

**REIS COUNCIL PROSPECTUS**  
**As approved by the REIS Board on April 20, 2010**

**Project Name: REIS Update Task Force:**  
**Debt Valuation Standard Updates**

**1. Description and Purpose of the Project**

This task force will be assembled to accomplish two goals:

1. Enhance the REIS standards (Level A) with expanded disclosure requirements around the valuation of debt within the financial statements and to provide performance attribution analysis within the fund report.
2. Modify the REIS standards (Level A) to maintain a requirement to value debt on open-end funds and change the debt valuation requirement for closed-end funds and separate accounts to a recommendation.

Changes to Level A documents within REIS must be subject to the exposure draft process. The targeted effective date of the changes would be for financial statements issued for periods beginning after December 15, 2010 (i.e., 2011 reporting).

**2. Background**

In August, 2008, the REIS Council assembled a task force to address whether or not the requirement to value debt was appropriate in all cases. The task force found that the industry thought the valuation of debt should remain a REIS requirement for open-end funds but change from a requirement to a recommendation for closed-end funds and separate accounts. The task force also concluded that expanded financial statement disclosures should be required in order to provide further transparency surrounding divergent debt valuation practices. Before commencing the process to change the REIS standard, the survey participants asked for industry clarification on “how” to value debt.

In January, 2009, the REIS Council assembled another task force to address the aforementioned “how” to value debt issue. The task force discovered divergence in debt valuation practices (e.g., gross method, net method, no valuation). The REIS Council directed the task force to issue a guidance document which would address the differing debt valuation perspectives without indication of preferred methodology. In addition to a discussion of the different perspectives, the guidance document provided suggestions for some expanded disclosures and performance attribution analysis that could be helpful to the reader of the fund report. The guidance document was issued in the third quarter of 2009.

In December, 2009, REIS hosted an industry webinar to discuss the findings of the two task forces. The answers to polling questions within the webinar reaffirmed the divergence in debt valuation methodologies used by industry participants. In addition, webinar participants were again supportive of expanded disclosure requirements.

In March, 2010, the REIS Council approved a motion to modify the debt valuation standard within REIS. The proposal would maintain the existing requirement for all open-end commingled funds to value debt, but would change from required to recommended debt valuation for all other funds and accounts. The Council also approved a motion to expand disclosures surrounding debt valuation for all funds. Such disclosures include, but are not limited to: the impact of debt valuation on time-weighted returns; identification of the methodology selected for debt valuation (gross, net or none); an explanation of the valuation process and key valuation assumptions; and the aggregate dollar impact of debt valuation on net asset value. The project will commence upon approval of this prospectus by the REIS Board.

### **3. Proposed Composition of the focus group and advisory group**

The task force will consist of approximately six NCREIF and/or PREA members with expertise in public and industry accounting, valuation, performance measurement and portfolio management. Jim Strezewski of LaSalle Investment Management will chair the task force. Jim has chaired 2 of the 3 task forces and is very familiar with the issues which will be addressed in this project. Members of the standing joint Board/Council Accounting and Valuation and GIPS task forces will be asked to serve in an advisory capacity. The project will be supported by the REIS staff.

<u>Name</u>	<u>Standing Committee</u>	<u>Employer</u>
<i>Chair</i> Jim Strezewski	Accounting	LaSalle Investment Management

### **4. Projected Timetable for Completion**

Work will begin upon REIS Board approval of this prospectus. Critical dates are as follows:

#### **2010**

- April 20 Approval of Prospectus by REIS Board
- April 21 Work commences
- May 19 Update to REIS Council
- May 28 Preliminary exposure draft to REIS Council and Board for review (Also issued to NCREIF Standing Committees)
- June 16 Discuss draft with REIS Council
- June 23 Deliver final draft of exposure draft for approval to REIS Council and Board
- June 30 REIS Council and Board - final review and approval
- July 5 Exposure Draft released for 60-day public comment
- September 15 Exposure Draft comments reviewed with Council
- October 25 Adopting Release submitted to Council for Approval
- November 2-5 REIS Council approves Adopting Release
- November 10 REIS Board approves Adopting Release

#### **2011**

- January 1 New standard becomes effective