

# RREEF Property Trust

July 21, 2015

*Submitted Electronically – e-ORI@dol.gov and e-OED@dol.gov*

Office of Regulations and Interpretations  
Office of Exemption Determinations  
Employee Benefits Security Administration  
U.S. Department of Labor  
200 Constitution Ave., NW  
Washington, DC 20210

**Re: Definition of the Term “Fiduciary” (RIN 1210-AB32);  
Best Interest Contract Exemption (ZRIN 1210-ZA25)**

Ladies and Gentlemen:

RREEF Property Trust, Inc. (“RPT”) submits the following comments regarding the rule proposed by the U.S. Department of Labor (the “Department”) which would redefine who is a “fiduciary” by reason of providing investment advice for a fee or other compensation (the “Proposed Rule”) and the related proposed Best Interest Contract Exemption (the “BIC Exemption”).<sup>1</sup>

RPT supports the Department’s goal of ensuring that financial advisors put the best interests of retirement plans, plan participants and IRA owners first. However, RPT has a number of specific concerns about the negative effect the Proposed Rule and the BIC Exemption would have on the availability of quality investments, like publicly registered, non-listed real estate investment trusts (“Non-Listed REITs”), used by IRA owners and participants to diversify their retirement portfolios.

## **I. About RREEF Property Trust, Inc.**

RPT is sponsored and externally managed by RREEF America, LLC (“RREEF America”). RREEF America has been acquiring and managing real estate investments in the United States on behalf of institutional investors since 1975. RREEF America, together with its affiliates in Europe and Asia, comprise the global real estate investment business of Deutsche Asset & Wealth Management (“Deutsche AWM”), a division of Deutsche Bank, A.G. As part of the Alternatives and Real Assets platform, Deutsche AWM’s real estate investment business is one of the largest real estate investment managers in the world with more than 405 professionals and staff located in 22 cities worldwide. The global business offers a diverse range of risk return and geographic real estate strategies, including stabilized, value-add and high yield properties and

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<sup>1</sup> See Proposed Conflict of Interest Rule, 80 Fed. Reg. 21960 (proposed Apr. 20, 2015 (to be codified at 29 C.F.R. pt. 2550)); and Proposed Best Interest Contract Exemption, 80 Fed. Reg. 21960 (proposed Apr. 20, 2015 (to be codified at 29 C.F.R. pt. 2550)).

investments in real estate-related assets on behalf of its approximately 483 institutional clients, including public and corporate pensions, foundations and labor union plans. Regional research teams are complemented by locally focused investment and asset managers that provide proprietary perspectives on market opportunities, trends and risks. RREEF America combines this market intelligence with sophisticated portfolio construction and risk management in order to achieve superior long-term risk adjusted returns, preservation of capital and diversification for its clients. As of March 31, 2015, on a global basis, Deutsche AWM had approximately \$1.25 trillion in total assets under management, including approximately \$40.2 billion of properties and \$10.0 billion of real estate securities. Within the United States, Deutsche AWM had \$16.5 billion of properties and \$7.9 billion of real estate securities under management as of March 31, 2015.

RPT, a Maryland corporation, was formed as a Non-Listed REIT in order to invest in (1) a diversified portfolio of high quality, income-producing commercial real estate located throughout the United States, including office, industrial, retail and multifamily properties, (2) common and preferred stock of exchange-listed REITs and other real estate companies and (3) debt backed principally by real estate. RPT is structured as a “perpetual-life” Non-Listed REIT, which means that subject to regulatory approval of its filings for additional offerings, RPT will sell shares of its common stock on a continuous basis and for an indefinite period of time. In addition, RPT sells its shares at a price based on the net asset value (“NAV”) of its underlying assets, calculated daily by an independent fund administration provider. RPT distributes its shares of common stock to the public through broker-dealers that are members of the Financial Industry Regulatory Authority, Inc. (“FINRA”). RPT offers to the public two classes of shares of its common stock, Class A shares and Class B shares. The difference between the share classes relates to selling commissions and ongoing fees and expenses: no selling commissions or distribution fees are paid with respect to Class B shares. Also, while Class A shares are available to the general public, Class B shares are available for purchase only under certain circumstances.<sup>2</sup> Although its common stock is not listed for trading on a stock market or other trading exchange, RPT provides its investors with limited liquidity through a redemption plan that permits investors to request redemption of all or a portion of their shares on any business day at the daily NAV per share.

From inception of capital raising on January 3, 2013 through March 31, 2015, RPT has raised approximately \$56,000,000 in equity capital from over 400 investors, with approximately 10% invested through employer-sponsored retirement plans and individual retirement accounts (“IRA”) subject to the Employee Retirement Income Security Act of 1974 (“ERISA”) and/or the Internal Revenue Code (“Code”). Since inception, RPT has made distributions to investors aggregating approximately \$3,000,000, at an average rate of 5.0% based on the gross purchase price per share of the common stock. To date, 100% of the redemption requests made by investors in RPT have been satisfied.

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<sup>2</sup> RPT’s Class B shares are available for purchase only (1) through fee-based programs, also known as wrap accounts, of investment dealers, (2) through participating broker-dealers that have alternative fee arrangements with their clients, (3) through certain registered investment advisers, (4) through bank trust departments or any other organization or person authorized to act in a fiduciary capacity for its clients or customers, (5) by endowments, foundations, pension funds and other institutional investors or (6) by RPT’s executive officers and directors and their immediate family members, as well as officers and employees of RPT’s advisor, sponsor or other affiliates and their immediate family members, and, if approved by RPT’s board of directors, joint venture partners, consultants and other service providers.

RPT is a member of the Investment Program Association (“IPA”) and the National Association of Real Estate Investment Trusts (“NAREIT”) and concurs with (i) the comment letter submitted to the Department by the IPA with respect to Non-Listed REITs (the “IPA Letter”), and (ii) the comment letter submitted to the Department by NAREIT’s Public Non-Listed REIT Council. RPT writes separately to highlight particular concerns with the scope of the Proposed Rule and the proposed BIC Exemption as they relate specifically to Non-Listed REITs that sell and redeem shares daily based on their NAV (“Daily NAV REITs”).

## **II. The Investment Advice Regulation Should Not be Revised.**

The existing regulation governing when a person shall be deemed to be rendering investment advice to an employee benefit plan within the meaning of § 3(21)(A)(ii) of ERISA was issued by the Department in 1975, and has been in effect continuously ever since. Congress has amended ERISA multiple times since 1974, but has never expressed any dissatisfaction with the current regulation. When Congress has regulated the provision of investment advice, it has done so through amendments to the securities laws, which uniformly apply to all investors, not just those investing through retirement plans. There is no evidence that Congress intends a dramatic expansion of regulation governing investment advisers through ERISA and the Code.

Further, economic expectations have settled around this 40 year old rule. The Proposed Rule would create significant regulatory compliance concerns and uncertainty where none has existed before. In light of the longevity of the rule, and the resulting economic structure developed over the past 40 years, the Department should not undertake such a dramatic change absent Congressional action.

Additionally, the existing regulation provides certainty in several important ways. For example, the existing rule requires that there be a mutual understanding that advice will serve as a primary basis for investment decisions and will be individualized to the plan. The Proposed Rule sweeps much more broadly, and does not include the mutuality, primary basis or individualization requirements. Those attributes give the existing regulation far more certainty as to when advisors act in a fiduciary capacity for purposes of ERISA and/or the Code.

It is likely that eliminating this certainty will result in extensive (and expensive) litigation, which will ultimately increase costs for investors, and create conflict with other regulatory schemes. For example, the provision of investment advice by registered investment advisers is already comprehensively regulated by the Investment Advisers Act of 1940 (the “Advisers Act”), and related regulations, which imposes a fiduciary duty on such investment advisers. It is unclear if this duty is the same as the fiduciary duty that would exist under ERISA and the Code if the Proposed Regulation is adopted. If so, what is the point of additional regulation? If it is different, the Proposed Rule does not make clear how the duties are different. The proposal simply does not address this issue (other than to conclude, without discussion, that existing regulations are not sufficient). Similarly, for advisers whose only option for a prohibited transaction exemption is the BIC Exemption, like broker-dealers who work on a commission basis, it is unclear whether the obligations created by best interest contracts differ from fiduciary obligations created under ERISA and the Code. If they are different, the Proposed Rule does not make clear if the new obligations and/or available remedies are different. The courts will be left to wrestle with these issues in piecemeal and costly litigation over the course of several years.

A better approach would be to leave the long-standing rules unchanged, or make more limited modifications that would be less of a departure from well-settled practices. In particular, the mutual agreement, primary basis and individualized advice requirements should be retained.

### **III. The BIC Exemption Should be Modified.**

#### **A. The Department Should Reject the Concept of a Legal List.**

As discussed in the IPA Letter, given the dynamics of the marketplace, it is unwise to attempt to freeze in time a list of investment products eligible for prohibited transaction exemptions. Attempts to require trustees to select investments from a statutory list of investments (“legal lists”) have not been successful. Prior to the Great Depression, many states had such requirements, but experience has highlighted the advantages of a more flexible approach. Indeed, this history led the drafters of Restatement (Third) of Trusts to conclude that “[k]nowledge, practices, and experience in the modern investment world have demonstrated that arbitrary restrictions on trust investments are unwarranted and often counterproductive.”<sup>3</sup>

The Department itself has previously recognized that it is not appropriate “to include in the regulation any list of investments, classes of investment, or investment techniques that might be permissive under the ‘prudence’ rule. No such list could be complete; moreover, the Department does not intend to create or suggest a ‘legal list’ of investments for plan fiduciaries.”<sup>4</sup> In the preamble to the proposed BIC Exemption, the Department emphasized that it intended to adopt a “principles-based” or “standards-based” approach that “would flexibly accommodate a wide range of current business practices” while minimizing conflicts of interest.<sup>5</sup>

The benefits of flexibility, and an unconstrained fiduciary standard, would be best obtained by an open set of assets eligible for the BIC Exemption. The BIC Exemption itself should cover advice with respect to “any securities” as long as the advice would otherwise satisfy the best interest standards of the BIC Exemption.

#### **B. The Set of Assets Eligible for the BIC Exemption Should Include Non-Listed REITs.**

If the Department determines to utilize a list of investments eligible for the BIC Exemption, the definition of “Assets” in such exemption should be expanded to include Non-Listed REITs, including Daily NAV REITs like RPT. First, as discussed extensively in the IPA letter, Non-Listed REITs are already subject to extensive federal and state regulations that are sufficiently protective of investor interests as to warrant inclusion as Assets eligible for the BIC Exemption. Moreover, Non-Listed REITs have a number of favorable attributes that make them appropriate for inclusion in a well-diversified retirement portfolio.

##### **1. Non-Listed REITs are Adequately Regulated.**

REITs were created by Congress through the enactment of the Real Estate Investment Trust Act in 1960. Non-Listed REITs are subject to the same IRS requirements as exchange-listed REITs, including the requirement that they distribute at least 90% of taxable income to shareholders annually. Also, like exchange-listed REITs, offers and sales of interests in Non-

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<sup>3</sup> Restatement (Third) of Trusts, Ch. 17, Investment of Trust Funds (Introductory Note, Edward C. Halbach, Jr., Reporter); *See, also*, Jeffrey N. Gordon, *The Puzzling Persistence of the Constrained Prudent Man Rule*, 62 N.Y.U.L. REV. 52 (1987).

<sup>4</sup> 44 Fed.Reg. 31639 (June 1, 1976).

<sup>5</sup> Proposed BIC Exemption, at 21961.

Listed REITs are registered with the SEC under the U.S. Securities Act of 1933, as amended (the “1933 Act”). In addition, like exchange-listed REITs, Non-Listed REITs must file with the SEC (and make publicly available) periodic and current reports, such as Forms 10-Q, 10-K and 8-K, as well as proxy statements filed pursuant to the U.S. Securities Exchange Act of 1934, as amended (the “1934 Act”). The primary difference between the regulation of exchange-listed and Non-Listed REITs is that exchange-listed REITs are subject to the corporate governance and other requirements of the stock exchanges and Non-Listed REITs are subject to the corporate governance and other requirements imposed by state securities regulators, which generally follow the North American Securities Administrators Association (“NASAA”)’s Statement of Policy Regarding Real Estate Investment Trusts (the “NASAA REIT Guidelines”).<sup>6</sup> Non-Listed REITs become subject to the NASAA REIT Guidelines because in order to offer and sell their interests to the public, they must register and be approved for sale by the state securities divisions of each of the states and U.S. territories in which offers and sales of the interests will be made.

The state specific regulations to which Non-Listed REITs are subject provide significant additional protection to investors that are not applicable to securities offerings of exchange-listed companies. For example, like exchange-listed REITs, Non-Listed REITs must have boards of directors that are comprised of a majority of independent directors and those boards act in a fiduciary capacity with respect to stockholders.<sup>7</sup> Non-Listed REITs are subject to additional fiduciary requirements including an express fiduciary duty of the external manager to the REIT and its stockholders, and an additional fiduciary duty of the independent directors to stockholders to supervise the relationship of the Non-Listed REIT with its external manager. The approval of a majority of the independent directors is required on many matters including changes to the Non-Listed REIT’s investment policies, related party transactions, the compensation paid to the REIT’s external manager and the annual renewal of its management agreement. Further, the NASAA REIT Guidelines impose significant limitations on the types of investments a REIT can make, the fees and expenses it can pay, the level of its borrowings and the indemnification it can provide its directors and external manager, among others.<sup>8</sup>

As an additional layer of investor protection, approximately 40 states apply a “merit review” approach to the registration of Non-Listed REIT securities offerings. These states, in reviewing a registration statement for a securities offering, will make a determination regarding the fairness of the offering to investors. If an offering is considered unfair in certain respects, the states will issue comments with respect to the substance of the offering. If a state securities regulator is not satisfied with the “fairness” of an offering, the regulator can refuse to declare the registration statement effective in that state. There are varying degrees of merit regulation, with some states applying stricter standards than other states.

Moreover, the primary channel used to distribute Non-Listed REITs is through broker-dealers that are registered with the SEC, FINRA, and the relevant state securities regulatory authorities. Federal law and FINRA rules require brokers to “adhere to high standards of conduct

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<sup>6</sup> See <http://www.nasaa.org/wp-content/uploads/2011/07/g-REITS.pdf>.

<sup>7</sup> See e.g., NASAA’s Statement of Policy Regarding Real Estate Investment Trusts at Section I.B.14; available at: <http://www.nasaa.org/wp-content/uploads/2011/07/g-REITS.pdf>. NASAA defines an independent director (or, in the context of a Non-Listed REIT that is in the form of a trust, an independent trustee) as: persons “who are not associated and have not been associated within the last two years, directly or indirectly, with the sponsor or advisor of the [Non-Listed] REIT.”

<sup>8</sup> *Id.* at Section II.D and E.

in their interactions with investors.”<sup>9</sup> The suitability requirements of FINRA Rule 2111 and the FINRA Rule 2310(b)(2)<sup>10</sup> mandate that broker-dealers have a reasonable basis to believe that a recommended investment in Non-Listed REIT securities is suitable for each customer based on reasonable diligence<sup>11</sup> into the investor’s investment profile. In addition, state securities laws impose their own suitability standards and income and net worth requirements. The sponsor of a Non-Listed REIT, and those selling shares on its behalf, including participating broker-dealers and registered investment advisers recommending the purchase of such shares, must make every reasonable effort to determine that the purchase of shares in a particular offering is a suitable and appropriate investment for each investor based on information provided by the investor regarding the investor’s financial situation and investment objectives.

Broker-dealers offering investments in Non-Listed REITs are also subject to additional product-specific disclosure requirements pursuant to FINRA Rule 2310. Prior to investing, Section (b)(3) of the Rule requires “that all material facts are adequately and accurately disclosed [to offerees] and provide a basis for evaluating the program.”<sup>12</sup> In determining the adequacy of disclosure, FINRA sets minimum guidelines for broker-dealers, such as: “(i) items of compensation; (ii) physical properties; (iii) tax aspects; (iv) financial stability and experience of the sponsor; (v) the program’s conflict and risk factors; and (vi) appraisals and other pertinent reports.”<sup>13</sup> FINRA has also recently enacted new rules governing the customer account statements, requiring that Non-Listed REITs perform and report share values based on property valuations more quickly than was previously required.<sup>14</sup>

Thus, Non-Listed REITs are subject to extensive federal and state regulation, and the broker-dealers and investment advisers who offer these products to their clients are also heavily regulated, and already have a duty to their customers to ensure investment suitability. If the Department is going to add regulatory oversight under ERISA and the Code when these products are sold to retirement plans, it should at least permit these products access to the BIC Exemption. Doing so would provide investors the full panoply of protections available under the Proposed Rule and the BIC Exemption, as well as the existing securities law protections. Providing retirement plan investors effective access to Non-Listed REITs will provide such investors with more diversification options, as well as adequate protections, disclosure and oversight.

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<sup>9</sup> See, e.g., Securities and Exchange Commission, Study on Investment Advisers and Broker-Dealers at 13 (Jan. 2011), available at: <http://sec.gov/news/studies/2011/913studyfinal.pdf>.

<sup>10</sup> Investment advisers, whether or not they are registered, are subject to their own fiduciary duty standards. See, e.g., FINRA Rule 2111 and FINRA Regulatory Notice 11-02, available at: [http://finra.complinet.com/en/display/display\\_viewall.html?rbid=2403&element\\_id=9859&print=1](http://finra.complinet.com/en/display/display_viewall.html?rbid=2403&element_id=9859&print=1).

<sup>11</sup> For example, broker-dealers have a duty to “to conduct reasonable investigation of securities, including those sold in a Regulation D offering. See, e.g., FINRA Regulatory Notice 10-22, available at: <http://www.finra.org/industry/notices/10-22>.

<sup>12</sup> See, e.g., Disclosures for Direct Participation Programs, which includes REITs discussed herein, Section (b)(3)(A) of FINRA Rule 2310, available at: [http://finra.complinet.com/en/display/display\\_main.html?rbid=2403&element\\_id=8469](http://finra.complinet.com/en/display/display_main.html?rbid=2403&element_id=8469).

<sup>13</sup> See, e.g., Disclosures, Section (b)(3)(B)(i)-(vi) of FINRA Rule 2310.

<sup>14</sup> See FINRA Regulatory Notice 15-02, available at: <https://www.finra.org/industry/notices/15-02>

## **2. Non-Listed REITs are Appropriate Investments for Retirement Plans.**

As adequately described in the IPA Letter, Non-Listed REITs, especially Daily NAV REITs, are transparent, widely held investments that have a strong performance history, relatively low volatility and significant diversification advantages.

Also as described in the IPA Letter, Non-Listed REITs have shown a lower correlation to public equity markets than listed REITs, and, as a result, Non-Listed REITs provide even better diversification against market swings. The fact that a particular REIT is not listed on a securities exchange also provides a degree of protection against adverse market sentiment. Because they are not exposed to equity market fluctuations, Non-Listed REITs are typically less volatile than exchange-listed REITs.

Listed REITs provide greater liquidity than Non-Listed REITs, but that comes at a price of greater volatility. Non-Listed REITs have liquidity constraints, but are subject to less volatility. Neither is necessarily superior, but each may have its own role in a diversified portfolio, and a reasonable investor may choose to hedge by having exposure to both approaches.

Non-Listed REITs typically have provisions that permit redemptions subject to certain limitations prior to the date the Non-Listed REIT provides full liquidity to investors upon the consummation of a liquidity event (such as a stock exchange listing, sale or merger with an exchange listed company). In addition, retirement plan investments are typically long-term investments in which immediate liquidity needs are generally limited. Some liquidity constraints in a diversified retirement plan portfolio would be expected as a function of the nature of the underlying assets.

Direct investments in real estate assets can also provide a superior hedge against inflation and rising interest rates compared to most fixed income investments which do not provide for any potential appreciation of the capital invested. Inflation is a significant risk to retirement income and the purchasing power of saving. Unlike bond and fixed income portfolios where the purchasing power of invested capital can be eroded by inflation, asset-based direct investments, like Non-Listed REITs, can provide capital protection through appreciation of value of the assets induced by inflation. Accordingly, direct investments in real estate have been a fundamental component of the investment portfolios of institutional pension plans and endowments for years.

A balanced retirement portfolio would likely include a mix of highly liquid and somewhat illiquid assets. Excluding Non-Listed REITs from the BIC Exemption altogether thus limits the diversification, inflation hedging and income options available to retirement plan investors that research and analysis has proven enhances overall returns as well as reduces risk. The Department should include Non-Listed REITs as Assets eligible for the BIC Exemption and thus retain these important investment strategies that are currently available and widely used by the public for prudent retirement investing.

### **C. Daily NAV REITs Provide Additional Protections and Benefits to Investors and Should Be Specifically Included in the BIC Exemption.**

If the Department is not persuaded to include *all* Non-Listed REITs as Assets eligible for the BIC Exemption, then at very least, Daily NAV REITs should be deemed eligible for the BIC Exemption. Beginning approximately four years ago, Daily NAV REITs were created on the belief that the Non-Listed REIT industry needed to provide more investor-friendly direct real estate investment products for investors seeking to diversify their investment portfolios in a cost-

efficient manner and with greater liquidity. The efforts of the Daily NAV REITs in existence today, combined with recent rule changes from FINRA, are now generating momentum toward the creation of even more investor-friendly Non-Listed REIT products.

The Daily NAV REIT structure allows for additional protections and benefits to investors that are unavailable to investors in traditional Non-Listed REITs, including greater transparency, lower fees, and increased liquidity. For example, as a perpetual-life Daily NAV REIT, the shares of RPT common stock offered to public investors on a continuous basis are priced daily and stockholders are able to request redemption of their shares daily. As a result, RPT, like other Daily NAV REITs, offers improved liquidity and price-transparency over traditional Non-Listed REITs, while still minimizing market-driven volatility that is unrelated to the value of its real estate investments in its NAV calculation. In order to provide these significant benefits to investors, RPT has designed its fee structure to facilitate these goals, while still complying with applicable law and offering appropriate investor protections. Such fee structures are not without precedent in the industry; they are similar to the typical fee structures of financial products offered by registered investment companies, such as mutual funds, with multiple classes of common stock. As a perpetual-life entity, RPT's investment strategy is not restricted by the need to provide liquidity through a single terminal "liquidity event." RPT believes that its targeted portfolio allocation to publicly traded real estate equity securities and other liquid assets will permit, under normal market conditions, satisfaction of daily redemption requests under its share redemption plan, and therefore enable its stockholders to obtain liquidity for their investment in RPT at the time of their choosing. To date, 100% of the redemption requests made by investors in RPT have been satisfied.

Unlike traditional Non-Listed REITs that are required to effect a liquidity event, such as a sale of assets or listing of the shares on a national securities exchange, years after their offering phase is completed, Daily NAV REITs, such as RPT, continually engage in public offerings and expect that their stockholders will hold their shares for indefinite, and widely varying, periods of time. Daily NAV REITs allow investors to redeem shares on a daily basis at the current NAV per share. In contrast, traditional Non-Listed REITs offer redemption only quarterly and at a discount to the original per share purchase price. Generally, Daily NAV REITs can repurchase up to 5% of the combined NAV of all classes of shares outstanding at the end of each calendar quarter, which means that the issuer can repurchase up to 20% of its total NAV in a calendar year, compared to the limitation of 5% of outstanding shares typically imposed by traditional Non-Listed REITs.

Daily NAV REITs have designed fee structures to provide compensation for the ongoing services provided to the RPT stockholders by the registered representatives of the participating broker-dealers in connection with their perpetual-life structure. This is in contrast to the relatively illiquid, finite life Non-Listed REITs in which investors are not intended to consider liquidity or redemption of shares during the term of the REIT, except for unforeseen circumstances such as death or disability. Therefore, in order for a financial advisor to advise on or recommend a perpetual life Daily NAV REIT, the financial advisor must monitor and advise the client of the optimal time for that particular investor to seek liquidity through the Daily NAV REIT's share redemption plan. Daily NAV REITs generate a return for their investors through both regular (i.e., monthly or quarterly) distributions and appreciation in NAV of the shares over the investor's holding period rather than an ultimate liquidity event by giving investors the flexibility to liquidate the investment at the appropriate time for each individual investor through an expanded share repurchase program.

Moreover, as a result of Daily NAV REITs' enhanced liquidity features and perpetual-life structure, Daily NAV REITs are able to charge substantially lower or non-existent up-front fees, which enables stockholders with relatively shorter holding periods to redeem their shares without incurring a loss equivalent to the amount of up-front fees charged by traditional Non-Listed REITs. Generally, Daily NAV REITs incorporate fees on a daily basis into the NAV, which means that fees paid by the REIT before a new investor purchases shares or before an existing investor redeems shares are reflected in the NAV for each class of the issuer's common stock as of the purchase date. Thus, investors incur expenses only for the period of time during which they hold their shares and are utilizing the ongoing services of the registered representatives of the participating broker-dealers. Due to the lower up-front selling fees charged by Daily NAV REITs, a greater percentage of offering proceeds are immediately available for investment, which should enable the issuer to generate higher returns for investors by providing greater initial investment capital to more fully diversify its investments. The fees to the external manager are also generally lower in Daily NAV REITs than traditional Non-Listed REITs because (i) fees are paid on NAV instead of gross asset value, (ii) fees are usually a single advisory fee with an annual performance component and (iii) many Daily NAV REITs do not charge transaction-based fees such as acquisition fees, disposition fees, property management oversight fees or debt financing fees.

Daily NAV REITs provide increased transparency through the use of third party valuation experts for the appraised value of their property portfolios. In addition, several Daily NAV REITs have engaged a third-party fund administrator that aggregates and publishes the REIT's NAV per share each business day. Furthermore, NASDAQ has granted ticker symbols to many Daily NAV REITs, which provides further transparency and price reporting to financial advisors and their clients.

Because Daily NAV REITs offer increased transparency, lower costs, and greater liquidity compared to traditional Non-Listed REITs, they are particularly appropriate for inclusion in a list of assets eligible for the BIC Exemption in the event the Department determines such a list is prudent.

#### **IV. Conclusion.**

For the reasons discussed above, the existing regulations, combined with other regulations governing the provision of investment advice is sufficient for the protection of retirement investors. However, if the Department determines to adopt the Proposed Rule, RPT believes that the BIC Exemption should be modified to eliminate any legal list of investment options. Finally, if the Department determines to maintain such a list, RPT believes that it should be modified to include Non-Listed REITs, and in particular, Daily NAV REITs.

Sincerely,

RREEF PROPERTY TRUST, INC.



James N. Carbone  
Chief Executive Officer and Director