

Alternative Investments

USER GUIDE

November 2014



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1. Introduction

NetX360 enables you to enter an Alternative Investment order for increased transparency and order tracking. Alternative Investment products that participate in the Depository Trust & Clearing Corporation's (DTCC) Alternative Investment Program (AIP) may also participate in Pershing's Alternative Investment Network (AIN). The AIN provides a functional set of services to clients in both retirement/qualified and non-retirement/non-qualified accounts.

Alternative Investment order entry products include:

- Hedge funds
- Hedge funds of funds
- Private equity
- Limited partnerships
- Limited liability corporations
- Non-traded real estate investment trusts (REIT)
- Business development companies (BDC)
- Direct participation programs
- Managed futures

Note: Alternative strategies in a mutual fund or exchange-traded fund (ETF) are not included and eligibility review standards remain the same.

Benefits of Alternative Investments order entry through NetX360:

- **Order Entry Screen** - Enter single buy orders electronically for all Alternative Investments supported by Pershing (based on entitlements).
- **Full data audit trails** - Review, update and track the progress of Alternative Investment transactions.
- **Automatic trade settlement** - Settle trades automatically in client accounts (non-DTCC trades will be placed in a transfer status until confirmed by the Administrator).
- **Trade confirms** - Receive trade confirms for Alternative Investment transactions.
- **Cost Basis reporting** - Retain and report client cost basis information for select Alternative Investments automatically, similar to other investment vehicles.

Entitlements

Entitlement Management Service (EMS)

For firms using EMS, the entitlements are:

BFE #	CATALOG TYPE	CATEGORY	BFE NAME	ACCESS LEVEL	DESCRIPTION
2480	Functional	Order Management	Alternative Investment Order Entry	Add and Update	Allows a user to enter a new Alternative Investment order and cancel a pending order.
2481	Functional	Order Management	Alternative Investment Order Entry	Approve	Allows a user to approve a new Alternative Investment order in Work Corner.
2482	Functional	Order Management	Alternative Investment Order Entry - Clarification Required	Approve	Allows a user to respond to Alternative Investment order requests that require clarification.

NetExchange Entitlement (NPNX) System

For the NetExchange Entitlement system (NPNX), the following entitlements are required:

- ALTERNATIVE INVEST ORDER ENTRY
- WORK CORNER

Note: The Alternative Invest Order Entry entitlement will be hidden in NPNX until your firm's security administrator requests the Top Secret entitlement 796PNPX via Service Center. Once the security administrator has the 796PNPX entitlement, he or she can enable it for the appropriate NPNX profiles.

For the Application Security Data System (ASDS), the following entitlements are required:

- Profile – Alternative Investment Order Entry for IBD
- Profile – Alternative Investment Order Approver for IBD
- Profile – Alternative Investment Workflow Approver for IBD


BFE #	PLATFORM BUSINESS MODEL	CATALOG TYPE	CATEGORY	BFE NAME	ACCESS LEVEL	BFE DESCRIPTION	ASDS-ALL	NPNX-ALL
2480	NXP	F (Functional)	Order Management	Alternative Investment Order Entry	Add and Update	Allows a user to enter a new Alternative Investment Order and cancel a pending order.	ASC03738 Profile - Alternative Investment Order Entry for IBD	NXP00796:ALTERNATIVE INVEST ORDER ENTRY

1. INTRODUCTION

BFE #	PLATFORM BUSINESS MODEL	CATALOG TYPE	CATEGORY	BFE NAME	ACCESS LEVEL	BFE DESCRIPTION	ASDS-ALL	NPNX-ALL
2481	NXP	F (Functional)	Order Management	Alternative Investment Order Entry	Approve	Allows a user to approve a new Alternative Investment Order in Work Corner.	ASD03739 Profile - Alternative Investment Order Approver for IBD	NXP00572:WORK CORNER
2482	NXP	F (Functional)	Order Management	Alternative Investment Order Entry - Clarification Required	Approve	Allows a user to respond to Alternative Investment Order requests that require clarification.	ASD03740 Profile - Alternative Investment Workflow Approver for IBD	NXP00572:WORK CORNER


2. Enter an Alternative Investment Order

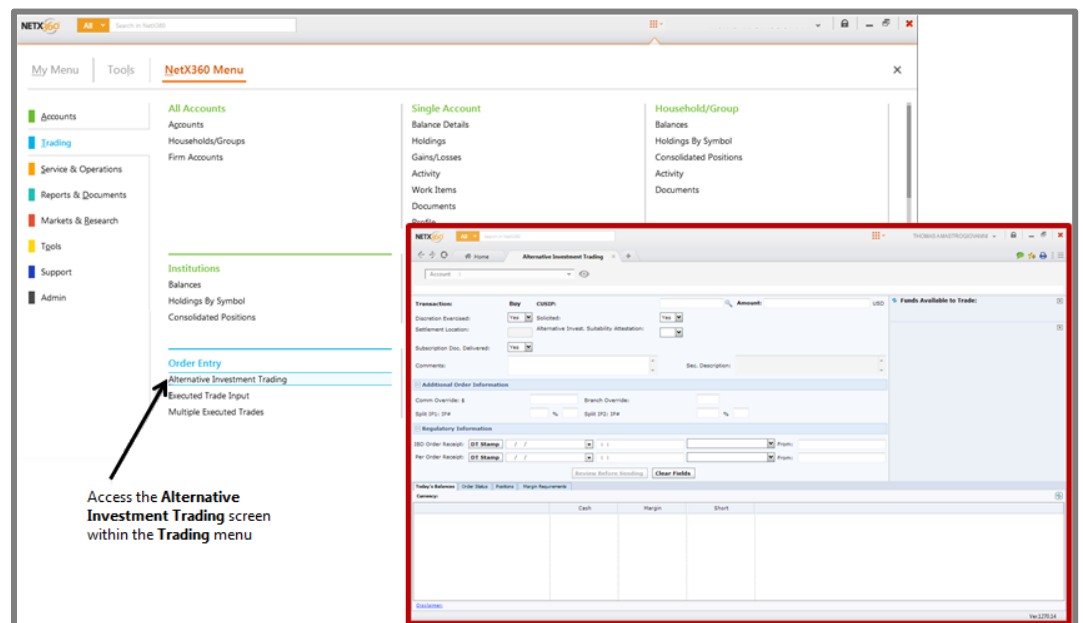
Prerequisites

- A completed Pershing Private Investment Form is required. To access the form, click  Menu > **NetX360 Menu** > **Resources** > **Learning Center** (keywords: private investment form).
- A subscription agreement may be required (sponsor requirement).

Enter an Alternative Investment Order

1. In the NetX360 search field, enter **Alternative Investments**. As you type, matching search results display.
2. In the **Go To** section of the search results, select **Alternative Investment Trading**. The **Alternative Investment Trading** page displays.

Tip: As an alternative, click  Menu > **NetX360 Menu** > **Trading** > **Order Entry** > **Alternative Investment Trading**.



3. Enter or select options in the fields of the **Alternative Investment Trading** screen (see the **Description of Fields** section below for field information.)

2. ENTER AN ALTERNATIVE INVESTMENT ORDER

Transaction: Buy CUSIP: 077997138 Amount: \$5 Fund: BUY

Discretion Exercised: Yes Solicited: Yes

Settlement Location: OTHERS Alternative Invest. Suitability Attestation:

Subscription Doc. Delivered: Yes

Comments: Sec. Description: BEHRINGER HARVARD OPPORTUNITY REIT I INC COM STK

Additional Order Information

Comm Override: \$ Branch Override:

Split IP1: IP# % Split IP2: IP# %

Regulatory Information

IBO Order Receipt: DT Stamp / / From:

Per Order Receipt: DT Stamp / / From:

Review Before Sending Clear Fields

Today's Balances Order Status Positions Margin Requirements

Currency: USD

	Cash	Margin	Short
Opening Values			
Cash Mgmt Balance:	0.00	N/A	N/A
MTD Accrual:	0.00	N/A	N/A
Market Value:	448.43	N/A	N/A
Trade Date Value:**	-431.58	N/A	N/A
Net Worth:	16.85		
Current Values			
Trade Date Balance:**	-431.58	N/A	N/A
Trades:**	0.00	N/A	N/A

Enter order by filling in the CUSIP and Amount fields - or leverage the CUSIP lookup feature.

4. Click **Review Before Sending**. The **Review Order** screen displays.
5. Once all order details are correct, click **Send Order**.

Alternative Investment Order Review

You have entered the following order. Click on 'Send Order' if it is correct.

Buy

Account: 620000000 JOHN DOE IP#: 000

Order Details

Sec. Description: BEHRINGER HARVARD OPP... CUSIP: 077997138 Settle. Location: OTHERS

Transaction: Buy Duration: GTC Solicited: Yes

Amount: \$5 Acct Type: Cash Discretion Exercised: Yes

Reinvest Div/Cap G...: Yes Alternative Invest. Suita...: Yes Subscription Doc. Delivered: Yes

Reason:

Commissions and Fees

Comm. Override: Branch. Override: Split IP1: N/A % 0 Split IP2: N/A % 0

Estm. Total Cost: \$5.00 Fees: \$0.00

Activity / Trailers / Comments

Original Input Source: NetExchange Entered By: CPSTMAS Trailers/Comments o...

IBO Ord. Receipt: IBO Ord. From:

Pershing Ord. Receipt: Pershing Ord. From:

Back To Transaction Cancel Send Order

After the order information is entered, click **Send Order** to submit the order automatically, or click **Back to Transaction** to revise it

Note: The system will display Rules Engine violations triggered (if any).

2. ENTER AN ALTERNATIVE INVESTMENT ORDER



Description of Fields


The table below describes the fields on the **Alternative Investments Order Entry** page. Required fields are marked with an asterisk (*).

FIELD	ENTER OR SELECT
Account*	The account number for which the order will be placed. Note: Account numbers can be entered for both qualified or non-qualified accounts, depending on the settlement location (DTCC settlement location only). DTCC Settlement only applies to products that participate on the Pershing Alternative Investment Network (AIN).
Transaction	Field will read as Buy . Note: This field is hard-coded, as this functionality is for BUY orders only. SELL orders are not applicable.
CUSIP*	Alternative Investment-approved CUSIPs are displayed. Note: The Pershing CUSIP can be entered either by CUSIP number or located by using the Search field. All Pershing custody eligible Alternative Investment CUSIPs will display in the search field.
Amount*	Amount of the order. All orders are placed in USD currency. Note: The Funds available to trade field (located directly to the right of the Amount field) displays the client's available funds to trade.

2. ENTER AN ALTERNATIVE INVESTMENT ORDER

FIELD	ENTER OR SELECT
Discretion Exercised*	<p>Yes or No</p> <p>Note: Select Yes only if the RIA has discretion to enter orders on behalf of the client.</p>
Solicited*	<p>Yes (if the order is being placed due to the recommendation of a sales representative) or No (if the order is being directed by the client.) The default is No.</p>
Settlement Location	<p>DTCC orders will automatically update to the DTCC settlement location. DTCC Settlement only applies to products that participate on the Pershing Alternative Investment Network (AIN). All other orders will read as non-DTCC (may read as Other).</p>
Alternative Investment Suitability Attestation*	<p>Yes or No</p> <p>Note: If No is selected, the order cannot be placed.</p>
Subscription Document Delivered*	<p>Yes or No</p> <p>Note: If No is selected, a reason must be provided.</p>
Comments	<p>This field is used at the discretion of the person submitting the order, and can be used to place notes on the account. For example, this field can be utilized to notify Pershing of an independent broker-dealer's (IBD's) request to guarantee unsettled funds versus a firm's sundry account.</p>
Security Description	<p>This field automatically populates upon the selection of the Alternative Investment asset.</p>
Additional Order Information	<p>The following fields may be completed (as required):</p> <ul style="list-style-type: none"> • Commission Override - To override the standard commission schedule. Applicable on purchases of offshore or mutual funds. • Branch Override - Enter a branch number if payments are to be directed to a branch other than the current branch. • Split IP1 # and % - In the first field, enter the IP number of the first investment professional. In the second field, enter the percentage of the commission that the IP will receive. • Split IP2 # and % - In the first field, enter the IP number of the second investment professional. In the second field, enter the percentage of the commission that the IP will receive. <p>Note: Not available for purchases in non-traded REITS or Business Development Corporation (BDC).</p>

Notes:

- The Alternative Investment order posts to the client's account as a Buy order. The system automatically sweeps the funds from the client's account as well as posts the shares of the purchase (both whole and fractional) upon the execution of the Buy order. The automation of this process updates the client's cost basis in real time. Assets that are custodied through DTCC allow the processing of both qualified and non-qualified purchases. Non-traded REIT orders that settle through DTCC will do so in three business days.
- Orders are normally processed within 72 business hours of receipt of the request in good order.
- To access a list of alternative investments on the Alternative Investment Network Fee and No-Fee platforms (in addition to all custody eligible alternatives on the platform) and to further refine your Alternative Investment search based upon a variety of criteria, refer to the Alternative Investments Center (click  Menu > **NetX360 Menu** > **Markets & Research** > **Investment Products** > **Alternative Investment Center**).

Alternative Investments Rules

The rules in the following table are activated to monitor Alternative Investment orders in The Rules Engine. Your firm can assign these rules in Group ID 1210 in Group/Level Assignment GLAS.

RULE	TITLE
697	Ineligible Holdings for 403B(7) Account
1010	Account Pending Transfer Out
1011	Closed Account
1012	Account Is Transferring Out
1013	Account Pending Close
1017	Adoption Agreement Needed
1030	IP Not Regulated in Client State
1046	Liquidating Transactions Only
1047	No Trading
1127	FINRA Licensing Required for PR
1130	90-day Restriction Excessive Liquidations
1132	90-day Restriction Cash-on-Hand Required
1134	90-day Restriction Cash-on-Hand Required
1140	Available Funds Exceeded
1200	Multiple Recent Purchases

2. ENTER AN ALTERNATIVE INVESTMENT ORDER


RULE	TITLE
1211	Order Dollar Limit
1212	Non-Qualified Account Trade Non-DTCC
1300	Mutual Fund Only IRA
1321	529 Account With a Non-529 Security
1900	Review All Activity
1901	Review Buys
2803	Rendezvous Required
2812	Doc Rendezvous Original vs. Copy


3. Initiate an Eligibility Review to Add an Alternative Investment Product

Prerequisites

Pershing LLC supports Alternative Investments only after establishing eligibility. Alternative Investment products must pass the operational eligibility review.

Initiate an Eligibility Review to Add an Alternative Investment Product

1. To begin the Eligibility Review Process, the following are required from the product sponsor/provider:
 - o Offering Memorandum or Prospectus
 - o Public Company Accounting Oversight Board (PCAOB)-audited financial statements for last three years
 - o Completed Eligibility Review Questionnaire
 - o Assurance Statement
 - o No Lien Letter (book-entry items only)
 - o Redemption Statement (offshore funds only)
 - o Copy of Sample Certificate (certificated investments only; must be incorporated entity)
 - o Private Custodial Agreement (REIT & BDC products only)
 - o \$300 Review Fee (non-refundable)
2. The documents should either be sent via email to the Alternative Investment Review Team at aisetup@pershing.com or attached and sent via Service Center (click  Menu > **NetX360 Menu > Service & Operations > Service Center > Alternative Investments > New Asset/CUSIP Request > Asset/Documentation Review**).
3. The review process typically takes between five to 10 business days (and can potentially take longer if the information or documents received are not in good order.)
4. Once the review is complete you will be notified either via email or Service Center, depending on the platform in which the request and documents were initially submitted.

Note: Additional documents related to Alternative Investment are available on the Marketing Center (click  Menu > **NetX360 Menu > Support > Marketing Center**. Keywords: Alternative Investments).

4. Consolidate an Alternative Investment Into a Brokerage Account

Once a Pershing account is opened, you can display Alternative Investments in a client's account and on statements.

Prerequisites

To consolidate investments, your firm must first open an account in Account Services.

Note: Once you open a non-qualified account, you can either network an existing Alternative Investment held at a product sponsor or purchase an Alternative Investment from a product sponsor and have that asset linked into the Pershing account.

Consolidate an Alternative Investment Into a Brokerage Account

Network an Alternative Investment Position Into a Qualified Account

QUALIFIED ACCOUNT	PROCESS
Purchases	Send the appropriate subscription documents, accompanied by Pershing's Private Investment Form, to Pershing's Alternative Investment Department via mail or fax to (866) 355-5572. Note: The product sponsor will determine whether an original version or a fax copy of the subscription documents are required. Complete Step 2 on the Private Investment Form.
Account Transfers	Your client must complete an Account Transfer Form. The incoming transfer request must be initiated on Asset Movement via NetX360. Upon receipt of the transfer request, the delivering custodian will submit re-registration documents to Pershing to re-register the position into Pershing's custodianship. Note: Account transfer requests must follow the standard account transfer procedures.


Network an Alternative Investment Position Into a Non-Qualified Account

NON-QUALIFIED ACCOUNT	PROCESS
Purchases	Send the appropriate subscription documents, accompanied by Pershing's Private Investment Form, to Pershing's Alternative Investment Department via mail or fax to (866) 355-5572.
Account Transfers	Your client must complete an Account Transfer Form. The incoming transfer request must be initiated on Asset Movement via NetX360. Upon receipt of the transfer request, the delivering custodian will submit re-registration documents to Pershing to

4. CONSOLIDATE AN ALTERNATIVE INVESTMENT INTO A BROKERAGE ACCOUNT

NON-QUALIFIED ACCOUNT	PROCESS
	<p>re-register the position into Pershing's custodianship.</p> <p>Note: Account transfer requests must follow the standard account transfer procedures.</p>
Network Existing Position Held Directly at Sponsor	<p>To link an Alternative Investment to a Pershing account (if it already exists without a custodian assigned), your client must complete and sign Pershing's Investor Network Instruction Form and send it to Pershing's Alternative Investment Department via mail or fax to (866) 355-5572. The sponsor will work with Pershing to link the Alternative Investment to the proper Pershing account.</p>

Notes:

- Pershing LLC supports Alternative Investments in non-qualified/non-retirement accounts only if they are on Pershing's Alternative Investment Network (AIN).
- Additional documents related to Alternative Investment are available on the Marketing Center (click  Menu > **NetX360 Menu** > **Support** > **Marketing Center**. Keywords: alternative investments).

5. Frequently Asked Questions

1. Can I initiate an order in a non-qualified account?

Yes. You can enter orders in non-qualified accounts for products that participate in the Pershing Alternative Investment Network (AIN) and balanced through the Depository Trust & Clearing Corporation (DTCC). The product being purchased will be automatically linked and reflected in your Pershing account. If it is **not** your intention to hold the product in the Pershing account, the request should not be placed on the Alternative Investment Order Entry system.

2. Do I still have to send in the Private Investment Form?

Yes. A Pershing Private Investment Form is required for all purchases. You must confirm with the product sponsor whether they require original Subscription Agreement documents or will accept copies. Once you confirm their requirements and choose the correct option on the Pershing Private Investment form, you can then determine if you can either fax (copies), upload or mail (the originals) Subscription Agreement document with the Private Investment form to Pershing.


3. Can order entry book products with fractional shares?

Yes. Products with fractional shares can be booked.

4. Can I enter orders for products not on Pershing's Alternative Investment Network?

Yes. If the product passes Pershing's eligibility review and is held in a Retirement/Qualified account, the order can be entered for products not serviced via the AIN.


5. What if the product has not gone through Pershing's AI Eligibility Review?

The product must undergo the AI Eligibility Review. For additional information, refer to the Initiate an Eligibility Review to Add an Alternative Investment Product Task Reference (click  Menu > **NetX360 Menu** > **Support** > **Learning Center** [keywords: alternative investment eligibility]).


6. Can my office review all orders before execution?

Yes. Rule 1900 must be activated so that all orders are routed to your work basket before approval. Your firm can assign these rules in Group ID 1210 in Group/Level Assignment GLAS.

7. Where can I locate a list of custody-eligible Alternative Investment products?

To locate a list of all custody-eligible Alternative Investments products, click  Menu > **NetX360 Menu > Markets & Research > Investment Products > Alternative Investment Center.**

8. Can I charge the administrative fees to my sundry account?

Yes. However, the administration fee will be charged based upon your account setup in the Enterprise Billing System. If you need to adjust an administration fee, you must send a Service Center request to the Product Billing Department (click  Menu > **NetX360 Menu > Service & Operations > Service Center > Client and Product Billing Ops > Billing Instruction > Fee Adjustment).**

9. Will the Private Investment Form be rejected if the client signs the incorrect account type signature line?

Yes. The Pershing Private Investment Form will be rejected if the incorrect account type signature line is signed.

10. If the IBD guarantees funds in the Comment field of the buy order, must a Service Center be sent in addition?

No. Pershing will accept the instruction in the Comment field of the buy ticket.

11. Can orders be entered with a future processing date?

No. The order entry process is not set up to allow future trade dates in orders entered on the system.

12. Will the client receive a Pershing and provider statement for non-qualified and qualified accounts?

Yes. The client will continue to receive statements from Pershing and the provider for both non-qualified and qualified accounts.

13. Can I include dividend instructions via order entry to indicate if dividend checks should be sent to the client or reinvested into the brokerage account?

No, not for this phase of the system enhancement. The dividend instructions remain part of the required subscription documents.

14. Is there a way to display broker-dealer only approved products within the order entry search feature?

No. There is currently no way to display broker-dealer only approved products within the order entry search feature.

About Us

Pershing and its affiliates provide global financial business solutions to over 1,600 financial organizations, broker-dealers, registered investment advisory firms, advisors, fund managers and asset managers who represent over 5.6 million active accounts.¹ Located in 23 offices worldwide, Pershing delivers dependable operational support, robust trading services, flexible technology, an expansive array of investment solutions, practice management support and service excellence. Pershing LLC makes available a broad suite of financial business solutions so broker-dealers and their advisors can drive their business forward in a dynamic industry and regulatory environment. Pershing LLC, a BNY Mellon company. Member FINRA, NYSE, SIPC.

¹As of June 30, 2013

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