



October 22, 2007

Mr. Russell G. Golden  
Chairman of Emerging Issues Task Force  
Financial Accounting Standards Board  
401 Merritt 7  
Norwalk, Connecticut 06856-5116

Re: File Reference No. EITF0706 – Accounting for the Sale of Real Estate  
Subject to the Requirements of FASB Statement No. 66 Accounting for the Sale  
of Real Estate When the Agreement Includes a Buy-Sell Clause

Dear Mr. Golden:

The National Association of Real Estate Investment Trusts (“NAREIT”) is the representative voice for U.S. real estate investment trusts (REITs) and publicly traded real estate companies worldwide. Members are REITs and other businesses that develop, own, operate and finance income-producing real estate, as well as those firms and individuals who advise study and service those businesses.

NAREIT member companies are committed to providing financial statement users with high quality, relevant financial information and many financial executives of these companies and NAREIT staff have participated in the development of U.S. GAAP for many years. Joint ventures (JV) and similar arrangements are used extensively in our industry, and JV formation transactions frequently include buy-sell clauses in connection with the contribution/sale of investment properties to such JVs by an investor.

NAREIT’s September 6, 2007 letter, a copy of which is attached, provided the following information with respect to the EITF’s August 28, 2007 Issue Summary No. 1:

- An executive summary of NAREIT’s views,
- A discussion of the business purpose and operation of buy-sell clauses,
- The results of NAREIT’s survey with respect to buy-sell clauses and accounting for sales where buy-sell clauses are included in joint ownership arrangements,
- Comments regarding the alternate views expressed in the issues summary issued and
- Comments regarding effective date and transition.



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NAREIT is pleased that the Exposure Draft (ED) reflects a conclusion with respect to Issue 07-6 that is generally consistent with NAREIT's views. We agree that "determining whether the terms of the buy-sell clause indicate that the seller has transferred the usual risks and rewards of ownership and does not have substantial continuing involvement is a matter of judgment and requires consideration of all relevant facts and circumstances of the transaction at the time the real estate is sold."

NAREIT believes that the final guidance should not include any of the factors identified in paragraph 8 of the ED. First, NAREIT's survey, as well as further discussions with a number of the major audit firms, indicates that there is virtually no diversity in accounting for the transactions underlying the accounting addressed in the ED. Second, we believe that the conclusion stated in paragraph 7 of the ED provides adequate, principles-based guidance for determining whether the seller has substantial continuing involvement in the real estate and/or whether the buyer can compel the seller to repurchase the property. Finally, NAREIT is concerned that, while the ED indicates that the factors presented should not be presumptive or determinative, they will be used as a "check list of considerations" and will limit the consideration of the full range of factors that may impact the accounting for these transactions.

NAREIT supports the EITF's conclusion with respect to transition and effective date reflected in paragraph 9 of the ED.

Following are NAREIT's comments with respect to the Task Force's specific questions included in the "Notice for Recipients."

- a. As indicated above, NAREIT agrees with the proposed transition and effective date.
- b. NAREIT completed a survey of member companies' accounting for the transactions covered by EITF Issue No. 07-6. Thirty-three companies responded to the survey – two more since we submitted our September 6, 2007 letter to you. Of 30 companies that experience these transactions, at least 28 account for them consistent with the consensus-for-exposure. Where the survey respondent indicated that they do not recognize partial sale and profit, the survey did not reveal whether the accounting might have been based on factors such as those identified in paragraph 8 of the ED. Therefore, at least 28 (over 90%), and possibly all, of the companies account for these transactions consistent with the consensus-for-exposure. These results indicate that there is very little, if any, diversity in practice.



- c. All survey respondents indicated that joint venture agreements contain “buy-sell” or similar “divorce” clauses. The table below summarizes the responses to the question “does the company’s customary ‘buy-sell’ clause provide a basis for valuing the interest offered? If so, what basis is provided? Please select all that apply.” A number of respondents provide more than one basis.

<u>Basis Provided</u>	<u>No. of Responses</u>
Fair Market Value	21
No Basis Provided	16
Other	4

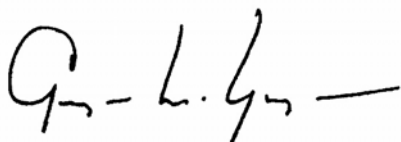
- d. Survey respondents indicated that these clauses have been called on as follows:

<u>Frequency Clause Called On</u>	<u>No. of Companies</u>
Never	15
Rarely	12
Sometimes	6

- e. As more fully discussed above, NAREIT believes that there is no need to include the factors identified in paragraph 8 in the final guidance.
- f. We do not believe additional disclosures need to be provided.

In summary, NAREIT supports the issuance of this EITF consensus, excluding the factors identified in paragraph 8 of the ED, in order to put on the record the principles-based resolution of this issue.

Respectfully submitted,



George L. Yungmann  
Sr. Vice President, Financial Standards



Andrea Perlak  
Director, Financial Standards

cc: James L. Kroeker, Deputy Chief Accountant, SEC

