

**NOTICE OF REQUEST FOR PUBLIC COMMENT
REGARDING A PROPOSED AMENDMENT
TO THE NASAA STATEMENT OF POLICY REGARDING
REAL ESTATE INVESTMENT TRUSTS**

July 27, 2016

The North American Securities Administrators Association, Inc. (“NASAA”) is requesting public comment on proposed amendments to the NASAA Statement of Policy Regarding Real Estate Investment Trusts (“REIT Guidelines”), as set forth below.

Comments are due on or before September 12, 2016. To facilitate consideration of comments, please send comments to Michael Pieciak (Michael.Pieciak@vermont.gov), Chair of the Corporation Finance Section; Mark Heurman (mark.heurman@com.state.oh.us), Chair of Direct Participation Programs Policy Project Group; Anya Coverman, NASAA Deputy Director of Policy and Associate General Counsel; and Mark Stewart (nasaacomment@nasaa.org), NASAA Counsel, at the NASAA Corporate Office. We encourage, but do not require, comments to be submitted by e-mail. Hard copy comments may be submitted at the address below.

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Note: After the comment period has closed, NASAA will post to its website the comments it receives as submitted by the authors. Parties should therefore only submit information that they wish to make publicly available. Further, the following notice will appear on NASAA’s website where comments are posted: NASAA, its agents, and employees accept no responsibility for the content of the comments posted on this Web page. The views, expressions, and opinions expressed in the comments are solely those of the author(s).

Concentration Limit Proposal

Background

NASAA is evaluating concentration limits for direct participation programs (“DPPs”). Currently, several states have concentration limits that are applicable to DPPs including non-traded REITs. Non-traded REIT investments are highly complex, illiquid, and come with significant fees including upfront sales fees.

This concentration limit proposal, the first in an anticipated series in this regulatory area, focuses on proposed amendments to the NASAA REIT Guidelines, as set forth below. The NASAA REIT Guidelines apply to non-traded REIT offerings for the registration of the securities that the issuer will be offering for sale to the public.

Summary

The proposal would add a uniform concentration limit of ten percent (10%) of an individual's liquid net worth, applicable to their aggregate investment in a REIT, its affiliates, and other non-traded REITs, as defined therein. Liquid net worth consists of cash, cash equivalents, and readily marketable securities. The proposal also includes a carve-out for Accredited Investors under the income and net worth standards set forth in Regulation D, Rule 501.

The proposal also includes a recordkeeping requirement for the Sponsor or any person selling shares on behalf of the Sponsor or REIT. Such individuals must maintain records of the information obtained from Shareholders to ensure compliance with the concentration limit for a period of at least six years. Further, the Sponsor must disclose in the Prospectus the responsibility of the Sponsor and any person selling shares on behalf of the Sponsor or REIT to make every reasonable effort to ensure compliance with the concentration limit based on the information the Shareholder provides.

The proposal includes additional Administrator discretion in its application, including by providing for application of the concentration limit "Unless the Administrator determines that the risks associated with the REIT would require a lower or higher standard." Finally, the proposal distinguishes a suitability analysis from concentration limit compliance, by providing that adhering to the concentration limit does not satisfy the independently required suitability determination under the Guidelines, existing administrative rules, or the rules of a self-regulatory organization. The proposal requires the Prospectus to include language clarifying this distinction.

Conclusion

Please note the deadline for comment is September 12, 2016. A "red-line" edited version of the proposed amendments to the NASAA REIT Guidelines, highlighting the proposed changes, is attached as Exhibit A.

4. The SPONSOR and each PERSON selling SHARES on behalf of the SPONSOR or REIT shall not require SHAREHOLDERS to make representations in the subscription agreement which are subjective or unreasonable and which:
 - a. might cause the SHAREHOLDER to believe that he or she has surrendered rights to which he or she is entitled under federal or state law; or
 - b. would have the effect of shifting the duties regarding suitability, imposed by law on broker-dealers, to the SHAREHOLDERS.
5. Prohibited representations include, but are not limited to the following:
 - a. The SHAREHOLDER understands or comprehends the risks associated with an investment in the REIT.
 - b. The investment is a suitable one for the SHAREHOLDER.
 - c. The SHAREHOLDER has read the PROSPECTUS.
 - d. In deciding to invest in the REIT, the SHAREHOLDER has relied solely on the PROSPECTUS, and not on any other information or representations from other PERSONS or sources.
6. The SPONSOR may place the content of the prohibited representations in the subscription agreement in the form of disclosures to SHAREHOLDERS. The SPONSOR may not place these disclosures in the SHAREHOLDER representation section of the subscription agreement.

E. Completion of Sale

1. The SPONSOR or any PERSON selling SHARES on behalf of the SPONSOR or REIT may not complete a sale of .SHARES to a SHAREHOLDER until at least five business days after the date the SHAREHOLDER receives a final PROSPECTUS.
2. The SPONSOR or the PERSON designated by the SPONSOR shall send each SHAREHOLDER a confirmation of his or her purchase.

F. Minimum Investment

The ADMINISTRATOR may require minimum initial and subsequent cash investment amounts.

IV. CONCENTRATION LIMIT OF SHAREHOLDERS

A. General Policy

1. The SPONSOR shall establish a minimum concentration limit for PERSONS

who purchase SHARES in a REIT for which there is not likely to be a substantial and active secondary market.

2. The SPONSOR shall propose a minimum concentration limit which is reasonable given the type of REIT and the risks associated with the purchase of SHARES. REITS with greater investor risk shall have a restrictive concentration limit. The ADMINISTRATOR shall evaluate the standards and any exclusion proposed by the SPONSOR when the REIT'S application for registration is reviewed. In evaluating the proposed standards and any exclusion, the ADMINISTRATOR may consider the following:

- a. the REIT'S use of leverage;
- b. tax implications;
- c. balloon payment financing;
- d. potential variances in cash distributions;
- e. potential SHAREHOLDERS;
- f. relationship among potential SHAREHOLDERS, the SPONSOR and the ADVISOR;
- g. liquidity of REIT SHARES;
- h. prior performance of the REIT, SPONSOR and the ADVISOR;
- i. financial condition of the SPONSOR;
- j. potential transactions between the REIT, the SPONSOR and the ADVISOR;
- k. complexity of the offering;
- l. past disciplinary or legal actions by state or federal securities regulators, self-regulatory organizations or investors;
- m. administrative rules or statutory provisions of the Administrator's jurisdiction; and
- n. any other relevant factors.

3. Adhering to the concentration limit does not satisfy the independently required suitability determination under these Guidelines, existing administrative rules, or self-regulatory organization rules including when selling SHARES to any PERSON. The PROSPECTUS shall include disclosure to this effect.

B. Concentration Limit

1. Unless the ADMINISTRATOR determines that the risks or other factors in IV.A. associated with the REIT would require lower or higher standards, a PERSON's aggregate investment in the REIT, its AFFILIATES, and other non-traded REITS shall not exceed 10% of the PERSON's liquid net worth. This standard shall not be applied to Accredited Investors under income or net worth standards according to Regulation D, Rule 501.

2. "Liquid net worth" shall be defined as that portion of net worth consisting of cash, cash equivalents, and readily marketable securities.

3. In the case of sales to fiduciary accounts, these minimum standards shall be met by the beneficiary, the fiduciary account, or, by the donor or grantor, who directly or indirectly supplies the funds to purchase the SHARES if the donor or grantor is the fiduciary.

4. The SPONSOR or each PERSON selling SHARES on behalf of the SPONSOR or REIT shall maintain records of the information used to determine that an investment in SHARES satisfies the concentration standard for a SHAREHOLDER. The SPONSOR or each PERSON selling SHARES on behalf of the SPONSOR or REIT shall maintain these records for at least six years.

5. The SPONSOR shall disclose in the final PROSPECTUS the responsibility of the SPONSOR and each PERSON selling SHARES on behalf of the SPONSOR or REIT to make every reasonable effort to determine that the purchase of SHARES meets the concentration standard for each SHAREHOLDER, based on information provided by the SHAREHOLDER regarding the SHAREHOLDER'S financial situation and investment objectives.

V. FEES, COMPENSATION AND EXPENSES

A. Introduction

1. The PROSPECTUS must fully disclose and itemize all consideration which may be received in connection with REIT activities directly or indirectly by the SPONSOR, TRUSTEES, ADVISOR and underwriters, what the consideration is for and how and when it will be paid. This shall be set forth in one location in tabular form.
2. The INDEPENDENT TRUSTEES will determine, from time to time but at least annually, that the total fees and expenses of the REIT are reasonable in light of the investment performance of the REIT, its NET ASSETS, its NET INCOME, and the fees and expenses of other comparable unaffiliated REITS. Each such determination shall be reflected in the minutes of the meeting of the Trustees.

B. ORGANIZATION AND OFFERING EXPENSES