September 6, 2007

By Electronic Delivery to: *jerichter@fasb.org*

Mr. Russell G. Golden
Chairman of Emerging Issues Task Force
Financial Accounting Standards Board
401 Merritt 7
Norwalk, Connecticut 06856-5116

Re: EITF Issue No. 07-6– Accounting for the Sale of Real Estate When the Agreement Includes a Buy-Sell Clause

Dear Mr. Golden:

Developers Diversified Realty Corporation ("DDR" or the "Company") is a self-administered and self-managed real estate investment trust (a "REIT") based in Cleveland, Ohio. The Company is in the business of acquiring, expanding, owning, developing, redeveloping, leasing and managing shopping centers. The Company's portfolio as of June 30, 2007, consisted of 708 shopping centers (including 315 properties owned through unconsolidated joint ventures and 39 properties owned through joint ventures which are consolidated by the Company) and seven business centers in 45 states, plus Puerto Rico and Brazil. These properties consist of shopping centers, mini-malls and lifestyle centers. At June 30, 2007, the Company had total assets of $8.9 billion and stockholders' equity of $3.4 billion. For the six-months ended June 30, 2007, the Company reported total revenue of $476.3 million.

DDR is pleased to comment on the EITF Issue on the above mentioned topic for consideration by the staff in advance of the meeting to be held on September 11, 2007.

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Executive Summary

Based upon our substantial experience with buy-sell clauses through our current ownership in over 30 joint ventures involving 350+ properties, we agree with the staff's comments in paragraph No. 8, "that arrangements with buy-sell clauses are generally evaluated based upon the facts and circumstances of the arrangement and in most cases are currently accounted for as a partial sale. The staff also understands that buy-sell clauses are commonly included in the agreements described in this Issue Summary as a potential means for dissolution of the arrangements but have rarely been executed". DDR believes that View B in the Issue Summary provides for accounting that best represents the intent, operation and underlying economics of the buy-sell clauses under examination. Furthermore, we believe that a buy-sell clause, by itself, does not automatically constitute a purchase option that would preclude the recognition of a partial sale and profit pursuant to the provisions of SFAS No. 66.

The discussion below assumes that the accounting followed by DDR or the contributing investor satisfies all other requirements under SFAS 66 for partial sale accounting and consolidation of the joint venture is not required under other GAAP.

Business Purpose of Buy-Sell Clauses

Buy-sell clauses included in joint venture formation documents establish, at the inception of a venture, a clear mechanism for the investors to exit the venture for any one of a number of reasons even when none of the joint venture partners/investors were the sellers of the property.

A defined exit strategy is needed because although investors understand that investments in real estate, particularly investment property, represent long-term investments (it should be noted that most buy-sell provisions are generally not permitted to be exercised for a period of three to four years), properties may be sold to third parties and proceeds distributed to the investors in the normal course of business.

Buy-sell clauses are included in joint venture agreements in order to avoid complicated negotiations, disagreements over the value of the investors' interests (see discussion below regarding the "Named Price" as defined in the Issue Summary) and protracted/expensive legal proceedings between the investors in the event that an investor desires to exit the venture. These provisions are fair and equitable to all partners in determining an exit strategy because they are reciprocal. Buy-sell clauses in the Company's joint venture agreements could be triggered for a variety of reasons including but not limited to:

- The real estate market conditions (either favorable or unfavorable) warrant a liquidation of the investment by one of the investors;

- One investor simply desires to recycle its capital invested in the venture (although the outcome of how this is executed is uncertain);
- There is a disagreement between the investors regarding the operation of the venture and one investor desires to end the disagreement by exiting the joint venture; or
- One of the investors fails to perform as obligated under the agreement.

The buy-sell provisions in the Company's agreements have only been executed on a limited basis as a mechanism for either partner to exit the joint venture. While both parties actively negotiate to include a buy-sell provision in the agreement at formation, these provisions function more as a backstop to ensure the investors negotiate in good faith should a party desire to exit the joint venture. Since becoming a public company in 1993, there have been only three situations where the Company acquired its partner's interest pursuant to the exercise of the buy-sell provisions and in one of the instances the buy-sell provision was triggered by the Company's partner. None of the assets involved in these transactions were originally owned by the Company.

Comments Regarding the Alternate Views Expressed in the Issue Summary

We would like to emphasize that in our arrangements the contribution/sale by DDR clearly transfers to the joint venture the full risks and rewards of ownership. The other investor(s) in the joint venture participate in the periodic cash flow generated by the property, as well as in the changes in the value of the property. Further, the other investor has the right to exit the venture by triggering the buy-sell clause. If the offeree accepts the offer made by the offeror, the investor/offeror will own 100% of the property and have the ability to own 100% of the property or to sell the property in the open market. If the offeree chooses to buy the offeror's interest in the property, the offeror will have liquidated its interest. The buy-sell clause places no restriction on the other investor's ability to liquidate its investment in the venture at a fair price.

It should also be noted that these provisions exist in almost all real estate joint venture agreements even when none of the joint venture partners/investors were the sellers of the property.

View A

Proponents of View A conclude that a buy-sell clause contained in a sale agreement of real estate to an entity by a venture partner is automatically and without further analysis akin to an "option" or other form of prohibited continuing involvement for purposes of income recognition by the selling partner. DDR strongly disagrees with this conclusion based on analogy to current literature directly related to accounting for the sale of real estate.

First, footnote 7 in SFAS No. 66 explicitly states that "a right of first refusal based on a bona fide offer from a third party ordinarily is not an obligation or an option to repurchase." Under a right of first refusal the original seller has no option to buy the property back unless a condition arises that is outside the control of the original seller. Similarly, the original seller provided with a buy-sell clause has no option to repurchase the property sold unless the other investor accepts an offer made by the original seller or the other investor makes an offer – also outside the control of the seller. Both the right of first refusal and the buy-sell clause may present opportunities to repurchase the property only upon action by another party outside the control of the original seller. We would like to emphasize that since buy-sell rights are reciprocal, the Offeror will not know whether they will be the ultimate buyer or seller of the property and has no ability to determine the outcome.

The second analogy on which we base our conclusion with respect to View A is the EITF conclusion in EITF Issue No. 86-6 *Antispeculation Clauses in Real Estate Sales Contracts.* These clauses provide that, if the buyer of land fails to comply with the provisions of the sales contract that require the buyer to develop the land in a specific manner at a specified pace or prohibit certain uses of the property, the seller can repurchase the property. Task Force members concluded that, if the probability of the buyer not complying with the terms of the sale agreement is remote, these clauses would not preclude sale/profit recognition.

In concluding that "a probability test would not be appropriate if the seller's repurchase option is not contingent upon compliance by the buyer," the EITF also took the position that a probability test is appropriate where the option to repurchase is contingent on actions outside the control of the seller.

While SFAS No. 66 may not "specifically address the probability that a seller would reacquire the sold real estate", the conclusion in EITF No. 86-6 clearly invokes a notion of probability of actions outside the control of the seller. We believe that companies should continue to be permitted to evaluate the facts and circumstances of their individual agreement provisions to determine whether such buy-sell clauses would be considered an option or some form of prohibited continuing involvement. This would include an assessment of the factors listed in paragraph 12 of the Issue Summary, as appropriate, as well as an assessment of probability surrounding the outcome if the provisions are exercised.

Further, we do not believe View A would provide a meaningful or accurate presentation of our financial statements. If the Company were required to adopt View A, this would result in the presentation of assets under the other alternatives required by SFAS No. 66 (financing, leasing or profit sharing arrangements) in situations where the Company has clearly transferred to a joint venture the full risks and rewards of ownership. It seems counter-intuitive that a buy-sell clause inserted as a protective right would override the true economics of the transaction. It is our

opinion that not recognizing a partial sale at the time the transaction is entered into would be misleading to the shareholders and investors as the earnings process is complete when the seller has received consideration and has no ongoing obligations with regard to the interests sold. The buy-sell clause is simply a method to add liquidity and provide a fair exit vehicle for either party.

View B

As indicated in the Executive Summary of this letter, DDR agrees with View B. For the reasons discussed above, we do not believe that a buy-sell clause by itself represents an automatic prohibited form of continuing involvement. We agree that there may be facts and circumstances that, along with a buy-sell clause, would cause one to conclude that a sale and profit should not be recognized. The considerations identified in paragraph 12 of the Issue Summary represent some of the factors that may lead to this conclusion. We routinely consider various qualitative factors including certain of those listed in paragraph 12 in determining whether the buy-sell clauses in our agreements are more akin to a purchase option. We believe this approach is consistent with the "principles-based" vs. "rules-based" approach to applying accounting standards.

We are also troubled that some believe that View B represents the most appropriate accounting only when the Named Price is specified to be "fair value". Our views on this position are discussed below.

View C

Paragraph 14 suggests that the selling investor could compel the other investor to sell the real estate back to the seller by offering a price in excess of the fair value of the property. Paragraph 15 also suggests that with the ability to set the exercise price at an amount other than fair value, the Offeror can influence the outcome of the buy-sell clause. We believe this suggests a one-sided economic compulsion as the rights are reciprocal and the Offeror can be the purchaser of the property.

While a buy-sell clause may not state a specified price or require that any offer must be at fair value, we believe that a fair value as between the Offeror and Offeree is implied in virtually all cases. In our view, joint venture partners are "market participants" since they are (a) independent of each other, (b) well-versed and knowledgeable of the real estate market, (c) customarily have the financial capacity to follow-through on a prospective buy-sell process, and (d) are willing to transact for the asset in question based on their specific motives and are not forced or otherwise compelled under a buy-sell arrangement.

Further and more importantly, requiring the Named Price to be at defined fair value would negate the business purpose of the buy-sell clause negotiated in the original transaction. The entire transaction, including the buy-sell clause, is designed to provide a simple mechanism for either investor to exit the venture, including setting the Named Price. In our arrangements,

generally speaking, the term fair market value is used when the clear intention is that the value must be considered a fair value between the investors – willing buyers and sellers. The buy-sell clauses in our arrangements generally do not rely on an appraisal of the property. Again, this would be counter to the business purpose of the buy-sell clause and would result in the need for binding arbitration to resolve disputes. It would not be unusual for the investors to disagree with a "defined fair value" as determined by a third party. Binding arbitration is not a practical solution since it is costly and can be a lengthy process. The typical buy-sell provision has a specified period of time in which each party is required to respond and act accordingly. A timely resolution would be difficult to control if third parties are added to the equation.

In summary with respect to View C, DDR strongly supports the statement in the Issue Summary that "Unspecified Price buy-sell clauses (the type most frequently used) are designed to incorporate into the transaction price the natural tension between the interests of both investors in a buy-sell situation and thereby achieve an acceptable outcome for both investors without protracted negotiations over fair value and the need for binding arbitration to resolve disputes."

Effective Date and Transition

If View B is adopted by the Task Force, we do not believe transition guidance is needed since this view reflects the accounting applied by the Company as well as its industry peers. If View A or View C is adopted by the Task Force, the Company believes the transition guidance under Alternative D should be adopted based upon the discussion in paragraphs 25 and 26 of the Issue Summary.

If you have any questions regarding the comments set forth in this letter or if we can provide additional information, please contact me at (216) 755-5697 or cvesy@ddr.com.

Sincerely,

Christa A. Vesy

Christa A. Vesy

Senior Vice President and Chief Accounting Officer
Developers Diversified Realty

cc: William H. Schafer, Executive Vice President & Chief Financial Officer
Developers Diversified Realty Corporation

Tori Lambert, Partner, PricewaterhouseCoopers, Cleveland Office