November 10, 2008

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

File Reference No: 1620-100
Re: Proposed FASB Statement, Amendments to FASB Interpretation No. 46(R)

Dear Mr. Golden:

Forest City Enterprises, Inc. (FCEA, FCEB) is a real estate corporation headquartered in Cleveland, Ohio with over $10 billion in total assets. We principally engage in the ownership, development, management and acquisition of commercial and residential real estate and land throughout the United States.

We appreciate the opportunity to comment on the Proposed Statement of Financial Accounting Standards, Amendments to FASB Interpretation No. 46(R) (the “proposed Statement”).

We operate through three strategic business units and five reportable segments. We have interests in variable interest entities (“VIEs”) through our investment in joint ventures that are engaged directly in the ownership, development, and management of our real estate portfolio. As of July 31, 2008, we hold investments in 78 VIEs, of which 35 we have determined that we are the primary beneficiary.

Forest City Enterprises, Inc. is an active member in the National Association of Real Estate Investment Trusts (“NAREIT”). NAREIT will be responding to the proposed Statement through its comment letter. We would like to take this opportunity to support the views expressed in the NAREIT letter as well as stress certain matters we view as being of particular concern to our Company.

We support the Board’s objective to improve financial reporting and disclosures by enterprises involved with VIEs; however, we do not support the issuance of the proposed Statement. We request the Board reconsider issuing the proposed Statement and rather work towards a common consolidation model that could be utilized internationally by coordinating its efforts with that of the International Accounting Standards Board (“IASB”). This would help ensure one comprehensive consolidation model and eliminate further differences between U.S. GAAP and International Financial Reporting Standards (“IFRS”) upon the adoption of IFRS. Additionally, for the reasons outlined below, we do not believe the proposed Statement, as drafted, will achieve the Board’s objectives.

Forest City Enterprises, Inc., Terminal Tower, 50 Public Square, Suite 1100, Cleveland, Ohio 44113-2203, (216) 621-6060
Qualitative Analysis
The proposed Statement requires a qualitative analysis to determine if an enterprise is the primary beneficiary of a VIE. This qualitative analysis shifts the requirement of consolidation from the current model, which requires consolidation of a VIE by the entity that absorbs a majority of the expected losses or receives a majority of the expected residual returns (par. 14 FIN 46 (R)). The qualitative analysis would now require consolidation of a VIE meeting two criteria, a form of control and the receipt of benefits or absorption of losses significant to the VIE. We believe that under the proposed consolidation model we may be required to deconsolidate our interests in certain VIEs where we hold nearly all the economic risks and rewards; however, we equally share control of the entity with our partners and therefore would not meet the requirements of paragraph 14(A)(a). We believe this conclusion would be contrary to the spirit in which FIN 46 was originally adopted and be in direct conflict with the provisions of paragraph 5(c) of FIN 46, which states that equity investors lack the characteristics required for consolidation of an entity if their voting rights are not proportional to their obligations to absorb losses or receive returns.

Controlling Financial Interests
The proposed Statement provides for the determination of which enterprise has the “power to direct matters that most significantly impact the activities of a variable interest entity.” We do not believe the concept of “power to direct” has been adequately defined in the proposed Statement. Further, we believe there are provisions under GAAP which already provide guidance on the determination of control. For example, EITF 04-5 provides guidance on when control is presumed to exist and defines the concept of “substantive participating rights.” EITF 04-5 provides enough guidance to adequately determine the existence of control, and the introduction of a new measurement that is not clearly defined, will cause confusion and increase the opportunity for inconsistent treatment amongst reporting entities.

The proposed Statement requires that “substantive kick-out rights” be ignored when determining control. We believe this is in direct conflict with the model outlined in EITF 04-5. The existence of “substantive kick-out rights” as defined by EITF 04-5 would clearly provide evidence the enterprise that holds those rights has the ultimate control of the VIE. This is because under EITF 04-5 paragraph 7(a)-(b) an enterprise that holds a substantive kick-out right has the ability to exercise that right simply by choosing to do so, without any significant barriers. We recommend the Board reconsider their decision to ignore “substantive kick-out rights” in paragraph 14A(b) of the proposed Statement.

Additionally, if the Board believes that changes to the criteria for determining control are required, we would strongly urge the Board to combine its efforts with the IASB’s current work on consolidations to provide a single comprehensive consolidation model.

Significance
The proposed Statement provides that an enterprise should consider its right to receive benefits or absorb losses that could potentially be “significant” to the VIE. We request the Board consider providing guidance or examples to assist in the determination of what would be considered “significant” to the VIE. Without further clarification or guidance, there could be wide-spread disparity in application of a key consideration in an enterprise’s qualitative analysis.
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**Ongoing Assessment**
The proposed Statement would require an ongoing assessment of both an entity’s VIE status as well as an entity’s status as the primary beneficiary. We believe that an ongoing assessment is unnecessary and should not be required. A continuous assessment is highly impractical especially in instances where an enterprise is not the primary beneficiary of an entity and information needed for the assessment would not be readily available.

If, based on the initial design of the entity, a correct VIE and primary beneficiary assessment is made when the entity is established, then only a change to the design of that entity could potentially result in a change to the consolidation conclusion for that entity. For example, an unexpected change in market conditions could result in an entity no longer having sufficient equity to finance its activities without additional support. If all investors fund their share, as designed, no change in consolidation would result. However, if investor “A” elected to not fund and thus investor “B” elects to fund an amount greater than required by the design of the entity, there is now a change to the design of the entity and a reconsideration of consolidation needs to take place. We feel these design changes are adequately addressed under the reconsideration events as outlined in paragraph 7(a) – (d) of FIN 46.

Further, continuous assessment would be extremely costly. This would require companies to implement additional key controls that would need to be documented, tested and audited to ensure a continuous assessment was completed regardless of the need for a reassessment due to a change in design. Given the number of VIEs we currently have in our portfolio, we believe this would require additional time and overhead to adequately monitor and document this review with no real value or benefit being provided to the readers of our financial statements.

**Consolidation During a Reporting Period**
The proposed Statement would require changes to consolidation of a VIE not be limited to the end of a reporting period and thus be recorded during a reporting period, in the event of changes to the design of the VIE. Changing consolidation methods for an entity is not easily done as there is a certain amount of time required and information needed for the change to be made. In particular, system restraints alone would make a consolidation change mid-reporting period extremely difficult and costly. We would ask the Board to strongly reconsider the requirements to process a consolidation change during the reporting period and permit consolidation at the end of the reporting period if the enterprise, after making an exhaustive effort, is unable to obtain the necessary information. Further, in the event of multiple consolidation changes to a VIE, comparative data on the particular entities would not be apparent within the statements and we believe this would be detrimental to the readers of financial statements.

**Separate Classification**
The Board has requested comment on whether or not a separate classification should be made for consolidated VIEs from other elements in an enterprise’s financial statements. As the majority of our consolidated VIEs relate directly to our core business, we do not believe that a separate classification should be required. However, we believe the Board should consider providing an enterprise with the option to separately classify investments in consolidated VIEs which may not be directly related to that enterprise’s core business.

**Elimination of Quantitative Analysis**
We believe the Board should keep the provisions in the proposed Statement that provide for a quantitative analysis. While we agree with the Board’s conclusion that situations in which a quantitative analysis may be required would be rare, we feel the guidance should provide for an alternative scenario where determination based on a qualitative analysis is not possible.
Disclosures
In the proposed Statement, disclosure would be required of significant assumptions and judgments made and whether different assumptions and judgments would have resulted in a different conclusion to determine the primary beneficiary of a VIE. We do not believe this requirement is beneficial to the readers of the financial statements and could potentially mislead the reader to draw incorrect conclusions by using information that is purely speculative. Therefore, we recommend the Board eliminate this disclosure requirement from the final guidance issued.

Transition
As previously noted, if adopted, certain provisions of this proposed Statement would require us to deconsolidate certain VIEs that we are consolidating under the current accounting guidance. We would request that the Board consider providing implementation guidance for the deconsolidation of VIEs taking into consideration the impact of FASB Statement No. 160, Noncontrolling Interest in Consolidated Financial Statements – an Amendment to ARB 51.

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We hope the Board will take these comments under consideration when evaluating the final guidance to be issued. Once again, we appreciate the opportunity to comment on this proposed Statement. We would be happy to discuss our comments with you. If you have any questions regarding the positions outlined in this response letter, please contact the undersigned at (216) 416-3318.

Sincerely,

Charles D. Obert
Vice President and Corporate Controller
Forest City Enterprises, Inc.