

February 15, 2012

Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Via email: director@fasb.org

Dear Technical Director,

RE: Proposed Accounting Standards Update to Topic 973, Real Estate – Investment Property Entities (File Reference No.: 2011-210)

The Blackstone Group ("Blackstone") is pleased to comment on the proposed Accounting Standards Update on Real Estate – Investment Property Entities (the "Proposed Update" or "Update").

Blackstone's business includes, amongst other things, the management of real estate focused funds. Such funds primarily hold a partnership interest in holding companies that in turn hold real estate properties. The purpose of such funds is to provide investors with the potential for capital appreciation, investment income (in the form of interest and dividends) or both. Historically, these real-estate focused funds have met the definition of an investment company as defined in Topic 946 and have therefore applied the specialized industry accounting guidance contained therein and measured all investments at fair value. We have followed the joint efforts of the FASB and IASB to develop a common set of criteria that would appropriately identify an investment company as set out in the recently issued proposed update on this topic (File Ref: 2011-220). Our evaluation of the criteria contained in the Proposed Update would result in real estate focused funds being scoped into Topic 973.

We believe that it is not in the interest of both users and preparers of financial statements to develop a separate standard that deals exclusively with entities that hold real estate properties. We note that this topic was added to the FASB agenda in March 2010 to address certain issues arising from the application of proposed guidance in the Leasing topic. However, we believe that addition of this as a separate topic unintentionally confuses both users and preparers. The FASB issued a decision tree to determine if an entity is an Investment Property Entity ("IPE") or if not, if it is an investment company

under the revised Investment Company ("ICE") criteria. Again, we question the need for the first step in this analysis for entities that invest in real estate.

We note that many of the criteria set out in the Update to identify an IPE are based on the criteria used to identify an ICE; however, some arbitrary differences have been included to segregate entities that hold investments in real estate properties. We do not understand the purpose of a separate standard for entities holding real estate properties when the business purpose of the entity is the same as an ICE, that is to make investments for the express business purpose of investment income, capital appreciation or both. We do not believe that entities investing in real estate properties require a separate standard.

After following the discussions on both the ICE and IPE projects, we note that consolidation of an investment company by another investment company was a direct result of the objective of consistency between investment companies and investment property entities where a decision had already been reached that an investment property entity should consolidate another investment property entity. As a result of these discussions, we have ended up with proposals in the ICE update that would result in meaningless information being provided to users of financial statements of an ICE.

In line with our comments on the Investment Company proposed update, we do not believe that consolidation is the appropriate measurement attribute for investment companies or, if the FASB proceeds with a separate standard, investment property entities. Investors in all funds are focused on changes in fair value and make decisions about their investments on this basis. Therefore, we believe that fair value is the appropriate measurement attribute for all investments held.

In summary, we do not believe that a separate standard is required for investment property entities. We believe that issues that arise from the application of the revised guidelines in the other projects should be addressed within those projects.

We appreciate the opportunity to comment on the Proposed Update and we look forward to participating in the joint round-table discussions on this topic. If you have any questions or comments on our response to the Update, please do not hesitate to contact me.

Yours truly,

Kathleen Skero Finance Director

The Blackstone Group

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