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December 15, 2010

Dear Board Members:

**Invitation to Comment - Leases**

Our company, American Tower Corporation (NYSE: AMT) is a leading wireless and broadcast communications infrastructure company that develops, owns, operates and leases communications sites, including wireless communications towers, broadcast communications towers and distributed antenna system ("DAS") networks. Our portfolio of wireless and broadcast towers consists of towers that we own and towers that we operate on sites secured under long-term lease arrangements, including, as of September 30, 2010, approximately 20,500 towers in the United States and approximately 12,600 towers internationally. Our portfolio also includes approximately 200 in-building DAS networks that we operate in malls, casinos and other in-building applications in the United States and Mexico and three outdoor DAS networks in the United States. In addition to the communications sites in our portfolio, we manage rooftop and tower sites for property owners in the United States, Mexico and Brazil.

Our primary business is leasing antenna space on multi-tenant communications sites to wireless service providers and radio and television broadcast companies. This segment of our business, which we refer to as our rental and management segment, accounts for approximately 97% of our total revenues. In 2010, we expect revenues generated from the leasing of antenna space to approximate $1.9 billion.

In addition to the leasing of antenna space on our communication sites to customers we typically enter into lease transactions in order to secure the land on which our communication sites are located. As a result of the nature and scope of our business, the proposed standard will have a tremendous impact on us as both a lessee and a lessor. Our customer leases typically have initial terms of 5-10 years with multiple renewal terms, exercisable at the option of the customer, and fixed annual escalators. The terms of our land leases typically mirror those of our customer leases although the initial term may be somewhat longer. From the lessor perspective, at September 30, 2010, our communications site portfolio had an average of 2.3 customer leases per site, whereas from a lessee perspective we leased the land under our sites at over 90% of our locations. As a result, the Company would need to evaluate a large number of long-term complex leases, estimated to be in excess of 100,000, in order to implement the proposed standard.

While we appreciate the intent and efforts of the Boards and the objective of providing more useful information to the users of financial statements, we find that there are numerous material concerns with respect to the proposed standard.

**Lessor Accounting**

Whereas our primary business is the leasing of antenna space on our communication sites over multiple lease terms to multiple customers we acknowledge and support the Boards identification of the variety of
business models that currently exist for leasing transactions. We believe there is an important distinction between those leasing transactions that grant the right to use an entity’s business assets and those that are in essence financing arrangements. Our business is based on long-term leasing, on a repetitive basis, of our communication sites which, at all times, remain our property, and for which we retain the risks and rewards of ownership, both during the term of and after the expiration of any leasing arrangements. We strongly advocate for the Boards to maintain this distinction so as to accommodate the variety of transactions which fall within the scope of leasing arrangements.

Based upon the characteristics of our leasing transactions we believe we would be subject to the Performance Obligation approach in the proposed standard, and the comments provided herein focus principally on those elements of the proposed standard. Should the Boards choose to narrow the alternative approaches for lessor accounting we believe the standard should be re-exposed in order for us to comment fully, as we have not considered the application of the derecognition approach (or other approaches) to our leases.

Due to our primary focus on leasing, we are also monitoring the progress on the FASB’s project on Investment Properties. As lessors of real estate we encourage the Boards to allow for the scope to be sufficient to permit us to use the same basis of accounting as other real estate entities. The scope of IAS 40 applies to:

- property (land or a building—or part of a building—or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for:
  
  (a) use in the production or supply of goods or services or for administrative purposes; or
  
  (b) sale in the ordinary course of business.

While we believe the scope of IAS 40 would apply to our particular circumstances, a more narrow scope, as indicated in the FASB’s Summary of Decisions to Date, as of December 1, 2010, may not allow us to apply this standard, and therefore be on a basis of accounting that differs from others in the commercial real estate business.

Measurement

There are a number of aspects of the proposed standard regarding the measurement of leases that we have concerns with, however our primary concerns in measurement are with respect to the determination of the lease term and the discount rate employed.

Our company has a very high renewal rate on our customer leases, which typically exceeds 95%. Based on these historical patterns of high renewal rates, absent any contrary indicators, we believe the proposed standard would require us to include most, if not all, available renewal options in the determination of the lease term under the proposed standard. Should our assumptions on the application of the standard be incorrect we would request further application guidance related to a lessors determination of lease term. While we understand the objective of the Board, we believe the inclusion of optional renewal terms in the measurement of a lease will pose significant issues for users of our financial statements if the proposed standard is adopted in its current form. These issues include the following:

- We believe that a renewal option in a customer lease, that is unilaterally exercisable by our customers, does not satisfy the criteria of an asset under the conceptual framework as, prior to the exercise of the renewal option, we do not have an enforceable contract obligating the customer. We believe that until the customer elects to exercise its renewal option we have no obligation from the customer, apart from the current portion of the lease. Therefore, to record an amount indicating as such would be misleading to the users of our financial statements.
- The inclusion of renewal periods beyond the committed portion of the lease, and the related financial statement impact, may, by their inclusion in the financial statements, imply a level of certainty with respect to these renewals that may, despite history, not actually exist.
The utilization of the effective interest rate method, for purposes of determining lease income, will accelerate the recognition of revenue associated with renewal terms that are not yet a contractual obligation of the customer.

Reassessments of the lease term may create financial statement volatility if the initial lease term assumptions, made at the inception of the lease, include renewal options that are outside of our control. In certain instances we could potentially be faced with the situation wherein, as the result of a non-renewal of a contract, we would need to reverse previously recorded revenue, due to the accelerated recognition of revenue under the proposed standard, a condition that does not exist under existing guidance.

We operate in an environment that is very dynamic. Changes in technology, or changes to our customer base, such as what would occur in industry consolidation, have occurred and are likely to occur at some future point. Although the renewal rate is high for our existing leases, it is impossible to predict such future changes as noted, and specifically which leases would be affected. Therefore, the likelihood of a significant change to our term assumptions exists, and should renewal options be included to the extent indicated, would result in additional volatility in our financial statements.

Accordingly, we believe the lease term, for purposes of determining the period of the lease, be limited to only those terms for which the customer is contractually obligated, or, alternatively, only be included once a reasonably high threshold be met, and not measure the leases as if the options have been exercised unless the necessary level of certainty exists. Additionally, varying assumptions with respect to customer lease term that are developed by entities may lead to a lack of comparability.

In terms of the initial measurement of a lease we are also concerned with the application of the discount rate when initially measuring a lease. While we evaluate new site construction or acquisition projects to ensure hurdle rates of return are met, any subsequent leasing transactions on our existing communication sites are, to a large extent, market rate driven. Our lease rates are typically set by such factors as location, available alternatives, and site capacity utilized by the customer's equipment, etc. By way of comparison, our ability to set customer lease rates is similar to that of the commercial real estate industry insofar as market conditions will often influence the lease rate a customer is willing to pay. Therefore, we are not entering into a financing arrangement wherein the customer lease rate may be determined based on a financial formula, but rather by maximizing the amount charged for the use of the underlying asset. As a result there is no rate implicit in the lease as anticipated in the proposed standard. Additionally, the ability of entities to apply different discount rates to similar term lease payments from similar customers may reduce the comparability amongst peer companies as well as similar leases within our portfolio.

Recognition

We believe that the revenue pattern resulting from the effective interest rate method produces results that are potentially misleading to investors and analysts. The proposed guidance would result in the acceleration of revenue in the early term of a leasing arrangement as a greater portion of a customer's payments are attributed to interest, which, over time diminish as the Long Term Lease Receivable is amortized. The proposed standard would depict revenue in a manner that would decline over time, which would be in direct contrast to our cash revenue, which under typical lease terms would be increasing. This is important because we, as well as others in our industry, are measured based on the long-term sustainable cash flow generation of our business model. Therefore, we believe that the proposed standard would lead to a greater amount of and reliance on non-GAAP measures and disclosure. Our analysts and investors have indicated that they would require a reconciliation of reported revenue to cash revenue, insofar as this would now be needed in order to gain a better understanding of our underlying business fundamentals (it is significant to note that under current GAAP our investors and analysts do not request such a reconciliation). We believe this would create the unintended consequence of less reliance on our GAAP based financial statements for purposes of reviewing our results and result in greater reliance on non-GAAP measures provided.
While the proposed standard addresses the Boards interest in presenting leasing transactions on the balance sheet, the methodology employed for the recognition of these amounts in the financial results needs to be reconsidered in order to more accurately reflect the results of these leasing transactions. In our responses to the Questions for Respondents we have proposed a linked approach such that the Long Term Lease Receivable asset and Performance Obligation liability would remain identical in amount throughout the lease term such that the amount of principal amortized through the receipt of cash generates a corresponding reduction of the Performance Obligation liability. We believe this approach would result in a recognition pattern that is more reflective of the economics of the underlying lease arrangement, and result in a more accurate revenue recognition pattern. In contrast to the proposed standard, we believe the existing guidance for lessors in ASC 840 provides a reasonable basis for reporting, and would advocate for the Board to consider the continuation of this guidance until a more reasonable approach to lessor accounting can be reached.

Lessee Accounting

Generally, we are supportive of the Boards efforts in the area of lessee accounting and support the right-of-use approach in the proposed standard. We believe a leasing transaction results in a right-to-use asset and an obligation to make payments, which should be considered assets and liabilities within the FASB conceptual framework. Similar to the recognition issue raised with respect to lessor accounting, we believe the expense attribution method, which essentially accelerates the recognition of expense in the early portion of a lease, will result in less useful information for the users of our financial statements.

Due to the potential for significant changes to the proposed standard we would respectfully request that the Boards consider, based on the extent of modifications, re-exposing the standard for further comment in order to ensure financial statement preparers have the ability to comment.

Our answers to the specific questions in the exposure draft are attached in an appendix to this letter. Should you need any clarifications or have questions on any of the points raised in this letter or appendix please feel free to contact me at (617) 375-7500.

Respectfully,

Robert J Meyer, CPA
Senior Vice President – Finance and Corporate Controller
American Tower Corporation
Question 1: Lessees
(a) Do you agree that a lessee should recognize a right-of-use asset and a liability to make lease payments? Why or why not? If not, what alternative model would you propose and why?

We believe that a lease results in an asset and corresponding liability in the context of the FASB conceptual framework and are supportive of the Boards objective to record the assets and liabilities arising from a leasing transaction on the statement of financial position. We do, however, have some concerns with how the liability to make lease payments and the corresponding right-of-use asset are measured, which are discussed more fully below.

(b) Do you agree that a lessee should recognize amortization of the right-of-use asset and interest on the liability to make lease payments? Why or why not? If not, what alternative model would you propose and why?

We believe that a lessee should amortize the right-of-use asset. However, we do believe that the recognition pattern of the aggregate lease expense, comprised of the amortization component and the interest component, which results in a front-end loading of expense, is inconsistent with the economics of our leasing arrangements. We are parties to leasing transactions primarily for the use of land in order to operate our communication sites. Accordingly, the pattern in which we derive the benefits from the land underlying the lease arrangement does not diminish over time as the proposed guidance would infer. Therefore, we would be more supportive of a model that addresses these recognition patterns through a linked approach as more fully discussed in our response to Question 2. Additionally, the proposed standard will effectively result in the capitalization and amortization of a land asset which will be inconsistent with treatment of land that is owned. We do however acknowledge that at the expiration of the lease we will no longer have control of the asset, and that some recognition of the expense associated with the use of land is needed.

Question 2: Lessors
(a) 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 believe that an important distinction in lessor accounting exists for those assets in which the risks and rewards of ownership remain with the lessor, and those assets which effectively transfer those risks to the lessees. Additionally, we believe there is an important distinction between those leasing transactions that grant the use of an entity’s business assets with those that are in essence financing arrangements. Therefore we advocate for separate and distinct methodologies for accounting for these different types of leases. In contrast, we do not believe the derecognition approach presents a viable alternative for transactions that grant the right to use our communication sites to multiple customers on a recurring basis. As more fully described below we do however have concerns with the potential impact of accounting for leases under the proposed performance obligation approach.

(b) Do you agree with the boards’ proposals for the recognition of assets, liabilities, income and expenses for the performance obligation and derecognition approaches to lessor accounting? Why or why not? If not, what alternative model would you propose and why?

While we generally agree with the Boards proposals with respect to the recognition of assets, liabilities, income and expenses, we do have some general concerns with the subsequent recognition of these amounts after the initial measurement of the leases.

The nature of our business, as outlined above, calls for the leasing of space on communication sites on a recurring basis. The implementation of this standard, particularly with respect to the determination of the lease term, would necessitate the inclusion of several, if not all, of the available renewal periods in the
valuation of a lease. We believe that the inclusion of any renewal periods that are non-binding to the customer would result in the potential overstatement of our Long Term Lease Receivable asset and Performance Obligation liability. Further, we believe that the recognition pattern of the aggregate lease revenue, comprised of the amortization component of the Performance Obligation and the interest component associated with the Long Term Lease Receivable asset, is inconsistent with the economics of our leasing arrangements. The proposed standard results in a front-end loading, or acceleration, of revenue, which is in direct contrast to the pattern in which we receive cash. Similar to the issues of lessee accounting, outlined above, the benefits we derive from the leasing of space on our communication sites do not diminish over time as the proposed standard would suggest. As a result, we believe the recognition pattern attributable to leases recorded under the performance obligation approach may in fact be misleading to users of our financial statements and require further adjustment in order to accurately portray our current business performance.

As an alternative, we would propose an approach wherein the Long Term Lease Receivable asset and Performance Obligation liability are linked such that the amount of principal amortized through the receipt of cash generates a corresponding reduction of the Performance Obligation liability. In this way the asset and liability would remain identical in amount throughout the lease term. This linkage would serve to ensure that at any point should a reassessment of a lease be necessary the corresponding adjustment would not have an adverse financial statement impact that may not accurately depict the impact to our business. We believe the Performance Obligation and the Long Term Lease Receivable are inextricably linked and to the extent there is a receivable from the lessee this amount also reflects the value of the performance obligation yet to be rendered. Additionally, this would result in a recognition pattern that is more reflective of the economics of the underlying lease arrangement when the amortization and interest are viewed collectively, and result in a more accurate revenue recognition pattern. Lastly, we would advocate that interest income from leases be added to the amortization of the Performance Obligation to derive total revenue from leasing.

(c) Do you agree that there should be no separate approach for lessors with leveraged leases, as is currently provided for under US GAAP (paragraph BC15)? If not, why not? What approach should be applied to those leases and why?

The Company does not engage in leveraged lease arrangements and has no opinion on this part of the standard.

**Question 3: Short-term leases**

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).

(See also paragraphs BC41–BC46.)

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 believe the alternatives outlined are reasonable and generally support the position taken by the Boards to treat short term leasing transactions in a simplified manner. The proposal removes the
additional costs and complexities involved in the initial measurement as well as in the subsequent recognition. However, we would recommend that lessees be afforded a similar option available to lessors insofar as there is no requirement to record the assets and liabilities associated with a leasing transaction as outlined in this proposed standard. We believe that providing additional disclosure with respect to leasing transactions being accounted for under these simplified requirements would provide adequate information for users of financial statements to determine the impact of these transactions.

Moreover, the availability of an option for the election of accounting treatment, with respect to transactions that are essentially identical, may impair comparability, either among peers, or even with prior periods in which different elections may have been made. Therefore, we would recommend that an entity be required to report all short term leasing transactions on a consistent basis through a policy election.

**Definition of a lease**

This exposure draft proposes to define a lease as a contract in which the right to use a specified asset or assets is conveyed, for a period of time, in exchange for consideration (Appendix A, paragraphs B1–B4 and BC29–BC32). This exposure draft also proposes guidance on distinguishing between a lease and a contract that represents a purchase or sale (paragraphs 8, B9, B10 and BC59–BC62) and on distinguishing a lease from a service contract (paragraphs B1–B4 and BC29–EC32).

**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?

We believe the definition of a lease is consistent with existing guidance and provides a reasonable framework for determining whether a contract represents a leasing transaction on a basis consistent with prior guidance.

(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?

We are generally in agreement with the Boards proposal regarding the criteria for determining whether a contract represents a lease transaction or a purchase/sale, however, we believe there should be full conformity with the proposed standard on Revenue Recognition to remove any ambiguity from an entity’s application of GAAP.

(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 are generally in agreement with the Boards proposed guidance allowing for the distinction between leasing transactions and contracts for services. We are aware that under existing guidance this delineation may not have been as critical due to the similarities in accounting, whereas under the proposed standard differences in accounting treatment differ significantly. As a result we would ask the Boards to provide significant clarification and examples to assist the preparers of financial statements when concluding on the different types of arrangements.

**Scope**

**Question 5: Scope exclusions**

This exposure draft proposes that a lessee or a lessor should apply the proposed guidance to all leases, including leases of right-of-use assets in a sublease, except leases of intangible assets, leases of biological assets and leases to explore for or use minerals, oil, natural gas and similar non-regenerative resources (paragraphs 5 and BC33–BC46).
Do you agree with the proposed scope of the proposed guidance? Why or why not? If not, what alternative scope would you propose and why?

We are generally in agreement with the scope exclusions as outlined in the references to the proposed standard.

**Question 6: Contracts that contain service components and lease components**

This exposure draft proposes that lessees and lessors should apply the guidance in proposed Accounting Standards Update, Revenue Recognition (Topic 605): Revenue from Contracts with Customers, to a distinct service component of a contract that contains service components and lease components (paragraphs 6, B5–B8 and BC47–BC54). If the service component in a contract that contains service components and lease components is not distinct:

(a) The FASB proposes the lessee and lessor should apply the lease accounting requirements to the combined contract.

(b) The IASB proposes that:

(i) A lessee should apply the lease accounting requirements to the combined contract.

(ii) a lessor that applies the performance obligation approach should apply the lease accounting requirements to the combined contract.

(iii) a lessor that applies the derecognition approach should account for the lease component in accordance with the lease requirements, and the service component in accordance with the guidance in the exposure draft on revenue from contracts with customers.

Do you agree with either approach to accounting for leases that contain service and lease components? Why or why not? If not, how would you account for contracts that contain both service and lease components and why?

We are in general agreement with the proposed standard, with the exception noted below as to the separation of those elements in a leasing arrangement that represent distinct services, and the application of the proposed Revenue Recognition standard for those elements. In addition, we believe that the approach advocated for by the IASB is more consistent with revenue recognition principles. While the FASB and IASB are consistent with respect to lessee accounting and for lessor accounting under the performance obligation approach there is a key difference in the derecognition approach. To the extent any service component exists in a lease, we believe the proper treatment would be to defer the recognition of any revenue associated with the service until such a time as the earnings process is complete and the service has been rendered.

Furthermore, we feel that more guidance, including examples, is required with respect to the identification of items that the Boards feel are service components as opposed to incremental items that are lease components. We do not believe the proposed standard provides the necessary level of detail to be able to make the distinction between the elements that the Board believes represent separate and distinct service components and elements that are either lease components or non-distinct services, particularly with respect to costs we may either incur or include in customer leases for such things as real estate taxes, power, etc.

As indicated above, our business is generally focused on the leasing of space on our communication sites. Additionally, in most instances we normally lease the land under our communication sites. In connection with our customer leases we may incur, and pass through to our customers, such items as power, taxes (real estate, personal property and other) and insurance. Should these items be considered lease components, estimates would need to be developed for these future amounts and included in the measurement of our lease assets and liabilities. Should these differences, either individually or in the aggregate, become significant, reassessment will be necessary. While these costs may be incidental to the lease arrangement they do not represent a separate offering, and accordingly, we respectfully ask the Boards to consider an exclusion for those lease components for which there is no commercial incentive (i.e. mark-up or profit element), other than recouping our operating costs.
With respect to our land leases we would like to point out the disparity that will exist between the land we lease and the land we own, insofar as certain costs, such as real estate taxes, will be treated as period expenses for our owned assets whereas, for any leased assets we would be required to capitalize these same costs, and recognize them on a front-end loaded basis under the proposed guidance as previously discussed. This same treatment would pertain to the customers who lease our assets.

**Question 7: Purchase options**

This exposure draft proposes that a lease contract should be considered terminated when an option to purchase the underlying asset is exercised. Thus, a contract would be accounted for as a purchase (by the lessee) and a sale (by the lessor) when the purchase option is exercised (paragraphs 8, BC63 and BC64).

Do you agree that a lessee or a lessor should account for purchase options only when they are exercised? Why or why not? If not, how do you think that a lessee or a lessor should account for purchase options and why?

We are typically not party to leasing arrangements that contain purchase options, either as lessee or lessor, and therefore can only respond on a limited contextual basis. With those caveats we would generally agree with the proposed guidance that a purchase option, that is not a bargain purchase option, should only be accounted for when exercised, as prior to the exercise there is not an agreement binding on the parties. We believe that an option to purchase is a distinct transaction, separate from the leasing arrangement and should be accounted for as such.

**Measurement**

This exposure draft proposes that a lessee or a lessor should measure assets and liabilities arising from a lease on a basis that:

(a) assumes 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 (paragraphs 13, 34, 51, B16–B20 and BC114–BC120).

(b) includes in the lease payments contingent rentals and expected payments under term option penalties and residual value guarantees specified by the lease by using an expected outcome technique (paragraphs 14, 35, 36, 52, 53, B21 and BC121–BC131). Lessors should only include those contingent rentals and expected payments under term option penalties and residual value guarantees that can be reliably measured.

(c) is updated 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 (paragraphs 17, 39, 56 and BC132–BC135).

**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?

We do not agree, with respect to transactions in which we are a lessor, that the lease term should be 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. We have based this position on the following points:

- As lessor, we lack the insight into the lessee’s intent with respect to renewals, and would be basing its assumptions largely on historical behavior, which may not prove to be accurate
The vast majority of our customer lease renewal options are renewable solely at the discretion of our customers. As this right is outside of our control, and is not binding on the customer, we do not believe the arrangement, with respect to the renewal periods, represents an asset to the company nor an obligation to perform, until such time as the renewal option in exercised.

Our typical leases have an initial term of 5-10 years with multiple renewal options. Based upon our historically high rate of renewals we would be in a position that, based on our history and the lack of any contrary indicator, would generally lead to the inclusion of all renewal options present in the lease, which could ultimately extend the lease term out to 30+ years for purposes of applying the proposed standard. Due to the differences in the income recognition pattern for the Long Term Lease Receivable, which is recognized on an accelerated basis due to the effective interest method, and the amortization of the Performance Obligation or a straight line basis, the Company could be in a position wherein should a lease be terminated, or not renewed, prior to the anticipated lease term, the proper accounting could most likely result in a significant reversal of previously recognized revenue due to the unforeseen adjustment in estimated term of the lease. Should any of our major clients elect to not renew leases, for any number of plausible reasons, such as the result of a customer consolidation, the proposed standard could result in a significant adverse impact to the reported financial results; an exposure which is non-existent under existing standards and may not accurately depict the impact to our business.

Long lease terms accelerate the recognition of revenue in a lease, and the inclusion of renewal options effectively recognizes a portion of revenue associated with renewal options for which there is no binding contractual obligation. The inclusion of the impact of these renewal periods in the results of operations could imply a level of certainty that does not exist lacking a binding obligation on the part of the customer.

Revenue recognition is predicated on certain fundamental premises that call for an enforceable contract. In fact, the Proposed Accounting Standards Update on Revenue Recognition indicates that a contract does not exist if either party can terminate a wholly underperformed contract without penalty. By analogy an option to renew a lease would, in nature, appear to meet the conditions of an underperformed contract, and therefore should not be considered.

We operate in an environment that is very dynamic. Changes in technology, or changes to our customer base, such as what would occur in industry consolidation, have occurred and are likely to occur at some future point. Although the renewal rate is high for our existing leases, it is impossible to predict such future changes as noted, and specifically which leases would be affected. Therefore, the likelihood of a significant change to our term assumptions exist, and should renewal options be included to the extent indicated, would result in additional volatility in our financial statements.

The impact of reassessment, due to an extended leases term, could create a great deal of volatility as leases are reassessed. We believe reassessment would occur throughout this extended lease term due to the non-binding nature of renewal options and the ability of the lessees to negotiate different lease terms.

Based upon our concerns outlined above we respectfully ask the Boards to reconsider the proposal to compute 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. We would support a proposal that limits the lease term to that in which the customer is obligated to make payments. We acknowledge that there may be some instances in which the renewal is substantively guaranteed based on facts and circumstances and therefore may rise to a level of virtually certain; in instances such as this we would be supportive of including these periods in the lease term but would ask that the recognition threshold be significantly raised such that the inclusion of lease renewal options be virtually certain as opposed to more likely than not. We believe a recommendation for a higher recognition threshold will be more consistent with the conceptual framework characteristics of an asset, such that it is based on the occurrence of an event resulting in our rights to the asset, and that the asset represents a probable future economic benefit, which is in contrast to the proposed standards threshold of more likely than not. We realize that this recommendation may allow for potential structuring of leasing transactions, but firmly believe that the portrayal of amounts in our financial statements would more accurately reflect the assets and liabilities that we are entitled to and bind us. An added benefit associated with limiting the inclusion of optional renewal periods will be a reduction in the volatility due to potential reassessments.
From the perspective of the lessee, we believe that certain factors may compel us to consider optional renewal periods as part of our lease term. By way of example, the existence of leasehold improvements as well as the presence of customer leases on our communication sites provides a large degree of economic compulsion to renew existing land leases to the extent these options exist. From the perspective of a lessee, where such potential obligations have more certainty, the option to renew falls within our control and we have the intent and ability to renew such leases, the recommendation outlined in the preceding paragraph would accommodate these situations, and would therefore, in the limited situations described, provide for the inclusion of optional renewal periods for lessees.

In the estimation of the lease term for both lessees and lessors we would ask the Boards to consider a reasonably high threshold of probability, such as virtually certain, be met in order to be included in the measurement of the assets and liabilities of an entity. We believe this higher threshold serves to better portray the assets and liabilities of our business to investors. Additionally, we believe a higher recognition threshold would, in our case where customer leases and land leases are tied together, allow for better matching of revenue and expense.

Lastly, we often amend leases with our customers, which in some instances results in a re-write for the lease. We would ask the Boards to provide guidance on how the assets and liabilities of the original lease, that exist at the time a lease is renegotiated, or when re-written, should be accounted for (e.g. whether the renegotiated lease results in reversal of existing assets and liabilities and a recording of new amounts based on new terms, or existing balances are modified as described in subsequent measurement). The treatment established by the Boards on these items may, under the proposed guidance, result in amounts that impact our results of operations.

**Question 9: Lease payments**

*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 generally support the inclusion of contingent rentals and expected payments under term option penalties and residual value guarantees that are specified in the lease in the measurement of assets and liabilities arising from a lease. While we believe that contingent rentals are not present obligations of an entity, they can meet the criteria of being both probable and estimable. A proposed standard that did not include contingent rentals in the computation of lease payments would allow for significant structuring opportunities and reduce the comparability and quality of financial information. We do however believe that the methodology to develop the estimate of contingent rentals should be based on an entity’s best estimate, however developed, and not the probability weighted approach outlined in the proposed standard. We believe the probability weighted approach will add a significant burden to financial statement preparers without necessarily yielding a more accurate estimate of the contingent amount.

For lessors, we would advocate for a reasonably significant threshold such that any amounts being recorded as an asset of the entity be virtually certain so as to not make the financial statements misleading, which could entail the deferral of recognizing these contingent amounts for a period of time prior to their inclusion in the computation of lease assets and liabilities until such time as the reliability and certainty can be determined.

The Board, should it include contingent amounts in a final standard, will need to address the potential disparity arising from recognizing the expenses associated with a leasing arrangement that are derived from any type of percentage of revenue arrangement. For those lease obligations which are in some way dependent on the level or amount of turnover, which may be increasing over time, the impact of contingent rent would have the effect of increasing the expenses for the lease that are attributable to
revenue that may not exist for a significant period of time. The front-end loaded nature of recognition only serves to exacerbate this situation.

Do you agree that lessors should only include contingent rentals and expected payments under term option penalties and residual value guarantees in the measurement of the right to receive lease payments if they can be reliably measured? Why or why not?

As indicated above we generally agree that lessors should only include those amounts in the measurement of the lease assets and liabilities that can be reliably measured. The inclusion of contingent amounts in the determination of an entity’s Long Term Lease Receivable will, under the effective interest method, accelerate the recognition of these amounts in revenue. Therefore, as preparers of financial statements we would want to be reasonably assured that amounts that were ultimately included in the financial results would be based on circumstances that were virtually certain of occurring and would recommend a threshold of similar level as discussed in our response to Question 8.

**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?

With respect to lessees we believe that reassessment of lease term and contingent payments are appropriate.

With respect to lessors, as indicated in our response to Question 8, we believe the lease term should be limited to the existing contractual obligation of the customer, and therefore, with the exception of an exercise of a renewal, reassessment of the lease term would not be required. We are supportive of the reassessment of contingent payments.

We appreciate the Boards intent to reduce the burden of reassessment by limiting the reassessment to those situations in which facts or circumstances indicate that there has been a significant change. However, as drafted, the burden of being able to satisfy an assertion that there has been no significant change will necessitate continuous monitoring of our expansive portfolio of lease arrangements and will be significant in terms of cost and complexity. Should the Boards limit the lease term for lessors, we believe the burden of reassessment may be significantly reduced. We would however be more supportive of an approach similar to that used for impairment, such that lease assets and liabilities are reassessed on an annual basis, unless some type of triggering event takes place. An annual review of assets and liabilities would be consistent with existing guidance for the assessment of other assets, and therefore not subject leased assets to criteria more stringent than what is applied to other assets of similar nature. Additionally, the ability to aggregate leases on some portfolio or pooling basis would also serve to reduce the overall level of effort required for reassessment.

**Sale and leaseback**

This exposure draft proposes that a transaction should be treated as a sale and leaseback transaction only if the transfer meets the conditions for a sale of the underlying asset and proposes to use the same criteria for a sale as those used to distinguish between purchases or sales and leases. If the contract represents a sale of the underlying asset, the leaseback also would meet the definition of a lease, rather than a repurchase of the underlying asset by the lessee (paragraphs 66–67, B31 and BC160–BC167).
Question 11
Do you agree with the criteria for classification as a sale and leaseback transaction? Why or why not? If not, what alternative criteria would you propose and why?

We do not engage in a significant amount of sale-leaseback transactions and offer no feedback on this question.

Presentation
This exposure draft proposes that lessees and lessors should present the assets, liabilities, income (or revenue), expenses and cash flows arising from leases separately from other assets, liabilities, income, expenses and cash flows (paragraphs 25–27, 42–45, 60–63 and BC142–BC159).

Question 12: Statement of financial position
(a) Do you agree that a lessee should present liabilities to make lease payments separately from other financial liabilities and should present right-of-use assets as if they were tangible assets within property, plant and equipment, but separately from assets that the lessee does not lease (paragraphs 25 and BC143–BC145)? Why or why not? If not, do you think that a lessee should disclose this information in the notes instead? What alternative presentation do you propose and why?

We are in agreement with the proposed standard that lessee’s should present liabilities to make lease payments separately from other financial liabilities and the right-of-use assets as if they were tangible assets with property, plant and equipment. However, for the right-of-use assets we feel that information allowing users to identify those assets that are owned from those assets that are leased should be allowed to be presented on either the face of the financial statements or within the notes to the financial statements.

(b) Do you agree that a lessor applying the performance obligation approach should present underlying assets, rights to receive lease payments and lease liabilities gross in the statement of financial position, totalling to a net lease asset or lease liability (paragraphs 42, BC148 and BC149)? Why or why not? If not, do you think that a lessor should disclose this information in the notes instead? What alternative presentation do you propose and why?

We do not agree with the net presentation in the proposed standard from the perspective of the performance obligation approach. We believe the netting of the underlying assets (property, plant and equipment), rights to receive lease payments (long-term receivable) and any lease liabilities, such as performance obligations (analogous to deferred revenue), comingles accounts with essentially different financial statement characteristics. We believe a separate presentation of the underlying assets within property, plant and equipment, and the net presentation of the rights to receive lease payments and the lease liabilities, showing the net asset or liability position with respect to a lessor lease portfolio presents a better presentation alternative. We believe that if the recognition pattern linking the Long Term Lease Receivable and the Performance Obligation, as described in our response to Question 2, were considered there would be no net position and therefore would be limited to disclosure in the notes to the financial statements.

(c) Do you agree that a lessor applying the derecognition approach should present rights to receive lease payments separately from other financial assets and should present residual assets separately within property, plant and equipment (paragraphs 60, BC154 and BC155)? Why or why not? Do you think that a lessor should disclose this information in the notes instead? What alternative presentation do you propose and why?

We do not believe we would be subject to the derecognition approach, due to the fact that we grant the right to use our communication sites to multiple customers on a recurring basis, and therefore have no comment on this question.
(d) Do you agree that lessors should distinguish assets and liabilities that arise under a sublease in the statement of financial position (paragraphs 43, 60, BC150 and BC156)? Why or why not? If not, do you think that an intermediate lessor should disclose this information in the notes instead?

We believe there to be a distinction in the assets and liabilities arising under sublease arrangements. We believe that the presentation of these amounts would be adequately disclosed on either the face of the financial statements or the notes to the financial statements.

**Question 13: Income statement**

Do you think that lessees and lessors should present lease income and lease expense separately from other income and expense in the income statement (paragraphs 26, 44, 61, 62, BC146, BC151, BC152, BC157 and BC158)? Why or why not? If not, do you think that a lessee should disclose that information in the notes instead? Why or why not?

Generally, as discussed in our responses to Questions 1 and 2, we believe the patterns with which income and expense will be recognized in the income statement need further consideration. We believe the patterns which effectively accelerate the recognition of income and expense in a front-end loaded manner are not consistent with the underlying economics of our leasing arrangements.

With respect to lessee presentation, we agree with the Boards on the presentation of the components of amortization of the right-of-use asset and interest expense separately within the income statement and agree with the proposal to present these amounts separately from other components of amortization or interest expense on the face of the financial statements or within the notes to the financial statements.

We disagree with the proposed standard with respect to lessor presentation, more specifically as it would apply to the performance obligation approach. The presentation, as proposed, would essentially characterize any leasing transaction as a substantive sale or use of goods and a related financing arrangement. Our business generates its revenue, and value to shareholders, through the production of a steady stream of leasing revenues. We believe that any lessor presentation should allow for the combining of the revenue component related to the amortization of the Performance Obligation with the interest income generated from the leasing portfolio, for net lease revenue. We believe this presentation of revenue would be consistent with the view of our shareholders on the amount of revenue attributable to our leasing portfolio. We would also respectfully request the Board to include sample financial statement presentations in the final standard, as it is not clear whether “Net Lease Income” is intended to be a measure of lease revenue, or an indication of the components that would be similar to operating income from lease operations that are inclusive of other items as well. Additionally, we do not agree with the inclusion of depreciation expense as a component of “Net Lease Income” as described in paragraph 44 and would recommend that depreciation of underlying assets and the amortization of right-to-use assets continue to be reported as a separate item of expense in the computation of net income (loss).

**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?

With respect to cash flow presentation for lessees we generally agree with the Boards proposal requiring the classification of cash payments for leasing transactions to be considered cash flows from financing activities. This approach is consistent with the concept of the financing related to the acquisition of a right-to-use asset. However, as with other financing transactions apart from leasing activities only payments of principal are categorized as cash flows from financing activities. We would be more supportive of a presentation that presents the financing of an asset, either by borrowing or leasing, on a consistent basis for improved comparability.
We also agree with the Boards regarding the presentation of lessor cash flows for those entities utilizing the performance obligation approach within operating activities, as leasing is fundamental to our business.

Disclosure
Question 15
Do you agree that lessees and lessors should disclose quantitative and qualitative information that: (a) identifies and explains the amounts recognized in the financial statements arising from leases; and (b) describes how leases may affect the amount, timing and uncertainty of the entity's future cash flows? (paragraphs 70–86 and BC168–BC183)? Why or why not? If not, how would you amend the objectives and why?

We generally agree with the Boards that a level of quantitative and qualitative disclosures to enable users of the financial statements more transparency in the reported amounts should be provided. We respectfully ask the Boards to provide sample disclosures that enable the preparers of financial statements the opportunity to review examples. The list of required disclosure appears to be quite extensive, and in our particular circumstance likely would require a fair degree of aggregation due to the level of leasing activity we engage in so as to not be overwhelming. It is difficult to anticipate whether this information will provide users of the financial statements with the complete information necessary for an understanding of our business.

As noted in Question 8, with respect to the lease term, that unless changed, it may be difficult to accurately portray, in a manner that is easy to comprehend, the impact of the uncertainties associated with inclusion of lease terms that are uncertain. Additionally, when taken with the maturity analysis, as outlined in paragraph 86, there may be an inference that any contingent amounts, including unexercised lease renewal options, may not be factored in to our results.

Transition
Question 16
(a) This exposure draft proposes that lessees and lessors should recognize and measure all outstanding leases as of the date of initial application using a simplified retrospective approach (paragraphs 86–96 and BC186–BC199). Are these proposals appropriate? Why or why not? If not, what transitional requirements do you propose and why?

Our business is evaluated by analysts and investors primarily on our demonstrated ability to generate cash flows and our EBITDA performance. As more fully discussed in the response to Question 18, and based on feedback from analysts and investors, we believe we will be required to provide a reconciliation from the financial statement presentation prescribed in the proposed standard to our historical metrics. While we understand the Board’s position and desire for comparability we also believe that in our situation in particular, and perhaps others in general, that the comparability measures desired by the Boards will not be derived from the presentation of financial information on a retrospective basis, but in compiling data that reconciles our financial results back to those existing metrics that our analysts and investors find useful.

We would be in favor of a modified prospective approach such that any standard be applied on a prospective basis that would require that all leases outstanding at the time of adoption be accounted for in accordance with the proposed standard. In so doing we would provide for the appropriate balance sheet accounts taking into consideration the necessary information and assumptions based on the remaining lease terms.

We further believe additional guidance is needed if any form of retrospective approach is employed with respect to the uses of estimates and assumptions. It is unclear whether facts and circumstances occurring after the date of initial measurement should be taken into consideration in the measurement process. For example, if a customer has renewed or renegotiated a leasing agreement in a period later
than the date of initial measurement should we take those factors into consideration when initially applying the proposed standard? We would be supportive of application guidance that calls for the use of estimates and assumptions existing at the date of adoption, which are then applied in the initial measurement process for all leases measured.

Finally, we believe that the costs associated with a retrospective application would be significant and provide limited value to analysts and investors and outweigh any potential benefits.

(b) Do you think full retrospective application of lease accounting requirements should be permitted? Why or why not?

We do not believe a full retrospective application should be permitted based upon the recognition pattern associated with employing the effective interest rate method. This opinion is based on the fact that an entity, who elects to expend the resources, could retrospectively apply the standard in order to minimize expenses in the more recent periods resulting in a lack of comparability to those entities who do not elect to retrospectively apply the standard to leases no longer in effect.

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

We advocate for the Boards to consider the necessary infrastructure modifications that will need to take place in order to implement the proposed standard. For most major ERP systems the software necessary to accommodate the contemplated changes in lease accounting do not exist and sufficient time will be necessary for software providers to develop and deploy software solutions and financial statement preparers to deploy, test, train and convert data. In addition, a great deal of data will need to be evaluated in order to fully comply with the proposed standard. We believe a minimum of 3 full years from the point in time the standard is finalized would be needed in order for entities to be able to comply with the proposed standard.

We note that in the transitional guidance for lessees provisions are made for the disposition of amounts accrued for uneven rents in accordance with ASC 840 (paragraph 91); however, accounting for lessors does not provide for disposition of the asset associated with accounting for uneven rents from customers. We respectfully ask that the Boards provide guidance related to this matter.

Benefits and costs
Question 17
Paragraphs BC200–BC205 set out the boards’ assessment of the costs and benefits of the proposed requirements. Do you agree with the boards’ assessment that the benefits of the proposals would outweigh the costs? Why or why not?

From the perspective of the proposed standards method of lessor accounting we disagree with the Boards’ assessment that the proposed standard both represents an improvement over existing guidance and the benefits of the proposal outweigh the costs. The Boards, as indicated in BC200-BC205, articulate the objective to provide information that is representationally faithful to users of financial statements. As outlined above, we believe an accounting method that is front-end loaded and ultimately depicts revenue that declines over the passage of time, when in fact cash payments are increasing, fails to meet the representationally faithful criteria. The following depicts a sample revenue pattern for a typical lease:
As depicted in the graph above, the proposed standard calls for a recognition pattern that is at odds with the underlying economics of our typical lease arrangements. As more fully described below, we have received feedback from analysts and investors that their expectations will be for some manner of disclosure that will allow them to reconcile back to more traditional reporting metrics. While ASC 840 has undergone criticism, from a lessor perspective it provides a better accounting alternative than the proposed standard with respect to meeting the criteria of providing meaningful information to users of financial statements. Alternatively, for entities with a large number of leasing transactions, such as us, who are measured by EBITDA and other cash flow metrics, an approach that more closely aligns with cash revenue would provide more meaningful information to our financial statement users. We find it difficult to support a proposal that will, at inception, require significant information to be provided, apart from what the proposed standard calls for, that would allow for users of our financial statements to understand our business.

Additionally, we believe the use of assumptions and estimates in the measurement process is subjective and will result in less comparability, both among our peers as well as within our own results on a year to year basis as these estimates and assumptions change.

From the perspective of a lessee we are generally supportive of the standard and believe, that with consideration of the issues and alternatives identified above, that the benefits may ultimately outweigh the costs and the quality of financial statement data improved.

Apart from any potential benefits we would incur significant costs to implement any proposed standard. As indicated in our cover letter, we would need to separately evaluate, both at inception as well as on a periodic basis in excess of 100,000 leases. In order to effectively accommodate this burden we would need to invest in both personnel as well as systems, which do not currently exist, the costs of which will be significant.
Other comments
Question 18
Do you have any other comments on the proposals?

Expanded Use on Non-GAAP Measures

As indicated above, our business is typically measured on the basis of cash flow generation, with EBITDA and Recurring Free Cash Flow being the most widely used performance metrics. Based upon the revenue recognition patterns indicated in our response to Question 17, we believe, based on discussions with investors and analysts, that the information needed to accurately measure our financial results will result in a proliferation of non-GAAP financial measures. We envision the potential situation wherein these non-GAAP measures may ultimately be used on a wider basis than our GAAP financial statements. As can be imagined, a widespread use of non-GAAP measures could conceivably result in incomparability amongst entities. Additionally, we believe the use of financial statements, prepared in accordance with the proposed standard, by parties unfamiliar with our business may be potentially misleading with respect to trends and results and lead to incorrect assessments of our performance based on the pattern indicated in the chart above.

Discount rate

The discount rate, as it applies to measuring assets for lessors, poses difficulties for us. The proposed standard, in paragraphs 33 and B12, states that the discount rate should be the rate the lessor charges the lessee. However, these factors are not typically present in our leases, as the rates we charge our customers are largely market driven and dependent on such factors as available alternatives, location, and site capacity utilized by the customer's equipment. While we may have target rates of return or hurdle rates on projects these become irrelevant once we make the decision to enter a location wherein the market factors indicated ultimately drive our customer lease rates. We respectfully ask the Boards to consider the application of other rates such as WACC (weighted average cost of capital) or an entity's incremental borrowing rate as alternatives to allow us to estimate the most applicable rate to use in the absence of the existence of a rate charged to the lessee.

Investment Property Standard

We encourage the FASB on the development of an investment property standard, similar in concept to that which exists in IFRS (IAS 40). As long-term lessors of real estate, as defined under existing guidance, we urge the FASB to provide for a scope, similar in nature, covering real estate held for the production of rental income or capital appreciation, in order for us to be allowed a basis of accounting similar to other commercial real estate entities.

Customer Behavior

Investors appreciate the predictable nature of our business that is a result of having long-term lease arrangements with our customers. Due to lessee being required to capitalize amounts on their balance sheets, and subsequently recognize the expenses associated with these amounts on an accelerated basis, we believe that our customers may require shorter non-renewable leases in order to minimize the impact of the proposed standard. We do not believe that a proposed standard that causes decisions to be driven by accounting results which may result in bad economic decisions are in the best interests of our investors. Accordingly, we believe our alternative threshold for assessing renewal options is not only conceptually correct, but would also reduce the likelihood that business decisions would be driven by accounting results.
Non-public entities

Question 19

Should any of the proposed guidance be different for non-public entities (private companies and not-for-profit organizations)? If so, which requirement(s) and why?

The Company does not believe there should be a different basis for GAAP with respect to leasing transactions.