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NATIONAL ASSOCIATION OF
REAL ESTATE INVESTMENT TRUSTS®

January 11, 2002

Mr. Timothy S. Lucas
Director of Research and Technical Activities
Financial Accounting Standards Board
File Reference No. 1031-001
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: Proposed Statement of Financial Accounting Standards – Rescission of FASB Statements No. 4, 44 and 64 and Technical Corrections

Dear Mr. Lucas:

The National Association of Real Estate Investment Trusts (NAREIT) is pleased to have the opportunity to respond to the Financial Accounting Standards Board's (the Board) Exposure Draft (ED) of the above referenced proposal. NAREIT is the national trade association for real estate investment trusts (REITs) and other publicly traded real estate companies. Members include 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 these businesses.

The business of developing, owning and operating income-producing property regularly involves gains and losses from the extinguishment of debt. In this context, the accounting standards for debt extinguishment are of vital importance to producing useful and relevant financial reports for publicly traded real estate companies.

NAREIT supports the Board's proposal to rescind FASB Statement No. 4, thereby eliminating the requirement that all gains and losses from the extinguishment of debt be classified as an extraordinary item, net of tax. We agree that such individual transactions should meet the criteria set forth in paragraph 20 of APB 30, *Reporting the Results of Operations – Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions*, to determine whether the event or transaction is extraordinary.

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However, we believe the transition guidance in paragraph 8 of the ED is unclear and may lead to confusion. The guidance requires the reclassification of gains/losses previously reported as extraordinary that do not meet the criteria for an extraordinary item in APB 30. This treatment would change significant metrics (i.e., *income before extraordinary items* and *extraordinary items*) previously used by financial statement consumers in their valuation of company securities and in their analysis of future earnings potential. In addition, companies may currently be in the process of completing refinancing transactions that would be affected by this new standard and that were influenced by the current accounting treatment. Therefore, we respectfully request the Board to reconsider the transition guidance in the ED. We believe that, to avoid potential confusion, the proposed standard should be effective as of the beginning of the next annual period subsequent to the final issuance of the standard.

Finally, the proposed guidance disallows restatement of any previously issued financial statements, including both interim and annual statements. We are concerned that the requirement to reclassify, but not restate, may be misunderstood. We suggest that the Board clearly distinguish its intent between restatement and reclassification.

NAREIT appreciates the opportunity to continue to participate in FASB's standard setting process. This comment letter has been reviewed and approved by NAREIT's Best Financial Practices Council. If you have any questions regarding this response, please contact George Yungmann at (202) 739-9432 or David Taube at (202) 739-9442.

Respectfully Submitted,

George L. Yungmann
Vice President, Financial Standards