

Ameriprise Financial, Inc.
802 Ameriprise Financial Center
Minneapolis, MN 55474



Via Email: director@fasb.org

December 14, 2010

Technical Director
File Reference No. 1840-100
Financial Accounting Standards Board
401 Merritt 7
Post Office Box 5116
Norwalk, Connecticut 06856-5116

RE: File Reference No 1850-100

Dear Technical Director:

Ameriprise Financial, Inc., one of the nation's leading financial services companies, appreciates the opportunity to offer comments with respect to the Proposed Statement of Financial Accounting Standards, *Leases*, an amendment of Contingencies Topic 840 (the "Proposed Statement"). We have approximately 200 leases with total annual lease rental payments of approximately \$100 million per year.

EXECUTIVE SUMMARY

We support the FASB and IASB's joint effort to improve lease accounting to provide users of financial statements with a complete and transparent picture of an entity's leasing activities. We also support the FASB's efforts to achieve greater convergence with the IASB. However, there are a few items we strongly believe should be changed before the Proposed Statement is finalized. Specifically we are:

- Supportive of the model for a lessee to recognize an asset and performance obligation based on the present value of the lease payments and are supportive of not discounting short term leases. However we are opposed to the following:
 - Requiring insignificant leases to be capitalized; and
 - The inclusion of options, renewals and contingent rentals in the determination of the right-to-use asset and lease obligation.
- Opposed to the transition guidance which requires leases which have terminated prior to the adoption of the standard to be reflected in the restated period.

Our detailed comments on the Proposed Statement are discussed in greater detail below.

Lessee Model

We are supportive of a model under which a lessee recognizes an asset representing a right to use asset during the lease term and a liability representing the obligation to make lease payments (i.e. capitalize the lease on the lessee's balance sheet) for significant leases. We believe that certain users of our financial statements currently make adjustments to our GAAP financial statements for our significant leases which effectively reflect the changes within the Proposed Standard.

We believe that it is appropriate to not discount short term leases as this may simplify the accounting for some entities that enter into short term leases and the effect of discounting would not materially impact their financial statements.

However, we believe that the requirement to capitalize all leases will cause significant implementation costs. For example the proposed language would require some entities to capitalize insignificant leases (for items such as copiers, laptops, vehicles, etc.). Due to the significant number of insignificant leases, many entities would incur increased financial and personnel costs to implement new lease systems and new control procedures to provide information which is of little, if any, benefit to the readers of their financial statements. Therefore, we believe that the final standard should specifically exclude the capitalization of leases which are insignificant to the lessee at lease inception.

We are opposed to the inclusion of estimated contingent payments, as described in paragraph 13 a through 13 c in the Proposed Standard, in the determination of the obligation to make lease payments and the asset representing the right to use the underlying asset. In most cases, we believe that the accurate determination of these amounts will be impossible due to the requirement to utilize many subjective inputs (assumptions about CPI, future sales, etc.) which cannot be projected with reasonable accuracy over a lease term. The reliability of these predictions is dependent on the nature of the leased asset and will likely be impacted by changes to the entity's business environment over the lease term.

Further, we don't believe that these estimated future contingent rental payments meet the definition of a liability. FASB Concept Statement 6 (Codification does not define a liability) defines a liability as:

...probable future sacrifices of economic benefits arising from present obligations of a particular entity to transfer assets or provide services to other entities in the future as a result of past transactions or events.

While there likely will be a probable future sacrifice of economic benefits when the contingent payment is made, the sacrifice is not as a result of past transaction or events, instead the contingent payment is based on a future event which may or may not occur. We also believe that the inclusion of forward looking information, such as CPI projections, forward interest rate, or forecasted revenues, in the determination of the future payments (as required within paragraph 14(a)) is contrary to other areas of U.S. GAAP where the use of forward looking information is prohibited (such as utilizing the forward interest rate curve when accounting for variable rate

financial instruments under the guidance which was formerly included within SOP 03-3). Based on the above, we propose that contingent rents should be expensed as incurred by lessee.

We are generally opposed to the inclusion of all lease extensions which are more likely than not to occur in the determination of the obligation to make lease payments and the asset representing the right to use the underlying asset. In most cases, we believe that the determination of the likelihood of extending the lease term cannot be accurately projected. The process to determine the longest possible lease term that is more likely than not to occur at each reporting period will be costly and time consuming. Further, the speculative nature of the result of this analysis will likely be confusing and may cause a significant impact to an entity's results and financial position for extensions or renewal payments moving between being more than likely to occur and less than likely to occur. Therefore, we believe that despite management's best intentions in projecting the likelihood of a renewal, stakeholders may be critical of these estimates with the benefit of hindsight.

We recommend that the final leasing standard include the rents expected to be paid over the minimum contractually agreed upon period when determining the measurement of the right to use asset and obligation to make lease payments. To avoid structuring leases to take advantage of excluding renewal periods, we also recommend including lease renewal periods where the renewal rate is significantly below current market rates that renewal is practically certain. If the Boards determine it is appropriate to include some lease renewal payments within the lease obligation and right to use asset, we would recommend the FASB increase the threshold to payments which are probable of occurring, as compared with the current proposal of more likely than not, to be consistent with the previously discussed definition of a liability within FASB Concept Statement 6.

Similarly, we would recommend only including early termination payments within the lease obligation and right to use asset if they meet the previously discussed definition of a liability within FASB Concept Statement 6.

We also believe that the guidance needs to be improved to state which entity's alternative borrowing rate should be utilized to discount the payments for consolidated holding companies (i.e. the subsidiary utilizing the asset or the parent company). We would recommend utilizing the subsidiary's borrowing rate to minimize the adjustments necessary in consolidation.

Transition

The proposed standard states that lessees and lessors must recognize all leases as of the date of transition on a retrospective approach. This guidance requires entities to determine the impact of the Proposed Standard for leases which are no longer in place as of the adoption date but existed in earlier periods presented in the comparative financial statement. As discussed above, the effort required to comply with the Proposed Standard will be significant, and we believe that including these leases within the scope of the standard intensifies the amount of effort required. Therefore, we recommend that the Proposed Standard apply only to leases with a lease term which extends through the effective date.

The changes to lease accounting included in the Proposed statement would lead to all lessees and lessors to incur significant financial and staff costs to develop or modify lease systems and appropriate controls. These significant costs are exacerbated by the other projects that the Boards are contemplating such as the financial instruments, insurance and revenue recognition projects. Therefore, we believe that the effective date of the final standard should be at least 3 years after its issuance.

In conclusion, we support the FASB and IASB's joint project to improve lease accounting to provide users of financial statements with a complete and transparent picture of an entity's significant leasing activities. We also support the FASB's efforts to achieve greater convergence with the IASB. However, we recommend the FASB modify the guidance as discussed above prior to issuing the final standard.

Thank you for your consideration of our comments on these important matters. If you have any questions, comments or would like further information, please contact me at (612) 678-4769.

Sincerely,

A handwritten signature in black ink that reads "David K. Stewart". The signature is written in a cursive, flowing style.

David K. Stewart
Senior Vice President & Controller