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NATIONAL ASSOCIATION OF REAL ESTATE INVESTMENT TRUSTS®

February 18, 2003

Mr. Jonathan G. Katz
Secretary
U.S. Securities and Exchange Commission
450 Fifth Street, NW, Mail Stop 6-9
Washington, DC 20549

Re: File No. S7-02-03, Standards Relating to Listed Company Audit
Committees

Dear Mr. Katz:

The National Association of Real Estate Investment Trusts®, (“NAREIT”), welcomes this opportunity to respond to the request for comments from the Securities and Exchange Commission (“Commission”) on various proposals contained in File No. S7-02-03, Standards Relating to Listed Company Audit Committees (“Proposal”). NAREIT is the national trade association for real estate investment trusts (“REITs”) and other publicly traded real estate companies. Members of NAREIT include REITs and other businesses that own, operate and finance income-producing real estate, as well as those firms and individuals who advise, study and service those businesses.

NAREIT agrees with the Commission that effective oversight of the financial reporting process is fundamental to preserving the integrity of our markets. We also agree that a vigilant and informed audit committee is an important element in ensuring investor protection and confidence. Generally, we are pleased that the Commission is working with other regulatory and self-regulatory bodies to improve the effectiveness of corporate audit committees. Overall we support the rules proposed by the Commission, but we would like to receive clarification on certain items.

Section II-A, Audit Committee Member Independence, states that the “proposal would not, for example, preclude independence on the basis of ordinary course commercial business relationships between an issuer and an entity with which a director had a relationship.” NAREIT requests that the Commission clarify what would constitute an “ordinary course commercial business relationship” and provide examples of such arrangements.



1875 Eye Street, NW, Suite 600, Washington, DC 20006-5413
Phone 202-739-9400 Fax 202-739-9401 www.nareit.com

For instance, there are situations when a member of an audit committee may be employed by a business that provides services to an issuer that should not taint a finding of independence under the ordinary course exemption. One such example may be when a member of an audit committee is employed by an investment bank. Under some circumstances, this relationship may render the committee member non-independent, in other situations it may not. Given traditional" or ordinary commercial relationships, when the investment bank is merely one of many members of an underwriting syndicate for an issuer, the commercial relationship between such investment bank and the issuer should not disqualify the audit committee member. This situation can be contrasted with a situation when the investment bank is the lead underwriter or a co-manager of an equity or debt offering for the issuer or is providing advisory services to the issuer-- a relationship that is more direct and more susceptible to creating independence concerns than the first example. Another situation could involve a committee member who retired from a commercial bank. Would this committee member be deemed non-independent if the commercial bank provides banking services to the issuer? As these examples show, the need for clear guidance on the ordinary course exception is crucial to orderly implementation of the new independence rules.

NAREIT thanks the Commission for this opportunity to comment on the Proposal. Please contact Rob Cohen, NAREIT's National Policy Counsel, at (202) 739-9415 or me at (202) 739-9408, if you would like to discuss our comments in more detail.

Sincerely,

A handwritten signature in black ink that reads "Tony M. Edwards". The signature is written in a cursive, flowing style with a large initial "T".

Tony M. Edwards
Senior VP and General Counsel

