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May 6, 2008

The Honorable Douglas H. Shulman
Commissioner
Internal Revenue Service
Room 3000 IR
1111 Constitution Avenue, N.W.
Washington, D.C. 20224

The Honorable Eric Solomon
Assistant Secretary (Tax Policy)
Department of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, D.C. 20220

Re: Revenue Procedure 2003-65

Dear Commissioner Shulman and Secretary Solomon:

We write to recommend changes to Revenue Procedure 2003-65. Revenue Procedure 2003-65 sets forth a safe harbor under which a "mezzanine loan" that is secured solely by an interest in a disregarded entity or partnership that, in turn, owns real estate is treated as a loan secured by the real estate for purposes of the real estate investment trust ("REIT") rules.

Although we believe that Revenue Procedure 2003-65 is helpful and consistent with the policies underlying the REIT rules, we recommend that it be updated to eliminate certain technical requirements that are very difficult to satisfy. We also recommend that the Revenue Procedure be better conformed with the REIT rules for loans that are directly secured by real property. We believe that our recommendations are entirely consistent with the policies underlying the REIT rules. The attached report explains these recommendations.

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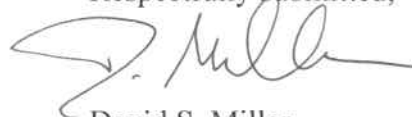
-2-

May 6, 2008

An update to Revenue Procedure 2003-65 is particularly important in the current economic environment. A great number of mezzanine loans fail to qualify under the technical requirements of Revenue Procedure 2003-65. As a result, many REITs are unwilling to purchase them, and these mezzanine loans are less liquid. If Revenue Procedure 2003-65 were updated as we suggest, we believe that these loans would be more marketable.

We appreciate your consideration of our recommendations and comments. We would be pleased to discuss these matters with you further or provide any other assistance that you would find helpful.

Respectfully submitted,



David S. Miller
Chair

(Enclosure)

cc: Michael S. Novey
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