

MINUTES



To: Board Members
From: Monsen (ext. 353)
Subject: Minutes of February 9, 2011, Board Meeting: Investment Properties **Date:** February 16, 2011
cc: Bielstein, Stoklosa, Chookaszian, Proestakes, Leisenring, Lott, Posta, Guasp, Sutay, Klimek, McGarity, Kiernan, Gabriele, Yang, Monsen, Couch, FASB Intranet

The Board meeting minutes are provided for the information and convenience of constituents who want to follow the Board's deliberations. All of the conclusions reported are tentative and may be changed at future Board meetings. Decisions become final only after a formal written ballot to issue an Accounting Standards Update or a Statement of Financial Accounting Concepts.

Topic: Scope of Investment Properties Guidance

Basis for Discussion: FASB Memo No. 8

Length of Discussion: 8:45 to 9:40 a.m.

Attendance:

Board members present: Seidman, Linsmeier, Golden, Siegel, and Smith

Board members absent: None

Staff in charge of topic: Yang

Other staff at Board table: Stoklosa, Farber, Glotzer, Axt, and Monsen

Outside participants: None

Type of Document and Timing Based on the Technical Plan:

The Board met to discuss issues relating to the development of a proposed Accounting Standards Update. The Board's technical plan calls for that document to be issued in the second quarter of 2011.

Summary of Decisions Reached:

The Board reaffirmed its previous decision that the investment properties guidance would only apply to entities that meet the five criteria the Board has previously developed. The Board decided that the business activities and business purpose criteria should describe the qualifying entities as those that invest in real estate for total return. The revised criteria follow:

1. *Business Activities.* The entity's substantive activities relate to investing in real estate.
2. *Business Purpose.* The express business purpose of the entity is to invest in real estate for total return including an objective to realize capital appreciation. The entity has potential strategies for realizing capital appreciation including selling a property to maximize its total return. The entity's business purpose is not to hold real estate properties for:
 - a. Use in the production or supply of goods or services or for administrative purposes;
 - b. Rental income only; or
 - c. Sale in the ordinary course of business.
3. *Unit Ownership.* Ownership in the entity is represented by units of investments, such as shares or partnership interests, to which proportionate shares of net assets can be attributed.
4. *Pooling of Funds.* The entity has one or more unrelated investors that hold significant ownership interests in the entity.
5. *Reporting Entity.* The entity can be but does not need to be a legal entity.

The Board decided to allow an entity with investments in both property and other types of real estate investments (such as mortgage receivables or mortgage-back securities) to qualify under the investment properties guidance. The Board will continue to discuss whether certain real estate entities owned by a single owner (for example, a pension plan) would qualify under the investment properties guidance.

General Announcements: None.