Direct Participation Programs (and Other Complex Products) 13.00

Introduction

The Firm is responsible for ensuring proper supervision and compliance when engaging in Direct Participation Program (DPP) and/or limited partnership transactions in accordance with FINRA Rule 2310 (formally *NASD Rule 2810) and FINRA Rule 6643 (formally NASD Rule 6920).* Therefore, the Firm has implemented the following procedures to ensure that all transactions involving DPP's and other complex products are conducted in accordance with all applicable federal, state, self-regulatory organization (SRO) rules and regulations.

Note: Since many private direct participation programs are typically brought to market under Regulation D (Rule 504, 505, and 506); Section 4(2) of the Securities Act of 1933; or Rule 147 (adopted under SEC Section 3(a)(11), please refer to the Private Placements and Offerings section of this Manual for further compliance and supervisory details in these areas.

13.01 Key Definitions

Direct Participation Program. In accordance with FINRA Rule 2310(a)(4) (formally NASD Rule 2810(a)(4)),the definition of a Direct Participation Program (DPP) is a program which provides for flow-through tax consequences regardless of the structure of the legal entity or vehicle for distribution including, but not limited to the following:

- Oil and gas programs;
- Equity real estate programs;
- Low income housing tax credit programs;
- Mortgage programs;
- Venture capital funds;
- Equipment leasing programs;
- Other programs of a similar nature, regardless of the industry represented by the program, or any combination thereof.

However, the following definition of a DPP does not apply to real estate investment trusts, tax qualified pension and profit sharing plans pursuant to Sections 401 and 403(a) of the Internal Revenue Code and individual retirement plans under Section 408 of that Code, tax sheltered annuities pursuant to the provisions of Section 403(b) of the Internal Revenue Code, and any company including separate accounts, registered pursuant to the Investment Company Act of 1940.

Limited partner or investor in a limited partnership. In accordance *with FINRA Rule 2310 (a)(8),the definition of a limited partner or investor in a limited partnership is a purchaser of an interest in a direct participation program that is a limited partnership who is not involved in the day-to-day management of the limited partnership and bears limited liability.*

Limited partnership. In accordance with FINRA Rule 2310 (a)(9), the definition of a limited partnership is a an unincorporated association that is a DPP organized as a limited partnership whose partners are one or more general partners and one or more limited partners, which conforms to the provisions of the Revised

Uniform Limited Partnership Act or the applicable statute that regulates the organization of such partnership.

Other complex products. In addition to the aforementioned DPPs, the firm also sells other products that fall within FINRA's broad definition of a complex product as described in FINRA Regulatory Notice 22-08. Within the firm's list of approved products, the firm specifically classifies Delaware Statutory Trust (DST) programs (products designed principally to facilitate 1031 exchange transactions) and private/public *non-traded* REITS and LLCs as also belonging in the complex product category. Moreover, the firm believes that any non-liquid investment constitutes a complex product and, as such, requires added training and additional disclosures to customers alerting them as to their inherent complexities and heightened risk factors.

13.02 Qualification Requirements

General Requirements

All personnel who are to engage in the purchasing, selling and/or trading of securities products must meet the minimum securities licensing and registration requirements of the federal, state, self-regulatory organization (SRO), and/or other regulatory authority. The Firm strictly prohibits any person who is not properly licensed or registered to purchase, sell, and/or trade a particular securities product from engaging in such activity until the required licensing and registrations are obtained.

Limited Registration Requirements

In addition to or in place of the General Securities Representative Qualification Exam (Series 7) for registered representatives, and the General Securities Principal Qualification Exam for registered principals, each registered representative of the Firm must pass a limited qualification examination in order to participate in direct participation programs. This may be either the Series 22 Examination for registered representatives, or the Series 39 Examination for registered principals.

Registered Representatives

The Direct Participation Program Limited Representative Qualification Examination (Series 22) has been developed to qualify persons seeking limited registration as a registered representative with FINRA. Registered representatives in this limited category of registration are permitted to transact a member's business in direct participation programs.

Registered Principals

The Direct Participation Program Limited Principal Qualification Examination (Series 39) has been developed to qualify persons seeking limited registration as a registered principal with FINRA. Registered principal in this limited category of registration are permitted to supervise a firm's business in direct participation programs.

Additional Product Training Requirements

Given the complex nature of these products, the firm requires any appropriately qualified and licensed registered representative wishing to offer such products to his/her clients, undertake additional, product-specific training and provide satisfactory evidence of completion before being allowed to recommend or sell such products to his/her clients.

13.03 Standards of Suitability

The Firm will not underwrite or participate in a public or private offering of a DPP or other complex product unless minimum standards of suitability have been established for all participating clients and such standards are fully disclosed in the prospectus. In recommending the purchase, sale or exchange of an

interest in a DPP or other complex product, the Firm will make all reasonable efforts to ensure that, based on all available information provided by the participating client, that:

- The Firm has reasonable grounds to believe that the participating client is or will be in a financial position appropriate to enable him/her to realize to a significant extent the benefits described in the prospectus, including the tax benefits where they are a significant aspect of the program;

- That the client has an adequate fair market net worth sufficient to sustain the risks inherent in the program, including loss of investment and lack of liquidity:

- That the program is suitable for the client

Enhanced Customer Disclosures and Documentation

To assist in ensuring that the firm is satisfying both its suitability obligations and its standard of care obligation under Reg BI, the firm has developed a number of ancillary acknowledgments and enhanced disclosure documents for investments in DPPs and other complex products. These disclosure documents highlight the added risks associated with these types of investments, limited (or non-existent) liquidity and/or restrictions associated with offering redemption features. as well as assist the firm in its supervisory review. Additional documentation that may be requested includes:

- Explanation of Your Investment – DPP
- Customer Concentration Letter – the use of concentration letters is customer-specific and situation-dependent. Its use is based solely on the attendant facts and circumstances surrounding a contemplated investment (or investments) that may engender concerns about product concentration and the attendant risks associated therewith.
- DPP Net Worth Worksheet
- 1031 Exchange Acknowledgments
- Ancillary Product-Specific Acknowledgments

Implementation Strategy

In addition to the firm's implementation strategy set forth below under the "Prospectuses" caption, the designated principal will also review DPP and complex product transactions to ensure that all necessary acknowledgment(s) and/or other disclosure documents are submitted along with the formal subscription documents and are considered as an integral part of the firm's overall suitability review and approval process.

Subscription Agreements

Participation in DPP transactions and other complex products may include the issuance of signed subscription agreements for suitability purposes. In the event that a subscription agreement is not required, the Firm requires that a suitability questionnaire is properly completed in place of a subscription agreement. The designated supervisor is responsible for ensuring the all suitability questionnaires (if applicable) are properly completed and that all documentation is maintained. Additionally, all signed and completed agreements are to be kept on file.

Prospectuses

The Firm will be responsible for providing a prospectus to all clients of DPP transactions with the confirmation of purchase. ►►

Implementation Strategy

On an as needed basis, the designated principal will be responsible for reviewing all complex product transactions, and approving all relevant prospectuses and offering memoranda. The designated principal will approve transactions based on the customer's financial profile, investment experience, time horizon and overall investment objectives. All relevant documentation such as prospectuses, subscription agreements, suitability questionnaires, and other documentation will be reviewed and properly filed as evidence of review.

13.04 Disclosure Requirements

Prior to participating in a public or private offering of a direct participation program or other complex product, the Firm must have reasonable grounds to believe, based on information made available to the client by the sponsor through a prospectus or other materials, that all material facts are adequately and accurately disclosed and provide a basis for evaluating the program.

In determining the disclosure requirements of material facts, the Firm will determine whether a reasonable effort was made to disclose all material information to the customer to accurately evaluate the program. The following is a list of some of the minimum disclosure requirements as set forth in FINRA Rule 2310 (b)(3)(B):

- items of compensation;
- physical properties;
- tax aspects;
- financial stability and experience of the sponsor;
- the program's conflict and risk factors; and
- appraisals and other pertinent reports.

In conjunction with the aforementioned disclosure requirements, and in the event that the Firm is a participant in the offering of a direct participation program or other complex product, the Firm may rely on a due diligence inquiry from another firm if:

- The inquiring firm is not a sponsor or affiliate sponsor of the program;
- There is a reasonable belief that the inquiry was conducted with due care; and
- The results of the inquiry were provided to the Firm with the approval of those conducting the inquiry.

The outline set forth below constitutes the general steps taken in the conduct of due diligence with respect to direct participation program product sponsors:

1. Review of prospectus/offering memorandum for adequacy of disclosure.
2. Review of use of proceeds, general deal terms, fees, sharing arrangements, profit participation, etc., for fairness.
3. Ascertain to what degree conflicts of interest are ameliorated/mitigated.
4. Evaluation of the deal's economic merits and the sponsor's performance model, if any.
5. Assessment of the deal's risk factors.
6. Evaluation of a sponsor's internal controls and financial stability.
7. Evaluation of a sponsor's track record and personnel. ►►

Implementation Strategy

The designated principal will:

- Make an initial determination as to whether or not a particular product is worthy of further consideration and whether it warrants a place on the firm's platform, if approved, i.e., that it may be suitable for someone. A

particular focus during this initial step will involve an evaluation of risks, potential rewards and conflicts of interest.

- Initial evaluation of deal drivers is crucial; for example, how might rising interest rates or dramatic changes in the price of oil and gas affect a particular investment's prospects and outcome. Does the particular investment under consideration have a "reasonable" chance of meeting its objectives and/or reaching a successful outcome? Are any inherent conflicts of interest adequately addressed and resolvable?
- Review prospectus/offering memorandum, paying particular attention to use of proceeds, fees, deal terms and sharing arrangements, profit participation, etc., for fairness; where financial forecasts are included, assess reasonableness of attendant assumptions
- Selectively obtain third party DD reports; third party DD reports (see current utilization list below) are ancillary documents used in connection with execution of the firm's internal DD requirements. They are not a substitute for the firm's internal DD requirements but are used to augment the firm's responsibilities in those areas best served by a third party, e.g., principal background checks, disclosure/disposition of regulatory issues, if any, review of sponsor and deal-related organizational documents, verification of escrow/title/leasehold/insurance coverage/encumbrance documentation, tax issues, prior performance and adequacy of legally-required disclosures
- Third party DD providers will be subjected to the same level of initial and ongoing scrutiny as offering sponsors in order to ascertain their general capabilities, staffing levels and specific competencies.
- Obtain and review audited financial statements, where available; ensure the auditors are credible
- Obtain and review other third party independent reports, where applicable, including such items as real estate appraisals, property condition reports, geology, engineering and/or leasehold valuation reports; other independent reports in instances where valuations are essential, e.g., repriced follow-on offerings; assess credibility of underlying report providers
- Arrange site visit if vetting a new sponsor and/or meet face-to-face with principals; because of heightened uncertainty and attendant risk in onboarding a new sponsor, extra care and diligence will be taken in order to establish a high level of comfort with respect to a new sponsor's reputation, prior experience, background, etc., before seriously entertaining new product offerings
- Where appropriate and/or where deemed necessary, obtain list of other BDs in the selling group and confer therewith
- Make an assessment as to whether the stated suitability guidelines are sufficient and determine whether ancillary acknowledgments are warranted for the purpose of enhancing compliance considerations
- Ensure training availability through AI Insight; if no training is available, consider severely limiting who can sell the product based on predetermined factors
- Prepare an internal memorandum detailing the firm's DD process, what was reviewed, what material questions arose, if any, and how they were disposed of
- Conduct ongoing due diligence for purposes of continuing in-force selling agreements, through:
    - A periodic review of sponsor-filed quarterly reports and SEC filings, where applicable
    - A periodic review of third-party DD provider quarterly reports and sponsor updates
    - Participate in third-party DD provider conference calls
    - Attend industry trade group meetings and DD forums
- Third party DD providers with whom AIC has current relationships are listed below. Both sponsor and/or program-level reports are obtained from one or more providers, as deemed necessary. Third party reports are

considered ancillary to and an adjunct of the firm's principal responsibility for conducting adequate internal due diligence on any program(s) with which the firm enters into a selling agreement.

- Mick Law, P.C., LLO, Omaha, NE
- Bowman Law Firm, LLC, McEwen, TN
- FactRight, LLC, Minneapolis, MN
- Snyder Kearney LLC, Columbia, MD
- Buttonwood Investment Services, LLC, Littleton, CO
- Miterko & Associates, Roswell, GA

All offering materials and related due diligence information shall be maintained at the home office.

13.05 Advertising and Sales Literature

Advertisements and sales literature concerning public direct participation programs must be filed, where applicable, with FINRA Advertising Regulation Department within 10 business days of first use or publication. ▶▶

Implementation Strategy

The designated principal will monitor DPP advertising and sales literature materials to ensure that all materials are properly filed with FINRA Advertising Regulation Department, if necessary, within 10 business days of first use or publication. All relevant DPP advertising and sales literature materials shall be maintained at the designated OSJ Branch Office for review and recordkeeping purposes.

13.06 Organization and Offering Fees

It is the Firm's policy that it will not participate in the public offering of a direct participation program if the organization and offering fees are not considered fair and reasonable in accordance with FINRA Rule 2310 (b)(4).

The Firm shall not underwrite or participate in a public offering of a direct participation program if the organization and offering expenses are not fair and reasonable, taking into consideration all relevant factors. In determining the fairness and reasonableness of organization and offering expenses, such arrangements shall be deemed unfair and unreasonable under the following conditions:

- the total amount of all items of compensation payable to underwriters, broker/dealers, or affiliates in connection with or related to the distribution of the public offering, exceeds currently effective compensation guidelines;
- organization and offering expenses paid by a program in which a broker/dealer is a sponsor exceed the effective guidelines for such expenses;
- any compensation in connection with an offering is to be paid to underwriters, broker/dealers, or affiliates out of the proceeds of the offering prior to the release of such proceeds from escrow shall be made only on the basis of bona fide transactions;

- commissions or other compensation are to be paid or awarded to any person engaged by a potential investor for investment advice as an inducement to such advisor to advise the purchaser of interests in a particular program, unless such person is a registered broker/dealer or a person associated with such a broker/dealer; or

- the program provides for compensation of an indeterminate nature to be paid to a broker/dealer for sales of program units, or for services of any kind rendered in connection with or related to the distribution including, but not necessarily limited to, the following: a percentage of the management fee, a profit sharing arrangement, brokerage commissions, and over-riding royalty interest, a net profits interest, a percentage of revenues, a reversionary interest, a working interest, a security or right to acquire a security having an indeterminate value, or other similar incentive items;

In connection with a public offering and when computing the amount of compensation for purposes of determining overall compliance, the Firm will take into consideration all items of compensation paid by the program to underwriters, brokers/dealers, or affiliates thereof, including, but not limited to, sales commissions, wholesaling fees, due diligence expenses, other underwriter's expenses, underwriter's counsel's fees, securities or rights to acquire securities, rights of first refusal, consulting fees, finder's fees, investor relations fees, and any other items of compensation for services of any kind or description.

The determination of whether compensation paid to underwriters, broker/dealers, or affiliates in connection with or related to a public offering, shall be made on the basis of such factors as the timing of the transaction, the consideration rendered, the investment risk, and the role of the member or affiliate in the organization, management and direction of the enterprise in which the sponsor is involved.

Acceptance of Cash/Non-Cash Compensation

The Firm is prohibited from directly or indirectly accepting any non-cash compensation or sales incentive item including, but not limited to, travel bonuses, prizes, and awards offered or provided to such member or its associated persons by any sponsor, affiliate of a sponsor or program. However, the Firm may provide non-cash compensation or sales incentive items to its associated persons provided that no sponsor, affiliate of a sponsor or program, including specifically an affiliate of the member, directly or indirectly participates in or contributes to providing such non-cash compensation.

The Firm shall be prohibited from accepting any cash compensation unless all of the following conditions are satisfied:

- all compensation is paid directly to the member in cash and the distribution, if any, of all compensation to the member's associated persons is controlled solely by the member;

- the value of all compensation to be paid in connection with an offering is included as compensation to be received in connection with the offering;

- arrangements relating to the proposed payment of all compensation are disclosed in the prospectus or similar offering document;

- the value of all compensation paid in connection with an offering is reflected on the books and records of the recipient member as compensation received in connection with the offering; and

- no compensation paid in connection with an offering is directly or indirectly related to any non-cash compensation or sales incentive items provided by a broker/dealer to its associated persons. ►►

Implementation Strategy

The designated principal will make all efforts to reasonably monitor the Firm's participation in direct participation programs so as to check for offering fees that may be considered unfair and unreasonable on a case-by-case basis. All organization and offering fees will be reviewed in accordance with current FINRA guidelines. When reviewing the amount of compensation, the designated principal will review all items of compensation paid by the program to underwriters, brokers/dealers, or affiliates thereof, including, but not limited to, sales commissions, wholesaling fees, due diligence expenses, other underwriter's expenses, underwriter's counsel's fees, securities or rights to acquire securities, rights of first refusal, consulting fees, finder's fees, investor relations fees, and any other items of compensation for services of any kind or description.

Additionally, the Firm is prohibited from directly or indirectly accepting any non-cash compensation or sales incentive item. The Firm may, however, accept cash compensation under the aforementioned circumstances.

13.07 Limited Partnership Rollup Transactions

All transactions involving rollup transactions will be conducted in accordance with all applicable securities rules and regulations as well as the *Rollup Reform Act*. The designated supervisor(s) of the Firm will be responsible for ensuring proper supervision and compliance for all limited partnership rollup transactions.

In accordance with FINRA Rule 2310 (a)(10),the definition of a limited partnership rollup transaction is a transaction involving the combination or reorganization of one or more limited partnerships in which the following occurs:

- Some or all of the investors in any of such limited partnerships will receive new securities, or securities in another entity, that will be reported under a transaction reporting plan declared effective before January 1, 1991, by the SEC under Section 11A of the Act;
- Any of the investors' limited partnership securities are not, as of the date of the filing, reported under a transaction reporting plan declared effective before January 1, 1991, by the SEC under Section 11A of the Act;
- Investors in any of the limited partnerships involved in the transaction are subject to a significant adverse change with respect to voting rights, the term of existence of the entity, management compensation, or investment objectives; and
- Any of such investors are not provided an option to receive or retain a security under substantially the same terms and conditions as the original issue.

Participation in Rollups

The Firm may participate in the solicitation of votes or tenders from limited partners in connection with a limited partnership rollup transaction under the following conditions:

- Compensation received by the Firm is payable and equal in amount;
- Compensation does not exceed 2% of the exchange value of the newly-created securities; and
- Compensation is paid regardless of whether the limited partners reject the proposed limited partnership rollup transaction.

Additionally, the Firm will not participate in the solicitation of limited partnership votes or tenders in connection with a rollup transaction unless the proposed partners or sponsors agree to pay all related expenses in the event of a rejection, and if the rollup transaction appears to be unfair or unreasonable. ►►

Implementation Strategy

Upon review of each limited partnership rollup transaction in which the Firm participates, the designated principal will review all relevant materials regarding compensation arrangements to ensure that the Firm does not receive compensation that may exceed 2% of the value of the newly-created securities and that all compensation is paid as prescribed. All relevant documentation will be reviewed and properly filed as evidence of review.

Unfair and Unreasonable Conditions

The following conditions shall be considered to be unfair and unreasonable involving limited partnership rollup transactions:

General Partners

- If general partners convert an equity interest in any limited partnership(s) subject to a limited partnership rollup transaction for which consideration was not paid and which was not otherwise provided for in the limited partnership agreement and disclosed to limited partners, into a voting interest in the new entity;

- If the general partners fail to follow the valuation provisions, if any, in the limited partnership agreements of the subject limited partnerships when valuing their limited partnership interests; or

- If the general partners utilize a future value of their equity interest in the limited partnership rather than the current value of their equity interest when determining their interest in the new entity.

Voting Rights

- If the voting rights in the entity do not generally follow the original voting rights of the limited partnerships participating in the limited partnership rollup transaction;

- If a majority of the interests in an entity resulting from a limited partnership rollup transaction may not, without concurrence by the sponsor, general partner(s), board of directors, trustee, vote to amend the limited partnership agreement, articles of incorporation or by-laws, or indenture; dissolve the entity; remove the general partner, board of directors, trustee or similar governing entity, and elect a new governing entity; or approve or disapprove the sale of substantially all of the assets of the entity;

- If the general partner(s) or sponsor(s) proposing a limited partnership rollup transaction do not provide each limited partner with a document which instructs the limited partner on the proper procedure for voting against or dissenting from the transaction; or

- If the general partner(s) or sponsor(s) does not utilize an independent third party to receive and tabulate all votes and dissents in connection with the limited partnership rollup transaction, and require that the third party make the tabulation available to the general partner and any limited partner upon request at any time during and after voting occurs.

Transaction Costs

- If transaction costs of a rejected limited partnership rollup transaction are not apportioned between general and limited partners of the subject limited partnerships according to the final vote on the proposed transaction;

- If individual limited partnerships that do not approve a limited partnership rollup transaction are required to pay any of the transaction costs, and the general partner or sponsor is not required to pay the transaction costs on behalf of the non-approving limited partnerships, in a limited partnership rollup transaction in which one or more limited partnerships determines not to approve the transaction, but where the transaction is consummated with respect to one or more approving limited partnerships;

Fees of General Partners

- If general partners are not prevented from receiving both unearned management fees discounted to a present value and new asset-based fees;

- If property management fees and other general partner fees are inappropriate, unreasonable and more than, or not competitive with, what would be paid to third parties for performing similar services; or

- If changes in fees which are substantial and adverse to limited partners are not approved by an independent committee according to the facts and circumstances of each transaction. ►►

Implementation Strategy

Upon review of each limited partnership rollup transaction, the designated principal will review all relevant materials in order to check for any potential unfair or unreasonable conditions with respect to general partners, voting rights, transaction costs, or fees of general partners. In the event that unfair or unreasonable conditions are discovered, the designated principal will immediately recommend that the Firm not participate in such a transaction. All relevant documentation detailing such findings will be reviewed and properly filed as evidence of review.

13.08 Transaction Reporting Requirements

When and How to Report DPP Transactions

Trade Reporting Structure

On November 5, 2008, the SEC approved amendments to FINRA rules that replace the current market maker-based structure with a simpler, more uniform structure for purposes of reporting

OTC equity transactions to FINRA. Specifically, for transactions between member firms, the "executing party" must report the trade to FINRA, and for transactions between a member firm and a non-member firm or customer, the member firm must report the trade. The "executing party" reporting structure applies to reporting trades to FINRA in NMS stocks, OTC Equity Securities, DPP securities and PORTAL equity securities.

The amendments define "executing party" as the member firm that receives an order for handling or execution or is presented an order against its quote, does not subsequently re-route the order, and executes the transaction. Thus, for example, an alternative trading system (ATS) (a term that includes electronic communications networks (ECNs)) is the executing party and has the reporting obligation where the transaction is executed on the ATS. Alternatively, if an ATS routes an order to another member firm for handling and/or execution, then the ATS would not be the executing party and would not have the reporting obligation. For trades between a member firm and a non-member firm, the member firm must report the trade.

In certain limited circumstances, it may not be clear which firm should be deemed the executing party for trade reporting purposes (*e.g.*, manually negotiated trades between two members via the telephone). Accordingly, for transactions between two member firms where both firms could reasonably maintain that they satisfy the definition of "executing party," the firm representing the sell-side must report the transaction to FINRA, unless the parties agree otherwise and the firm representing the sell-side contemporaneously documents such agreement. In such instances, the sell-side will be presumed to have the trade reporting obligation, unless it can demonstrate there was an agreement to the contrary (*e.g.*, contemporaneous notes of a telephone conversation or notation on the order ticket).
http://finra.complinet.com/en/display/display.html?rbid=2403&element_id=7403

Note: The Firm currently does not make markets in DPP securities.

13.09 Customer Account Statements

In accordance with Rule 2340, the Firm shall, with a frequency of not less than once every calendar quarter, send an account statement containing a description of any securities positions, money balances, or account activity to each customer whose account had a security position, money balance, or account activity during the period since the last such statement was sent to the customer.

Definition of DPP/REIT Securities

The term "direct participation program" or "direct participation program security" refers to the publicly issued equity securities of a direct participation program as defined in FINRA Rule 2310 (including limited liability companies), but does not include securities on deposit in a registered securities depository and settled regular way, securities listed on a national securities exchange or The Nasdaq Stock Market, or any program registered as a commodity pool with the Commodities Futures Trading Commission.

The term "real estate investment trust" or "real estate investment trust security" refers to the publicly issued equity securities of a real estate investment trust as defined in Section 856 of the Internal Revenue Code, but does not include securities on deposit in a registered securities depository and settled regular way or securities listed on a national securities exchange or The Nasdaq Stock Market.

Voluntary Estimated Value

In the event that the Firm is a “general securities member” as defined below, it may provide a per share estimated value for a direct participation program ("DPP") or real estate investment trust ("REIT") security on an account statement, provided the Firm meets the General Conditions as stated below.

Note: a "general securities member" refers to any member that conducts a general securities business and is required to calculate its net capital pursuant to the provisions of SEC Rule 15c3-1(a). Notwithstanding the foregoing definition, a member that does not carry customer accounts and does not hold customer funds or securities is exempt from the provisions of this section.

Mandatory Estimated Value

If the annual report of a DPP or REIT includes a per share estimated value for a DPP or REIT security that is held in the customer's account or included on the customer's account statement, a general securities member must include an estimated value from the annual report, an independent valuation service, or any other source, in the first account statement issued by the member thereafter, provided that the member meets the General Conditions as stated below.

General Conditions

The Firm may only provide a per share estimated value for a DPP or REIT security on an account statement if the estimated value has been developed from data that is as of a date no more than 18 months prior to the date that the statement is issued.

If an account statement provides an estimated value for a DPP or REIT security, it must include:

- a brief description of the estimated value, its source, and the method by which it was developed; and
- disclosure that DPP or REIT securities are generally illiquid, and that the estimated value may not be realized when the investor seeks to liquidate the security.

Notwithstanding the requirement as referenced in the Mandatory Estimated Value, the Firm must refrain from including a per share estimated value for a DPP or REIT security on an account statement if the Firm can demonstrate the value was inaccurate as of the date of the valuation or is no longer accurate as a result of a material change in the operations or assets of the program or trust.

If an account statement does not provide an estimated value for a DPP or REIT security, it must include disclosure that:

- DPP or REIT securities are generally illiquid;
- the value of the security will be different than its purchase price; and
- if applicable, that accurate valuation information is not available.

NOTE: The Firm is exempt from the statement requirement because we do not custody accounts.