

ITEM 1 – Cover Page

Wellings Capital Management, LLC

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This brochure provides information about the qualifications and business practices of Wellings Capital Management, LLC (the “**Adviser**”). If you have any questions about the contents of this brochure, please contact us at (800) 844-2188. The information contained in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission (the “**SEC**”) or by any state securities authority.

The Adviser is an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”). Please note that registration with the SEC does not imply a certain level of skill or training.

Additional information about the Adviser is also available on the SEC’s website at www.adviserinfo.sec.gov.

ITEM 2 – Material Changes

1. There have been no material changes since we last filed an update to the Form ADV Part 2 in January, 2023.

At least annually, we will provide you a summary of the material changes made to our Firm Brochure or a complete copy of the updated Firm Brochure. At any time, you can request a complete copy of the brochure by contacting us at info@wellingscapital.com. Current and prospective investors are urged to review this Brochure in its entirety.

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ITEM 4 – Advisory Business

A. Wellings Capital Management, LLC

Wellings Capital Management, LLC (the “Adviser” or “Wellings”) is a Delaware limited liability company formed in 2018 that is registered as an investment adviser with the SEC under the Advisers Act. Headquartered in Lynchburg, Virginia, Wellings is an investment adviser to six real estate investment funds (“Funds”), one statutory trust, and one business development company (“BDC”).

Wellings Capital Management, LLC ownership is as follows: Fincastle Investment Group, LLC owns 57.0%. Simple Investments, LLC owns 40.0% and Cascade Management Company, LLC owns 3%.

Fincastle Investment Group, LLC is 80% owned by Paul Moore and 20% Elaine Moore. Simple Investments, LLC is wholly owned by Benjamin Kahle. Cascade Management Company, LLC is wholly owned by Barry Farah.

B. Funds under management

As of the date hereof, the Adviser provides investment advisory and administrative services to the following entities:

Wellings Income Fund I, LLC (“WIF I”), a Delaware Limited Liability Company;

Wellings Growth Fund I, LLC (“WGF I”), a Delaware Limited Liability Company;

Wellings Income Fund II, LLC (“WIF II”), a Delaware Limited Liability Company;

Wellings Income Fund III, LLC (“WIF III”), a Delaware Limited Liability Company;

Open Sky Investments, LLC (“OSI”), a Delaware Limited Liability Company;

Wellings Income Fund IV, LLC (“WIF IV”), a Delaware Limited Liability Company;

Wellings Real Estate Income Fund (“WREIF”), a Delaware Statutory Trust electing to be a Business Development Company.

The total assets under management for these seven entities is \$101.8 million.

C. Investment Management Services

The Advisor identifies private real estate operators in the United States, performs due diligence on the operator and their properties, raises capital for fund vehicles to invest in the operators’ vetted properties, and supports investors in the funds after the investments are made. The Adviser provides value to investors in three primary ways:

1. **Diversification.** Wellings Capital offers our investors diversification across real estate asset classes, operators/sponsors, geographies, properties, and strategies. As an example, our Wellings Income Fund III provides investors diversification across seven operators and 284 properties in 36 states. This includes self-storage assets, mobile home parks, one apartment complex, and light industrial assets. The number of properties, types of properties, and number of states are subject to change.
2. **Due Diligence.** Our operator due diligence process includes over 25 critical items. These due diligence steps include site visits to the operator’s offices, site visits to the properties, comprehensive background checks, reference checks with previous investors and service providers, and much more. We share our due diligence process and results with prospective investors.

3. Access. We allow access to our investors through our funds with providers that would have higher entry points if investing directly and not generally known or available to the general investing population.

The Adviser consults with prospective investors in the funds about the suitability of these and other potential investment opportunities. Investors are provided with investment materials for review as well as phone and video consultations, webinars, and more as needed. Prospective investors can review this information through a portal designated for that fund and accessed via the Adviser's website.

After making an initial investment utilizing investor capital, the Adviser tracks the performance of each operator and investment on a regular basis. Revenue generated through these investments provides the Adviser with the ability to provide cash flow to investors on a periodic basis. Proceeds above regular ongoing levels, generated by operators through capital events like the refinance or sale of operator real estate assets, are evaluated for potential reinvestment or distribution to investors including a potential distribution to Adviser once hurdles are exceeded.

ITEM 5 – Fees and Compensation

A. Management Fee

The specific manner in which fees are charged by Wellings to a Fund is disclosed in each Fund's private placement memorandum. By way of example, an investor in Wellings Income Fund I, LLC, will pay the Fund's manager an annual "Management Fee" of 1.0% of the investor's aggregate capital commitment to the Fund, as described in detail in the Fund's confidential private placement offering memorandum. **Performance Fee – Wellings' Profits Share ("Carried Interest")**

Each Fund is subject to the terms and conditions of its confidential private placement memorandum regarding these fees and the discussion in this Item 5 is only meant to be illustrative. By way of example, we will again refer to Wellings Income Fund I. Investors receive prioritized cash flow distributions with a nine percent (9%) cumulative preferred return. Cash flow above preferred return will be distributed eighty percent (80%) to investors and twenty percent (20%) to Fund sponsors. Distributions made to Fund sponsors are generally referred to as the "Carried Interest".

B. Other Fees and Expenses – Capital Placement Fee

Each Fund is subject to the terms and conditions of its confidential private placement memorandum regarding these fees, and this discussion in this Item 5 is only meant to be illustrative. Using the same example of Wellings Income Fund I, investors pay a capital placement fee of 1%.

C. Wellings Real Estate Income Fund Fees

The Wellings Real Estate Fund has elected to operate as a business development company. The fees associated with the BDC are as follows:

- a. An asset management fee of 1.25% based on capital deployed; and
- b. The portion of the incentive fee based on income is determined and paid quarterly in arrears commencing with the first calendar quarter following the Fund's election to be regulated as a BDC, and equals 20% of the pre-incentive fee net investment income in excess of a 2.5% quarterly (or 10% annually) "hurdle rate." There are no catch-up provisions applicable to income based incentive fees under the Advisory Agreement; and
- c. The portion of the incentive fee based on capital-gains is payable at the end of each calendar year in arrears, equals 20% of cumulative realized capital gains from the date of the Fund's election to be regulated as a BDC to the end of each calendar year, less cumulative net realized capital losses and unrealized capital depreciation.

ITEM 6 – Performance-Based Fees and Side-by-Side Management

As noted above in Item 5, the Adviser may receive performance-based fees. See Item 10 below for information regarding certain potential conflicts of interest relating to the Adviser's current Clients, and how such potential conflicts are mitigated.

ITEM 7 – Types of Clients

The Adviser provides investment advisory and administrative services to six private real estate investment funds and one business development company. As discussed in Item 4, the Adviser may, subject to any limitations described in the Advisory Agreements, advise BDCs or other registered investment companies, private investment funds, institutional investors or other persons or entities in the future.

ITEM 8 – Methods of Analysis, Investment Strategies and Risk of Loss

A. Methods of Analysis

Wellings Capital Management evaluates investments with consideration of four factors:

1. **Suitability for investors.** Our investors are typically seeking cash flow, appreciation, tax benefits, and the ability to invest in real estate without enduring the risks and efforts of property management and assumption of debt. These prospective investors are looking to invest in asset classes that have been recession-resistant in nature. Most of the investors are seeking investments that will provide these benefits over a period of approximately 5-10 years. The Adviser seeks investments that will be a good fit for our investors.
2. **Suitability of asset class.** The Adviser seeks commercial real estate asset classes that meet the objectives of investors. These asset classes are often fragmented in nature, meaning many assets are typically owned by unsophisticated operators. These asset types are typically resilient in nature, meaning they tend to have loyal tenants and have historically performed well in a variety of economic conditions.
3. **Suitability of operator.** The Adviser seeks to invest with operators who possess a long list of important attributes. These operators have successful track records, experienced teams, and proven processes for asset acquisition and property management. The operator due diligence checklist includes, among others, the following items: experience, track record, team composition, strategy and pipeline, fees, attention to detail, loan terms, long term strategy and exit plans, criminal background check, insurance, in person interviews and property evaluations, professional references, and ongoing due diligence.
4. **Suitability of the property.** In most cases, approved operators are such a close fit for the funds that we invest across a wide array of their properties, often in a portfolio structure. Sometimes the Adviser selects individual properties that are best suited to the funds and investor needs at the time.

B. Investment Strategies

The Adviser seeks to invest in historically recession-resistant, fragmented commercial real estate asset classes. One of the key success factors is to secure relationships with the most qualified operators whose acquisition strategies, financing, property management, and overall operations matches the needs of the funds.

The Adviser's funds invest in the portfolios and/or assets managed by these operators as LP investors (limited partners). The Adviser is sometimes able to secure preferred terms with the operators, which are passed along through the funds to its investors.

The funds seek to invest in properties that produce reliable annual cash flow and are conservatively leveraged with a loan-to-value ratio that is commonly 50% to 70%. The operators typically secure fixed, low interest rate debt that can often be refinanced to extract unproductive equity which may be reinvested to make capital

improvements or distributed to investors along the way. These properties are typically sold or recapitalized within about ten years, which provides an exit for investors.

C. Risk of Loss

Past performance is not indicative of future results. Therefore, investors should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities (including commercial real estate funds) involves risk of loss. Further, depending on the different types of investments there may be varying degrees of risk. Investors should be prepared to bear investment loss including loss of original principal.

Because of the inherent risk of loss associated with investing, the Adviser is unable to represent, guarantee, or even imply that its services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate investors from losses due to market corrections or declines. There are certain additional risks associated with investing in securities through our investment management program, as described below:

1. **Market risk.** Either the economy as a whole or the commercial real estate market goes down resulting in a decrease in cash flow and the value of client investments. This is also referred to as systemic risk.
2. **Asset class risk.** Market sentiment changes toward a certain asset type may result in increased cap rates and a drop in cash flow and the value of client investments.
3. **Interest rate risk.** Commercial real estate investment strategies are highly dependent on the ability to successfully refinance and eventually sell properties to buyers at low or predictable interest rates. Increased rates may result in the failure to generate cash from capital events and a decrease in cash flow and the value of investments.
4. **Risk from leverage.** In the event that the value of underlying real estate assets decreases, there is a risk that assets cannot be refinanced at a value high enough to satisfy payoff of the existing debt. There is also a risk that ongoing cash flow from operations will be inadequate to cover debt servicing requirements. These events could result in lower cash flow and loss of value or principal.
5. **Regulatory risk.** Government regulations may result in increased challenges to raise rents and/or evict problem tenants. These challenges could result in a reduction in cash flow and the value of client investments.
6. **Operator risks.** Though the Adviser takes great effort to perform operator due diligence, this type of business is heavily dependent on the success of its operators. The poor performance or loss of key employees, the failure of acquisitions, failed property management efforts and much more could result in a reduction of cash flow and the value of client investments.
7. **Management risk.** There is a risk that the Adviser will fail to effectively select and manage investments for the fund which could result in a reduction in cash flow and the value of client investments.
8. **Force Majeure Events.** The value of Wellings Capital Funds' real estate assets could be adversely affected by force majeure events (i.e., events beyond the control of the party claiming that the event has occurred, including, without limitation, acts of God, fire, flood, earthquakes, outbreaks of an infectious disease, pandemic such as the Novel Coronavirus or any other serious public health concern, war,

terrorism, labor strikes, major pipeline or electricity line ruptures, failure of technology, defective design and construction, accidents, demographic changes, government macroeconomic policies, social instability, etc.). Some force majeure events may adversely affect the ability of a party (including a counterparty to a Fund) to perform its obligations until it is able to remedy the force majeure event. These risks could, among other effects, adversely impact the cash flows available, cause personal injury or loss of life, damage property, or instigate disruptions of service. In addition, the cost of repairing or replacing damaged assets resulting from such force majeure event could be considerable. Force majeure events that are incapable of or are too costly to cure may have a permanent adverse effect on an asset. Certain force majeure events (such as war or an outbreak of an infectious disease) could have a broader negative impact on the world economy and international business activity. Additionally, a major governmental intervention, including the assertion of control over one or more assets, could result in a loss to the Funds. Any of the foregoing may therefore adversely affect the performance of a Fund and its investments. The outbreak of the novel coronavirus (COVID-19) in many countries has adversely impacted global commercial activity and has contributed to significant volatility in the real estate markets. Any such economic impact could adversely affect the performance of a client's investments and, as a result, the novel coronavirus (COVID-19) presents material uncertainty and risk with respect to overall performance and financial results. In addition, the resulting financial and economic market uncertainty may adversely affect the valuations of investments recommended to clients as well as those investments made by the firm on behalf of its clients.

ITEM 9 – Disciplinary Information

Neither the Adviser nor any of its executive officers, members of its investment committees or other “advisory affiliates” as defined in Form ADV has been subject to legal or administrative proceedings or disciplinary events related to their business activities, or otherwise is required to disclose any event required by this Item 9.

ITEM 10 – Other Financial Industry Activities and Affiliations

The Adviser does not have any other financial industry activities or affiliations, but is aware that conflicts could arise among the various entities for which it provides advisory services. Conflicts related to these relationships may include the following:

- The managers, officers and personnel of the Adviser allocate their time between advising each of the entities as well as managing other investment and business activities in which they may be involved;
- The compensation payable by the BDC to the Adviser will be approved by the BDC's board of trustees consistent with the exercise of requisite standard of care applicable to trustees under Delaware law and the BDC's charter and bylaws. Such compensation is payable, in most cases, regardless of whether or not the BDC's shareholders receive distributions;
- Regardless of the quality of assets acquired, the services provided to various investment funds and whether any distributions are made to investors, the Adviser will receive base management fees in connection with the management of each investment fund and may receive incentive fees in connection with the sale of any investment fund's portfolio investments;
- Each investment fund may compete with the other funds for investments, subjecting the Adviser to certain conflicts of interest in evaluating the suitability of investment opportunities and making or recommending acquisitions on each fund's behalf; and
- The Adviser is not restricted from forming additional investment funds, from entering into other investment advisory relationships or from engaging in other business activities, even though such activities may compete with any or all of the investment funds and/or may involve substantial time and resources of the Adviser.

To mitigate these conflicts, the Adviser will seek to execute any such transactions for all participating investment funds, on a fair and equitable basis and in accordance with the investment strategies of each fund, taking into account such factors as the relative amounts of capital available for new investments.

ITEM 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

CODE OF ETHICS

The Adviser has adopted a code of ethics pursuant to Rule 204A-1 under the Advisers Act that establishes procedures governing the conduct and securities transactions of each of the Adviser's officers, employees and supervised persons. The code of ethics (the "**Code**") is designed to prevent violations of the fiduciary responsibilities owed by the Adviser to its Clients. The Code contains provisions relating to the confidentiality of firm information, a prohibition on insider trading, a discussion of media relations, a policy on gifts and personal securities trading procedures, among other things. Each supervised person of the Adviser is required to acknowledge in writing the terms of the Code annually and when it is amended.

The Code is designed to ensure, among other things, that the personal securities transactions, activities and interests of the officers, employees and supervised persons of the Adviser will not interfere with (i) making decisions in the best interest of its Clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. In addition, the Code requires pre-clearance of certain transactions. Employee trading is monitored under the Code to reasonably prevent conflicts of interest between the Adviser and its Clients.

The Adviser's Clients and prospective Clients may request to view a copy of the Code by contacting the Chief Compliance Officer, Wellings Capital Management, LLC, 14805 Forest Rd, Suite 203, Forest, VA 24551.

BOARD OF TRUSTEES

The BDC has a board of trustees. The board of trustees consists of three directors, the majority of whom are not "interested persons" of the BDC or the BDC's affiliates as defined in Section 2(a)(19) of the 1940 Act. We refer to these individuals as the BDC's "independent trustees". The board of trustees elects the BDC's officers, who serve at the discretion of the board of trustees. The responsibilities of the board of trustees include quarterly valuation of assets, corporate governance activities, oversight of any financing arrangements for the BDC and oversight of the BDC's investment activities.

Oversight of the BDC's investment activities extends to oversight of the risk management processes employed as part of the day-to-day management of the BDC's investment activities. The board of trustees reviews risk management processes at both regular and special board of trustees meetings throughout the year, consulting with appropriate representatives of the Adviser and others as necessary and periodically requesting the production of risk management reports or presentations. The goal of the board of trustees' risk oversight function is to ensure that the risks associated with the BDC's investment activities are accurately identified, thoroughly investigated and responsibly addressed. Investors should note, however, that the board of trustees' oversight function cannot eliminate all risks or ensure that particular events do not adversely affect the value of investments.

The board of trustees has established an audit committee and may establish additional committees from time to time as necessary. The scope of responsibilities assigned to the audit committee is discussed in greater detail in the offering documents of the BDC. Mr. Moore serves as the Chairman of the Board of the BDC and as the Chairman of the Board of Trustees. The BDC believes that Mr. Moore's experience in, and knowledge of, the real estate investment industry qualifies him to serve as Chairman of the Board of the BDC and its board of trustees.

The board of trustees does not have a lead independent trustee. The BDC is aware of the potential conflicts that may arise when a non-independent trustee is Chairman of the board of trustees, but believe these potential conflicts are offset by the BDC's strong corporate governance practices.

As discussed in Item 10 above, conflicts of interest may arise from time to time as a result of the Adviser's relationships with their affiliates. For more information on the conflicts that may arise and how they will be addressed, see Item 10.

ITEM 12 – Brokerage Practices

A. Discretionary Brokerage

The Funds invest primarily in non-publicly-traded debt and equity securities, although they may acquire, sell or distribute publicly-traded securities on occasion (for example, where a Fund receives shares of a company as part of a general distribution or initial public offering). When selecting private placement opportunities, Wellings believes it satisfies its best execution responsibilities through careful negotiation of the terms of the investment. With respect to those limited instances in which the Funds purchase or sell or distribute publicly traded securities through a broker-dealer, Wellings seeks to satisfy its best execution obligation by considering all relevant facts and circumstances, including the price and size of the order, the trading characteristics of the securities involved, the value of the research provided by each broker, the broker's execution abilities commission rates, and financial responsibility and responsiveness.

B. Research and Soft Dollar Benefits

At present, Wellings does not have any soft dollar arrangements. Section 28(e) of the Securities Exchange Act of 1934, as amended, is a "safe harbor" that permits an investment manager to use commissions or "soft dollars" to obtain research and brokerage services that provide lawful and appropriate assistance in the investment decision-making process. Except for services that would be a Fund expense or as otherwise described below, Wellings will limit the use of "soft dollars" to obtain research and brokerage services to services which constitute research and brokerage within the meaning of Section 28(e). The use of commissions arising from the Funds' investment transactions for services other than research and brokerage will be limited to services that would otherwise be a Fund expense. The use of commissions to obtain such other services would be outside the parameters of Section 28(e).

C. Brokerage and Client Referrals

Wellings does not consider referrals of investors to the Funds in determining its selection of broker dealers or other third parties.

D. Trade Aggregation

Although Wellings does not often trade in public securities, in such circumstances where more than one Fund is either selling or buying the same type of security, Wellings will, to the extent possible, generally place a combined order for two or more Funds engaged in the purchase or sale of the same security if, in its good faith determination, joint execution would be consistent with its duty to seek best execution, consistent with the terms of the participating Funds' Governing Documents, and otherwise in the best interest of the Funds.

ITEM 13 – Review of Accounts

A. Review of Client Accounts

Wellings will continuously monitor portfolio investments on behalf of the Funds. Investments are reviewed in the context of each Fund's stated investment objectives and guidelines as set forth in the Governing Documents

of each Fund. Members of Welling's investment team meet regularly to determine and review overall investment objectives, risk tolerance and other information relevant to the Funds.

B. Reports to Clients

Within 60-90 days after the end of the calendar quarter, Wellings provides to its Fund investors a report that contains the following information:

- a. A portfolio snapshot including, but not limited to, operators and investments, total capital allocated, percentage of ownership and number of properties;
- b. Summary of acquisitions and property updates occurring during the covered quarter, which will include, among other items, date of acquisition, square footage of property, loan amount and loan maturity, interest rate and equity invested in each property; and
- c. Brief note to investors.

ITEM 14 – Client Referrals and Other Compensation

The Adviser does not retain or compensate consultants or other parties to solicit Clients on its behalf.

ITEM 15 – Custody

The Adviser will not have physical custody of any client assets (other than physical custody of certain privately offered securities held directly or indirectly by the Funds to the extent permitted by the Advisers Act). Nevertheless, Wellings is deemed to have constructive custody of the assets of the Funds as a result of its position as an affiliate of the general partner of each Fund.

It is Welling's policy to cause each Fund with assets over which Wellings is deemed to have "custody" to be audited annually and distribute audited financial statements, prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), to investors no later than 180 days after the end of each fiscal year. In addition, upon the final liquidation of any such Fund, Wellings will obtain a final audit and distribute audited financial statements prepared in accordance with GAAP with respect to such Fund to all investors promptly after completion of the audit.

ITEM 16 – Investment Discretion

The Adviser has full discretion to invest on behalf of its Clients; provided that the Adviser will evaluate all investments and their appropriateness based on the unique investment objectives and policies of each Client.

ITEM 17 – Voting Client Securities

This Item is not applicable to Wellings because the Funds do not make investments in securities or companies for which proxy statements are issued.

ITEM 18 – Financial Information

The Adviser is not required to include a balance sheet for its most recent fiscal year, is not aware of any financial condition reasonably likely to impair their ability to meet contractual and fiduciary commitments to its Clients and has not been the subject of a bankruptcy petition at any time during the past ten years.