

NAREIT's Law, Accounting & Finance Conference



March 30 - April 1 2016





## **Product Structures**



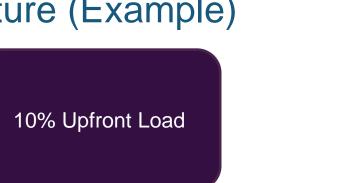
### Class A

- Higher price per share
- Higher upfront fee
- Higher current income from distributions

#### Class T

- Lower price per share
- Lower upfront fee
- Annual distribution fee ("trail") lowers distributions

## A Share Fee Structure (Example)



Financial Advisor 7.0% Total Day 1

Dealer Manager 3.0% Total Day 1

Reallowance to Broker
Dealer

## T Share Fee Structure (Example)

## S.

#### **Upfront Load**

Based on Gross Proceeds; Paid on Day 1

4.75%

As Filed

2.00%

Financial Advisor (FA)

Dealer

Lee 2.75%

Ongoing Annual Distribution and Stockholder Servicing Fees

("Trail Fee")

<u>Based on POP</u>; Accrued Daily and Paid Quarterly (Totals to ~5% of Gross Proceeds)

1.0% annual fee fee fee 1.0% annual fee fee fee

#### 5.0% years 1-5

We will pay the annual distribution and stockholder servicing fees to our dealer manager, which may allow up to all or a portion of the annual distribution and stockholder servicing fee to the broker-dealer who sold the Class T shares.

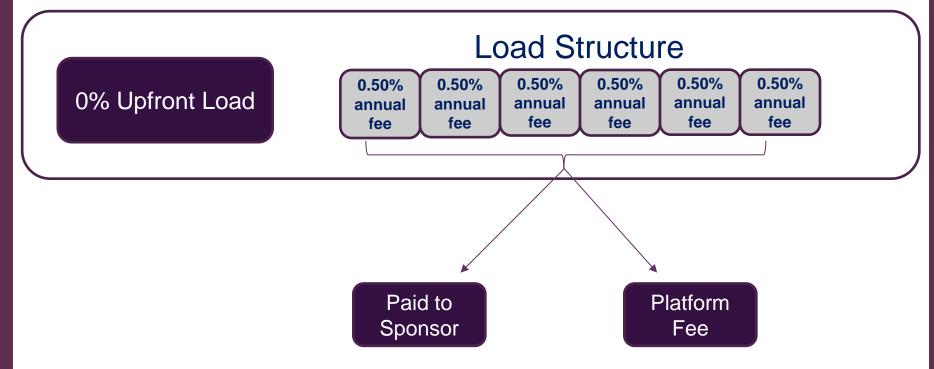
#### Maximum Load ("Cap")

Based on Gross Proceeds

9.75%

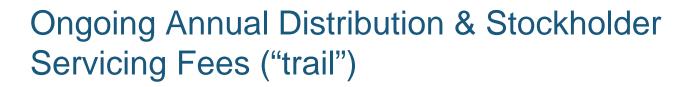
## I Share Fee Structure (Example)







## Accounting for Trail fees





NO AUTHORITATIVE GUIDANCE

No <u>authoritative guidance</u> for Ongoing Annual Distribution & Stockholder Servicing Fees

**GUIDELINE 16-01** 

IPA Practice <u>Guideline 16-01</u> "IPA 16-01" provides industry position for its members

ACCRUAL OF TRAIL OVER TIME

IPA 16-01 supports <u>accrual of trail over time</u> as services are performed (not when shares are sold)

ACCOUNTING POLICY ELECTION

IPA 16-01 supports <u>"offering cost" or "expense"</u> treatment of trail as both are accepted practices

# Ongoing Annual Distribution & Stockholder Servicing Fees (continued)



IPA encouraged members to
 work with their respective auditors
 to determine accounting treatment

◆ Facts and circumstances of each dealer manager agreement will impact accounting treatment  Some IPA members include a <u>risk factor</u> regarding diversity of accounting methods and the total trail if fully earned and paid

## Accounting Policy Election

#### **OPTION A – Equity (no full accrual)**

- Record services provided by Dealer Manager as offering costs (contra equity)
- Recognize liability for ongoing services when services are performed (accrue liability over time)

#### **OPTION B – Expense (no full accrual)**

- Record services provided by Dealer Manager as expense (disclose if addback for MFFO)
- Recognize liability for ongoing services when services are performed (accrue liability over time)