

REIS COUNCIL PROSPECTUS
AS SUBMITTED TO NCREIF BOARD FOR APPROVAL
April 20, 2007

Standards Project Name: **Investment Companies Audit Guide
Implementation Task Force**

Date: **April 10, 2007**

1. Description and Purpose of the Project

The purpose of the project is to develop appropriate guidance to our industry as it implements the AICPA Audit and Accounting Guide *Investment Companies* (the Guide) upon its effective date, which is expected to be for fiscal years beginning after December 15, 2007. As part of its mission, the task force will explore ways to provide comparable performance measures (including, time-weighted returns, IRR's, dividend yields and other performance metrics) and disclosures across the entire private real estate equity industry, (irrespective of the accounting model utilized for financial reporting), in order to promote clarity, consistency and transparency. This effort will augment those efforts undertaken by REIS with respect to account level compliance and verifiability.

The project will recognize the need to provide investors with comparable information within the entire U.S. institutional real estate investment asset class, which includes core, core plus/value added, and opportunistic investment strategies and funds. In addition, the project will consider the need to move toward providing information which is comparable to other investable asset classes, both nationally and internationally.

Elements of the guidance will include: 1) developing standards for reporting of information to be contained in quarterly and annual reports to investors, which may include: key performance measures; qualitative aspects of management's discussion and analysis; fair value financial statements, as well as supplemental financial information; and 2) updating the Accounting Chapter of REIS and the accompanying REIS Market Value Accounting Policy Manual to separately address reporting requirements for properties, and reporting requirements for funds in order to more closely align with the information requirements for the NCREIF database and data products. In addition, where deemed necessary, the REIS Market Value Accounting Policy Manual will provide fair value accounting guidance for real estate related investments which are made by our investors (i.e., mortgages, joint ventures, etc.)

2. Background and Project Definition

In September 2006, the Financial Accounting Standards Board cleared the Statement of Position, "Clarification of the Scope of the Audit and Accounting Guide *Investment Companies* and Accounting by Parent Companies and Equity Method Investors for Investments in Investment Companies" (the "SOP"). The new accounting standard is expected to be issued by the AICPA in its final form during the second quarter of 2007 with an effective date expected to be for fiscal years beginning after December 15, 2007. In general, we expect many commingled funds and all insurance company separate

accounts investing in all asset classes including real estate to be faced with a US GAAP mandate to comply with the requirements of the AICPA Audit and Accounting Guide *Investment Companies* (the “Guide”) upon its effective date. No other US GAAP Accounting standard to date has had such a profound impact on reporting in our industry including: standards established within REIS; financial reporting; performance measurement and NCREIF data products.

An industry-wide survey was conducted during the first quarter of 2007 and results of the survey were presented at the NCREIF winter conference in Orlando. The survey was developed with the following objectives: 1) gather information regarding the impact of the accounting pronouncement on the industry; 2) gain a further understanding of the needs of the private market institutional real estate investor; and 3) determine the impact on NCREIF’s data products. The survey results were intended to be used to: 1) develop implementation guidance and identify necessary REIS modifications; and 2) evaluate NCREIF data products in light of accounting changes and industry views. Survey results can be found under the Standards tab on the NCREIF web site. Accordingly, survey results will be given careful consideration in the development of guidance. In addition, participants in the project will coordinate with the IPC to ensure that requirements and recommendations developed support the NCREIF data products.

As stated above, once the Guide is effective, many commingled funds are expected to be required to implement it for GAAP reporting purposes. Therefore, the fund GAAP accounting model described in the current version of REIS will no longer be GAAP for these entities. The general partners/ investment advisors for these funds are registered investment advisors. Therefore, the development of information will give careful consideration to the provisions of SEC Regulation G. When a company discloses material information containing a non-GAAP financial measure, Regulation G requires that the disclosure must include a presentation of the most directly comparable GAAP measure and a reconciliation of the GAAP and non-GAAP measure. Therefore, efforts will be taken to ensure that the principles of Regulation G are considered when reporting elements are developed.

The presentation of information which is most beneficial to our investors is developed in a manner which focuses on the investors’ performance. Therefore, careful consideration will be given to disclosures of carried interests and other general partner items so that they do not distort the true returns which the investors receive on any fund investment.

A comparison of costs and benefits associated with implementation will also be given careful consideration during this process.

With these considerations and objectives in mind, the REIS Council agreed to form two task forces. The task force known as the Investment Companies Audit Guide Implementation (“Implementation”) task force is the subject of this prospectus. The other task force (which is the subject of another prospectus) is known as the Education Task Force. The IPC (with participation by REIS Council members or their designees) will form its own task force to assess the impact on NCREIF’s data products.

Respondents to the survey overwhelmingly affirmed the fundamental objective of REIS- to promote consistency and comparability of real estate reporting within the real estate private equity asset class. In addition, the REIS Council understands that the implementation of the proposed accounting changes, while serving to align reporting for our industry with reporting for investments in other asset classes, will result in new reporting challenges for our industry as we move towards the investment company (or dividend) model. The Implementation task force will assist in the development of guidance which will balance these objectives.

3. Proposed Composition of the Task Force

The Implementation Task Force will consist of the following members:

Chairs:

Neal Armstrong	Accounting	RREEF
Stephanie Brower	Performance Meas.	Russell
Maritza Matlosz	Performance Meas.	BlackRock

Other Participants:

Denisa Hall	Accounting	Prudential
Barry Johnson	Accounting	Morgan Stanley
Carol Kuta	Accounting	UBS
Ralph Marra	Accounting	Sentinel
Brian Ruben	Accounting	Deloitte
Laura Shultz	Accounting	Metzler, NA
Claire Snedeker	Accounting	Snedeker Consulting
Connie Tirondola	Accounting	BlackRock
Pat Tully	Accounting	ING Clarion

Michelle Clements	Performance Meas.	RREEF
Deirdre Crampton	Performance Meas.	INVESCO

Georgii Ivanov	Portfolio Mgmt.	TIAA-CREF
Jeff Maguire	Portfolio Mgmt.	UBS
Steve Repertinger	Portfolio Mgmt.	Principal

Paul D'Elisa	Research	Sentinel
Simon Mallinson	Research	IPD
Monica Parikh	Research	Metzler, NA

Alyce DeJong	Valuation	Prudential
Del Kendall	Valuation	RERC

Staff

Marybeth Kronenwetter

This industry initiative has far reaching ramifications and must involve representative decision makers within our industry. Therefore, the task force will work under the direction of a steering committee, which will report directly to the Board. The members of the steering committee are: Tom Mulvin, Tony Pierson and Laurie Romanak.

4. Costs/Benefits of Implementation/Entities Impacted

As stated above, the development of implementation guidance will give careful consideration to the balance between costs and benefits to both investment management organizations and to NCREIF. NCREIF is not expected to incur substantial additional costs associated with the endeavor. The guidance developed by the Implementation Task Force under the direction of the Board Steering Committee will benefit our entire industry. A substantial portion of our industry is expected to be required to comply with the Guide. Over the short term, different accounting models will exist and it is imperative that REIS develop standards for supplemental reporting which maintain comparability of financial information within the asset class. Over the longer term, REIS will benefit from enhanced disclosure requirements which are expected to further promote account compliance and verifiability.

5. Projected Timetable for Completion

The effective date for the implementation of the Guide is expected to be for fiscal years beginning after December 15, 2007. Accordingly, it is imperative for REIS to develop guidance and provide education to its members well in advance of the effective date. The Implementation Task Force will commence its work immediately. It is expected that drafts of materials and accompanying exposure drafts for public comment will be made available to the membership approximately two weeks in advance of the June meeting. After discussion at the meeting, the Task Force will finalize its documents, seek Council and Board approval and submit an exposure draft to the industry for public comment. In addition, results will be shared with the Education Task Force. A final report will be submitted during the October NCREIF meeting.