



Alternative Investment Insight through  
Research, Training and Increased Efficiency

## **AI Insight can help to support your firm's Regulation Best Interest compliance process**

AI Insight is the industry's leading online resource for alternative investment research, training and compliance support. The foundation of our platform was built based on interactive feedback and reference to regulatory guidance with FINRA and SEC.

AI Insight offers tools and training to help you comply with the SEC's Regulation Best Interest standards and requirements outlined on the following page.

View the *AI Insight Regulation Best Interest Resource Guide* for a comprehensive account of all AI Insight support tools available as well as resources from our industry partners.

**Questions? Contact AI Insight Customer Care at (877) 794-9448 or [customercare@aiinsight.com](mailto:customercare@aiinsight.com).**

# Summary of AI Insight Training & Tools to support Regulation Best Interest requirements



Regulation Best Interest Obligation	AI Insight Support Resource
<p><b>Reg BI Compliance Obligation:</b></p> <p>“you must establish, maintain and enforce written policies and procedures reasonably designed to achieve compliance... <b>training, and periodic review and testing as part of those policies and procedures</b>”.</p>	<p><b>Training</b> available to advisors to support obligation:</p> <ul style="list-style-type: none"> <li>• Customized training modules and automated training process to assist with new WSPs</li> <li>• Documenting and storing initial and ongoing role-specific testing</li> <li>• Advisor training using, “Understanding Regulation Best Interest” CE credit course</li> </ul>
<p><b>Reg BI Care Obligation:</b></p> <p>“<b>you must exercise reasonable diligence, care, and skill</b> when making a recommendation to a retail customer”.</p>	<p><b>Reporting tools</b> available to advisors to support obligation:</p> <ul style="list-style-type: none"> <li>• Comparative Reports</li> <li>• Financial Performance Reporting</li> <li>• Industry Reports</li> <li>• Program Fee &amp; Expense Report</li> <li>• Streamlined Program Review Process</li> </ul>
<p><b>Reg BI Care Obligation:</b></p> <p>“...factors the broker-dealer considers to assess the potential <b>risks, rewards and costs</b> of the recommendations....<b>related to more complex, risky or expensive products</b>...”</p>	<p><b>Testing and tools</b> available to advisors to support obligation:</p> <ul style="list-style-type: none"> <li>• Regulatory-based training for complex products</li> <li>• Program Summary Report</li> <li>• Training , Education and Research Log</li> </ul>



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# **AI Insight Regulation Best Interest Resource Guide**

*AI Insight*  
*659 High Street | Worthington, OH 43085*  
*(877) 794-9448 | [aiinsight.com](http://aiinsight.com)*

**1**

Reg BI Compliance Obligation

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**2**

Reg BI Care Obligation

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**3**

Related Training Resources Available on AI Insight

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**4**

Other Reg BI Support Resources

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**5**

Appendix: AI Insight Tools Reference Guide

## Under the Reg BI Compliance Obligation:

“you must establish, maintain and enforce written policies and procedures reasonably designed to achieve compliance...**training, and periodic review and testing as part of those policies and procedures**”.



### Use AI Insight to help you solve for:

- Providing CE credit training specific to understanding Reg BI
- Automated training process to support new WSPs
- Documenting and storing initial and ongoing role-specific testing

# Solve for Training, Periodic Review and Testing

- **Deliver consistent, firm-wide training** on Regulation Best Interest obligations and expectations
- Upon completion, **firm members receive email highlighting other Reg BI support tools**

**Name:** AI Insight - Understanding Regulation Best Interest

**Description:** Professionals from Bates Compliance join us on a recorded webinar to help you gain an understanding of the SEC's Regulation Best Interest rules. After completion of the course, an individual should have an understanding of: (i) Reg BI background, (ii) new obligations, (iii) regulator expectations, (iv) impact on product sales, (v) conflicts, compensation, disclosure and (vi) Reg BI resources.

**Cost:** No Charge

**CE Credit Associations:** CFP Board of Standards

Program ID: 270701

Sponsor Name: AI Insight Inc.

CFP Credits: 1

Instructional Delivery Method: Self Study

Principal Knowledge Topic: Professional Conduct and Regulation

**Professional Designations:** AAMS ADPA AFIM APMA AWMA CAP CAS CASL CES CFA CFP CFS

*All CFP CE courses have been qualified for credits through the CFP Board of Standards. Many other designation issuers also accept these courses for CE credits towards their designations but the respective issuers have final authority over acceptance of any course for CE credit.*

*AI Insight automatically files with the CFP Board of Standards on a daily basis. It is the users' responsibility to file the required information with any other designation issuers for potential credits.*

*Credit Qualified courses can be retaken unlimited number of times during a purchase period (365 days), however you cannot earn credit that has already been earned within a 2 calendar year period for CFP credit or 3 calendar year period for CPE credit.*

# Solve for Training, Periodic Review and Testing

- **AI Insight Customized Modules** give you the ability create firm-specific documentation processes to support training around your new Reg BI Written Supervisory Procedures (WSPs)
- **Automatically train** your firm members on new WSPs
- **Push out updates** to ensure documented ongoing supervisory and compliance training

CUSTOMIZED TRAINING MODULE	DUE DATE
Regulation Best Interest: New Written Supervisory Procedures (WSPs)	7/15/2020
Regulation Best Interest: Responsibility/Supervisory Level Training on new WSPs	7/15/2020

# Solve for Training, Periodic Review and Testing

- **Document and store** attestations to show initial and ongoing WSP training
- Schedule automatic ongoing training and attestations of **individuals' specific obligations**

Regulation Best Interest: Responsibility/Supervisory  
Level Training on new WSPs

Total Questions: 2

Date Last Updated: 5/16/2020

AI Insight Quality Assurance Testing Broker Dealer requires that you successfully complete all 2 questions in order to pass this module.

1

Please confirm that you have completed Broker Dealer ABC's Regulation Best Interest New Written Supervisory Procedures (WSPs) module.

A ☐ Yes

B ☐ No

Send Feedback

2

As the Director of Training, your new responsibilities under Broker Dealer ABC's new Regulation Best Interest policies and procedures:  
  
[List Director of Training's specific Reg BI responsibilities]

Please confirm you have been fully trained and understand these obligations and responsibilities, as well as the required frequency and documentation of completion that is required under these new WSPs?

A ☐ Yes

B ☐ No

Send Feedback

Questions: 1 - 2 of 2 Total

Save & Resume Later

Submit



## Under the Reg BI Care Obligation:

**“you must exercise reasonable diligence, care, and skill when making a recommendation to a retail customer”.**



### **Use AI Insight to help you solve for:**

- Automatically documenting your due diligence review process
- Conducting side-by-side alternative investment program comparisons

# Solve for Reasonable Diligence, Care & Skill

- **Your Due Diligence Process is automatically documented** as you move through alternative investment program reviews
- Record use of research tools to **demonstrate care and skill** around considered investments

### Streamlined Review Process (Steps & Order Optional)

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Executive Summary

1

☒

Program Summary

2

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Company Summary

3

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Fee & Expense Report

4

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Comparative Report

5

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Performance Summary

6

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Industry Report


7

☐

Education Module

8

Change Program: Griffin Capital Essential Asset REIT, Inc. (Post Merger)



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Executive Summary

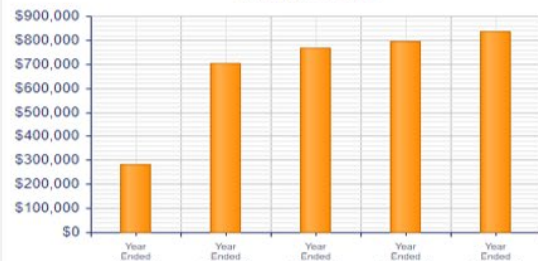
XYZ REIT, Inc.

Overview

Type:	Public
Structure:	REIT Non-Traded (Lifecycle)
Sector:	Office/Industrial
Strategy:	Core
Return Objective:	Income
Effective Date:	9/20/2017
Escrow Break Date:	9/23/2014
Expiration Date:	9/20/2020
General Suitability:	\$70,000/\$70,000/\$250,000

Cumulative Capital Raise

Amount in thousands



Year Ended	Cumulative Capital Raise
12/31/2015	~250,000
12/31/2016	~700,000
12/31/2017	~750,000
12/31/2018	~780,000
12/31/2019	~820,000

# Solve for Reasonable Diligence, Care & Skill

**Conduct side-by-side analysis of 2 or more programs** based on 120+ criteria with the Compare Reports tool

PROGRAM NAME	ABC REIT, INC.	KLM REIT, INC.	PQR REIT, INC.	XYZ REIT, INC.
Share Class	Class I	Class T	Class D	Class S
Maximum Offering	\$2,000,000,000	\$5,000,000,000	\$2,200,000,000	\$4,000,000,000
Maximum Offering Notes	Includes \$500,000,000 pursuant to the distribution reinvestment plan.	Includes up to \$1,000,000,000 in shares pursuant to the distribution reinvestment plan.	We are offering on a continuous basis up to \$2.2 billion of shares of our common stock, consisting of up to <a href="#">Read in Full</a>	Includes up to \$500,000,000 in shares pursuant to the distribution reinvestment plan. <a href="#">Read in Full</a>
Minimum Initial Non Qualified	\$1,000,000	\$5,000	\$2,500	\$2,500
Minimum Initial Non Qualified (Exceptions)	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Minimum Initial Qualified	\$1,000,000	\$5,000	\$1,500	\$2,500
Minimum Initial Notes	The minimum initial investment that the Issuer will accept for its Class I shares is \$1,000,000 unless waived by <a href="#">Read in Full</a>	Not Applicable	Not Applicable	Not Applicable
Minimum Initial Main Notes	In order to satisfy the minimum purchase requirements for retirement plans, unless otherwise prohibited by <a href="#">Read in Full</a>	The Board of Directors may elect to accept smaller investments in its discretion.	The minimum initial investment is at least \$2,500 in shares, except for purchases by our existing <a href="#">Read in Full</a>	Subject to limited exceptions, the minimum initial investment in our D Shares, T Shares and S Shares is <a href="#">Read in Full</a>
Investment Sector	Diversified	Diversified	Office/Industrial	Diversified
Net Proceeds (Before Acquisition Fees)	98.9% Assumes the maximum primary offering of shares, excluding DRIP shares.	95%	99.25%	95.75% Does not include the stockholder servicing fee.
Annualized Distribution Rate (end of period) (YE 2019)	5.42%	4.34%	5.59%	4.79%

## Under the Reg BI Care Obligation:

“...factors the broker-dealer considers to assess the potential **risks, rewards and costs** of the recommendations....**related to more complex, risky or expensive products...**”



### Use AI Insight to help you solve for:

- Regulatory-based training for complex products
- Assessing and comparing fees and expenses at the product-level

## Solve for assessing potential risks, rewards and costs related to complex products

- The **AI Insight platform** was built based on regulatory guidance
- The Program Summary is based on the fund's PPM/prospectus and is consistent with FINRA's requirement to understand an investment's **features, benefits and balancing risks**



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Program Summary

**ABC REIT, Inc.**

Investment Objectives

General Objective: Income

Prospectus (6/17/2019), p. 1, p. 22

Investment Objective: Invest in income-producing real property in a manner that allows us to continue to qualify as a REIT for federal income tax purposes.

Prospectus (6/17/2019), p. 1, p. 22

Balancing Risks:

Increases in interest rates	Loss of key personnel	Failure to maintain partnership status
An increase in interest rates may lead potential purchasers of our shares to demand higher annual distribution rates, which could adversely affect our ability to sell our shares and raise proceeds in this offering, which could result in higher leverage or a less diversified portfolio of real estate.	If we lose or are unable to obtain the services of key personnel or do not establish or maintain appropriate strategic relationships, our ability to implement our investment strategies could be delayed or hindered, and the value of your investment may decline.	If our operating partnership fails to maintain its status as a partnership for federal income tax purposes, its income would be subject to taxation and our REIT status would be terminated.
Prospectus (6/17/2019), p. 31	Prospectus (6/17/2019), pp. 29-30	Prospectus (6/17/2019), p. 49

Investment Objective: Provide regular cash distributions to achieve an attractive distribution yield.

Prospectus (6/17/2019), p. 1, p. 22

Balancing Risks:

Delays in locating investments	Tenant bankruptcy	Net leases
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## Solve for assessing potential risks, rewards and costs related to complex products

- **View program fees and expenses, important pricing/cost details, and peer rankings** in the Program Fee & Expense Report
- **Compare industry mean, median and range values** by category, including how each feature ranks against similar programs



## Solve for assessing potential risks, rewards and costs related to complex products

- **Receive ongoing updates** directly from supplements, 10Qs, 10Ks and more
- **Review fee categories** organized by Offering Phase, Operational Phase and Liquidation Phase

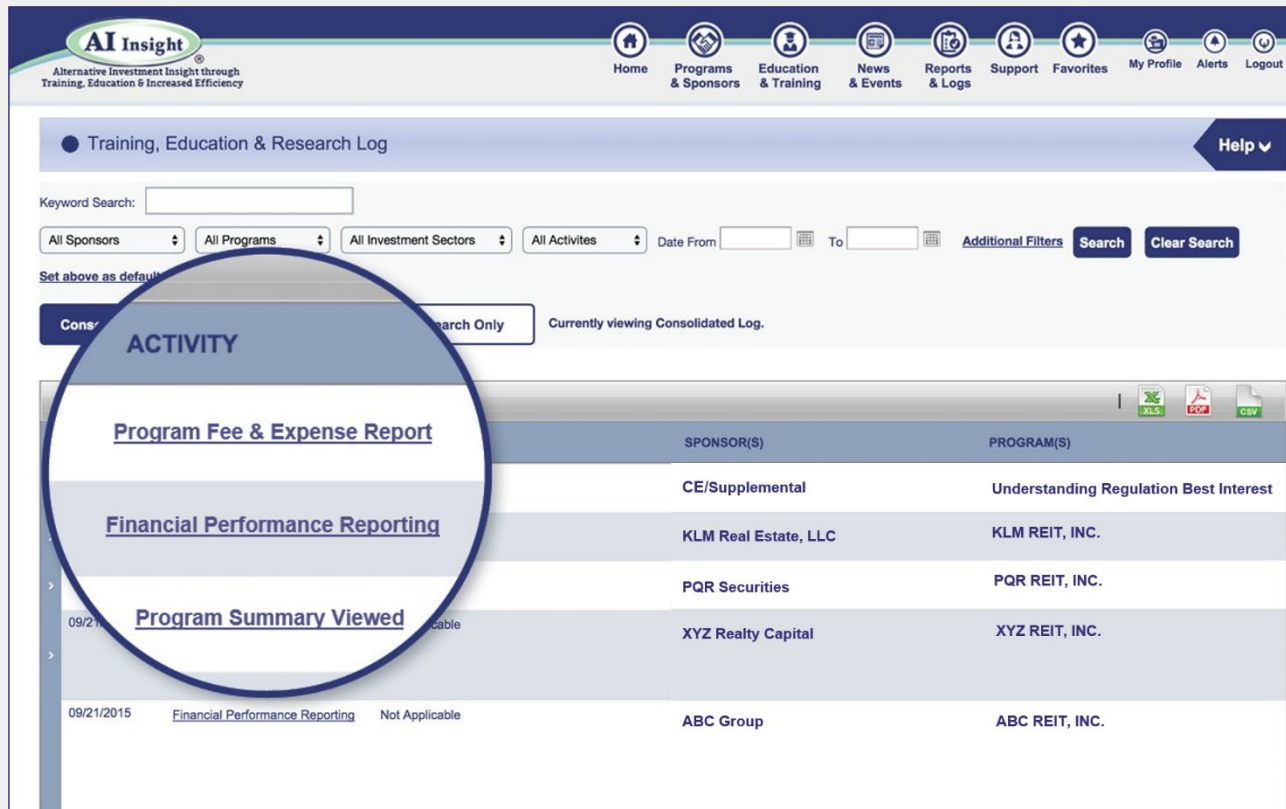
Compensation Analysis					
+ Offering Phase					
Category	Amount	Industry Range	Industry Mean	Industry Median	Industry Rank
Upfront Selling Commission:	3%	0% - 3.50%	2.87%	3%	5 (tie) out of 2
Dealer Manager Fee:	0.5%	0% - 3%	0.77%	0.50%	11 (tie) out of 2
Organization and Offering Expenses:	0.75%	0.16% - 1.50%	0.83%	0.75%	10 (tie) out of 2
Marketing Allowance:	0%	0%	0%	0%	1 (tie) out of 2
Due Diligence Reimbursements:	0%	0%	0%	0%	1 (tie) out of 2
Other Fees (Above the Line):	0%	0% - 0.09%	0.01%	0%	1 (tie) out of 2
Net Proceeds (Before Acquisition Fees):	95.75%	92.50% - 100%	96.00%	95.81%	14 (tie) out of 2
Trail Commission, Fees or Charges:	1%	0% - 1%	0.73%	0.85%	18 (tie) out of 2
Other Fees (Below the Line):	View	0% - 1%	0.13%	0%	N/A
+ Operational Phase					
Category	Amount	Industry Range	Industry Mean	Industry Median	Industry Rank
Acquisition Fees and Expenses:	View	0% - 3.50%	1.03%	0.80%	N/A
Annual Management Fee:	View	0.75% - 1.25%	1.15%	1.23%	N/A



## Solve for assessing potential risks, rewards and costs related to complex products

The Training, Education and Research Log **automatically tracks your activity**:

- › **Record** when you complete a product education module
- › **Document** research activity
- › **Easily download** your activity log



**AI Insight**  
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Home Programs & Sponsors Education & Training News & Events Reports & Logs Support Favorites My Profile Alerts Logout

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Keyword Search:

All Sponsors All Programs All Investment Sectors All Activities Date From  To  Additional Filters [Search](#) [Clear Search](#)

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Consolidated Log Search Only Currently viewing Consolidated Log.

**ACTIVITY**

[Program Fee & Expense Report](#)

[Financial Performance Reporting](#)

[Program Summary Viewed](#)

SPONSOR(S)	PROGRAM(S)
CE/Supplemental	Understanding Regulation Best Interest
KLM Real Estate, LLC	KLM REIT, INC.
PQR Securities	PQR REIT, INC.
XYZ Realty Capital	XYZ REIT, INC.
ABC Group	ABC REIT, INC.

09/21/2015 [Financial Performance Reporting](#) Not Applicable



## **Related Training Resources Available on AI Insight**

**Earn 1.0 credit toward the CFP® and other designations when you complete an e-learning course on AI Insight.**

- ***Understanding Regulation Best Interest*** - Professionals from Bates Compliance join us on a recorded webinar to help you gain an understanding of the SEC's Regulation Best Interest rules. After completion of the course, an individual should have an understanding of: (i) Reg BI background, (ii) new obligations, (iii) regulator expectations, (iv) impact on product sales, (v) conflicts, compensation, disclosure and (vi) Reg BI resources.
- ***Introduction to Alternative Mutual Funds*** - This course summarizes the key aspects of Alternative Mutual Funds ("AMFs") and discusses some of the key issues facing the industry. After completion of the course, an individual should have a thorough understanding of defining and applying alternatives, risks and limitations, fund fees and expenses, performance and due diligence considerations.



**Per FINRA, the following courses have been updated to reflect changes pursuant to Reg BI as a result of the annual internal review done by subject matter experts.**

Course Title	Course Code
Annual Compliance Reminders for Institutional Registered Representatives, Volume 1	EL-ELC204
Annual Compliance Reminders for Institutional Registered Representatives, Volume 2	EL-ELC219
Annual Compliance Reminders for Institutional Registered Representatives, Volume 3	EL-ELC228
Annual Compliance Reminders for Institutional Registered Representatives, Volume 4	EL-ELC246
Annual Compliance Reminders for Registered Representatives, Volume 1	EL-ELC190
Annual Compliance Reminders for Registered Representatives, Volume 2	EL-ELC203
Annual Compliance Reminders for Registered Representatives, Volume 3	EL-ELC218
Annual Compliance Reminders for Registered Representatives, Volume 4	EL-ELC227
Annual Compliance Reminders for Registered Representatives, Volume 7	EL-ELC249

## **Other Reg BI Support Resources**

## FINRA

- **Reg BI and Form CRS Firm Checklist**

<https://www.finra.org/sites/default/files/2019-10/reg-bi-checklist.pdf>

FINRA is providing this checklist to help members assess their obligations under the SEC's Regulation Best Interest (Reg BI) and Form CRS Relationship Summary (Form CRS). This checklist explains key differences between FINRA rules and Reg BI and Form CRS. The checklist is not a substitute for any rule. Only the rule can provide definitive information regarding its requirements. Interpretive questions should be directed to the SEC, at [IABDQuestions@sec.gov](mailto:IABDQuestions@sec.gov).

- **Virtual Conference Panels**

<https://www.finra.org/events-training>

### **Regulation Best Interest and Form CRS: Where Are We Now**

Join panelists as they discuss Regulation Best Interest and Form CRS, its impact on the industry and effective practices to help broker-dealers manage their obligations.

### **Regulation Best Interest: Compliance Inspections and Examinations**

Attend this session to hear from OCIE, FINRA staff and industry experts as they discuss how they intend to examine and inspect for compliance with Reg BI, including a discussion of implementation challenges, frequently asked questions, and issues that are being considered.

- **FINRA Reg BI course expected to be available June/July 2020**

## **Regulation Best Interest, Form CRS and Related Interpretations**

<https://www.sec.gov/regulation-best-interest>

### **ADISA**

The Alternative & Direct Investment Securities Association keeps you up-to-date on the latest issues and regulations affecting the industry, including Regulation Best Interest and Fiduciary Rule.

<https://www.adisa.org/advocacy#DOL>.

### **FSI**

To assist you in meeting the Reg BI compliance deadline, FSI, along with Eversheds Sutherland, has created a Reg BI Compliance Guide. This guide will help you develop your compliance approach by focusing on the rule's obligation of care, provisions for addressing potential conflicts of interest, training and more.

<https://financialservices.org/reg-bi-guide/>

## **IBDC**

IBDC has aggregated the best in class legal, compliance, cybersecurity and insurance experts who support independent broker-dealers and RIAs with webinars, workshops, complimentary hotline services, conferences, and an exclusive industry communication portal.

IBDC's Alliance members have written several articles and created a Reg BI Preparedness Workshop, which can all be found under "Webinars" and "News" on its website:

<https://ibdcconsulting.com>

## **IPA**

The Institute of Portfolio Services provides resources tracking the latest fiduciary updates.

<https://www.ipa.com/fiduciary/>

## **Appendix: AI Insight Tools Reference Guide**



**Comparative Reports**

Compare 2 or more alternative investment programs based on 120+ program features.

**Financial Performance Reporting**

Access hard-to-find financial statistics for private placements, non-traded REITs, BDCs and closed-end interval funds, and alternative mutual funds including distributions and coverage ratios, sector allocations, capital raise and more.

**Industry Reports**

Access hard-to-find financial statistics for each industry and program, such as distributions and coverage ratios, sector allocations, capital raise, leverage ratios and more.

**Program Fee & Expense Report**

Understand fees related to each alternative investment program and compare to similar programs.

**Program Summary**

This is the essential data from the prospectus or PPM. The legal text is removed, which makes the important details of the offering easy to read.

**Streamlined Program Review Process**

A one-click alternative investment due diligence process that automatically tracks progress as you move step by step through program reviews.

**Training, Education and Research Log**

Automatically tracks all user research and testing activity for compliance purposes.



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For more information,  
please contact:

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