CNL Securities Corp.
CNL Center City Commons
450 South Orange Avenue
Orlando, Florida 32801-3336

March 12, 2004

Barbara Z. Sweeney
NASD
Office of the Corporate Secretary
1735 K Street, N.W.
Washington, DC 20006-1500

Dear Ms. Sweeney:

We are very pleased that the NASD has taken the time and made the effort to try to clarify its rules in a way that is supportive of capital formation, while maintaining its vigilance to protect investors.

CNL Securities Corp. and its affiliated programs appreciate this opportunity to comment on NASD Notice to Members 04-07 ("NTM 04-07") with respect to the Regulation of Compensation Fees and Expenses in Public Offerings of Real Estate Investment Trust ("REITs") and Direct Participation Programs ("DPP's").

Loads on Reinvested Dividends

It is our understanding that the industry is currently moving in the direction of eliminating sales loads in connection with shares purchased through dividend reinvestment plans. This is true at CNL. This movement reflects a desire among certain issuers and broker/dealers to allow stockholders to reinvest in companies at reduced prices. We are pleased that the NASD proposal reflects this recent development.

Non-Cash Compensation

Location of Training and Education Meetings

The NASD's proposal accurately recognizes that, with respect to REITs and DPP's, the inspection of assets is frequently regarded as an important component of training and education meetings ("T & E Meetings"). The NASD is correct that, with respect to selling REIT's and DPP's, many associated persons believe it is important to visit an issuer's assets in order to better understand the business of the issuer. This becomes particularly important when you are selling to customers illiquid investments in which their money may be locked up for significant periods (frequently in excess of eight years).

We believe that with some clarification, the concept of significance may strike the right balance. We recognize that different issuers may view significance in different ways. Just as the SEC and the accounting literature do not quantify materiality (and materiality is viewed differently in different situations), we believe that the use of the standard of "significant" if treated similarly will also provide the flexibility to deal with different situations. An asset may be significant for various reasons such as its size or because it reflects a new segment or asset class in which an issuer has determined to invest. We strongly believe that in adopting the proposed rules, it would be helpful if the NASD would include a comment indicating that significance might vary from program to program and may be determined based on various criteria in addition to the size of the asset.

We also believe the language in 2710(i)(2)(C)(ii) (and the comparable provision under 2810(c)(2)C)(ii)) should be expanded to say ". . . or a location at which a significant or representative asset of the program is located;"

This would allow associated persons to visit program assets in conjunction with T & E Meetings, even if a program's assets are of approximately the same size or type or

are located in one geographic area. The fact that a program has a portfolio consisting of similar assets does not decrease the desire of associated persons to visit the assets to get a better understanding of where their clients' funds are being invested for the long term.

We also wish to point out that footnote 7 to NTM 04-07 was drafted more narrowly than we believe it is presently interpreted or should be interpreted. The reference to local broker/dealers and their associated members should actually be to local or regional broker/dealers and their associated members. Issuers and members may hold meetings for associated persons in various regions (sometimes as broad as the Midwest or the Westcoast) and although we believe the NASD would permit such meetings as regional meetings, the reference in footnote 7 to local meetings creates unnecessary confusion.

We do not believe that changing the language relating to the location of T & E Meetings somehow creates a significant risk that locations would be chosen in order to provide incentives and awards for selling products. The existing NASD rules are clear that T & E Meetings cannot have attendance conditioned on meeting sales thresholds, cannot include entertainment and cannot include reimbursement for guests. The industry is aware that its agendas must address training and education activities and that extracurricular activities aren't part of these agendas. With the need to stick to the agendas, get people in and out quickly and comply with the restrictions, including those noted above, we do not believe that allowing associated persons to view assets of issuers, will create the risk they will be influenced by sales incentives to sell products which are not suitable for their customers.

Public Offering Review Issues.

Due Diligence

We appreciate the clarification of the treatment of due diligence expenses.

Allocation of Compensation and Organization and Offering Expenses

We welcome your clarifications of how compensations and other organization and offering expenses will be allocated among underwriting compensation and organizations and offering expenses ("O & O Expenses"). We appreciate the effort you have exerted in trying to create bright line tests to facilitate the registration process. We believe it is very important to recognize that in order to reduce costs and make it possible to afford to launch programs, many sponsors traditionally employ people in more than one capacity. It is not unusual for a person to be licensed with an affiliated broker/dealer, yet to spend most of their time providing services for one or more issuers created by the sponsor. Historically, sponsors were encouraged to license employees so that they would be better educated with respect to the securities laws and in the event they engaged in the type of activities with the broker/dealer or retail community which would require such licensing. Historically, their functions are neither wholesaling nor even sales. We believe the clarification of your interpretations will expedite the registration process.

However, with respect to (i) Dual Employees, although we believe your clarification is very helpful, it omits one important scenario. It has come to our attention that there are sponsors who employ dual employees who are registered with the affiliated broker/dealer entity but are not wholesalers and spend a substantial portion of their efforts unrelated to sales (but instead provide services to issuers which range from helping to provide research and statistics for the prospectus, to overseeing investor relations and/or call centers, to assisting with communications). Nevertheless, in a few instances of which we are aware, these dual employees do receive transaction based compensation (related to their broker/dealer activities and not to their issuer activities). In instances in which a dual employee has substantial responsibilities in a non-sales function and is not a wholesaler, we propose that their compensation be divided among that which is transaction based (and would be allocated to 10% underwriting compensation) and that which is base salary and would be allocated between the 10% underwriting compensation and O & O expenses, depending on the balance of their responsibilities between broker/dealer functions and the non-broker/dealer functions. We believe this would be an appropriate way to handle such situations.

With respect to wholesalers, we believe that some clarification is needed. We understand your position that regardless of whether they receive transaction-based compensation or not, their compensation will be allocated to the 10% underwriting compensation limitation, but you need to clarify that this only refers to compensation received in connection with a specific offering. Compensation unrelated to offerings, should not be allocated to offerings. For example, organizations may reward employees who have worked for more than 10 years (or some other period of time) by granting them stock in some affiliated company. Such grants are unrelated to any offering and should not be included in underwriting compensation (nor would it be practical to do so since it may be determined and granted years later). Accordingly, we believe you should make it clear that you only include in the 10%, underwriting compensation and not other forms of compensation. In addition, if a wholesaler is involved in more than one activity (such as 2 public offerings and 2 private offerings), you would only allocate the applicable portion of his underwriting compensation to a specific offering.

There is one remaining point which could use some clarification. With respect to (iii) Training and Education Meetings, please clarify how you would like these items to appear on the Compensation Screen. We believe that under NTM 04-07 members can aggregate under one item on the Compensation Screen the expenses of the issuers or members for conducting T & E Meetings with the expenses they pay as entrance or other fees for attending unaffiliated broker/dealer meetings. However, in the past there have been comments from the staff asking for a breakdown between the T & E expenses (i) paid to third party broker/dealers for entrance and similar fees, and (ii) incurred by the issuer or member or paid to other third parties. We believe the Compensation Screen should be simplified as much as possible and therefore recommend that these expenses be aggregated .

Thank you for the opportunity to comment on your proposals. In conclusion, we want to applaud your efforts to clarify and simplify your rules in a manner which will encourage capital formation, while protecting investors.

Sincerely yours,

s/ Robert A. Bourne
Robert A. Bourne