



September 12, 2016

Mr. Michael Pieciak  
Chair  
Corporate Finance Section  
Vermont Department of Financial Regulation  
89 Main Street  
Montpelier, VT 05602

Mr. Mark Heurman  
Chair  
Direct Participation Programs Policy Project Group  
Ohio Department of Commerce  
Division of Securities  
77 South High Street, 22<sup>nd</sup> Floor  
Columbus, OH 43215

Ms. Anya Coverman  
Deputy Director of Policy  
and Associate General Counsel  
North American Securities  
Administrators Association, Inc.  
750 First Street NE, Suite 1140  
Washington, DC 20002

Mr. Mark Stewart  
Counsel  
North American Securities  
Administrators Association, Inc.  
750 First Street NE, Suite 1140  
Washington, DC 20002

**Re: Proposed Amendment to the NASAA Statement of Policy Regarding Real Estate Investment Trusts**

Dear Mr. Pieciak, Mr. Heurman, Ms. Coverman and Mr. Stewart:

I am writing to express profound concern about the North American Securities Administrators Association, Inc.'s ("NASAA") proposed amendments to its Statement of Policy Regarding Real Estate Investment Trusts. We at KBS believe that these proposed amendments are unnecessary and over-reaching, and will ultimately deprive individual investors of access to commercial real estate investments, which have been a proven portfolio diversification tool used by all types of investors.

While we agree that safeguards are necessary to prevent the improper use of alternative investments in portfolio construction, we believe the existing guidelines enforced by the broker-dealer community, combined within FINRA rules on suitability, already provide investors with adequate protection. Furthermore, in response to FINRA 1502 and the recent Department of Labor ("DOL") fiduciary ruling, the industry has been rapidly implementing changes to share class design and fee structure for the betterment of the investing public. These changes need more time to be implemented before the full benefit to investors can be assessed. It is our belief that any proposed legislation considered in the interim will be based on false, outdated assumptions and will wrongly stifle the important capital formation necessary for the health of an entire industry.

In terms of the specific details of the proposed amendments, the arbitrary concentration limits are not based on proper economic analysis and may fundamentally alter the role of non-traded REITs as an important element in many investors' portfolios. These direct placement products hold billions in retirement assets, contribute to a diversified portfolio, and are increasingly transparent with recent changes. However, the across-the-board limitations envisioned by the proposed amendments will limit access to the investment class, potentially negatively impacting investor returns and continued investment in real estate, which is vital to reinvigorating our stalled economy.

**KBS Capital Advisors**

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The proposed amendments also fail to take into consideration the differences in liquidity between a traditional non-traded REIT and a daily net asset value ("NAV") non-traded REIT. The traditional structure allows for 5% annual liquidity based on the amount of shares as of December 31 of the preceding year. In response to the DOL ruling, KBS, among others in the industry, is actively pursuing a daily NAV strategy, which we believe should be excluded from any proposed amendments. Once implemented, this strategy will increase liquidity for shareholders from 5% to 20%, annually, along with providing transparent, daily valuations.

To reiterate, we believe that recent regulatory changes and the industry's response to them have already accomplished what the NASAA is seeking with these proposed amendments. If its determined further changes are still needed, we strongly urge the NASAA not to finalize the proposed amendments until further analysis has been undertaken to fully understand the potential impact.

Respectfully,



Charles J. Schreiber, Jr.  
Chief Executive Officer  
KBS Capital Advisors