

REIT preferred general characteristics

- \$25 par value, perpetual fixed (a few floating) rate securities that carry cumulative dividend provisions
- Quarterly cash dividends that must be paid in entirety before any distributions can be made to common shareholders
- New issues carry 5-year call protection
- Some REIT preferreds are convertible into common stock
- Senior in balance sheet status to common stock and junior in balance sheet status to debt
- New issues incorporate change of control protection
- Preferred shareholders may be entitled to board representation if preferred dividends are not paid
- In liquidation, all preferred dividends and principal must be paid in entirety before distributions can be made to common stockholders
- REIT preferreds are backed by U.S. commercial real estate and underlying assets generally contain long lease duration
- Qualify as part of the 90% income distribution requirement for REITs

The REIT preferred market

- Positive returns in 13 of the past 17 years¹
- \$35 billion par value outstanding
- Approximately 220 securities issued by over 110 REITs
- Distinguished by high current yield and almost no historical defaults
- Low volatility as compared to many other asset classes²
- Publicly-listed and transparent pricing

Taxability of REIT preferred dividend distributions

- REIT preferred dividends are generally taxed at ordinary income rates
- Selected dividends may be treated as capital gains distributions and/or returns of capital
- Taxability of preferred dividends dependent upon REIT operating income levels, transaction activity, and tax-basis in underlying properties

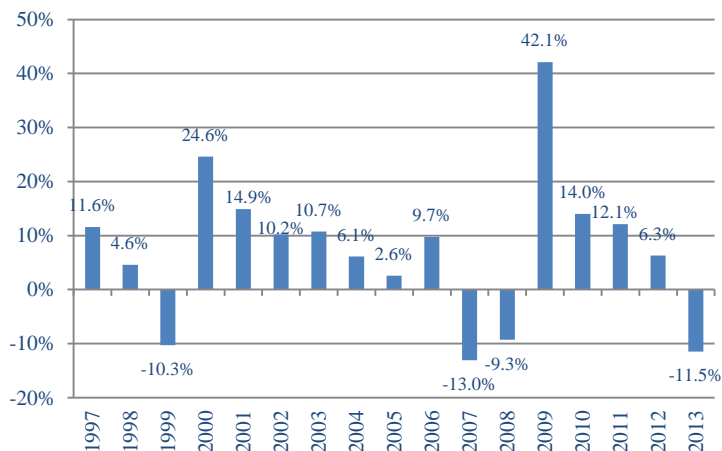
Liquidity of REIT preferreds

- Average monthly volume is more than \$2 billion of par value outstanding²
- The asset class turns over 5-6% of par value outstanding per month²

Material investment risks in REIT preferreds

- Fundamental risk - Economic recession can impact rent and occupancy rates and underlying REIT cash flow
- Interest rate risk - As high income paying securities, REIT preferreds can be exposed to adverse changes in interest rates
- Liquidity risk - Preferred shares trade with less volume than common stock
- Takeover risk - Securities without change of control provisions are susceptible to a corporate event that negatively impacts credit standing

REIT preferred asset class has produced positive returns in 13 of past 17 years



Source: Bank of America/Merrill Lynch REIT Preferred Index

Breakdown of credit ratings in the REIT preferred universe

As of 12/1/2013

S & P Rating	Percent of REIT Universe
BBB+ to BBB-	34%
BB+ to BB-	14%
B+ to B-	5%
CCC+ or lower	3%
Unrated	44%

Source: LDR Capital Management and Bloomberg

¹Source: Bank of America/Merrill Lynch ²Source: LDR Capital Management