

7900 Westpark Drive Suite T-900 McLean, VA 22102

November 13, 2008



LETTER OF COMMENT NO. 61

Mr. Russell G. Golden Technical Director Financial Accounting Standards Board 401 Merritt 7 PO Box 5116 Norwalk, Connecticut 06856-5116

Re:

File Reference No. 1620-100, Proposed Statement of Financial Accounting Standards, Amendments to FASB Interpretation No. 46(R)

Dear Mr. Golden:

Sunrise Senior Living (Sunrise) welcomes this opportunity to respond to the request for comments from the Financial Accounting Standards Board (Board) on the Proposed Statement of Financial Accounting Standards, Amendments to FASB Interpretation No. 46(R) (Exposure Draft).

We support the Board's proposal to move toward a more principles-based approach to determine the primary beneficiary (PB) of a VIE, thereby reducing the complexity in the application of FIN 46R. We commend the Board's efforts to develop high-quality accounting standards that improve the transparency, usefulness and credibility of financial reporting.

Sunrise, a McLean, Va.-based company, employs approximately 40,000 people. As of September 30, 2008, Sunrise operated 448 senior living communities, including 405 communities in the United States, 15 communities in Canada, 19 communities in the United Kingdom and nine communities in Germany, with a total resident capacity of approximately 55,000. We own or have an ownership interest in 274 of these communities and 174 are managed for third parties. In addition, at September 30, 2008, we provided pre-opening management and professional services to 34 communities under construction, of which 26 communities are in the United States and eight communities are in the United Kingdom, with a combined capacity for approximately 4,300 additional residents.

Our comment letter is focused mainly on questions 3 and 4 of the ED.

Q3: The Board decided to adopt a more principles-based approach to determine the primary beneficiary of a variable interest entity. Do you believe the principles in paragraphs 14-14B of Interpretation 46(R), as amended by this proposed Statement, are sufficiently clear and operational?

In our opinion, the phrase "power to direct matters that most significantly impact the activities of a VIE" in paragraph 14a is confusing and difficult to apply. We request the Board to clarify the

concept of power to direct matters by providing indicators in paragraph 14a rather than through examples in Appendix A.

In addition, we believe the application of substantive kick-out rights under current accounting guidance should not be ignored. We believe that Emerging Issues Task Force Issue No. 04-5, Investors Accounting for an Investment in a Limited Partnership When the Investor is the Sole Partner and the Limited Partners Have Certain Rights (EITF 04-5) provides an established framework for determining rights of the minority partners and should be applied consistently when determining who has the power to direct matters.

Q4. The Board concluded that it would be helpful to provide examples of the application of the principles in this proposed Statement. Do you believe that the examples in Appendix A clearly indicate how the principles in paragraphs 14–14B of Interpretation 46(R), as amended by this proposed Statement, would be applied? If not, please articulate what additional information or guidance is necessary, considering the basis for the Board's conclusions.

While we found the examples to be illustrative to reflect facts and circumstances of some industries, the examples are not representative of other industries. We believe that the real estate industry is not reflected in the examples given. In our opinion, a common theme in each example is that the enterprise that performs the day-to-day management of a VIE generally has the power to direct matters and generally is determined to be the primary beneficiary of the VIE.

In many real estate ventures, managers are hired to carry out the day to day operations of the business. Managers do not possess substantive decision making responsibilities of the venture itself. The major decisions of the venture are made by the venture partners.

We have concerns that the examples provided in the Exposure Draft could be misapplied. Specifically, the Manager in Example 2 is a fund manager that manages a portfolio of assets and is also a 35% equity holder. The Manager effects the economic performance of the entity as it actively manages the entity's assets and the economic performance of the entity is impacted by the performance of the entity's portfolio of assets. While we understand the conclusion that the Manager in this particular example is the PB, we would disagree with the application if the conclusion would be the same for all cases where there is a manager involved.

We do not believe the party being designated as the venture manager, merely in itself, would lead that party to have the power to direct matters. We are concerned that a literal application of Example 2 may lead one to conclude that the party that is the venture manager will always be considered the primary beneficiary of the variable interest entity.

Sunrise thanks the Board for this opportunity to comment on this proposal. Please contact me at (703)854-0355, if you would like to discuss our comments.

Respectfully submitted,

Jule Pangelum)
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Chief Accounting Officer