

This document is just a sample of policies and procedures related to Alternative Investments that you might want to consider incorporating into your own guidelines. This is in no way a complete listing of all policies and procedures. By sharing this document with you, AI Insight is not creating your firm's policies and procedures, but rather reminding you of certain items you may want to include.

SAMPLE Alternative Investments Policies and Procedures

An “alternative investment” is an investment product unlike other traditional investments, such as stocks, bonds, cash and traditional cash alternatives, and variable insurance products. In order to transact alternative investment business with **XXX**, you must meet the following criteria:

General

- Must be a Registered Representative properly licensed to sell the offering in the state where the customer lives (address of record) and for the product being sold and only sell alternative investments on the **XXX** Approved Products list.
 - Requirement of a current FINRA Series 7, 22, or 62 license (whichever is appropriate), for Alternative Investment programs, Direct Participation Program offerings, Business Development Companies (BDCs), and non-traded Real Estate Investment Trusts (REITs)
- Registered Representative has conducted reasonable due diligence and have an understanding of the potential risks and rewards associated the alternative investment product offered to a client.
- Registered Representative acknowledges and understands that as of **(date)**, a program education module (test) will be required to be taken and successfully completed for ANY offering on the **XXX** approved list of products in the **XXX** system prior to offering that specific program to a client. A minimum score of **100%** is required.

Suitability

- Registered Representative acknowledges that alternative investments are not suitable for all clients.
- When recommending an alternative investment, the Registered Representative must have a reasonable basis for believing that it is suitable for the customer based on his or her individual objectives, total dollar amount being invested, time horizon, and purchase discounts.
- Registered Representative acknowledges and understands that specific states may require, and have outlined additional suitability standards, including certain net worth and/or gross income requirements, that may be more restrictive depending on the states position. The Registered Representative understands that these are outlined in the prospectus or PPM, and acknowledges these standards are read and reviewed, along

with the illiquidity provisions as part of review of the prospectus, prior to soliciting in any applicable state.

- Registered Representative acknowledges and understands that XXX recommends the following guidelines for suitability: no more than 10% of a client's liquid net worth should be invested in any one alternative investment product; no more than 20% of a client's total liquid net worth should be invested in alternative investments; and, it is recommended that clients are under 70 years of age.

Disclosures

- Registered Representative acknowledges and understands XXX's definition of Net Worth and Liquid Net Worth. Further, the Registered Representative agrees to accurately disclose to XXX the client's Net Worth and Liquid Net Worth and explain the differences between the Net Worth and Liquid Net Worth to their clients.
 - Net Worth is defined as the value of a person's assets, including cash, minus all liabilities. The amount by which the individual's assets exceed their liabilities is considered their net worth.
 - Liquid Net Worth is defined as the part of an individual's net worth that can be readily turned in cash without a major loss in value. Liquid net worth includes investments such as stocks, bonds and mutual funds, but does not include assets that are difficult to readily convert, such as real estate, furniture or vehicles. Liquid Net Worth does include IRAs, Annuities and Cash Value Life Insurance.
- Registered Representative agrees to fully disclose to the client the risk factors of the product, including but not limited to, illiquidity provisions/blind pool investments, and complete (with appropriate signatures) the appropriate Direct Participation Programs Customer Suitability & Disclosure Form.
- It is the responsibility of the Registered Representative to provide the client the prospectus or ppm prior to the sale.

Processing

- Registered Representative acknowledges and understands that XXX may have created, in addition to the regular subscription documents, additional disclosure documents known as Business Development Companies Disclosure and Attestation and/or Real Estate Investment Trusts Disclosure and Attestation (to inform clients of the risks and illiquidity provisions associated with alternative investments), and has reviewed these disclosure documents with the client prior to offering the program. The registered representative agrees further that the disclosure documents must be reviewed, completed, and signed by investors, and be included with the normal subscriptions documents submitted to the home office.
- Registered Representative acknowledges and understands that all procedures noted above and all required accompanying paperwork must be IN GOOD ORDER, to be approved and sent on to the appropriate corresponding Company.

- The required paperwork for direct business includes:
 - Vendor subscription agreement
 - Any specific forms your firm requires
 - XXXX Corporate Resolution (CRES), if applicable
 - XXX Non-Corporate Resolution (NCRES), if applicable
 - Organizational documents, if applicable
 - XXX Trustee Certification of Investment Powers (TCIP), if applicable
 - Trust paperwork, if applicable
 - XXX Retirement Plan Certification of Investment Powers (RCIP), if applicable
 - Retirement Plan documents, if applicable

- **After meeting all of the above requirements, I will seek guidance from XXX's Compliance Department if I still have questions or concerns regarding:**
 - the risks and/or structure of the program; or
 - the suitability of the program for my client.