February 15, 2012

Ms. Susan M. Cosper, Technical Director  
Financial Accounting Standards Board  
401 Merritt 7  
PO Box 5116  
Norwalk, Connecticut 06856-5116


Dear Ms. Cosper,

Simon Property Group, Inc. (Simon) welcomes this opportunity to respond to the request for comments from the Financial Accounting Standards Board (FASB or Board) on the proposal contained in the FASB Exposure Draft, Real Estate – Investment Property Entities (the “Exposure Draft” or “ED”).

Simon is an S&P 500 company and the largest real estate company in the U.S. As of December 31, 2011, the Company owned or held an interest in 383 income-producing properties comprising 256 million square feet in North America, Europe and Asia. Simon is headquartered in Indianapolis, Indiana and employs more than 5,500 people worldwide. The Company’s common stock is publicly traded on the NYSE under the symbol SPG.

Simon is strongly committed to improving the relevance and usefulness of its financial reporting and routinely provides input on FASB, International Accounting Standards Board (IASB) and Securities and Exchange Commission proposals through its membership and participation in National Association of Real Estate Investment Trusts (or NAREIT).

We support the FASB’s efforts to continue to develop high-quality accounting standards that improve the transparency, usefulness and credibility of financial reporting. However, we do not believe that the ED as currently drafted provides significant clarity or consistency with respect to fundamental financial reporting matters for investment property and our industry. In addition, this ED is inextricably linked with the Board’s joint project with the International Accounting Standards Board (IASB) on Leases. As there is no current ED with respect to the lease project, we must comment on the Investment Property ED without the benefit of the Board’s latest proposal on Leases.
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whose impact will be pervasive on our financial reporting and the information we report
to our stakeholders. As such, we must comment on the Investment Property ED without
the benefit of a holistic view of what Simon’s financial reporting would look like upon
adoption of both the Investment Property and Leases guidance, should components both
be ultimately adopted by a final standard.

With respect to the Investment Property ED, we have the following comments and related
concerns.

**Definition of an Investment Property Entity (IPE)**

We believe the current definition of an IPE is overly complex and confusing and could
potentially lead to judgments being made by similar companies with comparable
operating profiles which may lead to decreased comparability within the industry. We
support a principle-based accounting framework for investment entities evaluated at the
"property level" where the underlying business model is to hold investments for capital
appreciation, investment income, or both. The criteria as proposed in the ED should only
be used to provide indicators, rather than determinative factors. As such, this would
obviate the need for both a standard for Investment Property Entities and Investment
Companies through the issuance of one high-quality standard.

We specifically do not believe the current definition of an IPE contains a workable set of
criteria for the definition as such and would not ultimately provide financial statement
users with consistent financial information for comparable preparer business activities.

- **Nature of business activities criterion** – The ED requires “substantially all of the
  entity’s business activities to be investing in a real estate property or properties.”
  Further, only those real estate properties where there is a controlling financial
  interest would count towards such determination as to whether an entity meets the
  “substantially all” criterion.

An entity would not qualify as an investment property entity if it has substantial
activities related to investing in assets other than real estate properties where there
is a controlling interest. There are several ways to invest in real estate such as
through a wholly owned investment, partnering with a venture partner in order to
share risk in a shared power arrangement, or through the purchase of an equity or
mortgage security interest. Many real estate companies invest in property using a
variety of these investment vehicles and thus, may not be able to assert that they
meet the “substantially all” criteria. For example, compare a company that owns
100% of its interests in a wholly owned entity to a company that owns 50% of the
same interests in a wholly owned entity and 50% of the same interests through
joint venture arrangements. This company would come to a different conclusion
despite essentially the same investments in underlying investments with the same business activities held through different legal structures.

Also, this criterion would be problematic as the inherent subjectivity in this assessment provides some implicit optionality for the preparer which ultimately may lead to similar companies accounting for a similar portfolio of investments in a different manner. In other words, some companies may utilize a 90% measure as a bright line test whereas another may use a different measure. Lastly, exclusion of real estate held in a non-controlled affiliate may cause entities to move in and out of the investment property guidance depending on what type of investment is made each year (i.e. in a controlled or uncontrolled property).

We believe the guidance should be “property” based as opposed to “entity” based. The guidance should apply to all investment property regardless of the industry, legal structure or entity in which the owner/operator resides or whether the property represents “substantially all” of the entity’s activities or represents a relatively small portion of the activity of its parent.

- **Express business purpose criterion** – To meet this criterion, an entity must make an express commitment to its investors that its business strategy is “to invest in a real estate property or properties to maximize total return, including an objective to realize capital appreciation.” Further, an entity’s express business purpose is also demonstrated by its investment plans. Thus, an entity would “have an exit strategy to dispose of its property… to realize capital appreciation to maximize total returns.”

We do not believe that the realization of capital appreciation through an exit strategy is an appropriate criterion. We develop, acquire, lease, finance, manage and opportunistically dispose of our investment property to maximize total financial return to our investors from the aggregate of operating cash flow and appreciation in the investment property’s value. Total financial return may be measured from the perspective of the investor from cash flows and change in unrealized value of the investment property. From the shareholder perspective, return is evidenced by changes in the fair value of shares which is driven by the value changes of the underlying real estate of the venture.

In addition, the ED does not acknowledge the possibility that there are strategies other than an exit strategy which might meet the objective of capital appreciation. For example, contributing assets into a joint venture or leveraging a property through new borrowings and distributing the proceeds or excess financing proceeds to the equity owners would also be an example of realizing capital appreciation.
Uniformity with IFRS
The ED does not currently align the accounting guidance with that of the related standards issued by the IASB. Global consistency of accounting standards with the prospect of increased comparability was a primary driver for the undertaking of the project from inception. Under the current ED, divergence will remain which lessens, if not eliminates, the intended benefit of issuance.

- The definition of an IPE differs under IAS 40 such that an “asset” approach is utilized whereas under the ED, an “entity” approach is utilized to determine what is in and out of scope.
- Under IAS 40, an entity has the option of applying fair value guidance whereas under the ED, fair value is required.

We believe it is imperative the FASB and IASB Boards align their guidance to provide a consistent definition in regard to what constitutes an IPE (or an Investment Company) and how these entities should report their investments in their financial statements.

Adoption and Effective Date
The ED requires a cumulative effect adjustment at the beginning of the period of adoption. Accordingly, in an effort to quantify the cumulative effect of the adoption on our financial statements, we would presumably be required to evaluate prior years and unwind the impact of all purchase accounting recorded in previous years (note the ED will require a change in accounting related to real estate business combinations). In addition, in order to provide information on comparability to users of our financial statements, we will need to calculate the impact on each of the prior year reported results such that we can speak to comparability on a year-to-year basis.

Accordingly, we believe the required adoption date should take into account the significant time and resources involved not only to account for investment property at fair value, but also take into consideration the significance of the effort involved to determine the cumulative effect change in accounting and resulting impact on the comparability of prior year results as compared to the year of adoption.

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Simon appreciates the opportunity to comment and is available to assist in the continuing process of refining the Exposure Draft. We encourage the Board to work diligently to develop workable rules for accounting for investment property that is responsive to
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financial statement users and balances the outcomes of adoption to maximize usefulness and minimize unnecessary cost and adverse implications.

If the Board or its staff would like to discuss Simon’s views as expressed in this comment letter, please do not hesitate to contact me at sbroadwater@simon.com or (317) 263-7902.

Respectfully submitted,

Steven K. Broadwater  
Senior Vice President and  
Chief Accounting Officer