I have serious concerns about the proposed Lessor Accounting rules being proposed by the FASB.

I serve as CEO of a small partnership which owns a regional shopping center in Fargo North Dakota. I am also a CPA who started my career in a Big 8 firm. I am addressing only our partnership concerns and not those of public companies.

Briefly, the proposed rules would add greatly to the complexity of GAAP reporting while decreasing their usefulness and eroding trust in the statements.

**Complexity**: Each of our 100+ tenants have agreements which consist of a fixed minimum rent plus up to 8 other charges which vary based on independent factors (typically: Overage, CAM, Heat, Tax, Insurance, Marketing, Waste, Food Court). The sheer number of estimates involved in calculating the lease receivable would diminish the accuracy and usefulness of the report. A good real life example: we have gone through three straight years of pass-through cost decreases. I can't imagine the distortions in the reports when we write down the receivables cause by favorable results. The rapidly increasing use of co-tenancy and performance kickout clauses only make valuing future flows more unpredictable.

## **Usefulness:**

- Management: the new reporting rules are useless in decision making. Period.
- Partners: the new reporting rules would not be understandable to them, rendering them useless.
- Lender: They have us complete a report to their specifications which is their primary review document, supplemented by audited GAAP financial statements. The new reporting requirements would add no value.
- Prospective Buyer or Appraiser: They would go through their own independent process and would get more benefit from the current reporting standards plus a detailed rent roll. The present value of rents receivable is not meaningful to the property value because it ignores the re-leasing of space at the end of terms.

## An example of distortion: The illusion created by a large receivable:

 Longer-term leases generate a larger receivable, while short-term leases mean more opportunity to increase rent. We typically negotiate for shorter terms for that reason. The irony is that declining receivables means opportunity, not problems in strong properties.

The bottom line is that people do not trust what they don't understand. The new rules intended to create transparency will instead create a fog (or in Fargo, a white-out).

Thank you for your consideration,

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