



2013 NFP STRATEGY SUMMIT

Understanding Alternative Investments



Understanding Alternative Investments

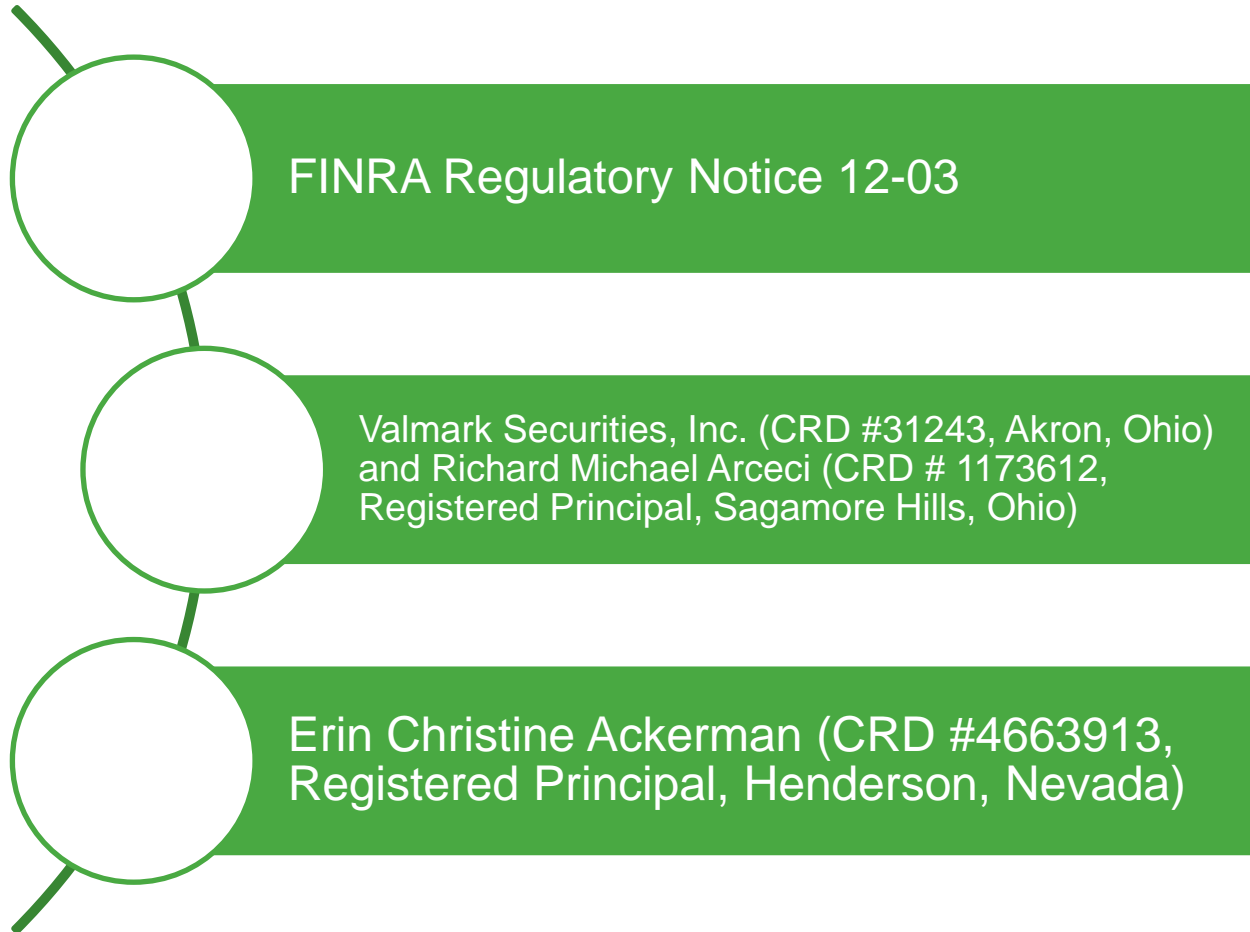
Presented by:
Susanne Denby, Kelly L Edwards,
and Ryan Penshorn



Regulatory Environment

Presented by:
Susanne Denby

Regulatory Environment



Regulatory Environment

Complex Products Receiving More Attention from FINRA

- Heavily scrutinized during exams and state regulators are becoming active

Regulators Expect Rigorous Training and Proper Disclosure to Clients

- AI Insight and the new alternative investment disclosure

Regulatory Environment

Continued Low Interest Rate Environment

A large, solid green arrow pointing downwards, centered between the first and second text boxes.

Clients Demanding Higher Returns

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Expect Perpetual Scrutiny from Regulators



Disclosure, Training and Best Practices

Presented by:
Ryan Penshorn

New Disclosure

- Combines all forms into one!
 - AI Disclosure, 2111 Addendum, and Limited Liquidity
 - Bundled and pre-populated in AdvisorCompleteSM July 2013

Alternative Investment and Limited Liquidity Investment Disclosure

Account Registration:	
Product Description:	Today's Purchase(s) Amount: \$

FINANCIAL PROFILE		Required
Estimated Annual Income \$	Liquid Net Worth \$	
Investment Objectives* Please rank investment Objectives 1-3 (1 being the highest, 3 being the lowest) <input type="checkbox"/> Income <input type="checkbox"/> Growth <input type="checkbox"/> Speculation *See Customer Agreement for definitions	Risk Tolerance (select only one) <input type="checkbox"/> Conservative <input type="checkbox"/> Moderate <input type="checkbox"/> Aggressive	Time Horizon (Years)
Please indicate the level of previous product knowledge below (Example: "N" None, "L" Limited, "G" Good, or "E" Extensive)		
Stocks _____	Bonds _____	Mutual Funds _____
Options _____	Variable Annuities _____	Variable Life _____
Alternative Investments _____		
Assets Held Away Total Value of assets held away from NFP Securities: \$	Provide total value of assets held away and percentage for each type of asset: CDs/Cash _____ % Stocks _____ % Bonds _____ % Options _____ % Mutual Funds _____ % Variable Annuities _____ % Variable Life _____ % Alternative Investments _____ % Other Product Type(s) _____ % Total (Must equal 100%) _____ %	Decision Making Experience: _____(Y/N) I typically make my investment decisions with the assistance of a financial advisor. Cash/Cash Equivalents \$ Anticipated 12-24 Month Special Liquidity Needs <input type="checkbox"/> \$0- \$50,000 <input type="checkbox"/> \$50,000 - \$100,000 <input type="checkbox"/> \$100,000 - \$250,000 <input type="checkbox"/> \$250,000+
<input type="checkbox"/> <i>I decline to provide the assets held away information above/to the right and acknowledge it is in my best interest to disclose outside holdings to my advisor</i>		
Bordered questions for commissionable BD accounts only		

LIMITED LIQUIDITY CALCULATION		If Applicable
Illiquid Alternative Investment: An asset that cannot be converted to cash within a 90-day notice period, after initial 12 month lock-up if applicable.		
Is today's purchase considered an illiquid investment? <input type="checkbox"/> Yes <input type="checkbox"/> No If yes, please complete the calculation below		
\$ _____ Today's proposed illiquid purchase(s)	÷	Total client illiquid investment holdings as a % of current total liquid net worth _____ %
+ \$ _____ Total of all existing illiquid holdings		
= \$ _____ Total proposed illiquid holdings		
	\$ _____ Liquid assets (1) (Includes cash and cash equivalents)	=
(1) Liquid Assets: An asset that can be converted to cash within a 90-day notice period (Minimum quarterly liquidity event regardless of fees or penalties to liquidate).		

Purpose for Purchase	Required
Please describe (in detail) the primary needs and objectives of the client:	
Please describe (in detail) how the proposed product can meet the client's needs:	

AI Insight Training

- Required prior to solicitation and sale for each approved offering
- Provides overview of each product
- Mastery test at the end of each section for registered reps

Coming Soon!
Assistant Login

Real Estate (7)

REIT Non-Listed and REIT AND Non-Traded/Publicly Listed (7)

Sponsor Name	Program Name	Corporate Summary	Program Summary	Education Modules	Executive Summary
American Realty Capital (AR Capital, LLC)	American Realty Capital Trust IV, Inc.	Quarterly Update Notes Access restricted by Broker Dealer	Access restricted by Broker Dealer	Test not available.	Access restricted by Broker Dealer
CNL Securities Corp.	Global Growth Trust, Inc	Quarterly Update Notes Access restricted by Broker Dealer	Access restricted by Broker Dealer	Test not available.	Access restricted by Broker Dealer
Cole Real Estate Investments	Cole Credit Property Trust IV, Inc.	Quarterly Update Notes Access restricted by Broker Dealer	Access restricted by Broker Dealer	Test not available.	Access restricted by Broker Dealer
Dividend Capital	Dividend Capital Industrial Income Trust	Quarterly Update Notes Access restricted by Broker Dealer	Access restricted by Broker Dealer	Test not available.	Access restricted by Broker Dealer
Griffin Capital	Griffin-American Healthcare REIT II, Inc	Quarterly Update Notes Access restricted by Broker Dealer	Access restricted by Broker Dealer	Test not available.	Access restricted by Broker Dealer
KBS Capital Markets	KBS Real Estate Investment Trust III, Inc.	Access restricted by Broker Dealer	Access restricted by Broker Dealer	Test not available.	Access restricted by Broker Dealer
Wells Real Estate Funds	Wells Core Office Income REIT, Inc.	Access restricted by Broker Dealer	Access restricted by Broker Dealer	Test not available.	Access restricted by Broker Dealer

Debt and/or Equity of Privately Owned Companies (3)

BDC – Non-Traded/Non-Listed (3)

Sponsor Name	Program Name	Corporate Summary	Program Summary	Education Modules	Executive Summary
CNL Securities Corp.	Corporate Capital Trust, Inc.	Quarterly Update Notes Access restricted by Broker Dealer	Access restricted by Broker Dealer	Test not available.	Access restricted by Broker Dealer
Franklin Square Capital Partners	FS Energy and Power Fund	Quarterly Update Notes Access restricted by Broker Dealer	Access restricted by Broker Dealer	Test not available.	Access restricted by Broker Dealer
Franklin Square Capital Partners	FS Investment Corporation II	Quarterly Update Notes Access restricted by Broker Dealer	Access restricted by Broker Dealer	Test not available.	Access restricted by Broker Dealer

Best Practices

Good

- Appropriate for savvy clients
- Small percentage of assets where suitable
- Let's discuss risks, costs, and features

Bad

- Alternative investments are my specialty
- Replacing significant traditional fixed income positions
- Large portion of client's assets
- Client signed the disclosure form

Ugly

- These are low risk!
- Appropriate for everyone!



Alternative Investment Business Processing

Presented by:
Kelly Edwards

Should I go Direct or through National Financial?

National Financial

One statement

Transaction & custody fees

Approved by NFP & National Financial

Direct

No transaction or custody fees

Statement for each vendor

Approved by NFP

Paperwork Requirements

National Financial

- Subscription Agreement** (product sponsor supplied)
- NFP Alternative Investment Disclosure** (must be submitted with each purchase)
- NFP Limited Liquidity Asset Disclosure** (If exceeds 25% of client's liquid net worth)
- NFP Commissionable Alternative Investment New Account Form Addendum** (For accounts est. before Sep 2012)
- Entity documents** (if required by product sponsor)
- NFS Alternative Investment Addendum & Custody Agreement** (one per account)
- NFS Alternative Investment Request for Transaction** (must be submitted with each purchase or redemption)

Direct

- Subscription Agreement** (product sponsor supplied)
- NFP Alternative Investment Disclosure** (must be submitted with each purchase)
- NFP Limited Liquidity Asset Disclosure** (If exceeds 25% of client's liquid net worth)
- Direct Business New Account Form** (must be submitted once for each registration)

Items Required to Begin Processing

What three things are required before we can begin processing an alternative investment in a brokerage account?

Items Required to Begin Processing

- Brokerage account
 - An account must already be established by the client and preferably funded
- Approved product of both NFP Securities, Inc. and National Financial
- Completed requisite AI Insight module(s)

National Financial Alternative Investment Addendum & Custody Agreement Update

- Only one Custody Agreement needed per account.

Reset Form

Account Number

Alternative Investments Addendum and Custody Agreement

This document must be completed in order to hold Alternative Investments in your account that is held through National Financial Services LLC. Type on screen or fill in using CAPITAL letters and black ink. If you need more room for information or signatures, use a copy of the next page.

1. Account Information

Primary Account Owner Name	Entity/Status/Title Name
Joint Account Owner/Trustee/Authorized Individual - If any	
Social Security/Employer ID Number	

2. Addendum to Agreement

The Alternative Investments Addendum and Custody Agreement ("Addendum") supplements the customer agreement between you and your broker/dealer governing the account referenced above ("Account"). Your broker/dealer has engaged National Financial Services LLC ("NFS") to provide custody and clearing services. NFS also acts as agent for Fidelity Management, Trust Company ("FIMTC"), which may serve as custodian for your retirement account. By agreeing below, you hereby direct NFS to custody certain publicly or non-publicly traded alternative investment assets ("Alternative Investments"), which you, or your broker/dealer, on your behalf may from time to time buy, purchase, redeem, or sell in your Account. If you wish to hold, purchase, or redeem the Alternative Investments in more than one account, you must complete a separate Addendum for each account. Margin is not available for alternative investment transactions. An account must have cash available to purchase an alternative investment.

3. Scope and Allocation of Responsibilities

a. Your Responsibility
You acknowledge that you and your broker/dealer will have the sole responsibility for the investment, review, and management of the Alternative Investments. You and your broker/dealer take full responsibility for determining the appropriateness and suitability of the Alternative Investments and for reviewing the terms of all offering and disclosure documents and agreements relating to the Alternative Investments, and for monitoring the Alternative Investments for any conversion or exercise options or other corporate actions. You and your broker/dealer are also responsible for monitoring your Account statements to confirm the accuracy of any information relating to the Alternative Investments and the required payment due to you or from you relating to the Alternative Investments.

b. NFS Responsibility
If the Account is an IRA other than a Pension Select IRA or a non-prototype retirement plan account, you and your broker/dealer assume full responsibility for ensuring that all contributions and payments made in such IRA(s) or non-prototype retirement plan account will be held in accordance with the terms and conditions of the governing IRA custodial agreement or applicable retirement plan document(s).

Allocation of Responsibilities

NFS will implement instructions it receives from you that do not conflict with the terms of the Addendum. NFS is not responsible for determining the appropriateness or suitability of the Alternative Investments or Account. Any documentation regarding the Alternative Investments signed by NFS will be used solely for NFS' purposes and will not be used for any other purpose, including for tax purposes, but not limited to, appropriations, transfers, rights of transfer, financial disclosure or compliance with regulatory requirements. NFS will not be held responsible for any loss or damage to the Account or FIMTC will have no responsibility for Alternative Investments other than the Alternative Investments in the account. Further, NFS is not responsible for any loss or damage to the Account or FIMTC will have no responsibility for Alternative Investments other than the Alternative Investments in the account.

Reporting of Alternative Investments

If the Alternative Investments that are held in your Account are publicly traded securities, NFS will provide you with a report of the Alternative Investments held in your Account on a quarterly basis. NFS will also provide you with a report of the Alternative Investments held in your Account on a quarterly basis. NFS will also provide you with a report of the Alternative Investments held in your Account on a quarterly basis.

5. Fees

You acknowledge that NFS is accepting custody of the Alternative Investments as an accommodation to you and your broker/dealer's separate instructions to hold Alternative Investments in your Account as indicated above. You agree to pay NFS' certain fees as set forth below. These fees are in addition to the standard commissions and account fees applicable to your Account as described in your Account statement, customer agreement and/or additional fees that you and your broker/dealer may be required to pay by your broker/dealer.

All Customer Fees associated with the Alternative Investments, as defined below, will be deducted from your Account. If you wish to have the Customer Fees deducted from a secondary non-retirement brokerage account ("Alternate Account") provide the Account number here:

Alternate Account Number

Customer Fee Application to Alternative Investments

Transfer/In/Withdrawals	\$10 per transaction
Annual Alternative Investment Custody and Valuation Fee	\$1 per position
Registered	Non-registered
Annual Custody and Valuation Fee	shall be capped at \$100 per account per year.

Registered products are alternative investments registered under the Securities Act of 1933.

Note: Fees outlined above may be reduced in the event NFS receives payment directly from the issuer providing shareholder notice or behalf of the issuer.

6. Acknowledgement of Risk

NFS is not providing any advice or guidance on the suitability or value of the Alternative Investments for you. You acknowledge that certain Alternative Investments may not be covered by FDIC, SIPC, or by any additional insurance coverage in excess of SIPC otherwise made available by NFS. You understand NFS has not conducted any due diligence, review or evaluation, of any kind, of the Alternative Investments that you own or may own, or direct your broker/dealer to purchase or sell on your behalf, in or from your Account.

7. Indemnification and Hold Harmless

By agreeing below, you hereby agree to indemnify and hold your broker/dealer, NFS, FIMTC, their affiliates and their respective officers, directors, employees, agents, affiliates, shareholders, successors, assigns and representatives harmless from any and all losses, damages, demands, claims and expenses, attorney's fees, and costs arising out of any actions in connection herewith, which are not caused by gross negligence or willful misconduct. You further agree to indemnify and hold your broker/dealer, NFS, FIMTC, their affiliates and their respective officers, directors, employees, agents, affiliates, shareholders, successors, assigns and representatives harmless from any and all losses, damages, demands, claims and expenses, attorney's fees, and costs arising out of any actions in connection herewith, which are not caused by gross negligence or willful misconduct. You further agree to indemnify and hold your broker/dealer, NFS, FIMTC, their affiliates and their respective officers, directors, employees, agents, affiliates, shareholders, successors, assigns and representatives harmless from any and all losses, damages, demands, claims and expenses, attorney's fees, and costs arising out of any actions in connection herewith, which are not caused by gross negligence or willful misconduct.

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National Financial Alternative Investment Forms

Alternative Investment Request for Transaction Letter of Instruction (LOI)

Use this form to request all types of Alternative Investment transactions except capital call requests. Type on screen or print out and fill in using CAPITAL letters and black ink. If you need more room for information or signatures, use a copy of the relevant page.

Helpful to Know

Be advised that NFS is submitting the alternative investment purchase or redemption on your behalf. In the event NFS is unable to confirm the transaction with the issuer, NFS may take action with respect to your account including removal of the alternative investment position from your account. Further, NFS shall present a redemption request to the issuer on your behalf but NFS is not responsible in the event the issuer does not remit the proceeds to NFS.

- A signed Fund Subscription Agreement must accompany this request, if applicable.
- You must sign this form and return it to your investment representative.
- The Alternative Investments Addendum and Custody Agreement must be completed prior to the initiation of an alternative investment transaction and the account must be funded or have cash available for purchase in the account before an alternative investment transaction will be processed.

Transaction Information

Account Owner Name:

Check one: Purchase Sell/Redeem

Asset Name:

Number of Shares/Units	Price	Amount
<input style="width: 95%;" type="text"/>	\$ <input style="width: 95%;" type="text"/>	<input style="width: 95%;" type="text"/>

Signatures and Dates

Form cannot be processed without signatures and dates.

By signing below, you:

- Authorize your Broker/Dealer and National Financial Services LLC ("NFS") as agent for Fidelity Management Trust Company ("FMTCC") as Custodian for your brokerage account ("Account") and, if applicable, to submit the transaction as instructed on this form to the issuer and to take such other actions as may be necessary to complete such transaction, including delivery and receipt of funds to or from your Account and the issuer as may be required.
- Represent that, before submitting this request to Fidelity, you have received and reviewed the terms of the private placement memorandum, term sheet or other disclosure documents and agreements affecting or pertaining to the Alternative Investments.
- Acknowledge that you have the sole responsibility for the investment and take full responsibility for determining the appropriateness and suitability of the Alternative Investments.
- Indemnify and hold harmless your Broker/Dealer, NFS, FMTCC, their officers, directors, employees, agents, affiliates, shareholders, successors, assigns and representatives from any claims or losses that may occur as a result of this transaction.
- Understand that this request and any resulting transactions are subject to the terms and conditions of the Alternative Investments Addendum and Custody Agreement.

Print Account Owner Name (First, Middle, Last)	Print Additional Account Owner Name (First, Middle, Last)
Account Owner Signature <input style="width: 90%;" type="text"/>	Additional Account Owner Signature <input style="width: 90%;" type="text"/>
Date MM - DD - YYYY <input style="width: 100%;" type="text"/>	Date MM - DD - YYYY <input style="width: 100%;" type="text"/>

National Financial Services LLC, Member NYSE, SIPC 1.898876.102 - 419008.4.0 (05/12)

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Signatures and Dates

continued

Employer Signature For Premier Select® Retirement Plan Accounts

If the account in the Account Information section of the Alternative Investments Addendum and Custody Agreement ("Addendum") is a Premier Select Retirement Plan then the Employer administering the Premier Select Retirement Plan must also sign this form. By signing below, you:

- Acknowledge that you have read, understood, and agree to be bound by the terms and conditions in the Addendum.
- Acknowledge that you assume full responsibility for reviewing the terms of all offering and disclosure documents for the Alternative Investment, and you ensure that:
 - All securities held in the Account are in accordance with the terms and conditions of the Premier Select Retirement Plan and Trust governing the Account.
 - Maintaining the Alternative Investment does not constitute a prohibited transaction as defined under ERISA and the IRC and related regulations, interpretations and guidance.
 - Holding the Alternative Investments is in compliance with applicable laws, rules and regulations, including IRC and ERISA.
- You understand your obligation to operate the plan in accordance with plan documents, including the plan requirement to apply minimum distributions requirements, notwithstanding the unique liquidity and valuation challenges applicable to Alternative Investments.

Print Employer Name (First, Middle, Last)	
Employer Signature <input style="width: 95%;" type="text"/>	Date MM - DD - YYYY <input style="width: 100%;" type="text"/>

Broker/Dealers should send the completed original Form Investment documents and the Alternative Investments checklist with this request to:

Alternative Investments Department
 Attention: AI Trading
 National Financial Services, LLC
 499 Washington Blvd.
 Jersey City, NJ 07310

National Financial Services LLC, Member NYSE, SIPC 1.898876.102 - 419008.4.0 (05/12)

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Alternative Investment Paperwork

- When purchasing an alternative investment in a brokerage account, reps should send the subscription agreement directly to the product sponsor.
- You can submit copies or fax the paper work to NFP

TRUE

FALSE

Alternative Investment Paperwork

- Answer: False on both accounts
- Product sponsors require National Financial Medallion Stamp
- Product sponsors usually require original documents
- Original forms should be mailed to:

NFP Securities, Inc.
Attn: Trading Support - AI Processing
1250 Capital of Texas Hwy, S - 2-125
Austin, TX 78746

- National Financial will accept copies of the Alternative Investment Addendum & Custody Agreement and Request for Transaction

Alternative Investment Custody Fee

- \$35 per position, up to a maximum of three positions (\$105 max) per account
 - Charges applied in December each year
- If insufficient funds
 - Unsecured fee posting will be placed in the account for the outstanding balance.
 - This fee is subject to write-off to the advisor if not covered by Jan. 31 of the following year.
- All registration types are subject to the custody fee
- Qualified accounts holding alternative investment positions are still subject to the IRA Annual Maintenance Fee
- Non-qualified accounts holding alternative investments are exempt from the inactivity fee

Alternative Investment Journals

Journals Between Like Registrations

- New Alternative Investment Custody agreement required for the receiving account (if not already on file)
- Plus any additional cashiering requirements
- No alternative investment transfer fee

Journals Between Unlike Registrations

- New Alternative Investment Custody agreement required for the receiving account (if not already on file)
- Any transfer forms required by the sponsor
- Additional forms may be required by sponsor. Contact them for details, ex. Death certificate, divorce decree, trust documents.
- Plus any additional cashiering requirements
- Alternative investment transfer fee is applicable

Alternative Investment Transfers

- Transfers into a National Financial account may take 30-60 days to complete
- Required forms:
 - **Alternative investment product sponsor's transfer/re-registration form**
 - **National Financial Transfer of Assets form**
 - **Addendum and Custody Agreement** (for receiving brokerage account if not already on file)
- Additional forms may be required by company holding the position. Contact them for details, ex. death certificate, divorce decree, trust documents
- \$50 transfer/re-registration fee charged to the client account

What can I expect once NFP receives my paperwork?

- Upon receipt
 - Paperwork reviewed for completion and accuracy by Trading Support
 - Verify account is funded
- Paperwork is in good order and the client account is funded
 - Paperwork forwarded to an internal OSJ
 - Reviewed for suitability and approval
 - OSJ checks for AI Insight training
- Once the OSJ approves the paperwork, it is overnighted to National Financial for processing.

Alternative Investment Best Practices

- The standard processing time: 3 to 5 business days
- Open and funded account with NFS
- Account Number on all forms
- Wait until funds have posted to account

Alternative Investments Best Practices

- List “NFS, LLC” as the custodian
- Mail required forms to NFP in Austin “Attn: Trading”
- Notify Trading Support of time sensitive items
- **Do not submit the forms or funds directly to the alternative investment product sponsor if the investment is meant to be held in a brokerage account.**

Other items that may cause a delay

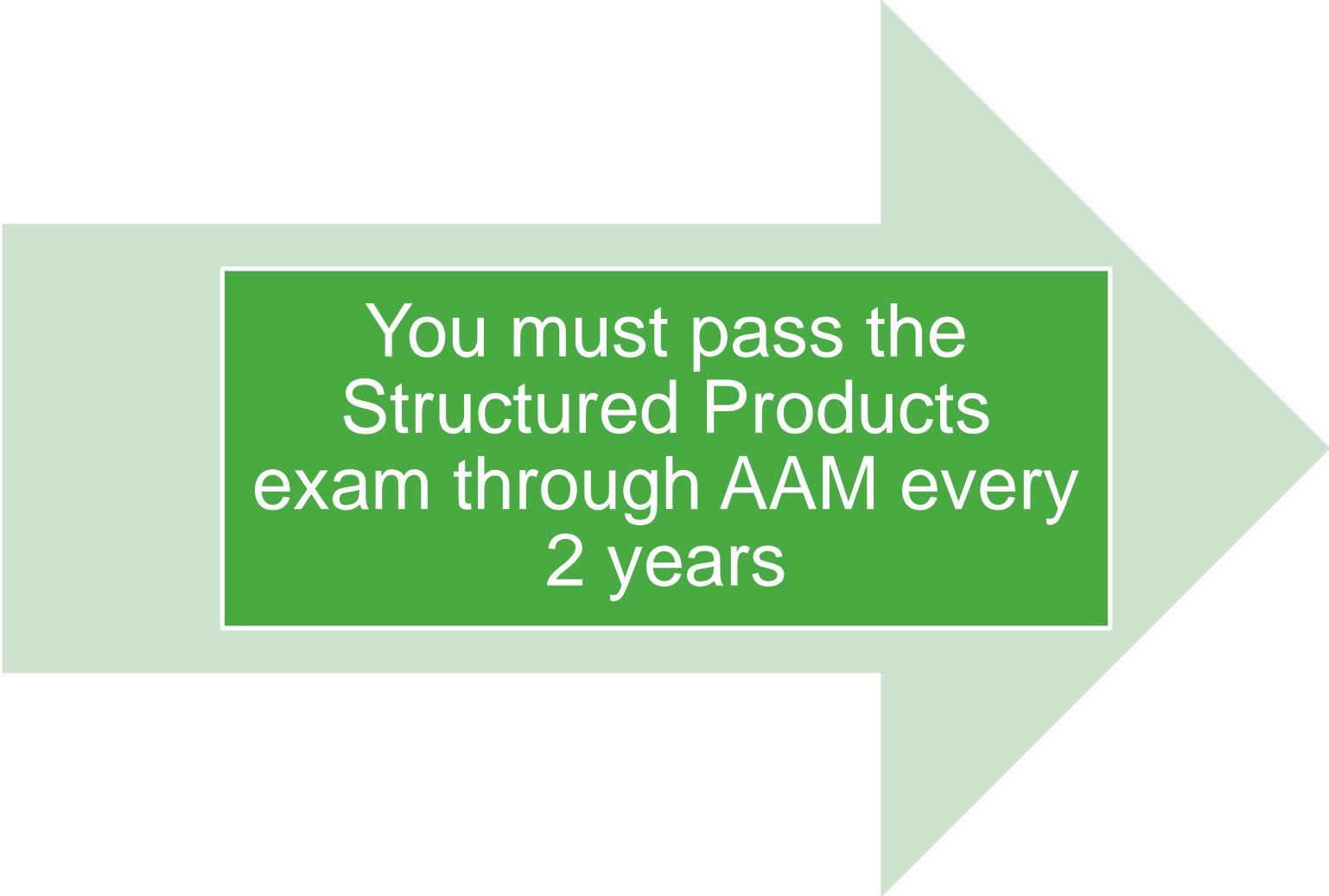
- Missing or mismatched dollar amounts
- Asset name not completed
- No signature
- NFP Advisor Services Groupis unable to update client signed documents
 - Incomplete/inaccurate documents returned to rep
 - All changes must be initialed by client

Coming soon to an AdvisorComplete near you!

Coming July 2013...

**Brokerage alternative investment purchases
will be processed through AdvisorComplete!**

Structured Products: New CE Reminder



You must pass the
Structured Products
exam through AAM every
2 years

Questions?

General Trading and Alternative Investments

800-880-0080

Options 1, 2

tradingsupport@nfp.com

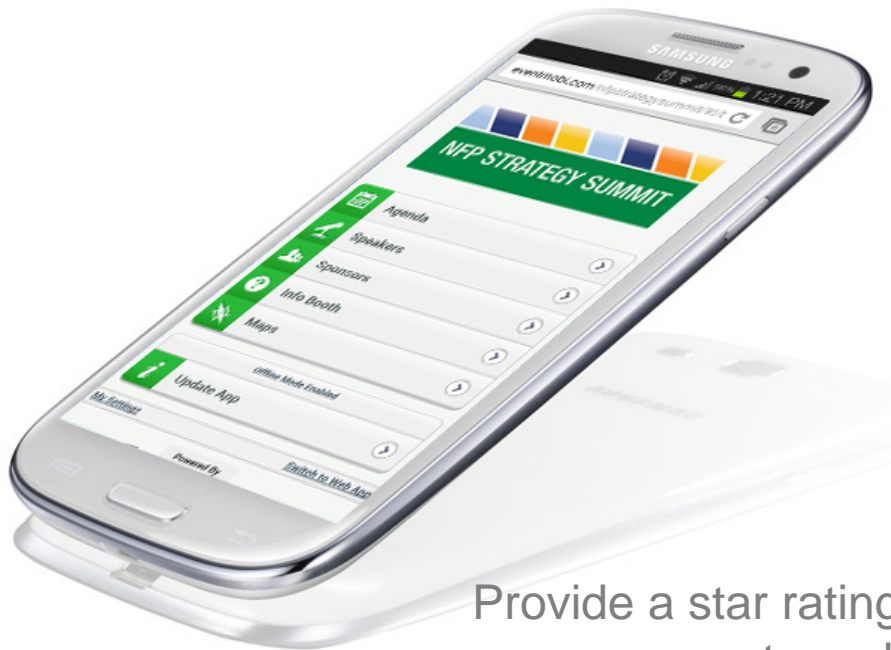
Advisors Asset Management

800-880-0080

Options 1, 1

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