

**Minutes of Real Estate Information Standards (REIS) Council Meetings  
WEDNESDAY, JUNE 28 AND FRIDAY, JUNE 30, 2006**

The REIS Council met on Wednesday afternoon and Friday morning during the NCREIF conference held in Dallas. The agenda for the Wednesday meeting included an update on REIS project activities since the February meeting, as well as a discussion of the Glossary project and the Scope Task Force's survey. On Friday the Council discussed the proposed modifications to the valuation standards and continued its discussion on the glossary and the survey. In addition, status updates on Performance Measurement revisions project and the proposed Timberland addendum to REIS were also provided.

**Update on REIS Projects**

**Constitution**

Proposed changes to the Constitution to clarify Council representation, voting, tenure and the REIS process will be drafted and presented to the Council by the October meeting. These issues were discussed during the February meeting and information can be found in the minutes to those meetings which are posted on the NCREIF web site.

**Compliance and Verifiability Task Force ("CVTF")**

The mission of CVTF is to review each section of REIS and determine whether REIS is written in a fashion where constituents are clear as to what constitutes compliance as well as whether a third party verifier could determine through books, records and other evidence whether a manager has complied with REIS. Three additional task forces have been formed to respond to various aspects of the compliance and verifiability initiative including: 1) Valuation compliance; 2) compliance applicability; and 3) Investment Company Audit Guide implementation. As summarized within these minutes, each task force made substantial progress on their initiatives since the last Council meeting. After the work of these task forces are completed, the CVTF will reconvene to draft appropriate language within REIS to address the issue of compliance and verifiability which will include draft language of an opinion statement.

**Compliance Applicability Task Force**

The conclusions reached by this task force were shared with the Council during an April teleconference and are included in earlier minutes (See minutes from February 2006 which includes updates from teleconferences from March and April.) In addition, an update to the status of related discussion matters was provided to the Council as part of the meeting. One such matter included discussion of account level compliance as well as firm compliance and centered on a manager's ability to control valuation, performance and accounting policy decisions. The task force was asked to describe its conclusions, key discussion points, and the basis for its conclusions in a written document for further consideration by the Council. .

**Debt Accounting Workbook**

As a result of recent changes to REIS with respect to the valuation of debt, which effectively resulted in the existing debt accounting workbook being superseded, a task force consisting of members of the accounting, valuation and performance committees is

expected to be formed to discuss and propose changes to the Debt Accounting workbook. Further discussion will take place during a subsequent meeting of the REIS Council.

### **Glossary Update**

The Glossary Task Force completed its work with respect to defining the key terms used in REIS. During the conference each committee provided input with respect to selected terms which required clarification. The task force will reconvene to incorporate the comments received and expects to present a final draft to the Council for approval prior to the October meeting.

### **Investment Company Guide Implementation**

The Scope Task Force presented a report on its progress with respect to the survey it is preparing in order to gain an understanding of the information requirements of users and providers of financial statements and reports as a result of the impact of the accounting and reporting changes proposed by the Guide and the Scope SOP. The Council discussed concerns with respect to the reliability of the responses. It was determined that potential respondents should be afforded the opportunity to participate in round table discussions about the topic prior to the time the survey is distributed. In addition, it was suggested that the survey use simple examples which illustrate the changes in financial statements, provide illustrations of suggestions for supplemental reporting presentations, and that responses to the survey need to represent the collective viewpoint of the responding organization. NCREIF representatives will serve as the principal contacts wherever possible. Responses will be solicited from NCREIF, NAREIM and PREA members as well as from other industry participants. Subsequent to the Council meeting, the Board agreed to conduct a series of web conferences to educate survey respondents about the Guide and the SOP and the changes resulting from the implementation. After the survey results are tabulated and analyzed, additional educational seminars will be planned.

### **Chapter 1, Valuation**

The exposure draft for changes to Chapter 1, Valuation was unanimously approved by the Council and was cleared for consideration by the Board. During its subsequent meeting, the Board approved the document for public comment. The document is posted on the NCREIF web site and comments are due by September 15, 2006. The proposed Valuation modifications focus on property-level, rather than investment-level, valuation standards. Questions were raised with respect to the requirement for external appraisals every 36 months in accordance with USPAP and whether GIPS requires external appraisals in accordance with USPAP every 36 months. GIPS requires real estate investments be valued by an external qualified appraiser every 36 months. It does not require compliance with USPAP. In addition, the Council discussed the concept of materiality with respect to the size of the property in relation to the fund and whether the 36 month rule would apply to immaterial properties. After discussion, no changes to the exposure draft were proposed prior to consideration by the Board.

The Valuation committee was requested to discuss valuation of investments which are not direct and propose updates to REIS as necessary.

**Chapter 3, Performance Measurement**

A redraft of Chapter 3 is being prepared by the Performance Measurement revisions task force. Upon completion it will be forwarded to the Performance Measurement Committee for comment and thereafter circulated to the REIS Council. The Council is expected to review the document by the October meeting.

**Timberland Addendum**

Progress continues within the Timberland Committee with respect to the addendum to REIS for Timberland investments. It is expected that the REIS Council will review the addendum during the October meeting.