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> Letter of Comment No: 29A File Reference: 1100-LEU

Date Received: 10/22/03

October 22, 2003

Ms. Suzanne Q. Bielstein Director of Major Projects and Technical Activities 401 Merritt 7 P.O. Box 5116 Norwalk, Connecticut 06856-5116

Dear Ms. Bielstein:

Forest City Enterprises, Inc. is a publicly traded real estate corporation headquartered in Cleveland, Ohio with over \$5.3 billion in total assets. We own, develop, acquire, manage, and operate commercial and residential real estate across the United States.

We are submitting this letter to express our concerns regarding the Board's October 8th decision against amending or providing for a deferral of Statement of Financial Accounting Standards No. 150 "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" ("SFAS No. 150"). Although we believe that the "finite-life" provisions that are scoping us into the provisions of SFAS 150 extend far beyond the real estate industry, we have limited our concerns to those that most directly impact our Company.

We, like many real estate companies, invest in entities owning real properties that are organized in a partnership structure (or "partnership-like" structure such as a limited liability company). By practice, or as required by certain state reporting statutes, these entities regularly have finite lives, often extending 99 years, and providing for further extension. To the extent that we control these investments (prior to adoption of FIN 46), the assets and liabilities of such investments are consolidated, with the non-owned investor's portion reflected in the mezzanine section of the balance sheet as minority interest. Prior to SFAS 150, the balance of our minority interest reflected the *book value* of our outside partners' claim on the net assets of our Company.

We understand that pursuant to the provisions of par. 9 of SFAS 150, effective for our third quarter of 2003, the non-wholly owned consolidated entities described above will meet the definition of a mandatorily redeemable financial instrument, in our consolidated financial statements, as such amounts represent an unconditional obligation redeemable by transferring assets at a specified or determinable date (or dates) or upon an event certain to occur (i.e. upon termination of the finite life entity). Furthermore, the minority interest balance must be reflected at fair value, with offsetting adjustments to earnings.

Concept Statement No. 6 "Elements of Financial Statements a replacement of FASB Concepts Statement No. 3 (incorporating an amendment of FASB Concepts Statement No. 2)" focuses on the "usefulness of financial reporting information in making economic decisions." Upon adoption of SFAS 150, we believe that our financial statements will no longer provide meaningful information as the application of SFAS 150 is completely inconsistent with the underlying economics.

After initial adoption, the liability representing our minority interest will be adjusted to reflect subsequent changes in the fair value of the net assets of the joint venture. However, the value of the assets that will be used to satisfy this minority interest obligation will not be reflected at fair value. While we acknowledge these assets are consolidated with the parent entity it seems inconsistent to us that a liability can be recorded at fair value when the assets that will be used to settle that liability are recorded For example, assuming no change in the fair value of the at depreciated cost. partnership's net assets between reporting periods, because of depreciation that must be recorded for book purposes, we are effectively required to absorb 100% of this expense. Further, that liability will not be settled for its recorded fair value if the fair value of the related assets is not realized. We believe this "mixed attribute model" is inappropriate, misleading, and confusing to investors. Essentially, the more successful an investment, the worse the statement of earnings will appear and vice versa. We fail to see how investors will find this "model" useful in trying to evaluate the strength of a Company's performance using GAAP measures such as Net Earnings.

SFAS No. 94 "Consolidation of Majority-Owned Subsidiaries" (par. 38) states that net carnings in a company's consolidated financial statements should normally be the same regardless of the consolidation method used. Our Company's financial statements will no longer be comparable to those companies that have either invested in real properties structured in entities with an infinite life (such as a corporation) and/or have joint control with their partners and have reflected such investments on the equity method of accounting pursuant to APB 18. We do not agree that the earnings of a company should be so drastically impacted, in situations in which the risks and rewards of the investments are identical, simply due to differences in the legal structure of an entity.

In addition to the factors above, we are concerned that GAAP, as currently written, does not provide sufficient guidance or interpretations for the consistent application of a fair value model, as prescribed by SFAS 150, which is further complicated with the abbreviated timetable to adopt the standard. For example, as many of the real estate assets held in these investments are often substantially capitalized with fixed rate debt, we believe further guidance is required to determine how "fair value" of these obligations should be computed. Additionally, the fair value model prescribed by SFAS 150 is much different that the fair value model outlined in SFAS 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS 144) as SFAS 150 assumes a liquidation approach versus the long term hold approach assumed by SFAS 144. We feel this is just another example of an inconsistency and potential downfall to the "mixed attribute model" prescribed by SFAS 150.

To the best of our understanding, the application of paragraph 9 of SFAS 150 as it relates to minority interest of finite life entities was not discussed during SFAS 150's comment letter period nor was the matter clarified in any of the background materials or basis for conclusion. As a result, we do not believe that companies were provided with the adequate information and time to respond to this issue through due process prior to the issuance of the final standard. We feel many of these issues, which the Board has said at their October 8, 2003 meeting, were considered and intended consequences of the standard, may have been evaluated differently had many of the concerns of constituents been heard prior to the release of the final standard.

While we believe an amendment to the pronouncement excluding the provision to fair value minority interest in finite life entities is the correct approach to take, we realize that the Board must follow due process to properly address the implementation issues we believe exist with the pronouncement. We, like many other companies with our ownership structure, are drastically impacted by SFAS 150, independent of FIN 46 (which will likely increase the number of entities that are consolidated by us and other companies). We understand that certain private companies have been given a deferral until the first interim period beginning after December 15, 2004. We ask that as the implementation deadline for many companies has already passed and press releases and public filings are looming, at a minimum, the Board consider a delay to the implementation of SFAS 150 for all companies until the issues we have noted above can be addressed. We would be happy to discuss any of the points addressed in this letter. Please contact us if you have any questions concerning our comments outlined above.

Sincerely,

Forest City Enterprises, Inc.

Thomas G. Smith

Executive Vice President, Chief Financial Officer and Secretary

Linda M. Kane

Senior Vice President and Corporate Controller

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Janet M. Menko

Director of Accounting Standards and SEC Reporting