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Forest City Enterprises, Inc.  
Exact name of Registrant  
as specified in charter



08054050

38067

Registrant CIK number

Form 11-K for Forest City 401(k)  
Employee Savings Plan & Trust  
(for fiscal year ended December 31, 2007)  
Electronic report, schedule or registration  
statement of which the documents are  
a part (give period of report)

1-4372

SEC file number, if available

\_\_\_\_\_  
Name of Person Filing the Document  
(If Other than the Registrant)

SIGNATURES

*Filings Made By the Registrant:*

The Registrant has duly caused this form to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Cleveland, State of Ohio, June 26, 2008.

\_\_\_\_\_  
Forest City Enterprises, Inc.  
(Registrant)

By:   
\_\_\_\_\_  
Robert G. O'Brien  
Executive Vice President and  
Chief Financial Officer

*Filings Made by Person Other Than the Registrant:*

After reasonable inquiry and to the best of my knowledge and belief, I certify on  
\_\_\_\_\_, 20\_\_\_\_, that the information set forth in this statement is true and complete.

By: \_\_\_\_\_  
(Name)

\_\_\_\_\_  
(Title)

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 11-K

Annual Report Pursuant to Section 15(d) of the  
Securities Exchange Act of 1934

(Mark One):

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED].

For the fiscal year ended December 31, 2007

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED].

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-4372

- A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

FOREST CITY 401(k) EMPLOYEE SAVINGS PLAN & TRUST

- B. Name of issuer of the securities held pursuant to the Plan and the address of its principal executive office:

FOREST CITY ENTERPRISES, INC.  
Terminal Tower  
50 Public Square, Suite 1100  
Cleveland, Ohio 44113

*Total number of  
sequential pages = 15*

*Exhibit Index is  
located on  
sequential page 14.*

*1.*

**FOREST CITY 401(k) EMPLOYEE SAVINGS PLAN & TRUST**

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AUDITED FINANCIAL STATEMENTS AND  
SUPPLEMENTAL SCHEDULE

AT DECEMBER 31, 2007 AND 2006 AND  
FOR THE YEAR ENDED DECEMBER 31, 2007

**Forest City 401(k) Employee Savings Plan & Trust**  
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| Statements of Net Assets Available for Benefits<br>at December 31, 2007 and 2006                  | 2           |
| Statement of Changes in Net Assets Available for Benefits<br>for the Year Ended December 31, 2007 | 3           |
| Notes to Financial Statements   | 4-8         |
| Supplemental Schedule: *  |             |
| Schedule H, line 4i - Schedule of Assets (Held at End of Year)<br>at December 31, 2007            | 9           |

\* Other schedules required by Section 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable.

## Report of Independent Registered Public Accounting Firm

To the Participants and Plan Administrator  
Forest City 401(k) Employee Savings Plan & Trust

We have audited the accompanying statements of net assets available for benefits of the Forest City 401(k) Employee Savings Plan & Trust (the "Plan") as of December 31, 2007 and 2006, and the related statement of changes in net assets available for benefits for the year ended December 31, 2007. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2007 and 2006, and the changes in its net assets available for benefits for the year ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Grant Thornton LLP*

Cleveland, Ohio  
June 26, 2008

**Forest City 401(k) Employee Savings Plan & Trust**  
**Statements of Net Assets Available for Benefits**  
**December 31, 2007 and 2006**

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|  | <u>2007</u>          | <u>2006</u>          |
|--|----------------------|----------------------|
| Assets   |                      |                      |
| Investments, at fair value   | \$ 93,140,427        | \$ 85,773,965        |
| Cash   | 4,678                | -                    |
| Receivables:   |                      |                      |
| Employer contributions   | 2,948,991            | 2,525,760            |
| Participant contributions  | 429,394              | 12,019               |
| Total receivables  | <u>3,378,385</u>     | <u>2,537,779</u>     |
| Net assets reflecting all investments<br>at fair value   | 96,523,490           | 88,311,744           |
| Adjustment from fair value to contract<br>value for fully benefit-responsive<br>investment contracts | <u>(32,968)</u>      | <u>42,381</u>        |
| Net assets available for benefits  | <u>\$ 96,490,522</u> | <u>\$ 88,354,125</u> |

The accompanying notes are an integral part of these financial statements

**Forest City 401(k) Employee Savings Plan & Trust**  
**Statement of Changes in Net Assets Available for Benefits**  
**For the Year Ended December 31, 2007**

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Additions:

Additions to net assets attributed to:

Contributions:

|             |                   |
|-------------|-------------------|
| Participant | \$ 9,241,177      |
| Rollovers   | 1,648,288         |
| Employer    | 2,959,491         |
|             | <u>13,848,956</u> |

Investment income:

|           |                  |
|-----------|------------------|
| Dividends | 3,578,894        |
| Interest  | 127,018          |
|           | <u>3,705,912</u> |

|                 |                   |
|-----------------|-------------------|
| Total additions | <u>17,554,868</u> |
|-----------------|-------------------|

Deductions:

Deductions from net assets attributed to:

|                               |                  |
|-------------------------------|------------------|
| Benefits paid to participants | 6,726,640        |
| Loan origination fees         | 10,409           |
|                               | <u>6,737,049</u> |

Investment loss:

|   |                  |
|---|------------------|
| Net depreciation in fair value of investments | <u>2,681,422</u> |
|---|------------------|

|                  |                  |
|------------------|------------------|
| Total deductions | <u>9,418,471</u> |
|------------------|------------------|

|              |           |
|--------------|-----------|
| Net increase | 8,136,397 |
|--------------|-----------|

Net assets available for benefits:

|                   |                             |
|-------------------|-----------------------------|
| Beginning of year | <u>88,354,125</u>           |
| End of year       | <u><u>\$ 96,490,522</u></u> |

The accompanying notes are an integral part of these financial statements

**Forest City 401(k) Employee Savings Plan & Trust**  
**Notes to Financial Statements**  
**December 31, 2007 and 2006**

---

**1. Description of the Plan**

The following description of the Forest City 401(k) Employee Savings Plan & Trust (the "Plan") provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

- A. *General.* The Plan is a defined contribution plan covering all employees of Forest City Enterprises, Inc. (the "Company"), except contract security and employees covered by collective bargaining agreements that do not permit participation in the Plan. Employees of RMS Investment Corporation and RMS Management Company (collectively "RMS"), both of which are affiliates of the Company, are also covered by the provisions of the Plan. During 2007, RMS contributed \$52,246 and RMS participants contributed \$101,489. The Company and RMS are herein collectively referred to as the Employers. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA").
- B. *Eligibility.* Employees who have completed six months of service and have attained age 21 are eligible. Employee contributions are required for Plan participation.
- C. *Participant Accounts.* Each participant's account is credited with the participant's contribution (deferred compensation), the Employers' matching contribution, and allocation of the Plan earnings. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.
- D. *Contributions.* Each year, participants may contribute up to 50 percent of pretax annual compensation, subject to statutory limitations imposed by the Internal Revenue Code. Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans. Participants direct the investment of their contribution into various investment options offered by the Plan. The Plan currently offers 29 investment options. Each year the Employers contribute to the Plan a discretionary matching contribution equal to a percentage of each participant's contribution, subject to a maximum per participant. The Employers' matching contribution for 2007 was the greater of the following: 200% of the first \$500 and 100% of the next \$500 of each participant's deferred compensation, up to an annual maximum of \$1,500; or 50% of deferred compensation on the first 6% of employee wage contribution, up to an annual maximum of \$3,500.
- E. *Vesting.* Participants are immediately vested in their voluntary contributions plus actual earnings thereon. Participants vest in the Employers' contribution by being actively employed on the last day of the Plan year for which the contribution applies.
- F. *Payment of Benefits.* Lump-sum payments are made for normal retirement, death, total and permanent disability, termination, financial hardship, or upon reaching age 59 1/2.

**Forest City 401(k) Employee Savings Plan & Trust**  
**Notes to Financial Statements**  
**December 31, 2007 and 2006**

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**1. Description of the Plan - Continued**

G. *Loans to Participants.* Participants may borrow a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 or 50 percent of their cumulative contributions and related earnings. The loans are secured by the balance in the participant's account and bear interest at 1% above prime (ranging from 5% to 9.5% at December 31, 2007 and from 5% to 10.5% at December 31, 2006), which is fixed at the inception of the loan. Loan balances are amortized on a level basis over a period not to exceed five years, except for a loan used to acquire a participant's principal residence, which may be amortized over a period longer than five years. Principal and interest paid by the participant is credited to the participant's account.

**2. Summary of Significant Accounting Policies**

*Basis of Accounting.* The accompanying financial statements of the Plan were prepared under the accrual method of accounting.

*Use of Estimates.* The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

*Investment Valuation and Income Recognition.* The valuation of investments has been provided by T. Rowe Price, the Trustee, and represents fair value. Mutual funds are valued at published market prices which represent the net asset value of shares held by the Plan at year end. Investments in common trust funds are generally valued at their net asset value. Investment contracts held by the T. Rowe Price Stable Value Fund that are fully benefit-responsive investment contracts, e.g., guaranteed investment contracts (GICs), synthetic investment contracts (SICs) and wrap contracts, are valued at fair value in the Statement of Net Assets Available for Benefits and then adjusted to their contract value, as described further in the next paragraph. The fair value of GICs is generally determined by discounting the scheduled future payments required under the contract; the fair value of the securities underlying SICs is generally reflected by market value at the close of business on the valuation date; and the fair value of wrap contracts reflects the discounted present value of the difference between the current wrap contract cost and its replacement cost based on issuer quotes. Company stock fund is valued based on its year-end closing price. Participant loans are valued at their outstanding balances, which approximates fair value.

Effective December 31, 2006, the Plan adopted Financial Accounting Standards Board Staff Position No. AAG INV-1 and SOP 94-4-1, *Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide and Defined-Contribution Health and Welfare and Pension Plans* (the "FSP") with respect to fully benefit-responsive investment contracts held in the T. Rowe Price Stable Value Fund. Under the FSP, investment contracts held by a defined contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for the portion of the net assets of an investment company attributable to fully benefit-responsive investment contracts because that is the

**Forest City 401(k) Employee Savings Plan & Trust**  
**Notes to Financial Statements**  
**December 31, 2007 and 2006**

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**2. Summary of Significant Accounting Policies - Continued**

amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. As required by the FSP, the Statement of Net Assets Available for Benefits presents investment contracts at fair value and an adjustment from fair value to contract value for the fully benefit-responsive investment contracts. The FSP has no effect on net assets available for benefits.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation (depreciation) in fair value of investments includes realized gains and losses and unrealized appreciation and depreciation on those investments.

*Other.* Administrative expenses of the Plan are paid by the Employers. Loan origination fees are the responsibility of the participants, and are withdrawn from their investment accounts by the Trustee.

*Payment of Benefits.* Benefits are recorded when paid.

*Risks and Uncertainties.* The Plan provides for various investment options in any combination of stocks, bonds, fixed income securities, mutual funds, and other investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the Statements of Net Assets Available for Benefits.

*New Accounting Standards.* In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." This statement defines fair value, establishes a framework for measuring fair value, and expands disclosure about the use of fair value measurements. SFAS No. 157 does not require new fair value measurements, but applies to accounting pronouncements that require or permit fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. The Company is evaluating the effect of SFAS No. 157, however, it is not expected to have a material impact on the Plan's financial statements.

**Forest City 401(k) Employee Savings Plan & Trust**  
**Notes to Financial Statements**  
**December 31, 2007 and 2006**

**3. Investments**

The following presents investments that represent five percent or more of the Plan's net assets.

|   | December 31,  |               |
|---|---------------|---------------|
|   | 2007          | 2006          |
| American Funds Europacific Growth Fund              | \$ 9,697,561  | \$ 7,478,053  |
| Forest City Enterprises, Inc. Common Stock, Class A | \$ 13,451,241 | \$ 18,122,287 |
| T. Rowe Price Blue Chip Growth Fund                 | \$ 12,943,827 | \$ 10,686,041 |
| T. Rowe Price Equity Index Trust                    | \$ 11,013,041 | \$ 11,600,674 |
| T. Rowe Price Stable Value Fund                     | \$ 5,544,957  | \$ 4,985,990  |

During 2007, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) depreciated in value by \$2,681,422 as follows:

|  |                |
|--|----------------|
| Mutual funds                                 | \$ 1,695,943   |
| Investments in common trust funds            | 621,860        |
| Common stock - Forest City Enterprises, Inc. | (4,999,225)    |
|  | \$ (2,681,422) |

**4. Reconciliation to Form 5500**

The following is a reconciliation of net assets available for benefits per the financial statements at December 31, 2007 to Form 5500:

|   |               |
|---|---------------|
| Net assets available for benefits per the financial statements                                      | \$ 96,490,522 |
| Add: Adjustment from fair value to contract value for fully benefit-responsive investment contracts | 32,968        |
| Net assets available for benefits per the Form 5500   | \$ 96,523,490 |

The following is a reconciliation of investment income per the financial statements to Form 5500:

|  |              |
|--|--------------|
| Net depreciation in fair value of investments per the financial statements                           | \$ 2,681,422 |
| Less: Adjustment from fair value to contract value for fully benefit-responsive investment contracts | (32,968)     |
| Net depreciation in fair value of investments per Form 5500  | \$ 2,648,454 |

**Forest City 401(k) Employee Savings Plan & Trust**  
**Notes to Financial Statements**  
**December 31, 2007 and 2006**

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**5. Related Party Transactions**

The Plan invests in common stock of the Company, as well as shares of mutual funds and common trust funds managed by the Trustee, which qualify these transactions as party-in-interest transactions. The Plan held an investment in Forest City Enterprises, Inc. Class A common stock of \$13,451,241 (302,683 shares) and \$18,122,287 (310,313 shares) at December 31, 2007 and 2006, respectively, and the Plan held an investment in Forest City Enterprises, Inc. Class B common stock of \$1,839,535 (39,850 shares) and \$2,654,249 (44,123 shares) at December 31, 2007 and 2006, respectively.

**6. Plan Termination**

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants would become 100 percent vested in their Employer contributions and all unallocated amounts would be allocated to the participants in accordance with the provisions of the Plan.

**7. Tax Status**

The Internal Revenue Service issued an opinion letter dated February 27, 2002, stating that the form of the prototype plan used by the Plan is acceptable under Section 401 of the Internal Revenue Code ("IRC"). Although the Plan has been amended since the opinion letter was issued, the Plan administrator believes that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC and the Plan is exempt from federal income taxes.

Forest City 401(k) Employee Savings Plan & Trust  
Schedule H, line 4i - Schedule of Assets (Held at End of Year)  
December 31, 2007

| Description   | Number of<br>Units | Cost | Current<br>Value     |
|---|--------------------|------|----------------------|
| Mutual funds:   |                    |      |                      |
| Alger Small Cap Growth Fund                                 | 6,833              | **   | \$ 194,818           |
| American Funds EuroPacific Growth Fund                      | 190,634            | **   | 9,697,561            |
| Boston Company Small-Cap Value Fund                         | 54,671             | **   | 1,201,678            |
| Columbia Acorn Fund, Z                                      | 64,859             | **   | 1,920,484            |
| Dodge and Cox Stock Fund                                    | 24,959             | **   | 3,450,824            |
| Dodge and Cox Balanced Fund                                 | 35,075             | **   | 2,841,047            |
| Fidelity Contra Fund  | 35,921             | **   | 2,626,155            |
| Lord Abbett Mid-Cap Value Fund                              | 56,984             | **   | 1,058,188            |
| PIMCO Low Duration Fund II                                  | 31,643             | **   | 308,835              |
| PIMCO Total Return Fund, Administrative Shares              | 290,063            | **   | 3,100,769            |
| Tradelink Investments Fund                                  | 7,664              | **   | 7,664                |
| * T. Rowe Price Blue Chip Growth Fund                       | 321,746            | **   | 12,943,827           |
| * T. Rowe Price Equity Income Fund                          | 42,383             | **   | 1,190,957            |
| * T. Rowe Price Mid-Cap Growth Fund                         | 60,099             | **   | 3,465,898            |
| * T. Rowe Price Retirement 2005 Fund                        | 41,643             | **   | 490,973              |
| * T. Rowe Price Retirement 2010 Fund                        | 106,535            | **   | 1,726,926            |
| * T. Rowe Price Retirement 2015 Fund                        | 108,715            | **   | 1,375,240            |
| * T. Rowe Price Retirement 2020 Fund                        | 192,885            | **   | 3,421,783            |
| * T. Rowe Price Retirement 2025 Fund                        | 130,084            | **   | 1,714,502            |
| * T. Rowe Price Retirement 2030 Fund                        | 142,943            | **   | 2,723,055            |
| * T. Rowe Price Retirement 2035 Fund                        | 57,578             | **   | 777,886              |
| * T. Rowe Price Retirement 2040 Fund                        | 94,075             | **   | 1,806,242            |
| * T. Rowe Price Retirement 2045 Fund                        | 35,991             | **   | 458,161              |
| * T. Rowe Price Retirement 2050 Fund                        | 4,798              | **   | 50,278               |
| * T. Rowe Price Retirement 2055 Fund                        | 608                | **   | 6,370                |
| * T. Rowe Price Retirement Income Fund                      | 74,089             | **   | 985,384              |
|   |                    |      | <u>59,545,505</u>    |
| Common trust funds:   |                    |      |                      |
| * T. Rowe Price Equity Index Trust                          | 252,303            | **   | 11,013,041           |
| * T. Rowe Price Stable Value Fund                           | 5,544,957          | **   | 5,577,925            |
|   |                    |      | <u>16,590,966</u>    |
| * Common stock of Forest City Enterprises, Inc.:            |                    |      |                      |
| * Class A   | 302,683            | **   | 13,451,241           |
| * Class B   | 39,850             | **   | 1,839,535            |
|   |                    |      | <u>15,290,776</u>    |
| * Loans to participants, interest rates ranging 5.0% - 9.5% |                    | \$0  | 1,713,180            |
|   |                    |      | <u>\$ 93,140,427</u> |

\* Denotes party-in-interest.

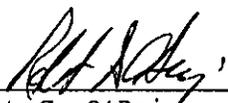
\*\* Participant-directed investment, cost information is omitted.

SIGNATURES

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, Forest City Enterprises, Inc. has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

FOREST CITY 401(k) EMPLOYEE SAVINGS PLAN & TRUST  
(Name of Plan)

June 26, 2008  
(Date)

  
\_\_\_\_\_  
Robert G. O'Brien,  
Executive Vice President and  
Chief Financial Officer  
Forest City Enterprises, Inc.

## Exhibit Index

Exhibit  
Number

Description of Document

|      |  |
|------|--|
| 23-1 | Consent of Grant Thornton LLP regarding Form S-8<br>(Registration No. 33-65058). |
|------|--|

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We have issued our report dated June 26, 2008, accompanying the financial statements and supplemental information of the Forest City 401(k) Employee Savings Plan & Trust on Form 11-K for the year ended December 31, 2007. We hereby consent to the incorporation by reference of said report in the Registration Statement of Forest City Enterprises, Inc. on Form S-8 (File No. 33-65058) filed with the Securities and Exchange Commission on June 25, 1993.

*Grant Thornton LLP*

Cleveland, Ohio  
June 26, 2008

END