

November 11, 2008

Mr. Russell G. Golden Technical Director Financial Accounting Standards Board 407 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:

Developers Diversified Realty Corporation is pleased to have the opportunity to provide our comments on the Proposed FASB Statement, "Amendments to FASB Interpretation No. 46 (R)" ("Statement") for consideration by the Financial Accounting Standards Board ("FASB") staff.

Developers Diversified Realty Corporation ("DDR" or the "Company") is a self-administered and self-managed real estate investment trust ("REIT") based in Cleveland, Ohio. The Company is in the business of acquiring, expanding, owning, developing, redeveloping, leasing and managing shopping centers in 45 states, plus Puerto Rico, Canada, Brazil and Russia. At September 30, 2008, the Company had total assets of \$9.3 billion which included \$708.0 million of investment in and advances to joint ventures and stockholders' equity of \$2.9 billion. For the nine months ended September 30, 2008, the Company reported total revenue of \$703.3 million and net income applicable to common shareholders of \$90.2 million.

At September 30, 2008, the Company's portfolio consisted of 713 shopping centers and six business centers including 329 owned through unconsolidated entities and 40 that are otherwise consolidated by the Company.

DDR supports the Board's efforts to improve financial reporting for consolidation and to increase the relevance and transparency of the related disclosures. However, we do not support the issuance of the proposed Statement as currently drafted as it may result in a significant change to the existing consolidation model and framework for variable interest entities ("VIEs") and will most likely require significant and costly changes to our and other organizations' financial reporting systems and will only be effective for a short time.

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Further, the Statement as drafted appears to introduce the notion of a control based model, as opposed to identifying and evaluating those entities that should be assessed for consolidation on an economic risk and rewards basis. As the control based model in generally accepted accounting principles is already addressed in the literature, we believe that a principles based amendment of FIN 46R will result in a substantial cost of implementation, and an increase in diversity in practice for similar arrangements.

Rather than issuing this proposed Statement as a final standard, the FASB should continue to work with the International Accounting Standards Board to develop a common consolidation model that can be applied by all entities reporting under either US GAAP or IFRS, or alternatively, if the FASB believes that specific circumstances exist that are resulting in accounting conclusions that are inconsistent with the economic substance of these arrangements, we would suggest that the FASB issue a more narrowly focused pronouncement given the significant amount of costs and efforts of adopting and implementing the requisite internal controls to comply with the far reaching provisions of the proposed Statement. Our general observations and comments are set forth below.

Comments on Proposed Statement

Power to Direct

DDR is concerned with the concept of "power to direct" as it is vague and ambiguous. We would like to request the examples in Appendix A of the Statement be expanded to provide financial statement preparers with more clarity. For DDR's unconsolidated entities that were not concluded to be a variable interest entity pursuant to FIN 46 (R), we believe the guidance in EITF 04-05, Investors Accounting for an Investment in a Limited Partnership When the Investor is the Sole Partner and the Limited Partners Have Certain Rights ("EITF 04-05"), regarding the determination of substantive rights afforded to Limited Partners is well understood and consistently applied in practice, and the key concepts in EITF 04-05 should be retained in determining the party with a controlling financial interest.

If the FASB's intention is to create a new controlled based model, we believe the FASB needs to provide an adequate framework to ensure the application of the "power to direct" guidance is consistent to avoid confusion. This includes consistency with other GAAP. Otherwise enterprises with similar structures may reach inconsistent primary-beneficiary conclusions.

We also believe the FASB should modify the proposed paragraph 14A(a) to include examples of power to direct activities. We believe the current examples do not provide sufficient guidance to define the concept of power to direct nor do they provide adequate guidance surrounding how to determine joint control.

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Substantive Kick-Out Rights

We are concerned with the inconsistency in how substantive kick-out rights are considered in paragraph 14A(a) of the proposed Statement as compared with other authoritative literature, such as EITF 04-05. We disagree that substantive kick-out rights should not be considered, unless there is only one entity with the ability to exercise kick-out rights, in the determination of whether an entity has the power to direct matters which most significantly effect the activities of a VIE.

We realize the Board acknowledges this inconsistency; however, we believe creating this inconsistency will result in confusion and differences in conclusions under the two accounting models, voting or variable interest.

We believe the guidance in EITF 04-05 regarding the determination of the substance of the kick out rights has worked well and should not be changed without careful reconsideration and due process, and any such change should apply to all entities, not just VIEs.

Reconsideration Events – VIEs

Paragraph 5 of FASB Interpretation No. 46(R) ("FIN 46(R)"), as amended by the proposed Statement, requires an ongoing reassessment of whether an entity is a VIE. We believe the continuous reassessment of our VIE status should not be required as it is impractical and not operational or necessary to address what we believe is the FASB's primary concern. We do not believe the fair value information required to perform a continuous reassessment is available in a timely manner or at a reasonable cost. In addition, we believe the primary concern of the FASB relates to the timely reconsideration of which enterprise, if any, is the primary beneficiary of the VIE. To address this concern, we believe the primary beneficiary reassessment, as discussed below, should be the sole focus of the proposed Statement and, if properly applied, would satisfy the FASB's objectives. Further, we are concerned with the practical implementation issues and practical challenges of ongoing compliance with the interplay of these provisions of the Statement with FAS 160 and FAS 141, which would require that we record a gain (or loss) in circumstances in which we either consolidate or deconsolidate our entities based upon continual reconsideration events. As the determination of the fair value of real estate is extremely difficult in today's market, we are concerned that these reported gain or loss amounts will not faithfully represent the reality or economic substance of these events.

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Additionally, we do not support the proposed Statement's requirement that such reconsideration include operating losses that are in excess of the entity's expected losses. We believe an entity's VIE status should be reconsidered when the design of the entity has substantively changed rather than because losses are incurred in excess of a entity's expected losses and thus resulting in insufficient equity. We believe this approach will be more operational for companies to implement.

Related Parties

Many of DDR's unconsolidated investments are in the form of partnerships. The partners often may be considered de facto agents under paragraph 16(d)(1) of FIN 46(R) because each partner contractually does not have the ability to transfer or encumber its interest without the prior approval of the other partners. These are very common provisions in a real estate partnership and are generally viewed as a protective right as most partners in a real estate entity do not want to run the risk of being in a partnership with an entity that does not share its same investment strategies. As a result, it is very difficult to form partnerships without these provisions. In this situation on a combined basis, the owners of a joint venture may have the ability to direct matters that impact the activities of the joint venture, but each individual partner does not have such power. In accordance with paragraphs 16 and 17 of FIN 46(R), the variable interest holders in the de facto related party group will need to determine which interest holder is considered most closely associated with the VIE. We believe because paragraph 17 requires that this interest holder be considered the primary beneficiary, many partnerships will ultimately have to be consolidated by one of the partners even when no one party has a controlling financial interest under the proposed paragraph 14A (referred to as the "related party tie breaker"). We are concerned that with the proposed revision of the ongoing assessment of whether or not an entity is a VIE and the change to a "power to direct" model, we believe it could have the unintended consequence of DDR consolidating entities where we do not have a majority economic interest or the unilateral ability to control the entity.

For example, there could be a situation under the proposed Statement where DDR could be determined to be the primary beneficiary in a partnership in which it has a 20% interest and does not have a right to receive benefits or absorb losses that are significant to the variable interest entity inconsistent with the entity's design, solely due to the fact that it manages the shopping center. We do not believe this is appropriate as management of the shopping center is typically pursuant to the guidelines and budget established by the partnership. We do not believe it is appropriate to arrive at two different conclusions regarding the primary beneficiary test solely due to the related party relationship.

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To resolve this issue, the FASB should consider removing the de facto related-party provisions in paragraph 16(d)(1) after the initial assessment as to whether the entity is a VIE.

Disclosure Requirements

While we understand the FASB's intent relating to the proposed disclosure requirements included in the Statement, we believe there are resource, cost and relevance issues that override any possible benefits.

The disclosures are very extensive and will require our organization to invest a significant amount of time, effort and dollars to gather the necessary data, analyze and prepare the related footnotes. The time period a public registrant has to thoroughly close it books and file its financial statements is already extremely tight when you consider all of the necessary controls in every step of the process. We do not believe the proposed disclosures relating to the VIE financial statements, primary beneficiaries or fair value information will significantly improve the relevance and reliability of our financial statements. We believe it will require additional company resources during an already resource constrained period of time that will not provide incremental value to our financial statement users.

These expanded disclosures can only be completed by a limited group of individuals with an in depth knowledge and understanding of the proposed Statement as well as all of the Company's joint ventures. These individuals are already very involved in the financial reporting process and do not have excess capacity during an already busy period. Our company, as with most other organizations during the current capital market crisis, is tightly monitoring all general and administrative spending. Our investors want us to control discretionary spending and focus on liquidity. Adopting the proposed disclosure requirements would be in conflict with those business objectives and would result in additional spending as well as a disproportionate use of valuable management time relating to the implementation.

Lastly, due to the magnitude of DDR's joint venture investments, we further believe that our financial statements will become less transparent and more cumbersome to review and understand for our financial statement users. We do not believe the benefits of the proposed disclosure requirements outweigh the incremental costs that we and other companies in our industry will incur to adopt the proposed disclosure requirements. We believe existing disclosure requirements under both US GAAP and S-X provide our financial statement users with the information they need to understand our real estate joint venture arrangements.

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We appreciate your consideration of our comments. If you have any questions regarding the comments set forth in this letter or if I can provide additional information, please contact me at (216)755-5697 or cvesy@ddrc.com. I would be pleased to discuss these issues with you.

Sincerely,

Christa A. Vesy

Senior Vice President and Chief Accounting Officer

Developers Diversified Realty Corporation

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

John Gottfried, Partner, PricewaterhouseCoopers LLP, Cleveland Office