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REAL ESTATE INVESTMENTS

September 30, 2011

Office of the Secretary
Public Corporation Accounting Oversight Board
1666 K Street, N.W.
Washington, D.C. 20006-2803

Reference: Request for Public Comment: *Concept Release on Possible Revisions to PCAOB Standards Related to Reports on Audited Financial Statements and Related Amendments to PCAOB Standards*, PCAOB Rulemaking Docket Matter No. 34.

Dear Office of the Secretary:

Cole Real Estate Investments (“Cole”, “we”, “our”, “us”) appreciates the opportunity to provide comments to the Public Corporation Accounting Oversight Board (“PCAOB”) on the *Concept Release on Possible Revisions to PCAOB Standards Related to Reports on Audited Financial Statements and Related Amendments to PCAOB Standards* (the “Concept Release”), PCAOB Rulemaking Docket Matter No. 34.

By way of background, Cole is one of the most active investors and owners of core real estate assets and manages one of the country’s largest portfolios of retail properties. Cole primarily targets net leased single tenant and multi-tenant properties under long-term leases with high credit quality tenants, as well as, single tenant office and industrial properties. Cole related entities own or manage 51.3 million square feet of commercial real estate in 45 states with a combined acquisition cost of approximately \$9.0 billion.

We appreciate the PCAOB’s effort to make improvements to reports on audited financial statements and have provided detailed responses below addressing selected questions from the Concept Release.

Question 1: *Many have suggested that the auditor's report, and in some cases, the auditor's role, should be expanded so that it is more relevant and useful to investors and other users of financial statements.*
c. Should the Board consider expanding the auditor's role to provide assurance on matters in addition to the financial statements? If so, in what other areas of financial reporting should auditors provide assurance? If not, why not?

We do not believe the auditor’s role should be expanded to provide assurance on matters outside the financial statements, because it may create investor confusion about the auditor’s role versus the role of the Company’s management and the audit committee.

Question 5: *Should the Board consider an AD&A as an alternative for providing additional information in the auditor's report?*
d. If you do not support an AD&A as an alternative, explain why.

We oppose an Auditor’s Discussion and Analysis (“AD&A”) as an alternative for providing additional information in the auditor’s report. Providing information about the financial statements is the responsibility of management. We believe the auditors should not provide information about a Company’s financial statements directly to investors, because doing so could cause confusion if the information “competes” or is subject to different interpretations than what management discloses on areas outside the financial statements. In addition, we believe

that between the company and its auditors there would be significant effort and incremental costs involved for the auditor to prepare, review and provide an AD&A. We believe the additional discussions with management and the audit committee, together with additional procedures auditors may perform in preparing their AD&A, could distract each party from their primary responsibilities of financial statement preparation. Completing an AD&A may not give the auditor, in particular audit partners and managers, sufficient time to complete a quality audit of the company's financial statements and would require the auditor to split its focus between completing the AD&A and performing the audit procedures required to detect material misstatement in the financial statements. We believe this added cost in recurring audit fees for the preparation of the AD&A and potential time constraints which could reduce the audit's effectiveness outweigh the limited benefit it may provide to investors and users of the financial statements. Also, the Concept Release mentions the AD&A would include "close calls," or items the auditor ultimately deemed acceptable, but which required significant discussion by the auditor, management and the audit committee. We are concerned about the definition of "close calls" and the auditor's interpretation thereof. Because of the subjectivity involved in managing and providing information specific to the company, we question how a disclosure framework can be developed and consistently applied. In addition, we are concerned about a possible strain on auditor communications with management and the audit committee. As the PCAOB points out in the Concept Release, discussing potentially sensitive matters in an AD&A could create tension, stifle communication and hinder audit quality. We are also concerned about whether investors and other users of the financial statements would have the appropriate context for the information contained in the AD&A and the ability to evaluate the technical nuances typically associated with sensitive financial accounting and reporting matters. Typically, auditor's communications are prepared with the expectation of a dialogue with the audit committee in which additional context and perspectives are communicated.

Question 14: Should the Board consider a requirement to include areas of emphasis in each audit report, together with related key audit procedures?

b. If you do not support required and expanded emphasis paragraphs as an alternative, provide an explanation as to why.

Existing standards already allow the auditors to add areas of emphasis at their discretion. We believe this is functioning as appropriate and preserves the auditor's ability to include or exclude references, as necessary, based on the circumstances involved. If new standards require inclusion of an expanded emphasis paragraph, we believe the appropriate content and level of detail should be limited to objective and factual information with reference to the footnotes to the financial statements for more detailed disclosure.

Question 19: Should the Board consider auditor assurance on other information outside the financial statements as an alternative for enhancing the auditor's reporting model?

g. If you do not support auditor assurance on other information outside the financial statements, provide an explanation as to why.

We do not support auditor assurance on other information outside the financial statements. Information outside of the financial statements such as Management's Discussion and Analysis ("MD&A") contains forward looking statements, subjective information and non-financial data. Auditors provide assurance that a Company's financial statements present fairly, in all material respects, in conformity with generally accepted accounting principles ("GAAP"). It is unclear to us how auditors would be able to perform and support assurance procedures on such forward looking or projected information in order to report on such matters. We believe reporting on areas outside of the financial statements is outside of the auditor's core competencies of opining on GAAP based financial statements. Also, we have concerns that requiring auditor assurance on other information outside the financial statements, such as the MD&A, could lead to required auditor assurance on other reports or press releases publically provided to users of the financial statements by management (e.g. earnings releases and Form 8-Ks), which also contain subjective information, forward looking statements, and non-financial data and are not required to be reported on by auditors. Further, auditors currently review other information outside the audited financial statements but included in filings containing their audit reports, such as the MD&A, to determine whether there are material inconsistencies included therein, when compared to amounts and other matters disclosed in the audited financial statements. If material inconsistencies are identified the auditor discusses them with management and the audit committee, when appropriate. If there are misunderstandings among investors about the scope and role of the

auditor with regard to information outside the financial statements, we would support some inclusion in the auditor's report, which clarifies the existing role.

Question 21: *The concept release presents suggestions on how to clarify the auditor's report in the following areas:*

- *Reasonable assurance*
- *Auditor's responsibility for fraud*
- *Auditor's responsibility for financial statement disclosures*
- *Management's responsibility for the preparation of the financial statements*
- *Auditor's responsibility for information outside the financial statements*
- *Auditor independence*

a. Do you believe some or all of these clarifications are appropriate? If so, explain which of these clarifications is appropriate? How should the auditor's report be clarified?

We do not have significant concerns with additions to the auditor's report to clarify terms or the auditor's existing responsibilities. We believe it may be most useful to provide clarifications on the auditor's responsibility for monitoring fraud, the auditor's and management's responsibilities regarding the financial statements, and the auditor's responsibility for information outside the financial statements.

We thank you for your consideration of these comments and we appreciate the opportunity to provide our comments on this Concept Release.

Best Regards,



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