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March 5, 2007

Nancy M. Morris  
Secretary  
Securities and Exchange Commission  
100 F Street, N.E.  
Washington, DC 20549-1090

Re: Release No. 34-55072; SR-NASD-2006-113

Dear Ms. Morris:

The Investment Program Association (the “IPA”)<sup>1</sup> appreciates this opportunity to comment on a proposed rule change by the National Association of Securities Dealers, Inc. (the “NASD”) that would amend certain provisions of NASD Conduct Rule 2711 (“Rule 2711”) regulating research analysts and research reports. The proposed rule change was described in Release No. 34-55072 (the “Proposal”).<sup>2</sup>

The Proposal contemplates a change to the definition of “Research Report” that would exclude sales material for public direct participation programs (“DPPs”) from the requirements imposed by Rule 2711. The IPA fully endorses this change and believes it is appropriate for all of the reasons cited in the Proposal. For similar reasons, the IPA strongly urges you to extend the exclusion to cover non-traded real estate investment trusts (“non-traded REITs”).

### Discussion

The Proposal supports the conclusion that sales material for DPPs should be excluded from the definition of “research report” because the “sales material for public DPPs [does] not present the same conflicts of interest or other regulatory concerns as research on exchange-traded securities. Publicly offered DPPs typically are limited partnerships or limited liability companies whose equity interests do not trade on an exchange and do not have an active secondary market. The DPP sponsor generally

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<sup>1</sup> The IPA, organized in 1985, is the national trade association representing the interests of investors in non-traded investment programs including non-traded REITs, partnerships and limited liability companies. Most major program sponsors belong to the IPA. More information about the IPA is available at our website, <http://ipa-dc.org>.

<sup>2</sup> Self-Regulatory Organizations; New York Stock Exchange LLC and the National Association of Securities Dealers, Inc.; Notice of Filing of Proposed Rule Changes to Amend NYSE Rules 472 and 344, and NASD Rules 1050 and 2711 Relating to Research Analyst Conflicts of Interest, Release No. 34-55072, File No. SR-NASD-2006-113 (January 9, 2007), 72 Fed. Reg. 2058 (January 17, 2007).

produces its sales material and sells interests in the DPP during an initial public offering on a best efforts basis...[T]his sales material typically consists of ‘tombstone’ advertisements whose content is strictly limited under Securities Act Rule 134, or supplemental sales literature that must be accompanied or preceded by a prospectus for the DPP.”<sup>3</sup>

Similar to DPPs, the securities of non-traded REITs are not listed on an exchange and there is no active secondary market. Their offerings are also conducted on a best-efforts basis. The sales material is generally produced by the sponsor and typically consists of a “tombstone” advertisement whose content is limited under Rule 134 under the Securities Act of 1933, as amended, or supplemental sales material that is either accompanied or preceded by a prospectus for the non-traded REIT. Accordingly, sales materials for non-traded REITs do not present the same conflicts of interest or other regulatory concerns as research on exchange-traded securities and, therefore, excluding non-traded REITs from Rule 2711 is equally appropriate and would achieve the same results contemplated by the exclusion of DPPs.

In conclusion, we urge you to treat non-traded REITs equitably and to revise the Proposal so that non-traded REITs are excluded from the requirements of Rule 2711 in the same manner as the Proposal currently exempts DPPs. The IPA proposes that Rule 2711(a)(7) be amended as follows:

*“Research Report” means any written (including electronic) communication that includes an analysis of equity securities of individual companies or industries (other than an open-end registered investment company that is not listed or traded on an exchange, a public direct participation program or a non-traded real estate investment trust) and that provides information reasonably sufficient upon which to base an investment decision...”*

Thank you for your consideration of these comments. If you have any questions or wish to discuss them further, please do not hesitate to call me at the number above.

Very truly yours,

Investment Program Association

By: Jack Z Hollander  
Jack Hollander, Chairman of the  
Board of Trustees

cc: Joseph Price, Vice President  
Corporate Financing Department, NASD

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<sup>3</sup> *Id.* at 2069.