WELLS FARGO Advisors

A guide to investing in non-traded Real Estate Investment Trusts (NREITs)/non-traded Business Development Companies (NBDCs)

What you should know before you buy

Wells Fargo Advisors wants to ensure that you are investing in the NREITs that best suit your investment objectives, risk tolerance, time horizon, and diversification needs. This guide will help you better understand the features and costs associated with various NREITs, as well as how your financial advisor and Wells Fargo Advisors are compensated when you invest in NREITs. As always, if you have any questions about your NREITs, please contact your financial advisor.

What is a Real Estate Investment Trust (REIT)?

A Real Estate Investment Trust (REIT) may be a public or private company, trust, or association that combines money from numerous investors and invests in the ownership, and typically, the operation of income-producing real estate or real estate-related assets. Established by Congress in 1960, REITs give individual investors a practical means to invest in large-scale, commercial real estate while shielding them from the significant initial capital requirements and daily demands of direct property ownership.

REITs are distinguishable from other real estate investments because they are required to acquire, develop, and operate their underlying real estate holdings as part of the REIT's own investment portfolio, as opposed to simply improving and reselling such properties. In return for an investment in a REIT, a shareholder may earn a pro-rata share of the economic benefit derived from rent payments and other income generated from the REIT's holdings.

REIT holdings may include a broad range of property interests, including office buildings, shopping malls, hotels, healthcare related assets, self-storage facilities, warehouses, apartments, and mortgages or loans. While REITs generally specialize in a particular type of real estate (e.g., retail properties), they may further concentrate real estate holdings in a particular region (e.g., East Coast), state or metropolitan area.

Investment and Insurance Products are:
- **Not Insured by the FDIC or Any Federal Government Agency**
- **Not a Deposit or Other Obligation of, or Guaranteed by, the Bank or Any Bank Affiliate**
- **Subject to Investment Risks, Including Possible Loss of the Principal Amount Invested**

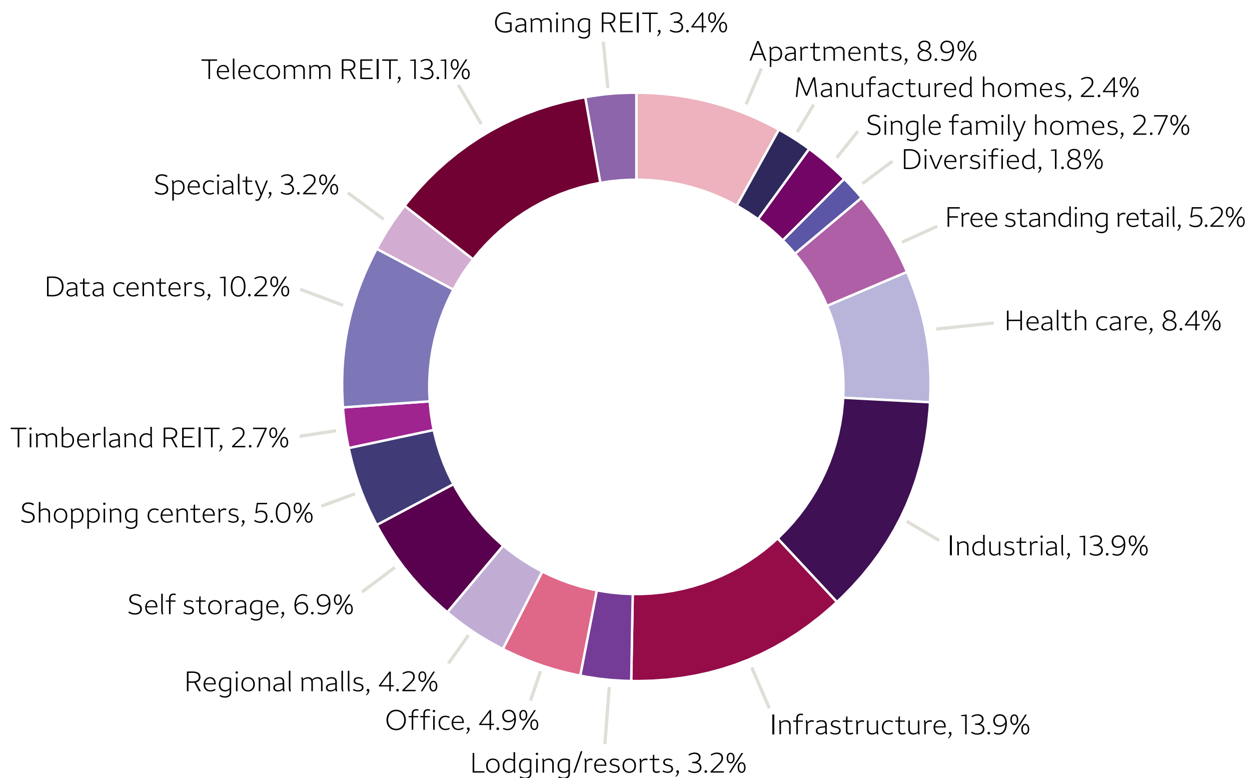
We have a responsibility to consider reasonably available alternatives in making a recommendation. We do not need to evaluate every possible alternative either within our products or outside the firm in making a recommendation. We are not required to offer the "best" or lowest cost product. While cost is a factor that we take into consideration in making a recommendation, it is not the only factor.

You should consider factors such as those below prior to accepting a recommendation:

- The potential risks, rewards, and costs in purchasing and in the future selling of a security.
- Your age, other investments, financial situation and needs, tax status, investment objectives, investment experience, investment time horizon, liquidity needs, and risk tolerance.
- The security's investment objectives, characteristics (including any special or unusual features), liquidity, volatility, and likely performance in a variety of market and economic conditions.
- For complex products, you should consider whether less complex or costly products achieve the same objectives.

By accepting a recommendation, you acknowledge that you have considered the above factors to your satisfaction.

Listed REITs invest in all property types



As of February 29, 2024
Source: FTSE NAREIT All Equity REITs Index

Types of REITs

REITs can be divided into two main types: equity REITs and mortgage REITs.

Equity REITs — When investing in an equity REIT, your ownership interest in the REIT is similar to the ownership interest you would have in traditional stock. Equity REITs may own and operate income-producing real estate assets in one or more of the various property subsectors. For example, some equity REITs may specialize in apartment or healthcare facilities, while others concentrate on a cross-section of retail and industrial facilities. Moreover, equity REITs may engage in a wide range of real estate activities including leasing, maintenance and development of real property, and tenant services. It is important to consider that equity REITs typically use a moderate amount of leverage, or debt, to fund their operations. In addition to the more traditional real estate asset class REITs, you may encounter what are typically described as "specialty" or "niche" REITs. Unlike their counterparts, these REITs generally invest in "non-traditional" assets such as wireless and cellular towers, single family residential, timber, infrastructure, and data centers. You should be sure to understand the unique risks, features, and benefits of such REITs before investing. Traditional and niche equity REITs together comprise approximately 95% of the public REIT market.

Residential mortgage REITs — Residential mortgage REITs invest directly in the form of mortgages and other types of real estate loans, or indirectly through the acquisition of mortgage-backed securities. Agency mortgage REITs borrow money in the short-term repurchase market (repos) and then buy longer-duration residential mortgage-backed securities (RMBS) issued by the Government National Mortgage Association (Ginnie Mae), a government agency backed by the full faith and credit of the U.S. government as to payment of principal and interest, or by government sponsored enterprises (GSEs), such as the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac). While GSE securities carry the implicit guarantee of the U.S. government, they are not direct obligations. Agency mortgage REITs earn spread income between short-term funding and long-term assets and employ significant leverage. The leveraged duration gap causes high sensitivity to changes in the yield curve; therefore, interest rate risk is the primary risk factor when investing in agency mortgage REITs. Non-agency mortgage REITs also borrow in short-duration repo markets to invest in non-agency mortgage-backed securities (MBS) (e.g., jumbo prime, Alternative –A, and subprime). The primary risk factor regarding non-agency mortgage REITs is defaults or foreclosures. Leverage for non-agency is lower than agency mortgage REITs but is still elevated, and investors take on some degree of interest rate as well as credit risk. The underlying residential mortgage securities may include fixed-rate, adjustable-rate, and hybrid adjustable-rate mortgages. Revenues are generated by interest the REIT earns on mortgage loans. An important factor to consider when investing in mortgage REITs is that when interest rates fall, many homeowners refinance. As a result, mortgage REITs may be negatively affected by homeowner prepayments. Compared to equity REITs, mortgage REITs are considerably more leveraged and pose a significant amount of market risk and interest-rate risk to investors. Furthermore, many mortgage REITs attempt to manage their interest rate and credit risks through the use of complex derivatives and other hedging strategies.

REIT categories

Equity REITs may specialize in specific underlying real estate categories as outlined below.

Retail/shopping center/ enclosed malls: Retail REITs typically invest in strip and enclosed malls.

Office: Office REITs invest in office buildings comprised of long-term lease holders.

Healthcare: Healthcare REITs typically own three kinds of properties: senior housing, skilled nursing facilities (SNHs), and medical office buildings (MOBs).

Residential/apartment: Residential REITs own and operate multi-family apartment buildings, single family homes, and manufactured home communities.

Industrial REITs: Industrial REITs lease industrial facilities (e.g., warehouses) to manufacturers, retailers, transportation companies, and third-party logistics providers.

Hotel/lodging: Hotel REITs typically own, acquire, and renovate upscale hotel properties located in coastal markets.

Non-traditional/niche property types: Certain property types, including self-storage, infrastructure, timber, cell phone towers, and data centers are generally considered niche assets.

How REITs are structured

To qualify as a REIT, an entity must direct the majority of its assets and income to real estate investments and distribute at least 90% of its taxable income to shareholders via annual dividends. Further, REITs are permitted to deduct shareholders' dividends from the REIT's corporate taxable income. Because of this special tax treatment, REITs generally pay out at least 90% of its taxable income to shareholders. Accordingly, REITs generally do not have corporate tax liability. In addition to these qualifications, REITs must comply with the following provisions of the Internal Revenue Code (IRC):

- REITs must be managed by a board of directors or trustees.
- A REIT's shares must be fully transferable.
- There must be a minimum of 100 shareholders after the REIT's first year in existence.
- No more than 50% of a REIT's shares may be held by five or fewer investors during the last half of the taxable year.
- A REIT must invest at least 75% of its gross income received from rents from real property and/or mortgage interest payments.
- A REIT must derive at least 95% of its gross income from financial investments including dividends and interest and rents from real property.
- A REIT may not allow more than 25% of its assets to consist of non-qualifying securities or stock in taxable REIT subsidiaries.

Commercial mortgage REITs — The commercial mortgage real estate sector encompasses a host of assets including multi-family, office, industrial, retail, and hospitality properties. Generally, commercial real estate is a capital-intensive business that relies heavily on debt capital to develop, acquire, maintain, and refinance commercial properties. Real estate companies have gained access to the public equity markets, and commercial mortgage debt is increasingly held in the form of rated securities.

Non-traded public and private REITs

Whether a REIT is equity-focused or invests in mortgages, you can further organize REITs into three categories: publicly traded equity REITs (exchange-traded REITs), public non-listed REITs (non-traded REITs), and private REITs. You should carefully consider the features, risks, costs, and benefits of each type of REIT before investing.

Publicly traded REITs — Publicly traded REITs are listed on the major stock exchanges (NYSE, Nasdaq, and NYSE MKT) and are traded like stock. As of September 23, 2024, there were approximately 221 REITs trading on stock exchanges. An investment in an exchange-traded REIT is typically a liquid investment.

Public non-traded REITs — Non-traded REITs are registered with the U.S. Securities and Exchange Commission (SEC), but their shares do not trade on national stock exchanges. Offerings are subject to review by state securities regulators, commonly referred to as "Blue Sky" review; in addition, firms such as Wells Fargo Advisors may apply their own qualification standards in excess of " Blue Sky" rules.. Non-traded REITs generally require a minimum holding period, and redemption options may be limited. Because these REITs are not publicly traded, there may be no readily available market for their securities. Therefore, they pose different risks than those associated with an exchange-traded REIT.

Private REITs — Private REITs, sometimes called private placement REITs, are neither registered with the SEC nor do they trade on national stock exchanges making them hard to value and trade. Private REITs generally can be sold only to institutional investors, such as large pension funds, and/or to "Accredited Investors" generally defined as individuals with a net worth of at least $1 million (excluding primary residence) or with income exceeding $200,000 over two prior 2 years ($300,000 with a spouse).In addition, private REITs do not file regular reports with the SEC. This makes it difficult to keep informed about an investment in the REIT. Private REIT offerings are made through private placements which rely on an exemption from the obligation to register with the SEC.

	Stock exchange-listed REITs	Public non-listed REITs	Private REITs
Liquidity	Shares are listed and traded, like any other publicly traded stock, on a national securities exchange, such as the NYSE and Nasdaq.	Shares are intentionally not listed on national securities exchange. Liquidity options vary and may take the form of share repurchase programs or secondary marketplace transactions, but are generally limited. Certain "daily net asset value (NAV) REITs" may provide enhanced liquidity by offering periodic, e.g., daily (or less frequent) repurchase options at net asset value. Traditionally, public non-listed REITs have aimed at providing liquidity through an event such as listing on a national securities exchange, selling all or substantially all its assets, or entering into a merger or business combination.	Shares are not traded on a public securities exchange and are not generally liquid. Redemption programs for shares vary by company and may be limited, non-existent, and/or subject to change, including possibility that sponsor may limit liquidity to prorated percentages.
Transaction costs	Brokerage costs the same as for buying or selling any other publicly traded stock.	Brokerage costs vary by company and may include upfront commissions and/or trail fees.	Brokerage costs vary by company, but may include formation fees, annual management fees, and a percentage of profits in the form of a "promoted interest."
Management	Typically self-advised and self-managed.	Typically externally advised and managed.	Typically externally advised and managed.
Minimum investment amount	One share.	Typically $1,000 – $2,500 initial investment.	Typically $1,000 – $25,000; private REITs that are designed for institutional or accredited investors generally require a much higher minimum investment.
Independent directors	Stock exchange rules require a majority of directors to be independent of management. NYSE and Nasdaq rules generally call for fully independent audit, nominating and corporate governance, and compensation committees.	Subject to state "Blue Sky" securities regulations that generally follow the North American Securities Administrators Association (NASAA) Statement of Policy Regarding Real Estate Investment Trusts, which recommends that boards consist of a majority of independent directors and that a majority of each board committee consist of independent directors.	Generally exempt from regulatory requirements and oversight, unless managed by a registered investment advisor under the Investment Advisers Act of 1940.
Corporate governance	Subject to state general corporate law and regulation, and NYSE or Nasdaq exchange rules on corporate governance.	Subject to the same state law corporate law provisions as Stock Exchange-listed REITs as well as state securities laws and regulations which generally follow the North American Securities Administrators Association (NASAA) Statement of Policy Regarding Real Estate Investment Trusts.	Not required other than the Internal Revenue Code's requirement that a REIT needs to have a board of directors or board of trustees.
Disclosure obligation	Required to make regular financial disclosures including quarterly unaudited and annual audited financial results under the Securities Exchange Act of 1934, including 10-Qs, 10-Ks, 8-Ks and proxy statements.	Required to make regular financial disclosures including quarterly unaudited and annual audited financial results under the Securities Exchange Act of 1934, including 10- Qs, 10-Ks, 8-Ks, and proxy statements. Pursuant to FINRA Notice 15-02, Financial Industry Regulatory Authority (FINRA) rules require additional broker-dealer disclosure of valuation methodology.	Exempt from SEC registration and related disclosure requirements under Regulation D.
Performance measurement	Numerous independent performance benchmarks available for tracking listed industry REITs. Wide range of analyst reports available to the public.	FINRA rules require that investors be furnished with per share estimates pursuant to specified timeframe. Independent publications track activities and results of public non-listed REITs.	No public or independent source of performance data available for tracking private REITs.

Source: National Association of Real Estate Investment Trusts (NAREIT)

Investor characteristics of REITs

REITs are typically considered total-return investments. This means that when measuring the performance of a REIT, an investor should consider interest, capital gains, dividends, and distributions realized over a set time period. Because of the underlying rents and other payments REITs receive and then distribute, REITs may provide competitive dividends plus the potential for moderate, long-term capital appreciation. Investors in REITs are generally interested in the following:

Income — Purchasers of REITs are typically looking for a dependable income stream. REITs may offer investors attractive dividends compared to other investments since REITs are required to distribute at least 90% of their taxable income to shareholders annually in the form of dividends. Nevertheless, you should not purchase a REIT solely for income potential, but you should always consider the various risks (e.g., market, interest-rate) that are associated with your REIT investment. For example, mortgage REIT income may vary.

Liquidity — REITs operate in perpetuity. For that reason, they are ideal for investors focused on strategic long-term investing. Likewise, REITs may be for investors looking for exposure to the real estate asset class but who are also seeking the liquidity that comes with active trading on the major stock exchanges (publicly-traded REITs only). While shares of publicly-traded REITs are more readily converted to cash because they trade on the major stock exchanges, an investor should keep in mind that redemption options for non-listed and private REITs are more limited. As a result, an investor in a non-listed or private REIT will not have immediate, or potentially near-term, access to their funds.

Portfolio diversification — Historically, investors have chosen REITs to help achieve portfolio diversification goals. Many investors view REITs as a consideration to complement a core portfolio of stocks and bonds, and a practical means for gaining exposure to the real estate sector. In addition to considering these advantages, you should consider how REITs fit within your particular portfolio before investing in them.

What is a Non-Traded Business Development Company (BDC)?

A Business Development Company (BDC) is a type of domestic closed-end investment company that is operated for the purpose of making investments in small and developing businesses and financially troubled businesses. Investing in a BDC involves economic, credit, and liquidity risks in addition to the special risks associated with investing in a portfolio of small and developing or financially troubled businesses. BDCs are exposed to leverage risk. The use of leverage in an investment portfolio can magnify any price movements resulting in high volatility and potentially significant loss of principal. Each BDC has its own unique risks that are outlined in the offering documents. These securities are not appropriate for all investors and should not be purchased on the basis of yield alone. The market price of these securities may decline, and distributions are not guaranteed and may be subject to change or elimination.

A non-traded BDC is a publicly registered closed end fund regulated under the United States Investment Company Act of 1940 whose structure allows for tax efficient (i.e. tax free pass through) access to middle market lending. The fund structure has the ability to utilize modest leverage and must meet various diversification and income distribution thresholders including: (1) investing 70%+ of assets in qualifying investments in US small and medium sized companies and (2) distributing at least 90% of taxable income to shareholders Additionally, as a publicly registered fund, the BDC is subject to strong corporate governance and regulatory oversight.

How BDCs are structured

In 1980, the U.S. Congress created BDCs in an effort to fuel job growth and assist emerging U.S. businesses in raising capital. BDCs invest in debt and equity of small and medium-sized private, or some small public, companies. The companies BDCs invest in are typically in their early stages of development or are distressed companies that may not be able to obtain bank loans or raise money from other investors. Sometimes BDCs may help manage the companies they invest in. BDCs are sometimes compared to venture capital funds or private equity funds, which provide exposure to private, often illiquid, investments and may provide assistance to the companies they invest in. The key distinction though is BDCs, unlike the other investment types, are traded on stock exchanges and are constantly available investments.

- BDCs pool money from all types of investors including retail investors which will own shares representing a proportional part of the BDC.
- BDCs are required to distribute at least 90% of their taxable income to investors.
- To qualify, a BDC must invest at least 70% of its assets in private or public U.S. firms.

Types of BDCs

	Stock exchange listed BDCs	Public non-listed BDCs	Private BDCs
Type of Offering	Traditional IPO	Continuous offering	Finite Offering
Funding	Real time via public offering	Upfront Contributions	Capital call Model
Liquidity	Real time via public offering	Periodic share repurchases, typically up to 5% NAV	Generally, no liquidity until IPO or other liquidity event.
Term	At investors discretion	Can be perpetually non-traded or pursue an IPO	Pursue an IPO or contemplate wind down (typically after 5 – 10 years)

Risks of NREITs/NBDCs

While investors are typically attracted to REITs and BDCs for current income and long- term growth potential, there are certain risks associated with them. Several of these risks are outlined below:

Not a liquid investment — Non-traded REITs/BDCs do not trade on an exchange and are illiquid investments. The offering memorandum or prospectus specifies liquidation terms. Many non-traded REITs/BDCs require investors to wait until the non-traded REIT/BDC lists its shares on an exchange or liquidates its assets to achieve liquidity. Some non-traded REITs/ BDCs may include limited repurchase plans, which are outlined in the non-traded REIT/BDC offering document. There are numerous limitations and restrictions on these plans, which may include: the frequency with which a client may liquidate, minimum initial holding periods, advance notice required by the non-traded REIT/BDC, minimum account capital requirements, and hold backs for the non- traded REIT/BDC to confirm audited financial information. The client should consider the client's investment in a non-traded REIT/BDC as a long-term investment with limited or no immediate liquidity. Should a client pass away prior to the sale or liquidation of a non-traded REIT/BDC, additional requirements, including with regard to financial qualification, may need to be met prior to the further disposition of the asset by last will and testament or other estate planning means.

The underlying holdings are illiquid — Non-traded REITs/BDCs invest in investments that are illiquid in nature. If a non-traded REIT/BDCs needs to sell these investments from its portfolio, the market price received in the sale of these underlying investments may be significantly less than the original investment, which would result in a lower return or loss for investors. Moreover, the management of the non-traded REIT/BDCs may limit the number of interests (or shares) eligible for participation at any given redemption and at their discretion, and therefore not all interests tendered for repurchase may be accepted. For example, if one or or when a large number of investors simultaneously seek to tender interests, the non- traded REIT/BDC may have to offer pro-rata redemptions. Non-traded REITs/BDCs should only be acquired by investors able to commit their funds for an indefinite period.

Valuation — Most non-traded REIT/BDC holdings are difficult to value and no easily available market prices for non-traded REIT/BDC holdings are available. The non- traded REIT/BDC company may value properties or other holdings based on periodic or annual appraisals, which may not be accurate or timely. These appraisals may not correspond to realizable value in a sale. As a result, the client may not be able to assess the value or performance of the client's non- traded REIT/BDC investment for a significant period. In addition, investing in non-traded REITs/BDCs involves a higher level of risk than investing in private real estate offerings. There is no guarantee of appreciation of the underlying investment or the ability to resell the non-traded REIT/BDC's underlying investment properties or businesses.

Leverage — Non-traded REITs/BDCs may use leverage. The use of leverage in an investment portfolio can magnify any price movements resulting in high volatility and potentially a significant loss of principal.

Distributions may come from principal — Distributions are not guaranteed and may exceed operating cash flow. Some non-traded REITs/BDCs use leverage to pay distributions which increases the risk of default or devaluation. Initial distributions may not represent earnings from operations since non-traded REITS/BDCs often declare the distributions prior to acquiring significant assets. Distributions may be suspended or halted altogether.

Diversification — The client can be under diversified if the client puts all of the client's intended real estate/debt investment in one REIT/BDC. This risk is amplified when a particular non-traded REIT/BDC concentrates in a particular sector of the underlying market.

Investments may not be specified — Many non-traded REITs/BDCs start out as blind pools, which have not yet specified the investments to be purchased. Others may specify a portion of the investments the non-traded REIT/BDC plans to acquire, or they may be in various stages of acquisition. The more investments that have been specified for purchase or that have actually been acquired the easier it is for an investor to assess the nature and quality of the underlying investments.

Manager risk — Non-traded REIT/BDC managers have total investment authority over their non-traded REITs/BDCs, and the manager's skill is normally responsible for the investment returns. Therefore, if the founder or key person departs, the returns of the non-traded REIT/BDC may be impacted. It may be hard to quantify the impact a manager has had on underlying investments until those investments are sold.

Market and investment risk — The client can lose money investing in non- traded REITs/BDCs. Investing in non-traded REITs/BDCs involves risks, including the potential loss of principal. The market value of the underlying securities will fluctuate. Past performance is not indicative of future results.

Lack of transparency — Due to the private nature of these investments, non- traded REITS/BDCs are not required to reveal their portfolio holdings like mutual funds or other more-regulated investment vehicles. As such,the client is directly dependent on the manager's investment ability and the non-traded REIT/BDC's representations about its holdings and risk.

Real estate funds — Core investments in real estate and debt are generally considered less risky and are characterized as having lower return potential. There is no guarantee any investment strategy will be successful under all market conditions. The value of any investment may decline as a result of a downturn in the market, and economic and market conditions. There is no guarantee value appreciation will be achieved and the operating company may be forced to sell investments at a lower price than anticipated. An opportunistic investment style bears the highest level of risk among real estate and debt strategies as it typically involves a significant amount of "value creation".

Although these investments have the potential to generate income, there is no guarantee they will do so over their investment time periods.

State regulation — Certain states have enacted legislation that set concentration limits on the amounts that can be invested in non-traded REITs/BDCs. Please be sure to review for such limits in your state of domicile.

How are your financial advisor and Wells Fargo Advisors compensated on non-traded REITs/non-traded BDCs?

Wells Fargo Advisors and your financial advisor receive payments depending on the fund, amount invested, and class you select. For helping you invest in these funds, Wells Fargo Advisors and your financial advisor are compensated in ways that vary depending on the selected investment. Funds pay Wells Fargo Advisors from the fees paid by you. Part of that payment then goes to your financial advisor, and the remainder is retained by Wells Fargo Advisors. In brokerage accounts, financial advisors receive a portion of the placement fee and ongoing payments (known as “residuals” or “trails”) on non-traded REIT fund units, as set by the subscription agreement (excluding advisory programs). In investment advisory fee-based accounts, your financial advisors’ compensation is based on a percentage of the assets in the account rather than on concessions or trails, as mentioned above.

The compensation formula that determines the amount of payment to your financial advisor is generally the same for all funds. Some funds, however, may carry higher sales charges than others, which may create an incentive for the financial advisor to recommend those funds. Typically, registered funds have higher upfront sales charges and lower investment minimums than unregistered funds due to the costs associated with filing registration statements.

Intra-company compensation arrangements

Wells Fargo Advisors may also receive compensation from other Wells Fargo & Company subsidiaries, including direct compensation or indirect accounting credits in connection with the referral of certain business among such subsidiaries.

Additionally, within the division that operates in Wells Fargo Bank financial centers and some Wells Fargo branches, both financial advisors and licensed bankers can assist you with your non-traded REIT/BDC investment needs. A licensed banker is a Wells Fargo Bank associate who is registered with Wells Fargo Advisors. Licensed bankers may also refer you to a financial advisor. In these instances, both the financial advisor and the licensed banker may be compensated for the sale of a non-traded REIT/BDC, but the licensed banker may receive less through this referral arrangement than from a direct sale.

Referrals and recommendations are made independent of compensation arrangements and based solely on the client’s needs and objectives.

At Wells Fargo Advisors, we receive payments from some of the companies whose non-traded REITs/BDCs we offer. These payments may be used to pay for training, educational conferences, meetings for our financial advisors, and meetings for our clients or prospective clients. The payments also provide marketing support, which is usually calculated as a percentage of product sales or assets. These amounts are not part of the compensation formula for your financial advisor. We believe that these financial arrangements do not compromise the advice your financial advisor offers you. Additionally, these arrangements do not affect your sales charge.

Additional compensation received by Wells Fargo Advisors from fund sponsors and other fund relationships

In addition to transaction-based commissions received by Wells Fargo Advisors and your financial advisor, Wells Fargo Advisors may receive compensation paid by the product companies, not related to individual transactions, for marketing, support, educational, and training services performed by Wells Fargo Advisors in support of non-traded REIT/BDC fund sales.

This “non-commission” compensation received by Wells Fargo Advisors from non-traded REIT/BDC fund companies can be broken down into four general categories:

- Revenue Sharing
- Intra-company compensation arrangements
- Training and education support
- Additional compensation for general services provided to funds

Revenue sharing

Revenue sharing may be paid by a non-traded REIT/BDC’s investment advisor, distributor, or other fund affiliate to Wells Fargo Advisors for providing continuing due diligence, training, operations and systems support, and marketing to financial advisors and clients with respect to non-traded REITs/BDCs. Wells Fargo Advisors may receive revenue sharing payments from non-traded REITs/BDCs available in both transaction-based and/or investment advisory programs.

- The fees are paid from the fund affiliates’ or distributors’ revenues and profits, not from fund assets. However, fund affiliates’ or distributor revenues or profits may in part be derived from fees earned from services provided to the fund.

Wells Fargo Advisors may receive revenue sharing payments from non-traded REIT/BDC companies available in both transaction-based and/or investment advisory programs. Revenue sharing fees are usually paid by the product’s investment advisor, or an affiliate as a percentage of Wells Fargo Advisors’ aggregate value of client assets invested in the product. In certain instances, revenue sharing may be paid as a percentage of annual new sales to clients, or as a combination of a percentage of new sales and a percentage of aggregate client assets. The percentage amounts are typically established in terms of basis points (100 basis points equals 1%). For example, if Wells Fargo Advisors receives 10 basis points in revenue sharing for a given product, it would receive $10 for each $10,000 of total assets in client accounts in the product.

Wells Fargo Advisors may receive different revenue sharing rates from each non-traded REIT/BDC. However, certain products may pay Wells Fargo Advisors, a negotiated, fixed annual amount for revenue sharing, regardless of the amount of assets held in client accounts or in new sales to clients.

Non-traded REIT/BDC fund policies can be found in a product’s offering document, which is available to accredited/qualified investors on request from the non- traded REIT/BDC company. Certain sponsors paid GAI, who in turn paid Wells Fargo Advisors and/or Wells Fargo & Company in 2018, for marketing and/or other service fees. If you have any questions about these practices, please contact your financial advisor.

We work with various alternative investment advisors and/or managers to provide aggregated sales data for a fee. These payments are not attributable to a particular account or holdings, nor does the service include any information identifiable to a particular account or holding. The payments range up to $50,000 per year for data agreements from alternative investment advisors and/or managers. These payments are paid to us and retained by us and are not directly shared with financial advisors.

Potential conflicts of interest associated with additional compensation arrangements

Clients should understand that compensation received for networking, omnibus and platform services, revenue sharing, training, education, and other services varies between funds. Accordingly, a potential conflict of interest exists when Wells Fargo Advisors receives more compensation from fund than it receives from peer fund families/peer funds.

Wells Fargo Advisors has adopted policies and practices reasonably designed to control and limit these potential conflicts of interest. These include, but are not limited to, the following:

- Require networking, omnibus, platform service fees, and revenue sharing agreements to be in writing, and prohibit agreements or provisions that call for Wells Fargo Advisors to provide preferential marketing and promotional treatment to a fund family as a condition of paying or receiving networking, omnibus, platform service fees, or revenue sharing fees.
- Prohibit the sharing of any portion of networking fees, omnibus fees, revenue sharing fees, or intra-company compensation with financial advisors in their role as a financial advisor.
- Require the fund distributor or advisor to directly compensate Wells Fargo Advisors for revenue sharing by wire transfer or check, and prohibit funds and their portfolio managers from directing investment portfolio trades to
- Wells Fargo Advisors as "indirect" compensation for revenue sharing.
- Require reimbursement payments for general educational and training expenses and for expenses associated with conducting individual branch office training, and educational activities to be recorded and approved.
- Limit the annual dollar value of gifts or other noncash items that mutual fund companies and their representatives can provide to financial advisors.

Wells Fargo Advisors offers a wide variety of funds for our financial advisors to sell or recommend, including funds that do not compensate Wells Fargo Advisors for any or all of the services above. The payment of revenue sharing, or any other compensation is not a prerequisite for a fund to be made available through Wells Fargo Advisors. However, Wells Fargo Advisors, in its discretion, reserves the right in the future to limit the fund companies that do not adequately support the firm's efforts or meet other economic criteria.

Other fund relationships

Wells Fargo & Company (Wells Fargo), one of the largest financial holding companies in the United States, provides a wide range of financial services to various fund companies through its subsidiaries and affiliates, including Wells Fargo Advisors. These other relationships provide financial and other benefits to Wells Fargo as well as Wells Fargo Advisors.

Tax treatment

Generally, dividend distributions to REIT/BDC shareholders are taxed as ordinary income, while capital gains may be taxed at different rates. Keep in mind that common dividends for REITs/BDCs are generally non- qualified and do not qualify for the 20% maximum dividend rate. REIT/BDC shareholders are responsible for paying taxes on the dividends they receive and on any capital gains associated with their REIT/BDC holdings. Considering their tax treatment, some investors prefer to hold REITs/BDCs inside of a tax-deferred account in order to defer taxes on dividends received and capital gains earned. Also generally distributions that you receive, including cash distributions that are reinvested pursuant to a distribution reinvestment plan, will be taxed as ordinary income to the extent they are paid from a current or accumulated earnings and profits. Dividends received from REITs are generally not eligible to be taxed at the lower U.S. federal income tax rates applicable to individuals for "qualified dividends" from C corporations (i.e., corporations generally subject to U.S. federal corporate income tax). However, under current law, and continuing through 2025, individual taxpayers may be entitled to claim a deduction in determining their taxable income of 20% of ordinary REIT dividends (dividends other than capital gain dividends and dividends attributable to certain qualified dividend income, which temporarily reduces the effective tax rate on such dividends. A portion of distributions may be designated as capital gain dividends taxable at capital gain rates to the extent we recognize net capital gains are recognized from sales of assets. In addition, a portion of your the distributions may be considered return of capital for U.S. federal income tax purposes.

Amounts considered a return of capital generally will not be subject to taxes, but will instead reduce the tax basis of your investment. This, in effect, defers a portion of your tax until your shares are repurchased, you sell your shares or the investment is liquidated at which time you generally will be taxed at capital gains rates. Because each investor's tax position is different, you should consult with your tax advisor. In particular, non-U.S. investors should consult their tax advisors regarding potential withholding taxes on distributions that you receive.

Neither Wells Fargo Advisors nor your financial advisor can offer tax, legal, or accounting advice. As a result of complex tax-reporting requirements, investors should consult with their tax advisor or attorney before investing in REITs/BDCs.

Talk to your financial advisor

Determining whether REITs/BDCs are an appropriate investment strategy for you requires an in-depth evaluation of your individual financial situation and the objectives you want to achieve. Each REITs/BDCs is subject to specific risks that vary depending on the REITs/BDCs portfolio composition. For more details, talk to your financial advisor about REITs/BDCs.

Additional information

To learn more about REITs, contact your financial advisor or visit the following websites:

Wells Fargo Advisors
wellsfargoadvisors.com

U.S. Securities and Exchange Commission
sec.gov

Securities Industry and Financial Markets Association
sifma.org

Financial Industry Regulatory Authority
finra.org

National Association of Real Estate Investment Trusts (NAREIT)
reit.com

*Wells Fargo has provided these links for your convenience but does not control or endorse the websites and is not responsible for the products, services, content, links, privacy policy, or security policy of the websites.

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