WELLS FARGO Advisors

A Guide to Investing in 1031 Exchange Programs

What you should know before you invest

Before you make an investment decision, it is important for your to review and discuss with your financial advisor the following factors with respect to a recommendation to participate in 1031 exchange programs (Program(s)):

- 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.

We have a responsibility to consider reasonably available alternatives, but we are not required to evaluate every possible alternative either within our products or outside the firm, nor are we required to offer the "best" or lowest cost product in making a recommendation. While cost is a factor that we take into consideration in making a recommendation, it is not the only factor.

This guide will help you better understand the typical features and costs associated with investment in a Program, as well as how your financial advisor and Wells Fargo Advisors are compensated when you invest in these products.

For detailed information about a particular Program, you should read the private placement memorandum (PPM) and/or other offering documents for that Program. This guide is not an invitation to subscribe for interests in any Program, fund or trust and is intended for educational and information purposes only.

What is a 1031 exchange program?

Title 26, Section 1031 of the Internal Revenue Code (IRC) allows investors to exchange investment properties for "like-kind" assets to be held for productive use in a trade or business or for investment purposes. A Program is a strategy utilizing private funds that is designed to allow an investor to structure their property investments in such a way as to adhere to Section 1031 of the IRC and potentially benefit from a number of its provisions. These funds may be structured as Delaware Statutory Trusts (DSTs), Limited Liability Companies (LLCs), or Limited Partnerships (LPs) that allow investors to defer capital gains taxes on the sale of the original property. This guide focuses on those funds structured as DSTs. A

1031 exchange does not eliminate the need to pay taxes; it simply defers payment until the investor decides to realize all gains, rather than reinvesting them. In sum, such funds are created to allow for investors to realize the tax advantages of Section 1031 by contributing the proceeds of a sale of real estate to the fund and gaining exposure to multiple properties held by the fund.

To qualify for a 1031 exchange, you must comply with the requirements of IRC Section 1031, which are complex. A typical 1031 exchange process involving a DST may include the following steps:

- A 1031 exchange involves the sale of an investment property, the proceeds of which must be placed with a third-party intermediary that facilitates the 1031 transaction and holds the proceeds to comply with IRC Section 1031 (often referred to as a "qualified intermediary").
- Within 45 days of this sale, the seller must identify a replacement property, which, in the case of a participant in a Program, involves the identification of the applicable fund as a potential "like-kind" property/properties for the 1031 exchange. **NOTE**: The rules regarding replacement property identification are complex and failure to complete the applicable tax forms correctly may impact your ability to take advantage of the Section 1031 tax benefits.
- Upon being accepted into a fund, the proceeds of the original sale must be reinvested within 180 days of the original sale. There, however, is no guarantee you will be accepted into a fund and need to consider carefully other potential replacement property or properties to identify on the applicable tax forms.
- After two years, a potential subsequent exchange of the DST interests into a real estate investment trust (REIT) may occur. This transaction would be pursuant to Section 721 of the IRC (also known as an UPREIT transaction), for which an investor may contribute property(in this case the DST) to a REIT operating partnership without triggering a taxable event. In this scenario, the investor receives Operating Partnership (OP) units of the REIT operating partnership.
- Upon holding the OP units for one year, investors may elect to continue to hold the units or redeem all or part of the units for stock in the REIT or cash, allowing for ultimate liquidity, if desired, at which time taxes would be due on any recognized gain.

You should carefully read and consider the offering documents and consult with your tax advisor before investing in or considering a 1031 exchange. You are advised to also consult with your tax advisor regarding the specific tax consequences of a contribution of property to a partnership, including the federal, state, local, foreign and other tax consequences of such transactions, ownership or sale and of potential changes in applicable tax laws. Further, you should independently obtain advice from your tax counsel and/or tax accountant about the Program and any Section 1031 exchange and applicable state laws, including, without limitation:

- Whether the acquisition of an interest in a Program may qualify for IRC Section 1031 treatment.
- Completing any tax forms related to the Section 1031 exchange.
- Identifying replacement properties with the intention of complying with the identification rules under IRC Section 1031.
- Contributing property to a partnership with the intention of qualifying for IRC Section 721 treatment, and/or
- Making an investment with the Program, relying exclusively on such advice with respect to tax risks and issues, while making no assertion inconsistent with the foregoing.

While 1031 exchanges from one property to another specific property are available to the general public, an exchange from relinquished property into a 1031 exchange fund is only accessible to institutional investors and qualified high net worth individuals through private qualified exchange funds, usually organized as limited partnerships or DSTs. These investment vehicles pool investor capital to create private investment funds for the general partner(s) or sponsor(s) to manage.

Capital distributions. Over the long term, the investments that the managers make in the portfolio may become a realized profit to the fund if those managers sell, merge, recapitalize, or bring the investments to the public market at a higher value. If the fund makes such a profit, the 1031 exchange fund will typically dispense those proceeds to its partners (including investors) on a pro-rata basis through a capital distribution. Capital distribution issuance is at the discretion of the fund manager. Not all 1031 exchange funds will hold investments for the full tax realization period, which would require investors to owe taxes on any fund gains and potentially risk capital gain tax advantages.

Investment characteristics

Characteristics of 1031 exchange funds include, but are not limited to:

“**Absolute” returns**. Most 1031 exchange funds seek to achieve positive or “absolute” returns regardless of the market environment (rather than merely striving to “beat” or outperform a market index). It is important to note that, in seeking to achieve an absolute performance, funds may use sophisticated and high-risk investment strategies. 1031 exchange funds may also use incentive-based compensation, such as “carried interest” (a share of any profits that the managers receive as compensation), as encouragement for managers to achieve annual net cash returns.

Use of leverage. 1031 exchange funds may employ leverage as a means to enhance returns, but leverage is typically not the exclusive investment strategy. The potential benefit of leverage is that it can increase buying power while amplifying investment returns. Leverage also increases risk, because it magnifies negative returns if investments are poorly underwritten or executed and/or market conditions deteriorate.

Investor characteristics

1031 exchange funds are not appropriate for all investors. Prospective investors are required to meet minimum financial eligibility guidelines to invest in such funds. These investments are appropriate for investors with large eligible capital gains they are seeking to defer. Each investor will have a unique tax situation and you should work with your own tax advisor. You should evaluate your individual financial condition and your ability to tolerate risk before you invest in these funds.

“Accredited investors” generally include individuals with a net worth of at least $1 million (exclusive of the value of the primary residence) individually or jointly with his or her spouse or spousal equivalent, or an individual who earns an individual annual income of at least $200,000, or a joint annual income with a spouse or spousal equivalent of at least $300,000 for the past two calendar years, with the reasonable expectation that the income will continue in the current calendar year. An entity will generally qualify as an “accredited investor,” if it has at least $5 million in investable assets.

In calculating net worth for purposes of determining accredited investor qualification, generally an investor’s equity in his or her primary residence is excluded. Investors must also reduce their net worth by: (i) any mortgage debt assumed on their primary residence in excess of the primary residence’s fair market value (i.e., an under-water mortgage); and (ii) the total amount of any loan or additional indebtedness secured against their primary residence (i.e., a home equity loan or line of credit) incurred 60 days prior to purchasing a fund.

Prior to investing in 1031 exchange funds, it is important to remember that regardless of your ability to qualify financially to invest in these products, you must fully understand the products’ risks and characteristics, including tax implications, and be capable of tolerating the risk involved with the investment — including the potential loss of the entire investment.

Diversification. Wells Fargo Advisors believes that you should diversify your investments. It is recommended that you observe an asset allocation strategy and not overweight their overall portfolio in any one class of securities, particularly in private equity, and private real estate funds that include 1031 exchange funds. It is important to note asset allocation and diversification are investment methods used to help manage risk. They do not guarantee investment returns or protect against loss.

Certain risks

The risks listed below are some of the key risks associated with 1031 exchange funds; however, this is not an exhaustive list of risks for these products. Please refer to the specific fund’s offering documents for a more comprehensive and detailed listing of risks associated with that fund.

Long-term investment. Unlike mutual funds, which generally invest in publicly traded securities and offer daily liquidity, 1031 exchange funds have illiquid underlying investments that may not be easy to sell and the return of capital and realization of gains, if any, from an investment will generally occur only upon the partial or complete disposition or refinancing of such investments. 1031 exchange funds have limited provisions for redemptions and you should therefore expect that they would not receive a return of capital for an extended period, with expected holding periods of seven or more years. As a result, investments into 1031 exchange funds are not appropriate for all investors, especially those who need liquidity, and realization of gains, if any, from an investment will generally occur only upon the partial or complete disposition or refinancing of such investments. In an effort to maximize profits, a 1031 exchange fund manager may choose to hold onto an investment beyond seven years.

Before investing, it is important to read and consider carefully the detailed information found in the fund's offering documents, including details about the investment's objectives, risk/return profile, and fees and to understand the fund's potential holding periods.

Illiquidity and limited transferability. 1031 exchange funds are not "liquid" (meaning they cannot be sold or exchanged for cash quickly or easily), and the interests are typically non-transferable without the consent of a fund's managing member. As private funds, there may be no established secondary markets available for 1031 exchange fund interests and no such market may develop. Given this lack of an active trading market for fund interests, any sale to a replacement investor performed in accordance with the fund transfer restrictions may result in a discounted sale price relative to current valuations.

Wells Fargo Advisors does not participate in, or receive compensation for, such secondary sales. As a result of this illiquidity and restrictions on transferability, 1031 exchange funds are generally only appropriate for sophisticated investors who have carefully considered their financial capability to bear large fluctuations in value and hold these investments for the long term.

Lack of portability. Most private fund offerings, which include 1031 exchange funds, are unique to the selling firm. In most cases, if you or your financial advisor leave Wells Fargo Advisors, your investments will be unable to transfer to another firm.

Difficult valuation assessment. The portfolio holdings in 1031 exchange funds may be difficult to value because financial markets or exchanges do not usually quote or trade the holdings. As such, market prices for most of a fund's holdings will not be readily available. Additionally, it may be hard to quantify the impact a manager has had on underlying investments until the manager sells the investments.

Leverage. 1031 exchange funds may use leverage in connection with certain investments or participate in investments with highly leveraged capital structures. Although the use of leverage may potentially enhance returns and increase the number of investments that can be made, leverage also involves a high degree of financial risk and may increase the exposure of such investments to factors such as rising interest rates, downturns in the economy or deterioration in the condition of the assets underlying such investments.

Unregistered investment While many 1031 exchange fund managers register with the SEC as investment advisors, other managers of these funds are not registered, and so are subject to less regulatory oversight. Moreover, the funds themselves, along with the securities issued by each, are typically not registered with the SEC. Unregistered investments have less regulatory oversight, and may offer less investor protection. This lack of SEC regulation can make it difficult for you to independently verify information that is reported by the fund manager.**No assurance of achieving tax benefits.** It is possible, due to tax, regulatory, or investment decisions, that a fund, or it's investors, are unable realize any tax benefits. Accordingly, 1031 exchange funds generally provide no assurances that an investor will realize any tax benefit or that the fund itself will satisfy all the requirements of the 1031 exchange regulations for an investor to be able to realize the associated tax benefits. You should evaluate the merits of the underlying investment and not solely invest in a 1031 exchange fund for any potential tax advantage.

Other important risk information

Risks related to holding interests in the DST ("DST Interests")

- There are limitations on the actions that the manager and trustee of the DST can take relative to the real estate. IRS Revenue Ruling 2004-86, which sets forth the IRS standards for DST Interests acquired in an IRC Section 1031 exchange, provides, in part, that in order for investors in the DST to be treated as acquiring a direct interest in the DST's real estate for tax purposes, the DST must impose significant prohibitions on the powers of the DST's manager and trustee. These prohibitions are explained in more detail in the fund offering documents – you should review and understand these before investing.
- If the manager and trustee are required to take action to conserve and protect the property held by the DST but are unable to do so due to the prohibitions imposed on their powers, they may determine to terminate (or be required to terminate) the DST and transfer the property to a limited partnership (a "Transfer Distribution"). An interest in a limited partnership, unlike a DST Interest, is not treated as a direct interest in the underlying real

estate for tax purposes.

- In addition to the U.S. federal income tax consequences described above, you should consider the state and local tax consequences of acquiring, owning, holding and disposing of a DST interest, and seek the advice of your own independent tax advisor.

Risks related to debt financing

The effect of a financing (where a Transfer Distribution has occurred) or sale of the property owned by the DST could affect the rate of return to the investors in the DST with respect to that property and the projected time of disposition of the property. In an environment of increasing mortgage rates, if mortgage debt is placed on properties (if a Transfer Distribution has occurred), then the risk of being unable to refinance such debt if mortgage rates are higher at the time a balloon payment is due.

Risks related to the Master Lease Structure

- If the Master Lease is terminated or expires, the economic success of an investment in the property will depend upon the results of operations of the property, which will be subject to those risks typically associated with investments in real estate. Fluctuations in vacancy rates, rent schedules, and operating expenses can adversely affect operating results or render the sale (or financing, where a Transfer Distribution has occurred) of the property difficult or unattractive. In such case, the poor performance of such property may adversely affect the overall returns to the investors in the DST.
- There is a potential risk that the Master Tenant could default on its obligations under the Master Lease and that the product sponsor could default on its obligations under the Guaranty.

Risks related to adverse changes in general economic conditions

An economic downturn could adversely affect rental income generated from end tenants. From time to time, an economic downturn could occur that would result in slowed economic activity.

Risks related to investments in real property

Real properties are illiquid investments, and we may be unable to sell, refinance or reposition a property or properties in response to changes in economic or other conditions.

Consult with your tax advisor

Wells Fargo Advisors, its affiliates, and your financial advisor are not tax or legal advisors. You should consult with your tax advisor and/or legal advisor before investing. The IRC regulations and associated compliance obligations regarding 1031 exchanges are complex. The use of a 1031 exchange fund to comply with these obligations poses unique tax issues and risks that you should discuss with your tax and legal advisor prior to initiating any 1031 exchange or participating in a 1031 exchange program. You should discuss with your tax or legal advisor whether any tax benefits of a 1031 exchange program benefit your unique tax situation and outweigh the potential risks involved in this investment. A 1031 exchange fund involves unique tax reporting requirements that may be more complex, including state tax rules that may be different than federal tax treatment.

Costs of investing in 1031 exchange funds

The expenses associated with 1031 exchange funds are significantly higher than many other traditional investment vehicles. There are no limits on the fees such funds can charge investors, and several types of fees and charges are associated with these funds. You need to understand these fees and expenses before investing. Costs will reduce the value of your total investment and your return. Investors should analyze the added cost against the benefits obtained by investing in 1031 exchange funds.

All fees and expenses are disclosed in the fund offering documents, and you should carefully review these charges and expenses and understand their implication regarding your potential investment. Typical expenses include, but are not limited to, the following:

Performance or incentive fee. In addition to the annual management fee, a 1031 exchange fund may charge a performance-based fee referred to as “carried interest.” This fee is usually a fixed percentage of the performance and typically accrues only after the fund’s net returns clear a predefined hurdle rate of return.

As an example, assume that a 1031 exchange fund has a carried interest charge of 20% and a pre-established 8% hurdle rate. A total return of 10% (net of management fee) by the fund in any given year would entitle the manager to collect 20% (performance incentive fee) on 2% of the profits or, in other words, those returns that were in excess of its 8% hurdle rate. This would result in a total net return to investors of 9.6%. A performance fee, such as the one described, could motivate a fund manager to take greater risks in the hope of generating a larger return and, in turn, receiving a higher fee.

Placement fee (generally applied only to brokerage share classes). The placement fee is a front-end sales charge (a sales charge that must be paid upon purchase) paid to the placement agent. In turn, the agent may pay a portion of those fees to affiliated or unaffiliated registered broker-dealers or other entities involved in the offer and sale of the 1031 exchange program interests.

For brokerage accounts, you may pay Wells Fargo Advisors directly prior to investing into a 1031 exchange program, or Wells Fargo Advisors may receive all or a portion of the placement fee that you otherwise pay to the program or program manager. Wells Fargo Advisors uses this fee to compensate its financial advisors.

Management fee. Investors are charged an annual management fee on the value of their investment. This fee is the cost of a fund manager making the investment decisions for you and for managing the fund. The fund manager typically receives a fee of 1% to 2% of net assets, although this amount depends on various factors, including the type of fund.

For brokerage accounts, all or a portion of the management fee may be paid to Wells Fargo Advisors to compensate it and your financial advisor for distribution and marketing, as well as for other continued services provided to the fund and your account. This fee is often called a “trail fee,” which alternatively (or a portion of which) may be treated as a separate fund fee or expense. See the “trail fee” section below.

Transaction and administrative expenses. Investors are charged a pro-rated percentage (based on their investment) of all transactional, administrative and other expenses incurred by the fund. These expenses are not paid directly as a fee, but rather are deducted from the fund’s assets, resulting in the reduction of investment returns.

Trail fees (generally applied only to brokerage share classes). As noted above, in lieu of paying trail fees from (or exclusively from) the management fee, some funds may charge trail fees. All or a portion of the trail fees are generally paid to fund placement agents for the on-going services provided to the fund and investor accounts.

For brokerage accounts, Wells Fargo Advisors generally receives all or a portion of the trail fee, which is used, in part, to compensate your financial advisor.

How your Financial Advisor and Wells Fargo Advisors are compensated on 1031 exchange funds

Wells Fargo Advisors and your financial advisor receive payments depending on the investment offering, amount invested, and share class you select. For helping you invest in these investment offerings, Wells Fargo Advisors and your financial advisor are compensated in ways that vary depending on the selected investment. Investment products 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. This creates an incentive for us to recommend products that pay us additional compensation over those that do not pay additional compensation or that pay smaller amounts of additional compensation.

For brokerage accounts, a financial advisor’s compensation is based on the sales fees mainly set by the investment offerings and described in the offering documents. For advisory accounts, a financial advisor’s compensation is based on a percentage of the assets in the account rather than on the sales fees associated with a given investment product.

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

Additional compensation received by Wells Fargo Advisors from Fund Parties

In addition to transaction-based commissions received by Wells Fargo Advisors and your financial advisor, Wells Fargo Advisors may receive compensation paid by investment managers, their affiliates, and/or in some instances a distributor (each a "Fund Party" and collectively, "Fund Parties"), that is not related to individual transactions, a specific share class, or account type.

This "non-commission" compensation received by Wells Fargo Advisors from a Fund Party may include payments for administrative support, operational support, training, educational conferences and meetings, and other general services provided to investment offerings, investment managers, or their affiliates. This compensation may be paid directly by a Fund Party or charged as a fund expense and can be broken down into general categories:

- Service compensation
- Revenue sharing
- Training and education support
- Data agreements

This additional compensation creates an incentive for us to recommend products where we receive this compensation over products for which we do not receive this compensation or receive smaller amounts of compensation. This additional compensation may also influence the selection of 1031 exchange funds that Wells Fargo Advisors and its associates make available for recommendation. Wells Fargo Advisors reserves the right to restrict the 1031 exchange funds that we offer to clients based on payment of additional compensation.

Please note these compensation arrangements may be described in the prospectus or PPM for each investment offered by Wells Fargo Advisors. We included this section to provide you with disclosure about the compensation agreements between Wells Fargo Advisors, Fund Parties, and associated potential conflicts of interest.

Service fees

These fees are paid by Fund Parties to compensate Wells Fargo Advisors for providing certain client account and administrative services for those Wells Fargo Advisors' clients holding 1031 exchange funds. All or part of this compensation paid by Fund Parties may be rebated to client accounts holding interests of such fund in order to offset a portion of fees and expenses associated with the account. Examples of services provided include assisting in the administrative review of subscription documentation, operational support processes and other general services provided to investment managers. Service fees are paid either at an annual rate of up to 75 basis points of the aggregate net asset value of applicable shares held by clients of Wells Fargo Advisors; or at a one-time rate of up to 200 basis points of the client commitment at the time of commitment. These fees are often disclosed in investment offering documents, which you should refer to for additional information.

Revenue sharing

Revenue sharing may be paid by a Fund Party to Wells Fargo Advisors for providing certain services including subscription process support, ongoing training, operations and systems support, and marketing to financial advisors and clients with respect to the investment offering. These fees are typically paid to Wells Fargo Advisors from the Fund Parties' revenues and profits, not from the investment offering's assets. However, Fund Parties' revenues or profits may in part be derived from fees earned from services provided to an investment offering.

- Fund Parties pay Wells Fargo Advisors revenue sharing compensation either at an annual rate of up to 25 basis points of the aggregate net asset value of applicable shares held by clients of Wells Fargo Advisors; or at a one-time rate of up to 100 basis points. These fees are often disclosed in the investment's offering documents, which you should refer to for additional information.

- Please see the document titled “Wells Fargo Advisors Revenue Sharing Summary” for list of alternative fund managers and/or funds with whom Wells Fargo Advisors has a revenue sharing arrangement.

Revenue sharing rates can differ depending on the Fund Parties, and in some cases, we receive different revenue sharing rates for certain investment offerings offered by the same Fund Party. In addition, not all Fund Parties pay revenue sharing, as a result we have an incentive to include investment offerings on our platform and recommend investments or managers that pay revenue sharing and/or pay a higher rate.

Training and education compensation

These fees compensate Wells Fargo Advisors for providing client account and administrative services for those Wells Fargo Advisors’ customer accounts holding certain 1031 exchange funds. In recent years, Fund Parties have outsourced many of these operations functions to broker-dealers, such as Wells Fargo Advisors. Wells Fargo Advisors offers multiple ways for managers to provide training and education to our financial advisors in local branch offices or in larger group settings, including at the national level.

- Certain managers have agreed to dedicate resources and funding to provide this training and education at our nationally-organized events. This commitment could lead our financial advisors to focus on investments offered by these managers versus those offered by managers which are not represented during support sessions.
- Wells Fargo Advisors selects the managers that participate in the training and education events based on a variety of qualitative and quantitative criteria and may provide supplemental sales and financial data to these firms. The subset of managers that offers this support and participates in nationally-organized training and education events may change periodically.
- Managers may also provide compensation to offset or reimburse Wells Fargo Advisors for costs incurred in conducting comprehensive training and educational meetings for its financial advisors. These meetings or events are held to teach financial advisors about the product characteristics, sales materials, customer support services, and successful sales techniques as they relate to various offerings.
- Separately, managers may host financial advisors for education and conferences at the manager’s headquarters, regional office, or other locations. Likewise, occasionally, managers will reimburse Wells Fargo Advisors for expenses incurred by individual branch offices in connection with conducting training and education meetings, conferences, or seminars for financial advisors and customers. Also, financial advisors may receive promotional items, meals, entertainment, or other noncash compensation from managers.

Although training and education compensation is not related to individual transactions or assets held in client accounts, it is important to understand that, due to the total number of investment managers whose investment offerings are offered by Wells Fargo Advisors, it is not possible for all managers to participate in a single meeting or event. Consequently, those investment managers who do participate in training or educational meetings, seminars, or other events gain an opportunity to build relationships with financial advisors; these relationships could lead to additional sales of that particular investment manager’s products.

Data agreements

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

Talk to your Financial Advisor

Determining whether 1031 exchange programs are an appropriate investment strategy for you requires an in-depth evaluation of your individual financial situation and the objectives you seek to achieve. Talk to your legal or tax advisor and your financial advisor today about how 1031 exchange programs may help you work toward your investment goals.

Additional information

To learn more about 1031 exchange programs, talk to your financial advisor and/or visit the websites of the following organizations for further information:

- Wells Fargo Advisors
- Financial Industry Regulatory Authority
- U.S. Securities and Exchange Commission
- Securities Industry and Financial Markets Association

Disclosures

Alternative investments, such as 1031 exchange funds, are not appropriate for all investors. They are speculative, highly illiquid, and are designed for long-term investment, and not as trading vehicle. These funds carry specific investor qualifications which can include high income and net-worth requirements as well as relatively high investment minimums. The high expenses associated with alternative investments must be offset by fund profits and other income which may not be realized. Unlike mutual funds, alternative investments are not subject to some of the regulations designed to protect investors and are not required to provide the same level of disclosure as would be received from a mutual fund. They trade in diverse complex strategies that are affected in different ways and at different times by changing market conditions. Strategies may, at times, be out of market favor for considerable periods with adverse consequences for the fund and the investor. An investment in these funds involve the risks inherent in an investment in securities and can include losses associated with speculative investment practices, including hedging and leveraging. The use of leverage in a portfolio varies by strategy. Leverage can significantly increase return potential but create greater risk of loss. At times, a fund may be unable to sell certain of its illiquid investments without a substantial drop in price, if at all. Other risks can include those associated with potential lack of diversification, restrictions on transferring interests, no available secondary market, complex tax structures, delays in tax reporting, valuation of securities and pricing. An investor should review the private placement memorandum, subscription agreement and other related offering materials for complete information regarding terms, including all applicable fees, as well as the specific risks associated with a fund before investing. There is no assurance that any investment strategy pursued by the fund will be successful or that the fund will achieve its intended objective. Investments in these funds entail significant risks, volatility, and capital loss including the loss of the entire amount invested. The increased risk of investment lost is suitable only for those investors who have the financial sophistication and expertise to evaluate the merits and risks of an investment in a fund for which the fund does not represent a complete investment program.

While investors may potentially benefit from the ability of 1031 exchange funds to potentially defer capital gains, the investments themselves can carry significant risks. 1031 exchange funds are subject to market, funding, liquidity, capital, regulatory, and other material risks. There is no guarantee any investment strategy will be successful under all market conditions. The value of any property may decline as a result of a downturn in the property market, and economic and market conditions. There is no guarantee value appreciation will be achieved and the operating company may be forced to sell properties at a lower price than anticipated. There is often limited (or even non-existent) liquidity and a lack of transparency regarding the underlying assets. 1031 exchange fund investments often demand long holding periods to allow for disposition and exit strategy. There is generally no secondary market for interests, and there may be restrictions on transferring such interests. 1031 exchange funds involve other material risks including capital loss and the loss of the entire amount invested. A fund's offering documents should be carefully reviewed prior to investing.

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.

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Wells Fargo Advisors is registered with the U.S. Securities and Exchange Commission and the Financial Industry Regulatory

Authority, but is not licensed or registered with any financial services regulatory authority outside of the U.S. Non-U.S. residents who maintain U.S.-based financial services account(s) with Wells Fargo Advisors may not be afforded certain protections conferred by legislation and regulations in their country of residence in respect of any investments, investment transactions or communications made with Wells Fargo Advisors.

Wells Fargo Advisors is a trade name used by Wells Fargo Clearing Services, LLC and Wells Fargo Advisors Financial Network, LLC, Members SIPC, separate registered broker-dealers and non-bank affiliates of Wells Fargo & Company.

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