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RE: Proposed Accounting Standards Update, Topic 946: Financial Services – Investment Companies, Amendments to the Scope, Measurement, and Disclosure Requirements; issued on October 21, 2011

Dear Board Members and Staff:

As practitioners of fair value accounting in the real estate industry for over 30 years, we would like to thank the Financial Accounting Standards Board (the “Board”) for addressing the long-standing needs of the industry: a fair value based standard for real estate investment. Our portfolio managers, investors and their consultants have found fair value accounting practices greatly enhances their understanding of their investment portfolios, and we are very much interested in perpetuating this industry preferred treatment. The industry has already gone through great lengths to ensure that practices are as consistent as possible between preparers of financial statements and have therefore, been able to provide a stable basis on which the performance of individual investments, portfolios, and investment managers can be evaluated. We are pleased to provide our comments on the recently proposed exposure draft; Topic 946: Financial Services – Investment Companies (the “Update”).

LaSalle Investment Management

LaSalle Investment Management (“LaSalle”) is one of the world’s leading real estate investment managers. We manage \$47.7 billion of public and private equity real estate investments and have a diverse investor base that includes public and private pension funds, insurance companies, governments, endowments and private individuals from across the globe.

Unlike many investment management firms, we invest only in real estate and therefore, have a unique focus and depth of expertise in that sector. Our primary objective is to deliver superior performance while striving to achieve the highest levels of client service.

LaSalle is a wholly owned but operationally independent subsidiary of Jones Lang LaSalle, one of the world’s leading real estate service providers. Jones Lang LaSalle is a publicly held company listed on the New York Stock Exchange (ticker: JLL). Our affiliation with Jones Lang LaSalle allows us to obtain extensive real-time information and research which helps to inform our analysis of markets and identify opportunities.

On behalf of our clients, LaSalle invests globally and primarily in office, industrial, retail, and multi-family properties. We do, however, also invest in intermodal, hotel, senior living, medical office, and storage facilities in lesser quantities. Our structures include single-investor portfolios (e.g. wholly-owned investments for pension funds), open-ended REITS that trade shares, and close-end private REITs that do not typically trade shares. Our funds also cover varying strategies including core (low risk), value-add (moderate risk), and opportunistic (high risk).

Our investor base is comprised of domestic, international, corporate, private, institutional, high-net-worth individual and, most recently, the retail investor.

General Statements and Guiding Principles concerning LaSalle's Position

Although the Proposed Accounting Standards Update, Topic 973: *Real Estate – Investment Property Entities*; issued on October 21, 2011 (“IPE ED”) was a great start to defining fair value accounting treatment in the real estate industry, we also understand that if the IPE ED is not adopted, **all** of our products will need to qualify as investment companies to get fair value accounting treatment. Therefore, we are compelled to comment on the Update even though the majority of our products would theoretically have qualified for accounting treatment under the IPE ED.

Our firm supports both net (unconsolidated like investment companies) and gross (consolidated like the proposed IPE ED) accounting presentations. Since our investors vary in their make-up, providing for variation in strategy, capability of meeting investor requirements, and catering to our understanding of how they use the information requires some level of flexibility; hence our support for two different, but very appropriate, reporting presentations. In pursuit of flexibility in reporting presentations, we also strongly support a more principles-based approach to determining the applications of the investment company (or IPE) approach.

As an investment manager of single-investor portfolios as well as commingled funds (multiple investors) that range from a few to many investors (including private REITs), we have found that the reporting presentation may change in favor of investor requirements based on a number of factors. They include, but are not limited to, the following:

- Investor make-up (private equity):
 - A single investor may require fair value reporting that also requires component return calculations (i.e. total return broken out into income and appreciation components) comparable to industry indices (e.g. National Property Index (“NPI”) or the Open-end Diversified Core Equity Index (“ODCE”). The requirements would dictate a gross approach (i.e. IPE).
 - A single-investor portfolio may require fair value reporting because that is how the investor reports at its level.
 - A commingled fund with only a few investors may also require fair value reporting to facilitate component return calculations comparable to industry indices.
 - In many cases a lead investor (holds a controlling interest in a commingled fund), may require the same information as a single-investor portfolio and therefore, may dictate reporting presentation for a fund.
 - A commingled fund with many investors may not have specific requirements of its financial statements and therefore would be comfortable with either a net or gross presentation.
- Fund strategy:
 - If the fund has an objective of investing in core (low-risk) real estate, it will likely focus component returns with more weight added to the income return. The component return calculation would require a gross presentation.
 - If the fund has an objective of investing in value-add (moderate risk) real estate, it will likely focus on component returns with more weight added to the appreciation return. As in the core strategy, the component return calculation would require a gross presentation.
 - If the fund has an objective of investing in opportunistic (high risk) real estate, is likely focus almost entirely upon the total return (or IRR). In this case, a net presentation would be acceptable.

Investment manager performance measurement plays an important role for both LaSalle and the consultants hired by our investors (aka: the analyst community). Real estate performance-measurement has traditionally been based on componentized returns (e.g. income, appreciation, and the resulting total). Like IPEs, investment companies should also have the option of a gross presentation to allow for audited financial

statements that tie out to these component returns. This becomes even more important if the IPE ED does not get implemented and all real estate funds are investment companies. These return calculations are governed independently by the [Global Investment Performance Standards](#) organization. As stated by that organization, their mission is to create and maintain a “set of standardized, industry-wide, ethical principles that provide investment firms with guidance on how to calculate and report their investment results to prospective clients” so that investment firms can compare and compete on a consistent basis. Without the ability to connect audited results to the returns calculations, our industry would lose the validity of its benchmarks and the historical results that it has tracked for years.

We support an application of the investment company vehicle to real estate investments. However, there are two current aspects of an investment company that, although not specifically mentioned in the Update, would need to change to maintain consistency in reporting financial results and performance measures to investors as described above. They are:

1. Revenue recognition - LaSalle supports the dividend method of revenue recognition where appropriate, especially in a fund-of-funds scenario. In the case of an investment company’s direct real estate investments, the option for accrual-based recognition would be required as well (both consolidated and Fair Value through Net Income). The accrual-based recognition model is what supports the calculation of our performance returns calculations and therefore, is required to provide continuity to the indices.
2. Earnings and Profits calculations (E&P) – These types of calculations lend themselves well to the retail investor community, but do not translate into the institutional real estate investment world. Accrual basis is preferred accounting model and especially where consolidated accrual-based accounting information is available, there is no need for the less precise E&P calculations. They should not be required or even referred to as a preferred method for real estate in the investment company arena.

In a principles-based environment, the investment manager has the ability to more appropriately cater the product to the investor base while also achieving the fair-value results needed to report to all investors with respect to both accounting and performance related information; this can be done in either a net or gross presentation. We can see no other alternative that would yield the proper results in the real estate industry. In that context, application of investment company treatment to real estate requires flexibility in presentation. We further elaborate on the principles-based approach in our answers below to the questions proposed by the Board.

Sincerely,



James Strezewski
Senior Vice President
LaSalle Investment Management

ANSWERS TO QUESTIONS FOR REPOSNDENTS

SCOPE

Question 1: *The proposed amendments would require an entity to meet all six of the criteria in paragraph 946-10-15-2 to qualify as an investment company. Should an entity be required to meet all six criteria, and do the criteria appropriately identify those entities that should be within the scope of Topic 946 for investment companies? If not, what changes or additional criteria would you propose and why?*

Answer 1: As noted above, we do not agree that an entity should be required to meet all six criteria in paragraph 946-10-15-2. However, we do believe that the criteria described within the exposure draft should serve as *strong indicators* that an entity qualifies as an investment company. This accomplishes the much more appropriate principles-based approach we discuss in our comments above.

Comments on each criterion are as follows:

1. *Nature of the Investment activities:* *The investment company's only substantive activities are investing in multiple investments for returns from capital appreciation, investment income (such as dividends or interest), or both.*

The words "only" and "multiple" should be struck:

- a. *Only:* This word is too prescriptive. Instances may exist on an inconsequential basis, where a fund may engage in activities that are not related to investing in investments for returns from capital appreciation, investment income, or both. Funds that may slightly deviate from this criterion should not necessarily be excluded from the definition of an investment company. Using the word "substantive" will provide a sufficient principles-based approach to identify the outliers.
 - b. *Multiple:* We are concerned that the requirement for "multiple" investments may cause a fund not to be considered an investment company where all other indicators would dictate otherwise. For example, an investment company may be established to purchase multiple assets but, subsequently finds it is unable to acquire more than one investment. The fund in all other respects meets the criterion to be an investment company. Financial statements presented on a fair value basis are just as useful and important here as they are with other investment companies that hold multiple assets. Therefore, an investment company that holds a single property should still qualify as an investment company under Topic 946. This is another instance where a criterion is better suited to be an indicator rather than an absolute qualification especially when all other indicators (criteria) have been met.
2. *Express business purpose:* *The express business purpose of the investment company is investing to provide returns from capital appreciation, investment income (such as dividends or interest), or both.*

As mentioned above, this should be another strong indicator that the entity is an investment company.

3. *Unit ownership:* *Ownership in the investment company is represented by units of investments, in the form of equity or partnership interests, to which a portion of the net assets are attributed.*

Please see answer below on the pooling of funds.

4. Pooling of funds: *The funds of the investment company's investors are pooled to avail investors of professional investment management. The entity has investors that are not related to the parent (if there is a parent) and those investors, in aggregate, hold a significant ownership interest in the entity.*

The legal form of an entity should **not** dictate the accounting. Therefore, single-investor portfolios should be scoped into Topic 946 also. Since single-investor portfolios should be scoped into Topic 946, we also note that the "Unit ownership" criteria may not be appropriate for these types of accounts. By definition, a single-investor portfolio can own 100% of the entity. Finally, single-investor portfolios may contain a single investment (see our comment to criterion 1b above).

Further note that these single-investor portfolios represent one of various legal entity structures used by our investors (e.g. pension plans) to invest in real estate. Real estate represents a portion of the investments of the pension plan which are established for its beneficiaries. Although there may not be "pooling" or "units" at the single account level, these characteristics are evident at the plan level. To exclude these accounts from investment company treatment would be inappropriate for our investors by limiting their reporting presentation options.

5. Fair value management: *Substantially all of the investment company's investments are managed, and their performance evaluated, on a fair value basis.*

Fair value management is a strong indicator that the entity is an investment company. Our funds are traditionally managed on a fair value basis and will not have any issues meeting this criterion. In fact, the specialized services LaSalle provides to its investors are maintenance of investment value, an ability to add value to an investment, or both. Most decisions made by an investment manager are made in the context of how they affect value in either the long or short term.

6. Reporting entity: *The investment company provides financial results about its investment activities to its investors. The entity can be but does not need to be a legal entity.*

We agree that this is a strong indicator that the fund is an investment company.

Question 2: *The definition of an investment company in the proposed amendments includes entities that are regulated under the SEC's Investment Company Act of 1940. Are you aware of any entities that are investment companies under U.S. regulatory requirements that would not meet all of the proposed criteria in paragraph 946-10-15-2? If so, please identify those types of entities and which of the criteria they would not meet.*

Answer 2: Our funds are not subject to the SEC's Investment Company Act of 1940. We therefore, cannot identify investment vehicles that would have issues with being erroneously scoped out of investment company treatment.

Question 3: *The proposed amendments would remove the scope exception in Topic 946 for real estate investment trusts. Instead, a real estate investment trust that meets the criteria to be an investment property entity under the proposed Update on investment property entities would be excluded from the scope of Topic 946. Do you agree that the scope exception in Topic 946 for real estate investment trusts should be removed? In addition, do the amendments in the proposed Updates on investment companies and investment property entities appropriately identify the population of real estate entities that should be investment companies and investment property entities?*

Answer 3: As noted in our answer to question #1 criterion #4, the legal form of an entity can be an indicator of an investment company, not a determinant. Real estate investment trusts (“REITs”) that meet the parameters to be considered investment companies in all respects regardless of legal form, should be classified as such and therefore, we agree that the scope exception in Topic 946 for REITs should be removed. Furthermore, we are not aware of any real estate entities that could not meet the definition of either an investment company or an IPE.

Question 4: *The proposed amendments would require an entity to reassess whether it is as an investment company if there is a change in the purpose and design of the entity. Is this proposed requirement appropriate and operational? If not, why?*

Answer 4: We agree an entity should be required to reassess whether it is an investment company if there is a change in the purpose and design of the entity although in our experience this is a rare occurrence. Further clarification is needed as to how the entity should evaluate whether “a change in the purpose and design” has occurred. Additional application guidance would help clarify to what extent a “change” has been made. A “change” could be interpreted to be more directly defined (e.g. written in offering documents or approved in minutes of corporate meetings) and if it is, then it will likely be the source of differences in opinion between preparers and auditors.

For example, a previously passive investor in a hotel decides to not only own a hotel, but brand their business and operate hotels. By shareholder vote, the entity pursues a hotel operating strategy. This clearly indicates a change in purpose and design or the investment manager would be in violation of its investment objectives.

Whereas an entity that currently holds assets as passive investments is suddenly thrust into a more active role (e.g. developer partner bankruptcy), it should not be considered to have changed their business purpose and design. Their investment objectives remain the same, but only by force majeure, was their purposed changed. This should not be considered a change in purpose and design.

If the Board professed a more principles-based approach within the Update, further clarity would not be required as this would be more appropriately defined within the facts and circumstances of the “change” being contemplated. As the Update is worded now (lacks promotion of a principles-based concepts), we cannot necessarily draw this conclusion. A principles-based approach would also avoid the potential for a fund finding itself challenged with a constant moving in and out of investment company treatment. How often is the assessment made? How is it based? How many times can a fund move in and out of investment company treatment? The issues are accommodated with a principles-based approach.

NATURE OF INVESTMENT ACTIVITIES

Question 5: *An entity may be an investment company when it performs activities that support its investing activities. As a result, a real estate fund or real estate investment trust (that is not an investment property entity) could be an investment company if the entity (directly or indirectly through an agent) manages only its own properties. However, the entity would be precluded from being an investment company if the other activities were considered more than supporting the entity’s investment activities (for example, construction). Is this requirement operational, and could it be consistently applied?*

Answer 5: The requirement is operational and can be consistently applied provided that language is incorporated within the standard which indicates that “substantially all” of the other activities support the investment entity’s activities. When it would **not** be true that substantially all of the other activities supported

the entity's investment activities, then the express business purpose of the fund would have changed and classification of the fund as an investment company may no longer be appropriate in principle.

Question 6: *The proposed implementation guidance includes examples of relationships or activities that would indicate that an entity obtains or has the objective of obtaining returns from its investments that are not capital appreciation or investment income. Do you agree with these examples? If not, how would you modify the examples while still addressing the Board's concerns identified in paragraphs BC15 and BC16?*

Answer 6: Investors in an investment company should not have strategic relationships with its investees. However, the list included in the Update is not appropriate. Instead, in the interest of pursuing a principles-based approach, the proposed language should be based on the principle introduced by paragraph 946-10-55-7, which is that the nature-of-the-investments criterion would not be met if the entity or its affiliates obtain or have the objective of obtaining returns from its investments other than capital appreciation or investment income. The additional guidance in paragraphs 946-10-55-7(a)-(f) should be eliminated and that this list be used only as indicators to support an overall analysis. The Board should indicate that the guidance in this paragraph is not meant to capture transactions executed on a typical arm's-length basis in the normal course of business.

UNIT OWNERSHIP AND POOLING OF FUNDS

Question 7: *To be an investment company, the proposed amendments would require an entity to have investors that are not related to the entity's parent (if there is a parent) and those investors, in aggregate, must hold a significant ownership interest in the entity. Is this criterion appropriate? If not, why?*

Answer 7: The criterion is appropriate only if the entity can have **one** (e.g. single-investor portfolio exemption) or more investors. Please see our responses to question #1 (criterion 4) above and question #9 below relating to a single-investor portfolio exception. To exclude these accounts from investment company treatment would be inappropriate and burdensome to our investors.

Question 8: *The proposed unit-ownership criterion would require an entity to have ownership interests, in the form of equity or partnership interests, to be an investment company. The entity would consider only those interests in determining whether it meets the proposed pooling-of-funds criterion. Therefore, a securitization vehicle, such as a collateralized debt obligation, may not qualify as an investment company under the proposed amendments because it may not meet the unit-ownership or the pooling-of-funds criterion. The entity would not consider interests held by its debt holders when evaluating these criteria to be an investment company. For entities that do not have substantive equity interests (for example, those considered variable interest entities under Subtopic 810-10), should the unit-ownership and pooling-of-funds criteria to be an investment company consider interests held by debt holders? Please explain.*

Answer 8: We do not typically structure investment vehicles as described in the question. We would however prefer to see the availability of an economic argument (i.e. principles-based assessment) whereby some features of the debt instruments in question may allow the assessment to include the underlying debt holders as a pooled interest and therefore, equity owners in substance.

For example, several loans with equity conversion options or interest payments more closely related to the operations of the investments (i.e. participating mortgages) should be allowed to qualify as they have a number of equity-like characteristics.

Furthermore, there are several occasions where our investment vehicles will use lines of credit collateralized by shareholder commitments to temporarily fund investment activities until capital can be called. This is done in the best interest of the investors by creating the ability to act quickly in the market place and to not overfund some investments. A fund should not be excluded from investment company treatment under these scenarios.

Question 9: *Certain entities may meet all of the other criteria to be investment companies but have only a single investor (for example, a pension plan). The amendments in FASB's proposed Update on investment property entities provides that if the parent of an entity is required to measure its investments at fair value under U.S. GAAP or the parent entity is a not-for-profit entity under Topic 958 that measures its investments at fair value, the entity would not need to meet the unit-ownership and pooling-of-funds criteria to be an investment property entity. Considering the Board's concerns identified in paragraph BC24, should the criteria in this proposed Update be amended to address situations in which the entity has a single investor?*

Answer 9: The proposed Update should be amended to address situations in which an entity has a single investor. Please see our response to Question #1, criterion #3 (Unit Ownership) and criterion #4 (Pooling of Funds) above.

Question 10: *The unit-ownership and pooling-of-funds criteria in the proposed amendments do not consider the nature of the entity's investors for evaluating if an entity is an investment company. That is, the criteria do not differentiate between passive investors and other types of investors. Do you agree that the nature of the investors should not be considered in evaluating the unit-ownership and pooling-of-funds criteria?*

Answer 10: We agree that with respect to whether an investor is considered either "passive" or "active", the nature of the investors should **not** be considered when evaluating the unit-ownership and pooling of interests criterion.

FAIR VALUE MEASUREMENT

Question 11: *The proposed amendments would require that substantially all of an investment company's investments are managed, and their performance evaluated, on a fair value basis. Do you agree with this proposal? If not, why? Is this proposed amendment operational and could it be consistently applied? If not, why?*

Answer 11: Yes, substantially all of an investment company's investments should be managed, and their performance evaluated on a fair value basis. This proposed amendment is operational for our organization and many others and can be consistently applied. Substantially all of our funds report on a fair value basis, as this is typically a client requirement and is most beneficial to the readers of the funds' financial statements. A fair value presentation is also most appropriate in our analysis of the income and appreciation components of the performance returns that we report to our investors.

INTERESTS IN OTHER ENTITIES

Question 12: *The proposed amendments would retain the requirement that an investment company should not consolidate or apply the equity method for an interest in an operating company unless the operating entity provides services to the investment company. However, the proposed amendments would require an investment company to consolidate controlling financial interests in another investment company in a fund-of-funds structure. An investment company would not consolidate controlling financial interests in a master-feeder structure. Do you agree with this proposed requirement for fund-of-funds structures? If not, what method of accounting should be applied and why? Should a feeder fund also consolidate a controlling financial interest in a master fund? Please explain.*

Answer 12: We agree that an investment company should not consolidate its controlling financial interests in a master-feeder structure; however we disagree with the Board's proposal to require an investment company to consolidate its controlling financial interests in another investment company in a fund-of-funds structure as it is likely that it is not operational in many circumstances. In that case, an investment company should report its investments in other investment companies at Fair Value Through Net Income.

Master-feeder

The non-consolidation accounting model in a master-feeder structure provides the appropriate form of transparency for financial statement users by reporting the fair value of its investments in their appropriate form (e.g. Investment in Limited Partnership) and distinguishing them from directly-owned assets such as investment properties or marketable securities. The investor entity's consolidation of controlling financial interests in another investment company can confuse readers as to what the investor entity indirectly owns versus what the investor entity directly owns. A non-consolidation model between investment companies under U.S. GAAP also aligns and converges with proposed IFRS, and thereby provides global consistency in accounting standards.

Fund-of-funds

It is uncommon for an investor entity to control an investee in a fund-of-funds structure. However, if an entity does hold a controlling but less than wholly owned interest in a fund-of-funds structure, access to adequate information for consolidation may not be available. In most instances, LaSalle intends to structure the controlling interests of our funds' investments so that the fund would be capable of meeting the Board's proposed treatment of consolidation. However, there may be instances where a joint venture partner is in control of structuring and is also the holder of the financial details of the investment. It may be difficult at times to obtain these details required for consolidation from third-party managers or joint venture partners rendering the consolidation process difficult or impossible.

Similar to disclosure requirements applicable to a master-feeder structure, it would be more appropriate for an entity to include in its disclosures, the financial statements of the fund in which it holds controlling financial interests, if available. This approach provides additional transparency through disclosures in a cost-effective manner while permitting the investor entity to report the true nature of its investments on the face of its financial statements.

Question 13: *The proposed amendments would require an investment company to consolidate a controlling financial interest in an investment property entity. Should an investment company be subject to the consolidation requirements for controlling financial interests in an investment property entity? If not, what method of accounting should be applied and why?*

Answer 13: We agree that an investment company should be required to consolidate a controlling financial interest in an investment property entity. This is consistent with the accounting methodology that is currently

used in our funds' fair value financial statements. Furthermore, the process of assessing an investment's status for consolidation should be governed by Topic 810: Consolidation.

Question 14: *The proposed amendments would prohibit an investment company from applying the equity method of accounting in Topic 323 to interests in other investment companies and investment property entities. Rather, such interests would be measured at fair value. Do you agree with this proposal? If not, why?*

Answer 14: We agree with the Board in that application of Topic 323 – Investments – Equity Method and Joint Ventures is not appropriate as that topic was written for a historical cost based accounting model and therefore, does not contemplate fair value methods. We do however think it is appropriate to clarify that the fair value through net income methodology is essentially the equity method with the addition of fair value concepts (i.e. unrealized gains and losses).

We have attached an example of how our industry has applied the equity method while also incorporating fair value concepts. You will notice that this approach also preserves the component returns discussed in our opening Summary of Our Position that are key performance measures established within our industry. It is essential that we preserve these measures and that can only be accomplished if the Fair Value Through Net Income method is appropriately defined.

In the case where the entity is an operating entity providing services to a parent IPE, we agree with the Board's decision to allow the equity method as we agree that those entities are not part of the investing activities of the fund and the investor should not be led to think that they are.

PRESENTATION AND DISCLOSURE

Question 15: *An investment company with a controlling financial interest in a less-than-wholly-owned investment company subsidiary or an investment property entity subsidiary would exclude in its financial highlights amounts attributable to the noncontrolling interest. Do you agree that the amounts attributable to the noncontrolling interest should be excluded from the calculation of the financial highlights? If not, why?*

Answer 15: We agree that the amounts attributable to the noncontrolling interest should be excluded from the calculation of the financial highlights.

Question 16: *If an investment company consolidates an investment property entity, the proposed amendments require the investment company to disclose an additional expense ratio that excludes the effects of consolidating its investment property entity subsidiaries from the calculation. Do you agree? If not, why?*

Answer 16: Consistent with answer 15, we agree that the effects of consolidating investment property entity subsidiaries should be excluded from the expense ratio. The ratio should only include the economic impact of the true investment ownership as to not distort the metric.

Question 17: *Do you agree with the additional proposed disclosures for an investment company? If not, which disclosures do you disagree with, and why? Would you require any additional disclosures and why?*

Answer 17: We do not foresee there being any issues with the additional proposed disclosures for an investment company.

RETENTION OF SPECIALIZED ACCOUNTING

Question 18: *The proposed amendments would retain the current requirement in U.S. GAAP that a noninvestment company parent should retain the specialized accounting of an investment company subsidiary in consolidation. Do you agree that this requirement should be retained? If not, why?*

Answer 18: We agree that this requirement should be retained.

EFFECTIVE DATE AND TRANSITION

Question 19: *An entity that no longer meets the criteria to be an investment company would apply the proposed amendments as a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption by calculating the carrying amounts of its investees as though it had always accounted for its investments in conformity with other applicable U.S. GAAP, unless it is not practicable. If not practicable, the entity would apply the proposed amendments as of the beginning of the period of adoption. Do you agree with this proposal? If not, why?*

Answer 19: We agree with this proposal for two reasons. First, for the period under which an entity meets the criteria on an investment company, that presentation is most appropriate and therefore, meets investors reporting needs more closely for that time period. Second, our industry has already assessed that the ability to move from an unconsolidated environment to a consolidated one and found that it is difficult to execute even on a forward looking basis. To ask that a fund implement a retrospective and prospective treatment in less than year would not be operational considering the need to obtain information that may not be available or legally obtainable. The endeavor would likely prove to be costly as well involving the renegotiation of fund and investor agreements in order to continue to report going forward.

Question 20: *How much time would be necessary to implement the proposed amendments?*

Answer 20: Since we are predominantly applying fair value accounting concepts already and since we control the majority of our assets subject to consolidation, implementation time would likely be less than one year for most of our funds.

Question 21: *The proposed amendments would prohibit early adoption. Should early adoption be permitted? If yes, why?*

Answer 21: We agree that early adoption should be prohibited. Considering the complexity of the issues for both the investment property entity and investment company exposure drafts, the possibility that the standard could change prior to the stated effective date is relatively high. Therefore early adopters could be penalized by having to further adopt subsequent changes which could disrupt the reporting process to an even greater extent.



NONPUBLIC ENTITIES

Question 22: *The proposed amendments would apply to both public and nonpublic entities. Should the proposed amendments apply to nonpublic entities? If not, how should the proposed amendments differ for nonpublic entities and why?*

Answer 22: We agree that the proposed amendments should apply to both public and non-public entities.

FAIR VALUE THROUGH NET INCOME: EQUITY METHOD WITH FAIR VALUE CONCEPTS

<u>Entries</u>	<u>DR</u>	<u>CR</u>	Investment in on Balance Sheet
<u>1. Acquisition of Joint Venture</u>			
Investment in Real Estate	1,000		Contribution 1,000
Cash		1,000	Income 12
<u>2. Record operating income earned at share</u>			
Investment in Real Estate	12		Unrealized gains 15
Income from Invesments in real estate		12	Distribution (10)
<u>3. Record unrealized gains at share</u>			
Investment in Real Estate	15		Investment in Real Estate <u><u>1,017</u></u>
Income from Invesments in real estate		15	
<u>4. Record distribution from investment</u>			
Cash	10		
Investment in Real Estate		10	

Note:

- The income and the gains would be recorded separately on the income statement to preserve component returns calculation comparability.