From: Andrew Cortez <andrew@sanctuarywealth.net>
Sent: Monday, August 8, 2022 6:34 PM
To: NASAA Comments
Cc: Andrea Seidt; Mark.Heuerman@com.ohio.gov
Subject: [EXTERNAL]Comment on Non-Traded REIT Revisions

Per revision #2 - updating the net income and net worth financial figures in the suitability section

I don't believe that this is a necessary revision for Non-Traded REIT guidelines. I believe this for a few reasons, the first being that current inflation is far outpacing wage growth. Inflation is running at 9% for the time period 6/1/2021 - 6/1/2022, while for the same time period Average Hourly Earnings have only increased by 5.24%. Adjusting the net worth and net income figures as a result of inflation, seems to be taking data from the wrong source, inflation doesn't perfectly correlate with income and net worth.

The second reason I don't support this revision is because I believe to be unfair to a number of investors. Real estate has historically been a good hedge against inflation, and the proposed revision has could add to the amount of people not allowed to invest in non-traded REITs. An argument can be made that all investors have access to public REITs, and yes that is correct, however, there is a large difference in public vs non-traded REITs in how the shares are priced. Public REITs are priced by supply and demand for the shares outstanding and as a result be subject to broad market selloffs and don't necessarily track the *value* of the real estate. Whereas non-traded REITs are usually priced at NAV, which is not subject to the supply and demand of the shares, but rather the *value* of the real estate, which lessens the volatility that investors experience. Non-traded REITs can provide more diversification and can provide shelter from traditional markets. Barring certain individuals who may just be below the suitability standards seems unfair in my judgement.

I still believe suitability requirements are important but should be set by the State Administrators. The revision still states "Administrators retain their authority under the NASAA Guidelines to require higher or lower numbers as in the past." Since this is the case, I believe this revision is not needed.

Per revision 3# - adding a new standardized concentration limit to the suitability section

I believe this would be a good addition, and in my opinion, more important than the net income and net worth figures. Financial advisors should already practice this as fiduciaries, but overall, this would be a great addition.

Per revision #4 - Gross offering proceeds
When recommending these types of products, advisors should already be educating their clients on how these products work since they are acting in a fiduciary manner. Just as important, clients should be reading the prospectus's and sign off that they understand how the investment works before the REIT is purchased.

As opposed to prohibiting certain ways that a REIT sends its distributions to investors or limit the verbiage advisors can use to describe the mechanics of the fund, a better solution could be better reporting requirement for the REIT company. REIT companies should be filing a form 8937 with the IRS, which lays out what percentage of the client distributions are return of principle. It would provide more transparency if the REIT company reported these forms more consistently and were easily assessable.

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