FSP FIN 46-e



October 6, 2003

Director, TA & I - FSP
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

## Dear Director:

Forest City Enterprises, Inc. is a large publicly traded real estate corporation with approximately \$4.0 billion of net real estate assets. We own, develop, acquire and operate commercial and residential real estate across the United States and the District of Columbia. Like many real estate companies we conduct nearly all of our activities through joint venture agreements. We are writing to you in response for your request for comment on the proposed FASB Staff Position No. FIN 46-e (FSP FIN 46-e), "Effective Date of FASB Interpretation No. 46, Consolidation of Variable Interest Entities, for Certain Interests Held by a Public Entity."

We have been working on the implementation of FIN 46 for several months now and have found FIN 46 to be extremely complex and more far reaching than we had ever anticipated. FIN 46 is further complicated by the fact that no two deals and thus no two joint ventures are structured exactly alike. Each joint venture has had to be reviewed and analyzed to determine the proper treatment under FIN 46. While we agree that FIN 46 is a necessary pronouncement and we believe the fundamental concepts of FIN 46 have a sound basis in generally accepted accounting principles, we believe in order to properly implement the standard given all the complexities we have encountered additional time is required. Therefore, we are a strong proponent of the deferral.

It is our understanding from an earlier conversation with your staff that we would qualify for a deferral based on the provisions of FSP FIN 46-e. Based on our review of FSP FIN 46-e and from discussions with your staff, we feel the fourth provision for the deferral should be removed. We believe the fourth provision will encourage many companies that are close to reaching conclusions on FIN 46 to simply stop working towards completion. Further, we believe that many companies that may be able to conclude on which entities

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are variable interest entities will still face implementation issues such as changes to their consolidation model including reprogramming their software. These changes take time if they are to be made properly and in the correct control environment.

Additionally, guidance on transfer restrictions has not been finalized and based on our understanding will not be finalized until December. This guidance affects approximately 50 of our entities and is key to reaching a final conclusion on the determination of whether or not an entity is a variable interest entity and how it will be consolidated. We feel it would be in appropriate to reach a preliminary conclusion now based on how FIN 46 is currently written only to have to change that conclusion in the following quarter. It is our understanding from discussion with our peers in the industry that other companies are in the same situation.

We appreciate the opportunity to comment on FSP FIN 46-e. We ask the Board to take our comments into consideration when concluding upon the deferral of FIN 46. If you would like to discuss our comments please contact the undersigned at (216) 416-3330.

Sincerely,

Janet M. Menko

Director of Accounting Standards and SEC Compliance

Forest City Enterprises, Inc.

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