



**Kimco
Realty
Corporation**

EXECUTIVE OFFICES

August 15, 2008

Mr. Russell Golden
Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: File Reference Number 1590-100, Proposed Statement of Financial Accounting Standards, *Accounting for Hedging Activities, an amendment of FASB Statement No. 133*

Dear Mr. Golden:

Kimco Realty Corporation ("Kimco") appreciates the opportunity to provide comments and observations on the Financial Accounting Standards Board's ("FASB") Exposure Draft of Proposed Statement of Financial Accounting Standards, *Accounting for Hedging Activities, an amendment of FASB Statement No. 133* (the "ED").

Kimco is one of the nation's largest owners and operators of neighborhood and community shopping centers. Kimco is a self-administered real estate investment trust ("REIT") and manages its properties through present management, which has owned and operated neighborhood and community shopping centers for over 45 years. The Company believes its portfolio of neighborhood and community shopping center properties is the largest (measured by GLA) currently held by any publicly-traded REIT.

Kimco utilizes derivative financial instruments to reduce exposure to fluctuations in interest rates, foreign currency exchange rates and market fluctuations on equity securities. The principal financial instruments Kimco uses are interest rate swaps, foreign currency exchange forward contracts, cross-currency swaps and warrant contracts. These derivative instruments were designated and qualified as cash flow, fair value or foreign currency hedges under the current provisions of FASB 133.



LETTER OF COMMENT NO. 80

Although we support the FASB's desire to simplify the accounting for hedging activities, resolve certain practice issues, and improve the financial reporting of hedging activities for users of financial statements, we do not believe that the ED as currently drafted meets those objectives. Rather, we are concerned that certain of the proposed amendments will result in significantly increased complexity, increased costs, and less reliable and meaningful financial reporting.

We agree with a number of proposed amendments in accounting for hedging transactions included in the ED and believe that they will simplify and improve hedge accounting.

We especially support:

- the need to reassess effectiveness after inception only if circumstances suggest that the hedging relationship may no longer be reasonably effective;
- the change from highly effective to reasonably effective hedging relationships; and,
- the intention to increase the ability to utilize a qualitative assessment.

Most significantly, we disagree with the decision to prohibit (except in the very limited circumstances provided for in the ED) the bifurcation-by-risk model. Our company is very concerned that we will be unable to qualify for hedge accounting—even using a “reasonably effective” standard—for many of our most common and straightforward hedging strategies, including hedges of forecasted debt issuances and hedges entered into after the inception of the debt. Even in situations in which we do qualify under the new model, we believe the associated earnings volatility often will be extreme and largely misleading. As a result, we are troubled that the proposed hedging model appears to be very inconsistent with how we manage our risks and will be unrepresentative of the effectiveness of our risk management activities.

For example, we actively manage our interest rate risk and enter into derivative instruments that are extremely effective at managing that risk. However, those derivatives do not hedge credit risk and are not designed to hedge credit risk. Our company is not trying to hedge our own credit risk, and we are not interested in hedging that risk for many of the same reasons noted in the Alternative Views section of the ED. In particular, we have serious concerns about the legal implications and potential accusations regarding self-dealing, concerns about the message that hedging one's own credit risk signals to the marketplace, and concerns about the potentially very significant transaction costs if we could find a willing counterparty. Accordingly, we do not believe the proposed model is reasonable or operational in practice, and we strongly advocate that the FASB retain a bifurcation-by-risk approach to hedge accounting.

A related concern is that the new hedge accounting model is heavily based on unobservable and unreliable inputs. For many companies reliable and up-to-date credit data is not readily available. In addition, for hedges of forecasted debt issuances, we have almost no information about the market supply and demand that will exist at the date we expect to issue our debt. We are concerned, therefore, about the complexities of trying to model theoretical transactions in theoretical markets. It is certainly not a simplification relative to the current bifurcation-by-risk model. Furthermore, since the accounting may differ for entities with different credit characteristics, even though the transaction to hedge the interest rate risk is identical, there would be an increase in inconsistencies between the financial statements of entities.

Finally, with the increased emphasis on converging with international standards, we do not believe that a significant change to the hedging model, especially one that diverges from the current international model, is justified at this time. We are concerned about changing the hedge accounting model now in the U.S. only to have to change again in the near future. We believe that the costs to manage and account for hedge transactions under the proposed amendments have been underestimated, as the incorporation of non-hedged risks to determine effectiveness would require the development and use of sophisticated models and significant resources.

From our perspective, it seems that most of the practice issues and differences in interpretation surrounding hedge accounting have been resolved over the past several years, and we believe such a significant amendment to the hedge accounting model will only create a flood of new implementation questions and interpretation risk. Thus, we would strongly recommend either (1) retaining a bifurcation-by-risk approach to hedge accounting or (2) dropping the current project and pursuing a joint plan to work with the International Accounting Standards Board to develop a hedging model that will eventually apply under both U.S. GAAP and IFRS.

We thank the Board for its consideration of our recommendations and would be pleased to discuss these issues in more detail with the Board or staff at your convenience.

Very truly yours,

Kimco Realty Corporation



Paul T. Westbrook
Director of Accounting

