

NAREIT Financial Reporting ALERT



NATIONAL ASSOCIATION OF REAL ESTATE INVESTMENT TRUSTS®

At its October 29, 2003 meeting, the Financial Accounting Standards Board (the Board) voted to generally defer the application of paragraphs 9 and 10 of Statement 150, *Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity*, to non-controlling (minority) interests in finite-life entities. Further, the Board agreed that this matter would be reconsidered as part of Phase II of its Financial Instruments; Liabilities and Equity project or Phase II of its Business Combinations project. Therefore, it is currently undeterminable as to both the duration of this deferral and the final outcome of the Board's reconsideration of this accounting treatment.

While the application of the Board's deferral must be considered in the context of the facts and circumstances of each arrangement underlying a jointly owned entity, our understanding is that this deferral covers the great majority of the issues that NAREIT member companies have faced with respect to applying Statement 150 to minority interests in consolidated finite-life, jointly-owned entities.

In addition to the action discussed above, we note that, at its October 29 meeting, Board members clarified that any non-controlling minority interest that may be redeemed with equity of any entity

(including equity of an entity other than the subsidiary) does not meet the definition of a mandatorily redeemable financial instrument. Thus, in this instance, paragraphs 9 and 10 do not apply even without regard to the deferral.

We urge you to confer with your audit firm with respect to the application of both Statement 150 and the Board's deferral to your company's specific facts and circumstances.

Many of you wrote letters to the FASB and a number of you participated in meetings with standard setters. We wish to thank all of those NAREIT members who supported this effort to have the application of Statement 150 to most minority interests reported by real estate companies deferred and reconsidered.

Any questions regarding this matter should be directed to
George Yungmann
gyungmann@nareit.com or 202-739-9432
or
Gaurav Agarwal
gagarwal@nareit.com or 202-739-9442