

ALTERNATIVE INVESTMENTS: SUMMARY OF FEES AND COSTS

1. Non-Listed Real Estate Investment Trusts (REITs)

Non-listed REIT fee structures are complex with many fee categories. The total fees are highly variable among sponsors. In general, non-listed REITs charge sales fees and also assess fees related to acquiring, managing, and operating the real estate.

Sales Fees

➤ Front-End Sales Fees:

- **Sales Commission:** Commission paid for the sale of common shares in the REIT. Commissions usually range from 6% to 7% for Class A shares and 2% to 3% for Class T shares.
- **Dealer Manager Fee:** Fee paid to the dealer manager of the REIT offering for raising capital. This fee is typically partially reallocated to participating broker-dealers. Dealer manager fees range from 1% to 3% of the capital raised.
- **Organizational and Offering Costs:** The adviser of the REIT offering is typically reimbursed for legal and marketing costs incurred for raising capital. These costs, which are capped by many advisers, range from 0.0% to 2.5% of capital raised.

➤ On-Going Sales Fees:

- **Distribution Servicing Fee:** Annual fee or additional sales commission paid to the dealer/manager for ongoing services to the common shareholders. These fees are typically reallocated to participating broker-dealers if they meet certain criteria. These fees have various limitations, which can include a cap on total distribution serving fees paid, a cap on total sales commissions and distribution servicing fees paid, or a cap on total underwriting compensation paid.

Real Estate Fees

➤ Front-End Real Estate Fees:

- **Acquisition Fee:** Fee paid to the adviser for acquiring real estate assets or real estate-related investments. Acquisition fees range from 0.0% to 2.5% of the total investment.
- **Acquisition Expenses:** Reimbursement paid to the adviser for legal and due diligence costs of acquiring real estate. Acquisition expenses typically range from 0.0% to 1.0% of the total investment cost.
- **Financing Fee:** Fee paid to the adviser for originating new debt financing, assuming existing debt financing, and refinancing property debt. Most non-listed REITs do not have financing fees.

➤ On-Going Real Estate Fees:

- **Management or Advisory Fee:** Fee paid to the adviser for ongoing management of the non-listed REIT portfolio. These fees range from 0.55% to 1.25% of gross assets or NAV.
- **Property Management Fee:** Fee paid to the adviser or third-party manager for management of the real estate assets. Property management fees range from 0.0% to 6.0% of annual gross revenues.
- **Operating Expense Reimbursement:** Reimbursement to the adviser for specified overhead and administrative costs related to managing the non-list REIT.

➤ Back-End Real Estate Fees:

- **Disposition Fee:** Fee paid to the adviser for assistance with the sale of individual properties or the entire portfolio. These fees range from 0.0% to 3.0% of the contracted sales price.
- **Subordinated Performance Fee:** Fee paid to the adviser after liquidation of the portfolio. These fees range from 12.5% to 15.0% of net sales proceeds above a preferred return.
- **Preferred Return:** Return to investors before the adviser gets its subordinated performance fee. Preferred Returns, which are annual, cumulative, and non-compounded, range from 5.0% to 8.0%.

2. Oil and Gas Programs

Offering Phase

- **Upfront Selling Commissions:** Commissions paid for selling interests in the program. These charges range from 6% to 7%.
- **Dealer Manager Fee:** Fee paid to the dealer manager of program for raising capital. This fee is typically partially reallocated to participating broker-dealers. Dealer manager fees range from 0% to 2.5% of the capital raised.
- **Organization and Offering Expenses:** The Managing General Partner (“adviser”) of the program is typically reimbursed for legal and marketing costs incurred for raising capital. These costs range from 1% to 2.5% of capital raised.
- **Marketing Allowance:** The adviser of the program is typically reimbursed for expenses incurred for marketing the program to investors. These charges range from 0.50% to 2%.
- **Due Diligence Reimbursements:** The adviser of the program is typically reimbursed for expenses incurred to investigate the operator of the program and the oil and gas reserves. These charges range from 0% to 2.5%.

Operational Phase

- **Acquisition Fees and Expenses:** Fees and expense reimbursements paid to the adviser for acquiring the oil and gas assets. These fees range from 0% to 4.43%.
- **Annual Management Fee:** Fee paid to the adviser for ongoing management of the oil and gas assets. These fees range from 0.75% to 1.00% of gross assets or NAV.
- **Subordinated Fees or Revenue Sharing (Hurdle):** Return to investors before the adviser gets its subordinated performance fee. Generally, an investor must receive a full return of capital before the adviser receives a performance fee. This fee ranges from 50% to 108% of the return above the full return of capital.
- **Subordinated Fee or Revenue Sharing (Fee):** A percentage paid to the adviser applied to the amount of return over and above a specified level of return on investment in the program. This fee ranges from 20% to 50% of the amount of return over the specified level.
- **Other Fees or Revenue Sharing:** These fees range from 0% to 10%.

3. Private Equity/Debt Programs

Offering Phase

- **Upfront Selling Commissions:** Commissions paid for selling interests in the program. These charges are generally 6%.
- **Dealer Manager Fee:** Fee paid to the dealer manager of program for raising capital. This fee is typically partially reallocated to participating broker-dealers. Dealer manager fees are generally 2.5% of the capital raised.
- **Organization and Offering Expenses:** The adviser of the program is typically reimbursed for legal and marketing costs incurred for raising capital. These costs are generally 0.95% of capital raised.

Operational Phase

- **Annual Management Fee:** Fee paid to the adviser for ongoing management of portfolio. These fees are generally 2%.
- **Subordinated Fees or Revenue Sharing (Hurdle):** Return to investors before the adviser gets its subordinated performance fee. The hurdle rate ranges from 7% to 8.75%.
- **Subordinated Fee or Revenue Sharing (Fee):** A performance fee paid to the adviser once an investor has received a full return of investment capital. This fee is generally in the range of 20% of the amount of return over the specified hurdle rate.

4. Interval Funds

Offering Phase

- **Upfront Selling Commissions:** Commissions paid for selling interests in the program. These charges generally range from 3% to 5.75%.
- **Dealer Manager Fee:** Fee paid to the dealer manager of program for raising capital. This fee is typically partially reallocated to participating broker-dealers. Dealer manager fees generally range from 0% to 0.75% of the capital raised.
- **Organization and Offering Expenses:** The adviser of the program is typically reimbursed for legal and marketing costs incurred for raising capital. These costs generally range from 0% to 1.75% of capital raised.
- **Trail Commissions, Fees or Charges:** Ongoing commissions paid for sales of interests in the program. These charges generally range from 0% to 0.75%.

Operational Phase

- **Annual Management Fee:** Fee paid to the adviser for ongoing management of the real estate assets. These fees range from 1.25% to 1.60% of gross assets or NAV.
- **Other Fees or Revenue Sharing:** These fees generally range from 0% to 3.79%.
- **Expense Reimbursements:** These charges generally range from 2.40% to 4.42%.

5. Redeemable Preferred Securities – Real Estate

Offering Phase

- **Upfront Selling Commissions:** Commissions paid for selling interests in the program. These charges generally range from 0% to 7%.
- **Dealer Manager Fee:** Fee paid to the dealer manager of program for raising capital. This fee is typically partially reallocated to participating broker-dealers. Dealer manager fees are generally 3% the capital raised.
- **Organization and Offering Expenses:** The adviser of the program is typically reimbursed for legal and marketing costs incurred for raising capital. These costs generally range from 1.50% to 2% of capital raised.

Operational Phase

- **Acquisition Fees and Expenses:** Fees and expense reimbursements paid to the adviser for acquiring the real estate assets. These fees range from 1.50% to 3.8%.

Additional Resources

SEC: Investor Bulletin: Non-Traded REITs: https://www.sec.gov/oiea/investor-alerts-bulletins/ib_nontradedreits.html

SEC: Investor Bulletin: Real Estate Investment Trusts (REITs): <https://www.sec.gov/files/reits.pdf>

FINRA: Public Non-Traded REITs – Perform a Careful Review Before Investing: <https://www.finra.org/investors/alerts/public-non-traded-reits-perform-careful-review-investing>

FINRA: Public Non-Traded REIT Tip Sheet: <https://www.finra.org/investors/alerts/reit-tip-sheet>