Ameriprise Financial, Inc. 802 Ameriprise Financial Center Minneapolis, MN 55474



Via Email: director@fasb.org

February 15, 2012

Susan M. Cosper Technical Director File Reference No. 2011-210 Financial Accounting Standards Board 401 Merritt 7 Post Office Box 5116 Norwalk, Connecticut 06856-5116

RE: File Reference No. 2011-210

Dear Ms. Cosper:

Ameriprise Financial, Inc., one of the nation's leading financial planning, asset management and life insurance and annuity companies, respectfully offers comments for your consideration with respect to the Financial Accounting Standards Board (the "FASB") Proposed Accounting Standards Update, *Real Estate – Investment Property Entities* (the "ED").

EXECUTIVE SUMMARY

We support the FASB's pursuit of addressing diversity in practice related to accounting by entities that invest in real estate as well as developing a single lessor accounting model that aligns U.S. GAAP and IFRS.

While we agree diversity in practice of accounting for investments in real estate has emerged over time, it is not clear that users of the investment property entity's financial statements require different information than currently available in investment property entities' financial statements. Additionally, the ED does not converge U.S. GAAP and IFRS which does not address diversity in the global marketplace. We recommend the Board consider eliminating the investment property entity model and, rather, address diversity in practice through modifying the scope of the Proposed Accounting Standards Update—
Financial Services—Investment Companies (Topic 946): Amendments to the Scope, Measurement, and Disclosure Requirements ("Topic 946").

With respect to developing a single lessor accounting model that aligns U.S. GAAP and IFRS, we support the tentative decisions of the FASB and the International Accounting Standards Board ("IASB") made on October 19, 2011 where leases of investment properties would not be within the scope of the receivable and residual approach for lessor accounting, rather lessors of investment property would continue to recognize the underlying asset and recognize lease income over the lease term (i.e. retaining the existing operating lease accounting model). However, it is not clear how that tentative decision impacts the need

to continue with the Investment Property Entities project. It is important to note that our comments on the ED were heavily influenced by the October 19, 2011 tentative decisions by the FASB and the IASB to exclude investment properties from the scope of the receivable and residual lessor model in their joint lease project.

In addition, we believe entity-based criteria as set forth in the ED should not influence whether investment properties should be measured at fair value. Investment properties should be measured at fair value when they are managed, and their performance evaluated, on a fair value basis. This determination is best made by management and should consider the individual facts and circumstances of the management objective of the real estate portfolio.

Please find Attachment I with our response to your specific ED questions.

Thank you for your consideration of our comments on this relevant topic. If you have any questions, comments or would like further information, please contact me at (610) 678-4769.

Sincerely,

David K. Stewart

Senior Vice President and Controller

ATTACHMENT I

Scope

Question 1: The proposed amendments would require an entity that meets the criteria to be an investment property entity to measure its investment property or properties at fair value rather than require all entities to measure their investment properties at fair value. Should all entities measure their investment properties at fair value or should only an investment property entity measure its investment properties at fair value? Why? Is fair value measurement of investment properties operational? Please describe any operational concerns.

Entity-based criteria should not influence the decision as to whether investment properties should be measured at fair value. Investment properties should be measured at fair value when they are managed, and their performance evaluated, on a fair value basis. Management should consider the individual facts and circumstances of the real estate portfolio. When considering investment properties held by investment companies, investment properties should be presented at fair value, meeting the reporting needs of the entities' investors.

We do not have any significant operational concerns in developing fair value estimates.

Question 2: The proposed amendments would require an investment property entity to measure its investment property or properties at fair value rather than provide an option to measure its investment property or properties at fair value or cost. Should fair value measurement of investment properties be required or permitted? Please explain.

The Board should consider including the investment property entities in the proposed revisions to the investment company model discussed in Topic 946 as many of the proposed criteria are fairly consistent and have an overarching principal that fair value, with changes recognized through the income statement, is the most relevant measure for both types of entities.

In addition, the Board should consider incorporating a fair value option similar to International Accounting Standard 40, Investment Property ("IAS 40") to measure investment properties held by an entity at fair value or cost. Although accounting options may reduce comparability between entities, having an principal that is entity-based creates the opportunity to structure transactions and businesses to effectively achieve fair value (or cost) and would be the same as allowing a fair value option that could be adequately disclosed.

Question 3: Do the criteria in the proposed amendments appropriately identify those entities that should be required to measure their investment property or properties at fair value, and, therefore, should be excluded from the scope of the lessor accounting model in the proposed Update on leases? If not, what changes or additional criteria would you suggest, and why are those criteria more appropriate?

We believe this question is no longer relevant given the October 19, 2011 tentative decision by the FASB to scope out investment properties from using the receivable and residual lessor accounting model. To the extent the FASB reverses this tentative decision, we believe the criteria in the proposed amendments do not appropriately identify those entities that should be required to measure their investment properties at fair value.

The proposed pooling of funds criteria is overly restrictive and could result in unintended differences when accounting for foreclosed commercial real estate. The proposed pooling of funds criteria would result in a depreciated cost accounting model for foreclosed commercial real estate with only one mortgage lender and fair value accounting for foreclosed commercial real estate when the mortgage involved a syndicate of lenders. In both cases, fair value is the most appropriate measure if the property will be held for sale. This difference would reduce comparability between entities with commercial mortgage lending operations.

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

Although we do not support an entity-by-entity assessment but rather property-by-property assessment, we do agree that a reassessment of the facts and circumstances surrounding the property (or the entity in the FASB's view) is appropriate. For example, significant changes in market conditions may result in significant changes to the purpose and design of an entity. Situations may arise where multiple investors withdraw from a fund leaving only a single investor (or a pool of related investors). Also, the express business purpose may change if initial exit strategies cannot be achieved or total returns maximized through collection of rental income versus selling the investment.

Question 5: An entity that would be an investment property entity under the proposed amendments would be required to follow the accounting requirements in the proposed amendments even if that entity also would be an investment company under Topic 946. Is it appropriate for an entity that would meet the criteria to be both an investment property entity and an investment company under Topic 946 to be subject to the amendments in this proposed Update? If not, what alternative approach would you recommend if an entity would meet the criteria to be both an investment property entity and an investment company? Should the form of the entity (real estate fund versus real estate investment trust) dictate whether an entity should be an investment company or an investment property entity for accounting purposes? If yes, please describe the difference between the business activities of a real estate fund and a real estate investment trust to support your view.

The Board should consider including investment property entities in the proposed revisions to Topic 946 as many of the proposed criteria are fairly consistent and have an overarching principal that fair value, with changes recognized through the income statement, is the most relevant measure for both types of entities.

Additionally, for investment properties held outside of investment companies, the Board should consider incorporating a fair value option similar to IAS 40 to measure investment properties at fair value or cost.

Nature of the Business Activities

Question 6: To be an investment property entity, the proposed amendments would require substantially all of an entity's business activities to be investing in a real estate property or properties. Should an entity's business activities be limited to investing in a real estate property or properties rather than investing in real estate assets in general (such as real-estate-related debt securities and mortgage receivables) to be an investment property entity? If not, why? Is this requirement operational? Please describe any operational concerns.

We agree that substantially all of an entity's business activities should be investing in real estate property or properties to be considered an IPE. Words "substantially all" can be interpreted in many ways and may result in diversity in practice as it is not clear how the significance of these activities should be measured. We request the Board provide application guidance or discussion in the Basis of Conclusion to assist users and preparers in evaluating "substantially all".

Question 7: The implementation guidance in this proposed Update specifies that when evaluating whether substantially all of the parent entity's business activities are investing in a real estate property or properties, the parent entity would not consider real estate properties held indirectly through investments in which the parent entity does not have a controlling financial interest. Should the evaluation of an entity's business activities consider properties held through noncontrolling financial interests (for example, investments in which the entity can exercise significant influence)? Why or why not?

We recommend combining the investment property entities proposed Accounting Standard Update with the proposed update to Topic 946, therefore this question would not be necessary. To the extent the two model approach is retained by the Boards, noncontrolling financial interests should be included in the analysis of 'substantially all' of the business activities as the purpose of the entity is conceptually the same (to invest in real estate related assets for capital appreciation) whether it holds controlling or noncontrolling interests.

Express Business Purpose

Question 8: To be an investment property entity, the proposed amendments would require that the express business purpose of an entity is to invest in a real estate property or properties for total return with an objective to realize capital appreciation, for example, through disposal of its real estate property or properties. Real estate properties held by an entity for either of the following purposes would not meet this criterion:

a. The entity's own use in the production or supply of goods or services or for administrative purposes b. Development for sale in the ordinary course of business upon completion (such as land developers and home builders).

Should an entity whose express business purpose is to hold real estate properties for the reasons listed above be excluded from the amendments in this proposed Update? If not, why? Is the express-business-purpose criterion operational? Please describe any operational concerns.

Development for sale can be interpreted in different ways. It is common for entities to purchase an existing investment property (e.g. a building) and subsequently develop, or improve, the property in order to maximize capital appreciation upon sale. For example, the purchase of an office building with the expectation of improving the building through converting to retail space with the expectation of maximizing the total return of that property (achieving the highest and best use for the property) should be considered an investment property entity. We do not believe it is the Board's intention to scope out those instances. We request the Board provide additional application guidance regarding the definition of "develop for sale in the ordinary course of business upon completion".

Question 9: To meet the express-business-purpose criterion, the implementation guidance in this proposed Update would require that an investment property entity have an exit strategy to dispose of its real estate property or properties to realize capital appreciation to maximize total return. An entity that invests in a real estate property or properties to collect rental income long term and does not have an exit strategy for its real estate property or properties would not be an investment property entity under the

proposed amendments. Should those entities be excluded from the amendments in this proposed Update? If not, why? Is the exit strategy requirement operational? Please describe any operational concerns.

Yes, entities that invest in real estate property to collect rental income long term should be excluded from the proposed Update. However, entities that manage their investments with the purpose of realizing capital appreciation have the implicit strategy of selling their investments. There should not be a requirement to explicitly document in the entities' governing documents or marketing materials the existence of sales or exit strategies. To require the explicit exit strategy language would result in amending existing governing documents resulting in significant costs with little benefit. In addition, a sales strategy that coincides with the liquidation of a limited life partnership should not be excluded from the scope solely because the exit strategy coincides with the termination of the partnership.

Unit Ownership and Pooling of Funds

Question 10: To be an investment property entity, 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?

The proposed amendments require employer, employee and family members be considered as a single investor for purposes of evaluating the pooling of funds criteria even when employees and family members are investing their own cash. This is inconsistent with the proposed Accounting Standards Update—Consolidation (Topic 810): Principal versus Agent Analysis ("Topic 810"). We suggest the Board change the criterion to align with the Consolidation ASU where only those related party interests that result in additional economic exposure to the primary holder be considered.

Question 11: To be an investment property entity, the proposed amendments would provide an exemption from the unit-ownership and pooling-of-funds criteria for a subsidiary entity that (a) has a parent entity that is required to account for its investments at fair value with all changes in fair value recognized in net income in accordance with U.S. GAAP or (b) has a parent entity that is a not-for-profit entity under Topic 958 that measures its investments at fair value. Should this exemption be available only to a subsidiary entity with a parent entity that is (a) required to account for its investments at fair value in accordance with U.S. GAAP or (b) a not-for-profit entity under Topic 958 that measures its investments at fair value? If not, which entities should be permitted to apply the exemption and why? Measurement

We support the exemptions and recommend the exemptions be expanded to include all entities for which substantially all of its assets are recorded on a fair value basis.

Question 12: The proposed amendments would require real estate properties other than investment properties that are held by an investment property entity to be measured in accordance with other U.S. GAAP. Should an investment property entity be required to measure those properties at fair value with all changes in fair value recognized in net income instead of applying other U.S. GAAP? Why or why not?

We agree with the proposed amendments that require real estate properties other than investment properties held by an investment property entity measure their investment in accordance with other U.S. GAAP (a depreciated cost model for real estate not defined as an investment property) and should not be measured at fair value with changes recognized in net income.

Question 13: The proposed amendments would require a right-of-use asset in which the underlying asset meets the definition of an investment property to be measured at fair value with all changes in fair value recognized in net income. Should those right-of-use assets be measured at fair value with all changes in fair value recognized in net income? If not, why and which measurement attribute would you recommend for those right-of-use assets?

We believe the October 19, 2011 tentative decision by the FASB to scope out investment properties from using the receivable and residual lessor accounting model (which we support) addresses this question.

Interests in Other Entities

Question 14: The proposed amendments would require an investment property entity to evaluate whether an interest in (a) another investment property entity, (b) an investment company as defined in Topic 946, or (c) an operating entity that provides services to the investment property entity should be consolidated under Topic 810. Should an investment property entity consolidate controlling financial interests in those entities? If not, why? Should an investment property entity consolidate controlling financial interests in other entities? If yes, why?

Consolidation by an investment property entity that carries its direct investments at fair value is not appropriate. We believe that consolidation of investment property information in the financial statements would add unnecessary and confusing information to the financial statements and related footnotes.

Question 15: The proposed amendments would prohibit an investment property entity from applying the equity method of accounting in Topic 323 unless the investee is an operating entity that provides services to the investment property entity. Is that exception to the equity method of accounting requirements in Topic 323 appropriate for investment property entities? If not, why?

We agree with the proposed amendments that would prohibit the equity method of accounting unless the investee is an operating entity that provides services to the investment property entity.

Question 16: The proposed amendments would require an investment property entity to measure investments in which it does not have a controlling financial interest or cannot exercise significant influence in accordance with U.S. GAAP. For example, that would currently require held-to-maturity debt securities to be measured at amortized cost and would permit certain equity securities to be measured using the cost method, unless the fair value option in Topic 825, Financial Instruments, is elected. Should an investment property entity be required to measure those investments at fair value with all changes in fair value recognized in net income instead of applying other U.S. GAAP? Why or why not?

Since we recommend investment property entities be combined with the proposed update to Topic 946, we believe fair value measurement with changes reflected in net income is appropriate and promotes consistent, comparable accounting amongst other investment companies. To the extent the investment property entity is not an investment company, existing U.S. GAAP should be applied, which may result in available for sale treatment or held to maturity treatment in your example.

Financial Liabilities

Question 17: The proposed amendments would require an investment property entity to measure its financial liabilities (such as its own debt) in accordance with other U.S. GAAP, which currently requires amortized cost measurement unless the fair value option in Topic 825 is elected. Should an investment property entity be required to measure its financial liabilities at fair value with all changes in fair value (including changes in an entity's own credit) recognized in net income instead of applying other U.S. GAAP? Why or why not?

The requirements should be aligned with Topic 946 with debt carried at amortized cost. We do not believe it is appropriate for an investment property entity to measure its financial liabilities at fair value. Nor do we support an option to do so.

Rental Revenue Recognition

Question 18: The proposed amendments would require an investment property entity to recognize rental income on investment properties subject to a lease when lease payments are received or as the lease payments become receivable in accordance with the contractual terms of the related lease rather than on a straight-line or other basis. Is that basis of recognizing rental revenue appropriate for investment properties measured at fair value? If not, why?

We agree that recognition of rental income subject to a lease is appropriate when lease payments are received (or become receivable) in accordance with the contractual terms and that changes in future contractual lease payments should be reflected in the fair value of the investment property with changes in the fair value reflected in net income.

Practical Expedient for Measurement of an Interest in an Investment Property Entity

Question 19: The proposed amendments would permit, as a practical expedient, an entity to estimate the fair value of its investment in an investment property entity using the net asset value per share (or its equivalent) of the investment if the entity would transact at the net asset value per share. Are there investments that currently qualify for the practical expedient that would no longer qualify for the practical expedient because of the proposed amendments? If so, please identify those types of investments.

We agree that investment property entities should be permitted to use net asset value per share (or its equivalent) of the investment as a practical expedient to estimate fair value.

Disclosure

Question 20: Are the proposed disclosures appropriate for an investment property entity? If not, which disclosures do you disagree with? Should any additional disclosures be required? If so, why?

We suggest converging with the disclosure requirements set forth in IAS 40 which require disclosure of restrictions around the realization of proceeds on sale. We suggest eliminating the FASB's proposed disclosures of restrictions on the ability to increase rent, collect rental revenue and any contractual obligations related to the investment property. We believe the cost of implementing the proposed disclosure would exceed any benefit of providing the information to investors.

Effective Date and Transition

Question 21: Should an entity recognize the effect of adopting the requirements in this proposed Update as an adjustment to the beginning balance of retained earnings in the period of adoption? If not, what transition requirements would you recommend and why?

We agree with the transition requirement as they promote future consistent financial reporting.

Question 22: How much time would be necessary to implement the proposed amendments?

Specific to Ameriprise's portfolio and operations, we do not believe a significant amount of time would be necessary to implement the proposed amendments. However, for a company with a significant portfolio of investment property entities, we believe implementation could take over one year.

Question 23: The proposed amendments would prohibit early adoption. Should early adoption be permitted? If yes, why?

Yes. If the standard is truly an improvement to existing accounting standards, there should not be a delay in adopting the standard. The FASB should not discourage improving the usefulness of one's financial statements. Comparability is only useful if the users can compare the most useful, relevant financial information. In addition, the effective date and any early adoption should coincide with the effective date and early adoption provisions of proposed amendments to Topics 946 and 810.

Nonpublic Entities

Question 24: The proposed amendments would apply to both public and nonpublic entities. Should the proposed amendments apply to nonpublic entities (such as private companies and not-for-profit organizations)? If not, how should the proposed requirements differ for nonpublic entities and why?

Yes. We agree with applying the ED to both public and nonpublic entities. There are no significant differences in types of entities or nature of business activities that would suggest the need for nonpublic entities to be exempt from the ED.