



November 11, 2011

*Via PDF email: [pubcom@finra.org](mailto:pubcom@finra.org)*

Ms. Marcia E. Asquith  
Office of the Corporate Secretary  
FINRA  
1735 K Street, NW Washington, DC 20006-1506

**Re: FINRA Regulatory Notice 11-44**

Dear Ms. Asquith:

NorthStar Realty Finance Corp. (“NRF”), NorthStar Real Estate Income Trust, Inc. (“NSREIT”) and NorthStar Realty Securities, LLC (“NorthStar Realty Securities”) appreciate the opportunity to comment on Regulatory Notice 11-44 (the “Notice”) published by the Financial Industry Regulatory Authority, Inc. (“FINRA”) on September 29, 2011. The Notice seeks comments to FINRA’s proposal to modify NASD Rule 2340, which governs reporting of per share estimated values on customer account statements (the “Proposed Amendment”). NRF is NSREIT’s sponsor and is a NYSE-listed finance real estate investment trust (“REIT”) that primarily originates, acquires and manages portfolios of commercial real estate debt, real estate securities and net lease properties. NSREIT is a public, non-listed REIT that was formed to originate, invest in, and manage a diversified portfolio of commercial real estate debt, commercial real estate debt-related securities and select commercial real estate equity investments. NorthStar Realty Securities is a FINRA registered broker-dealer, NSREIT’s dealer manager and an affiliate of NRF. Together, we offer a unique perspective on the Notice given that (i) to our knowledge, NSREIT was the first public non-listed REIT with a core focus on commercial debt related investments, (ii) NSREIT is one of only a few public, non-listed REITs sponsored by a publicly traded company and (iii) we have the benefit of perspectives held by three important constituencies, namely the sponsor of a public non-listed REIT, a public non-listed REIT issuer and a captive broker-dealer focused in the industry.

We commend and share FINRA’s commitment to providing transparency and clear disclosure to investors. We advise FINRA that we have reviewed and support in principle the comment letter on the Notice submitted by the Investment Program Association (the “IPA Letter”). Among the matters raised in the IPA Letter, and the primary focus of this letter, is whether it would be prudent, as proposed by FINRA, to require brokerage statements to reflect per share estimated values based on the offering price during the Initial Offering Period (as defined in the Proposed Amendment) as reduced by organization and offering expenses (the “Net Value Proposal”). We strongly believe that FINRA should not pursue the Net Value Proposal.

Underlying the Net Value Proposal is the proposition that during the Initial Offering Period, the initial offering price less organization and offering expenses is an appropriate reflection of the value of the securities held by the investors or, at a minimum, is a better reflection than the initial offering price

itself. There are many factors that influence the value of a going concern during the Initial Offering Period, such as, among other matters, the strength of management, the ability to identify and realize upon market opportunity, brand awareness, market perception, market conditions, the ability to effectively implement a business plan, underlying asset values of the growing portfolio and expected future cash flows. We stress our belief that the initial public offering price reduced by organization and offering expenses is not an appropriate valuation metric and offers no basis for determining the intrinsic value of the subject securities. In our view, the adoption of the Net Value Proposal will only serve to confuse investors, leading to potential significant unintended consequences.

Among the unintended consequences that could flow from the Net Value Proposal is that investors may conclude that the “value” of their investment in the subject going concern is immediately less than their initial investment. This is an erroneous assumption even in the short term and such error is exacerbated with the passage of time. We believe that public, non-listed REIT investors generally seek long term investments and the true “value” of the initial investment could, even in the short term, well be in excess of the initial investment as a result of many of the factors referenced above. The Net Value Proposal lacks foundation and could negatively impact capital formation in the United States without providing investors any enhanced protection. As such, we suggest that FINRA abandon the Net Value Proposal for the Initial Offering Period and instead continue to work with the Securities and Exchange Commission (“SEC”) and the state securities commissions to ensure that investors are provided with clear and accurate disclosure of all organization and offering expenses in the applicable prospectus.

We believe that reflecting the initial public offering price on investor statements is the most prudent course until such time as the initial public offering is complete and sound valuation methodologies may be deployed. In addition, we urge FINRA to conduct further research and studies to determine the potential impact of the Net Value Proposal on follow-on offerings, which may be an essential continuation of capital raising activity that is necessary to achieve long term business objectives and the highest possible return to investors.

We fully support the prudent regulation of the United States capital markets by FINRA, the SEC and the state securities commissions. We appreciate the opportunity to comment on the Proposed Amendment and Net Value Proposal so we can work in a collaborative manner to protect investors and support a well-functioning capital markets system in the United States.

Very truly yours,

NorthStar Realty Finance Corp.  
Daniel R. Gilbert  
Co-President and Chief Investment Officer

NorthStar Real Estate Income Trust, Inc.  
Daniel R. Gilbert  
President and Chief Investment Officer

NorthStar Realty Securities, LLC  
W. Timothy O’Toole  
President