of a future event within the control of the lessee is not a present obligation, and therefore does not meet the definition of a liability. Rather, we support these amounts being recognized as rental income and expense in the period they occur, consistent with current accounting guidance for contingent rentals. While we recognize concerns regarding potential accounting structuring if certain contingent payments are excluded in determining the asset and liability associated with a lease, we believe market mechanisms, individual interests of negotiating parties, and the ability to require evaluation of contingent provisions collectively, in addition to individually, can sufficiently mitigate risk in this area.

Reassessment

While we support the principle of remeasurement of lease related assets and liabilities when there is a significant change in the underlying lease payments, we believe the proposed requirements associated with renewal options and contingent rentals make reassessment problematic and operationally costly. The requirement to reassess the lease term and expected contingent rental payments creates a considerable operational burden for companies with a significant number of leases, which is common in the retail industry. Since such reassessment is not part of current operating requirements, new processes will be needed to support this, potentially at significant cost. Even with the qualification that the assessment should be performed as facts and circumstances indicate a significant change, the process of determining and supporting whether or not reassessment is warranted under the current proposal will likely be as difficult and time consuming as doing the reassessment itself for each lease. However, we believe our recommendations relating to Lease Term and Contingent Rentals, as discussed in our responses to Questions 8 and 9 in the appendix, would mitigate many of the problematic features of reassessment by reducing the quantity of speculative factors involved.

Areas Requiring Further Clarification

Finally, we believe that any final standard should provide further guidance on:

- the assessment and classification of “day 1 impairments” on right-of-use assets at transition
- the income statement classification for changes in a company’s contingent rentals related to current or prior period events
- situations where the leased asset is under construction at the time of entering a lease (e.g. build-to-suit leases)
- the treatment of lease incentives, such as tenant improvement allowances, in determining the present value of future minimum lease payments
• the calculation of the effect of lease modifications on the lease liability and right-of-use asset, specifically as it relates to the appropriate discount rate

• situations where the value of the right-of-use asset at initial measurement exceeds fair value

Our answers to the specific questions in the exposure draft, including more detailed discussions of the above issues, are attached in the appendix to this letter.

If you have any questions in relation to the letter please contact me at 704-758-3680.

Sincerely,

[Signature]

Matthew V. Hollifield
Senior Vice President and Chief Accounting Officer
Responses to selected detailed questions in the exposure draft

Question 2: Lessors (excerpt):

Do you agree that a lessor should apply (i) the performance obligation approach if the lessor retains exposure to significant risks or benefits associated with the underlying asset during or after the expected lease term and (ii) the derecognition approach otherwise? Why or why not? If not, what alternative approach would you propose and why?

We concur with the boards’ conclusion that a lessor should also apply a right-of-use model and acknowledge that the economics can differ based on business models for different lessors. However, we believe that the proposed “hybrid approach” to lessor accounting causes unnecessary complexity, and creates inconsistency with the single “right-of-use” model for lessees. Additionally, lessors would be required to reassess the right to receive lease payments as factors warrant under the proposed standard but, would not be permitted to reassess which accounting model to apply to a lease. As a result, a lessor could encounter a situation subsequent to initial recognition where the determination of whether it retains significant risks and benefits associated with an underlying asset changes due to a reassessed lease term, but it is required to continue accounting for the lease under the approach it initially adopted. The subjective nature of the required initial assessments, combined with the hybrid model and inability to reassess the approach used, create numerous opportunities for inconsistent treatment among lessors. Therefore, we believe that the boards should redeliberate to determine a single model for lessor accounting.

With respect to determining which single model would be best, we have specific concerns about the performance obligation approach. We believe this approach is conceptually inconsistent with the right-of-use model for lessees, since the right-of-use asset recorded by the lessee, representing the completed transfer of rights (performance) by the lessor, is inconsistent with the performance obligation recorded by the lessor, representing an obligation for future performance. In addition, we believe it is conceptually confusing and inconsistent to reflect two assets on the balance sheet (the underlying leased asset and the right to receive lease payments) which essentially yield the same stream of cash inflows. Although the proposed combined presentation of the underlying asset, the right to receive lease payments, and the performance obligation helps mitigate the double recording of assets, it does not fully address the concerns in this area.

Therefore, we propose the derecognition approach as the basis for a single lessor model. In cases where significant risks and benefits associated with the leased asset are determined to have passed, we favor the use of the derecognition approach as described in the proposed standard. In situations where the significant risks and benefits do not pass from the lessor to the lessee, we propose that any gain realized on derecognition of the related portion of the underlying asset be deferred and amortized into lease income over the life of the lease. Such an approach would be conceptually similar to the current sales-type lease and direct financing lease models for lessor accounting, thereby making transition easier.

Furthermore, given the overall consistency of our recommended approach with current accounting by lessors for capital leases, as well as our concerns regarding the proposed hybrid model, we would support a decision to delay consideration of lessor accounting and focus efforts on lessee accounting. Such an approach may be the most efficient course to adequately address the concerns around the proposed model for lessees, which are discussed below.
Question 3: Short-term leases (excerpt)

This exposure draft proposes that a lessee or a lessor may apply the following simplified requirements to short-term leases, defined in Appendix A as leases for which the maximum possible lease term, including options to renew or extend, is 12 months or less:

(a) At the date of inception of a lease, a lessee that has a short-term lease may elect on a lease-by-lease basis to measure, both at initial measurement and subsequently, (i) the liability to make lease payments at the undiscounted amount of the lease payments and (ii) the right-of-use asset at the undiscounted amount of lease payments plus initial direct costs. Such lessees would recognize lease payments in the income statement over the lease term (paragraph 64).

(b) At the date of inception of a lease, a lessor that has a short-term lease may elect on a lease-by-lease basis not to recognize assets and liabilities arising from a short-term lease in the statement of financial position, nor derecognize any portion of the underlying asset. Such lessors would continue to recognize the underlying asset in accordance with other Topics and would recognize lease payments in the income statement over the lease term (paragraph 65).

Do you agree that a lessee or a lessor should account for short-term leases in this way? Why or why not? If not, what alternative approach would you propose and why?

We feel that the operational costs of tracking short-term leases in accordance with the “right-of-use” model outweigh the benefits provided to the financial statement user. Although the proposed simplified accounting requirements for short-term leases may provide some limited relief from calculations associated with discounting, companies would still have to implement processes to appropriately track and record such agreements, which is the more time consuming consequence of the proposed rule. Since the timeframe under which these short-term leases would be recognized and removed from a company’s balance sheet is so short, we do not feel that financial statement users would derive any significant usefulness from financial information which is based on the presentation of these leases under a “right-of-use” model. Additionally under the proposed standard, the short-term right-of-use assets would be classified within total fixed assets. However, items are typically only capitalized as fixed assets on the balance sheet if they have an initial useful life of greater than one year. In addition, the proposal for lessor accounting, which recognizes the fact that more simplified accounting is appropriate for such short-term leases, creates a potential for inconsistency among lessors. In addition, this represents an inconsistency in principle between lessee and lessor accounting. Therefore, we believe that the proposed requirements for short-term leases should be adjusted such that lease income and expense are recognized in earnings over the lease term as with current operating lease accounting.

Furthermore, if this model is retained for a final standard, we have concerns as to whether this portion of the proposed standard (as well as the standard’s definition of a lease) is meant to extend to extremely short-term rentals by a company’s employees, such as hotel and car rentals, which are typically recognized as incurred as travel and entertainment expenses. The definition of a lease proposed by the standard in appendix A would appear to include such rentals. Tracking such rentals as assets and liabilities would be onerous as they could be numerous, and the full cost of each is typically not supported or evidenced by a contract, but rather by an invoice given to the company or the employee once the rental is complete. Therefore, if the current provisions regarding short-term leases are retained, we would propose a clarification to exclude extremely short-term rentals, such as hotel and car rentals.
Question 4:

(a) Do you agree that a lease is defined appropriately? Why or why not? If not, what alternative definition would you propose and why?

(b) Do you agree with the criteria in paragraphs B9 and B10 for distinguishing a lease from a contract that represents a purchase or sale? Why or why not? If not, what alternative criteria would you propose and why?

(c) Do you think that the guidance in paragraphs B1-B4 for distinguishing leases from service contracts is sufficient? Why or why not? If not, what additional guidance do you think is necessary and why?

We believe that the definition of a lease provided in the proposed standard is generally appropriate. With respect to distinguishing leases from service contracts, however, we believe there is still ambiguity. For example, it is unclear how a contract for a remote server would be categorized, whether the fact that it is shared or dedicated would make a difference, etc. Because the lease component would be disclosed on the balance sheet under the proposed standard, clearer guidance is necessary to assist preparers in determining how to identify distinct components (i.e., the lease component and the service component).

Question 8: Lease Term

Do you agree that a lessee or a lessor should determine the lease term as the longest possible term that is more likely than not to occur taking into account the effect of any options to extend or terminate the lease? Why or why not? If not, how do you propose that a lessee or a lessor should determine the lease term and why?

While we recognize that the base lease term may not always represent the most likely outcome of a leasing arrangement with one or more renewal options, and we agree that the renewal option should not be measured separately from the remainder of the lease contract, we have concerns about the proposed standard’s model for determining lease term. Within the proposed standard, BC6(d) states that the “right-of-use” model is consistent with the board’s conceptual framework and that an obligation to make lease payments is a present obligation of the lessee arising from entering the lease, the settlement of which is expected to result in an outflow from the lessee of resources embodying economic benefits. While we agree that entering into a lease creates a present obligation, we believe that using the “more likely than not” threshold as the point at which a company would recognize additional terms has the potential to include liabilities on the balance sheet that do not meet the definition of a liability as “a probable future sacrifice of economic benefits due to present obligations.” Until a lessee has obligated itself to a renewal period, or has effectively obligated itself to renew, the optional renewal period is not a present obligation and therefore, does not meet the definition of a liability.

We believe that the definition of Lease Term in existing lease accounting guidance, which includes all renewal periods which are reasonably assured, is a more appropriate basis for determining the present liabilities and assets associated with lease agreements. In addition, this methodology would be easier for users to apply going forward due to consistency with existing guidance, and it would be easier to audit due to less subjectivity involved in management’s assessment. Furthermore, we believe that the speculative nature of the proposed “more likely than not” model could decrease comparability of balance sheets of companies with similar lease portfolios, due to highly subjective estimates of renewal probability differing among companies.
We also have concerns regarding the operational aspects of assessing the “more likely than not” lease term. New processes would need to be established, at additional costs, to assess the probability of renewal periods at the beginning of a lease, since this assessment does not typically occur today. In addition, this assessment in many cases would be highly subjective, and potentially no more than a guess. Developing new models and performing new analyses to determine the likelihood of renewal at lease inception would be a burdensome exercise that would be unlikely to yield accurate results, making us doubt that the benefits of the proposed model would outweigh the costs. As difficult as this process would be for lessees, the evaluation would be even more difficult for lessors, who would have to base their estimation of the term on vague expectations of future actions by the lessee.

We believe this requirement causes particular concerns in accurately predicting many of the lease terms for store location leases in the retail industry, which are often characterized by long base terms, followed by multiple shorter renewal options. Even if a company has past experience regarding lease extensions, it is very difficult to reasonably predict what the market conditions, real estate values, and store performance at a specific location will be at the end of the base term, which may be 20 years or more in the future. These are the main factors that would influence a decision to renew. Additionally, this type of assessment is beyond the temporal scope of what would normally be applied by management for long-term planning. Typically any “long-term” plan or outlook for a company, that is either used internally or shared externally, does not extend beyond five years. Going beyond that time frame lends itself to estimates that are too speculative to be meaningful in useful decision making. While BC 115(e) and BC 120 refer to measurement problems inherent in measuring a renewal option separately from the remainder of the lease, we see little difference in those problems and the difficulties in measuring the probability of renewal, as an option would presumably derive value based on factors contributing to its probability of being exercised far in the future.

Additionally, a renewal decision in a lease may be based on the company’s ability to extend the lease at a lower or discounted rate than that which is in the contract (i.e. company will decline to extend/renew unless lower rent is negotiated). The guidance does not appear clear as to whether this factor is considered in determining the longest duration more likely than not to occur. In this case, the probability of renewal under the current terms may be different than negotiating a renewal at a lower rate. If the requirement to assess lease term using a “more likely than not” criterion is retained despite concerns such as those noted, we believe the final standard should include specific guidance regarding how to address expected renegotiation of the existing renewal terms in regard to both lease term and lease payments.

**Question 9: Lease payments (excerpt)**

Do you agree that contingent rentals and expected payments under term option penalties and residual value guarantees that are specified in the lease should be included in the measurement of assets and liabilities arising from a lease using an expected outcome technique? Why or why not? If not, how do you propose that a lessee or a lessor should account for contingent rentals and expected payments under term option penalties and residual value guarantees and why?

We find the requirement to use an expected outcome technique for contingent rentals in measuring assets and liabilities arising from a lease problematic for many of the same reasons noted in our response to Question 8, related to recognizing renewal options in the lease term. This includes the highly speculative nature of developing such a measurement at lease inception and the on-going costs of processes needed to support such assessments.
In addition, we believe that amounts determined for contingent rentals would not meet the definition of a liability to the extent such future payments are contingent on the occurrence of a future event within the control of the lessee. The fact that the payment is contingent on a future event within the control of the lessee indicates that it is not a present obligation, and therefore does not meet the definition of a liability. To this point, we think it is important to differentiate between a contingency relating to a *current obligation with uncertainty as to amount* and a contingency which reflects a *potential future obligation* by being based on future events within the control of the lessee. For example, Paragraph BC121 (a)-(c) lists several examples of contingent arrangements. It is our view that the examples in BC121 (a) each represent a *current obligation with uncertainty as to amount*, since these payments cannot be avoided by the lessee through its own future action, and therefore estimates of these payments should be included in measuring the assets and liabilities arising from the lease. Conversely, we believe the examples listed in BC121 (b)-(c) each represent a contingency that reflects a *potential future obligation*, since each are based on future events within the control of the lessee, and therefore should be excluded from the measurement of the assets and liabilities at lease inception. Specifically, payments based on percentage of sales for a retail property, as outlined in BC121 (b), are contingent on future operations and will not occur if the lessee closes the retail property. Recording a lease liability which is contingent on these future sales is conceptually no more sound than currently recording a liability for taxes or other payments that may also be incurred as a result of such sales. Similarly, contingent rentals based on mileage for a leased car, as outlined in BC121(c), are based on future events within the control of the lessee and will not occur if the lessee stops using the asset.

For contingent rents which reflect a *potential future obligation*, as outlined above, we support companies recognizing rental income and expense in the interim and annual periods consistent with current accounting guidance for contingent rents. While we recognize concern with a company structuring a lease agreement to avoid recognition of assets and liabilities by making most or all rent contingent (for example, making rent in each year of the lease contingent upon sales), we believe that market mechanisms and the individual interests of each party would inhibit structuring which bases excessive future payments on actions or events within the control of the lessee. For instance, it would be highly doubtful that a lessor would make 100% of the rent in a building lease agreement solely contingent on the underlying retail store’s sales because if the store were closed, the lessor would not collect rent. Furthermore, we feel that the ability to structure agreements to avoid recognition of assets and liabilities would be limited by additionally requiring contingent rent provisions to be evaluated collectively, to determine if they create a *current obligation with uncertainty as to amount* based on their interacting structure. For example, several contingent rent provisions, which individually may be technically avoidable by the lessee, would still be considered a *current obligation with uncertainty as to amount* if it is not possible to avoid all individual provisions simultaneously.

For contingent rentals which reflect *current obligations with uncertainty as to amount*, we support these amounts being included in measuring the assets and liabilities arising from the lease. However, we believe the proposed expected outcome approach is too complex and burdensome due to the requirement to identify multiple scenarios and probabilities. We recommend consideration of additional approaches such as a best estimates approach, including the ability to use current facts and circumstances when better information does not exist, which is simpler and less costly to put into practice.
Question 10: Reassessment

Do you agree that lessees and lessors should remeasure assets and liabilities arising under a lease when changes in facts or circumstances indicate that there is a significant change in the liability to make lease payments or in the right to receive lease payments arising from changes in the lease term or contingent payments (including expected payments under term option penalties and residual value guarantees) since the previous reporting period? Why or why not? If not, what other basis would you propose for reassessment and why?

While we understand the need for reassessment, we believe the proposed requirements associated with renewal options and contingent rents make reassessment problematic and operationally costly. The theoretical concerns with the proposed rules expressed in Questions 8 and 9 regarding the proposed treatment of renewal options and contingent payments at lease inception apply equally to reassessment, and the operational concerns are significantly compounded.

Reassessing changes in the “more likely than not” lease term would require new cross-functional processes at substantial costs for companies with a large number of leases. Although the proposed standard indicates that reassessment on a lease-by-lease basis is required only when changes in facts and circumstances indicate that there is a significant change, the process of determining and supporting whether or not reassessment is warranted under the current proposal will likely be as difficult and time consuming as doing the reassessment itself for each lease. Reassessment of the “more likely than not” lease term would be particularly difficult in the retail industry where decisions on whether to renew a particular lease are heavily dependent on the performance of a particular location, making it difficult to aggregate similar leases for this analysis. In addition, the assessment as of a point in time would be heavily influenced by economic cycles such that economic shifts would cause balance sheet volatility over the life of leases. Similarly, in the case of contingent rentals, forecasting and re-forecasting for each location to determine if a remeasurement is necessary would be difficult and time consuming for issuers under the proposed requirements. However, we believe the use of the methods proposed in our responses to Questions 8 and 9, regarding renewal options and contingent rentals, would mitigate many of the problematic features of reassessment by reducing the quantity of speculative factors involved. By defining Lease Term consistent with current guidance and eliminating the inclusion of contingent payments that reflect potential future obligations, aspects that require speculation regarding future actions and operations of the lessee would be eliminated.

Therefore, we would support the remeasurement of lease related assets and liabilities when there is a significant change in the liability to make lease payments or right to receive such payments driven by changes in the lease term and/or contingent payments, as redefined under our proposal. Examples of these situations could include: an investment in the leased property which would make renewal reasonably assured; a subsequent guarantee by the lessee of the lessor’s debt related to the leased property that extends into a renewal period not previously considered; changes in estimates of contingent payments relating to a current obligation with uncertainty as to amount, such as factors listed in BC121 (a).

However to the extent the current proposal regarding contingent rents is not changed, we request the boards provide additional guidance as to the classification of expense in the income statement (i.e. amortization expense, interest expense or other expense) when changes in estimated contingent rentals relate to current or prior periods and therefore must be recognized currently in earnings.
Question 14: Statement of cash flows

Do you think that cash flows arising from leases should be presented in the statement of cash flows separately from other cash flows (paragraphs 27, 45, 63, BC147, BC153 and BC159)? Why or why not? If not, do you think that a lessee or a lessor should disclose this information in the notes instead? Why or why not?

We question the need for requiring presentation of cash flows arising from leases as a separate line item in the statement of cash flows. Issuers classify and break out cash flow components based on the current guidance in ASC 230, which we believe is sufficient to ensure material cash flow components are disclosed. Therefore, more specific guidance regarding separate presentation of cash flows from leases should not be required.

We believe that the proposed standard’s requirement that the interest portion of a lease payment be included in the financing section by lessees is inconsistent with presentation of cash paid for interest on all other forms of financing. This inconsistency would also require companies using the indirect method for presenting cash flows from operating activities to note an additional reconciling item in the operating section related to interest expense from leases. We propose that the interest portion of payments continue to be recognized by lessees as an operating cash flow, consistent with payments on other financing obligations and capital leases under existing guidance.

Question 16: Transition (excerpt)

Are there any additional transitional issues the boards need to consider? If yes, which ones and why?

We believe that the board should consider the transitional issue of potential “day 1 impairments” of right-of-use assets. The consequence of initially valuing right-of-use assets as the present value of remaining lease payments for existing leases as of the first comparative year to the year of adoption could result in the need to immediately impair such assets. We believe that any such impairment should be considered part of the implementation of a new accounting standard and recorded as an adjustment to retained earnings, as the impairment would not have resulted from a change in the facts and circumstances surrounding the assets under lease. In addition, it will be difficult at the date of adoption to develop the assumptions that would have been made as of the first comparative period. It seems counterintuitive for companies to go back in time at the year of adoption and assess for impairment in previous years. We believe that additional transition guidance should address at what point in time the impairment analysis should be conducted using the simplified retrospective approach and whether impairment would be reflected as an adjustment to retained earnings in the opening balance sheet.

Question 18

Do you have any other comments on the proposals?

In addition to the concerns noted above, we have identified additional areas for which we believe a final standard should include more specific guidance.

- For leases in which the underlying asset has not yet been constructed (e.g. a build-to-suit lease), further guidance on the commencement date of such leases would be helpful. For example, in the retail industry it is common for a company to enter into a land lease for a site along with a lease for a store to be constructed to its specifications. There could be question as to when the
lease on the building commences (i.e. when construction commences, when it ends, or when the building is accessible).

- Additional guidance would be helpful in determining how or if the calculation of the present value of future lease payments used in determining the right-of-use asset and liability to make lease payments should be adjusted for lease incentive consideration from the lessor, such as a tenant improvement allowances.

- We believe that the scope of the proposed standard could be made clearer with respect to software license agreements. While intangible assets as a whole are explicitly excluded from the standard, ASC 350-40-25-16 directs issuers to topic 840 in determining whether the present value of license installment payments should be capitalized as an asset. The guidance to be referred to is that which was followed in determining which leases were capital leases. This guidance will not exist under the new standard, so the question exists as to what guidance should be followed in determining whether to capitalize these arrangements, and whether they would potentially have to be accounted for as leases.

- Guidance would be helpful relating to calculating the effect of lease modifications on the liability to make lease payments. For example, in remeasuring the liability for an actual modification, we would like additional guidance on whether the discount rate used in the calculation should be based on rates (incremental borrowing rate or rate charged in the lease) in place at the time of the modification, on the rate used in the initial measurement of the liability to make lease payments at the inception of the lease.

- We would like the boards to consider the situation where, at inception of a lease, the present value of future lease payments plus initial direct costs to enter the lease (i.e. the right-of-use asset) would be exceed the fair value of the underlying asset and possibly create an impairment consideration at initial measurement. We believe in these situations, rather than recognizing an impairment charge in addition to the interest expense it will recognize over the life of the lease associated with the lease payments, the lessee should instead initially measure the right-of-use asset at its lower fair value.