

August 2, 2005

Ms. Barbara Z. Sweeney
Office of Corporate Secretary
NASD
1735 K Street, NW
Washington DC 20060-1500

Re: NASD Notice to Members 05-40

Hines

**Comment Respecting Proposal to Prohibit All Product-Specific Sales
Contests and to Apply Non-Cash Compensation Rules to Sales of All
Securities**

Dear Ms. Sweeney:

This letter is provided in response to the request for comments regarding the proposed sales contest and non-cash compensation rule amendments discussed in NASD Notice to Members 05-40.

We believe that proposed Rule 2311 (the "Rule") provides some much needed clarification to the NASD membership regarding the applicability of, and specifics relating to, the NASD's non-cash compensation prohibitions and exceptions. With respect to the training and education meeting exception to the non-cash compensation prohibitions proposed in section (b) (3) of the Rule, we very much support the inclusion of a "location at which a significant asset of the program is located," in the classification of locations that are "appropriate to the purpose" of meetings relating to real estate investment trusts and direct participation programs. The opportunity to review significant assets of real estate investment trusts and direct participation programs is an integral component of the training and education of retail representatives regarding the underlying components of those securities, whether or not they are within the vicinity of a home or regional office of the offeror.

Likewise, in providing a definition in section (a) (5) of the Rule for the phrase, "preconditioned on the achievement of a sales target," and especially in clarifying what that phrase does not mean, the NASD has provided valuable guidance to its members. Offerors and members are no longer left to rely at their potential peril on their own interpretation of what constitutes an appropriate method for selecting attendees.

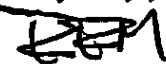
HINES REAL ESTATE SECURITIES, INC.

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We do believe, however, that additional consideration must be given to the broad prohibition against the payment or reimbursement of "the entertainment of associated persons," at training and education meetings, which is proposed in section (b)(3)(D) of the Rule. The term "entertainment" can be broadly construed. We certainly understand that an offeror may not pay for, or reimburse, the costs of entertainment activities such as golf, tennis and the like. But, for instance, would this prohibition against the "entertainment of associated persons" extend to background music playing in the banquet hall at dinner, or a dinner speaker? What about the provision of a hospitality suite where people can mingle at the end of the day? If these forms of "entertainment" are prohibited by the Rule, we believe that the Rule is unnecessarily restrictive and should be revised to distinguish between active recreational activities such as golf, tennis, sailing, etc., for which payment or reimbursement should be prohibited, and passive non-recreational activities such as background dinner music and the provision of a hospitality suite, which we believe the offeror should be permitted to provide at its training and educational meeting and pay for directly. At a minimum, additional guidance as to the scope of the prohibition against "entertainment" should be provided.

We appreciate the opportunity to comment on these issues.

Very truly yours,



Robert F. Muller, Jr.
President, Hines Real Estate Securities, Inc.

RFM:kam