

COMPLEX PRODUCT QUALIFICATION AND DISCLOSURE FORM



IMPORTANT!

THERE ARE FOUR PAGES TO THIS DOCUMENT. DO NOT SIGN IF ANY PART OF THIS FORM (EXCEPT PAGE THREE) IS BLANK. PLEASE DATE WITH TODAY'S DATE ONLY. YOUR FINANCIAL PROFESSIONAL WILL NEVER ASK YOU TO SIGN A BLANK FORM.

KINDLY TAKE THE TIME TO READ THE IMPORTANT DISCLOSURES BELOW – PLEASE CONTACT COMPLIANCE AT COASTAL EQUITIES, INC. IF YOU HAVE QUESTIONS – (888) 657-5200 x799 OR compliance@coastal-one.com

YOUR SIGNATURE CONFIRMS THAT YOU HAVE READ AND UNDERSTAND THE DISCLOSURES BELOW. YOUR SIGNATURE ALSO CONFIRMS THE INFORMATION PROVIDED ON PAGE 2 OF THIS DOCUMENT IS ACCURATE AND TRUE.

_____ (Name) _____ (Date) _____ (Name) _____ (Date)

DISCLOSURES

Certain complex products involve a high degree of risk and under certain market conditions, and you may lose some or all of your principal investment.

There may be a limited or no secondary market for your investment. This means you may not be able to sell your investment for a favorable price, or at all, prior to the maturity date.

Some securities are embedded with call or multiple call features which may be exercised by the issuer and therefore affect the yield on the investment. You may suffer unfavorable tax consequences if your investment is called earlier than maturity, which would result in lower yield or return on investment. Please consult your legal or tax advisor in this regard.

What is a Complex Product?

Page 4 provides examples of Complex Products. Complex products are only suitable for experienced and sophisticated investors. Such products present risks not readily apparent on their face and typically perform differently than stocks or investment-grade bonds. Before investing in a complex product, be sure you understand how the investment is designed to perform under various market conditions and are willing to accept those risks. Please consult your financial professional for answers to any of your questions.

Please consult your prospectus or private placement memorandum for additional disclosure information applicable to the investment.

PLEASE UPDATE THIS FORM WHEN YOU EXPERIENCE A SIGNIFICANT LIFE EVENT, *e.g.* RETIREMENT, INHERITANCE, DEATH OF A SPOUSE, CHANGE OF EMPLOYMENT, *etc.*

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Customer Name: _____

Address: _____

Age: _____ **Retired?** Yes No

Current or Prior Occupation _____ **Industry:** _____

Investing Experience (years): Overall: _____ Complex Products: _____ Options: _____

Average Trades per Year: Overall: _____ Complex Products: _____ Options: _____

Experience in Margin Trading (years): _____ **Experience in Short Trading (years):** _____

Annual Income \$ _____

Net Worth \$ _____ (Excluding primary residence, furnishings and automobiles.)

Liquid Net Worth \$ _____ ("Liquid Net Worth" is Net Worth consisting of cash, cash equivalents, and readily marketable securities. If retirement account assets are considered, exclude any taxes and fees the investor would incur if withdrawn today, and, if the investor is less than 59 1/2 years old, exclude penalties and/or fees for an early withdrawal.)

Highest level of Education: _____

Other Information

Registered Representative Name: _____ **RR Code:** _____

If Customer is an advisory client: **RIA Name:** _____

Advisor Name: _____

Custodian: _____

Investment Risk Tolerance Quiz Score (Include "Low" "Below Avg" "Moderate" "Above Avg" or "High"):

Additional Suitability Information:

Strategy Discussed with Client(s):

Risks and Features Discussed:

Account Nos. for Approval:

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Broker Certification

I attest that the above information is accurate to the best of my information and belief, and that based upon the information provided, I have a reasonable basis for believing that the customer has the knowledge and experience in financial matters, that he/she may reasonably be expected to be capable of evaluating the risks of this investment, and that the customer is financially able to bear the risks of the investment. For each complex product recommended to the client in this account, I will discuss with the customer the expected performance of the product in different market conditions, the risks and possible benefits, and scenarios where the product may perform poorly.

Registered Representative

Date

Supervisor Checklist

Client Information Reviewed.

Discussed investment strategy and anticipated products to be used in the account with financial professional and confirmed she/he is knowledgeable in such products and strategies.

Notes:

Approved By:

Name:

Date

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Examples of Complex Products

- **Asset-backed securities** that are secured by a pool of collateral such as mortgages, payments from consumer credit cards or future royalty payments on popular music, may be difficult for retail investors to understand. With these securities, the creditworthiness of the underlying borrowers or the existence of prepayment risks, though critical to the evaluation of the product, may not be readily apparent to retail investors. Similarly, unlisted REITs may present liquidity and valuation issues for a retail investor. *(Please use the Alternative Investment Disclosure Form for unlisted REITs.)*
- **Products that include an embedded derivative component** that may be difficult to understand, such as those:
 - o In which repayment of principal or payment of yield depends upon a reference asset, when information about the performance of the reference asset is not readily available to investors. An example is structured notes with an embedded derivative for which the reference asset is a constant maturity swap rate.
 - o That provide for different stated returns throughout the lifetime of the product. For example, "steepener" notes typically offer a relatively high teaser coupon rate for the first year, after which they offer variable rates determined by the steepness of a yield curve. Similarly, some firms have offered structured notes with payoffs contingent on whether one or more reference asset performs within a certain range.
 - o Under which the investor might incur a capital loss as a result of the fall in the value of the reference asset without being able to participate in an increase in its value. So-called "reverse convertible notes" may fall into this category.
 - o In which a change in the performance of the reference asset can have a disproportionate impact on the repayment of capital or on the payment of return. For example, "knock in" or "knock out" features associated with reverse convertible notes, in which a drop in the value of the reference asset to a pre-defined level, can affect determination of an investor's gains or losses.
- **Products with contingencies in gains or losses**, particularly those that depend upon multiple mechanisms, such as the simultaneous occurrence of several conditions across different asset classes. An example is range accrual notes for which the return of principal can depend upon the value of two or more reference assets on certain pre-defined dates.
- **Structured notes with "worst-of" features**, which provide payoffs that depend upon the worst performing reference index in a pre-specified group. These notes can limit the return of principal at maturity if either the reference index falls by a stated percentage (e.g., 30 percent) or if any of the reference indices decline in value since the date of issue.
- **Investments tied to the performance of markets that may not be well understood by many investors.** For example, some exchange-traded products offer retail investors exposure to stock market volatility. Some of these products also provide inverse or leveraged exposure. The investable form of volatility may be in the form of futures on the CBOE Volatility Index (VIX) that reflect the market's expectation of volatility. Some investors may not understand that the product's return may not be based on VIX fluctuations actually experienced on a given day, but on the market's expectation of future volatility.
- **Products with principal protection that is conditional or partial, or that can be withdrawn by the product sponsor upon the occurrence of certain events.** Notes that can lose their principal protection based upon a stated event represent an example of a product with this feature.
- **Product structures that can lead to performance that is significantly different from what an investor may expect**, such as products with leveraged returns that are reset daily. Leveraged or inverse exchange-traded funds exemplify this feature. Many leveraged and inverse ETFs "reset" daily, meaning that they are designed to achieve their stated leverage or inverse objectives on a daily basis. Their performance over longer periods of time can differ significantly from what might be expected based on their daily leverage or inverse factor.
- **Products with complicated limits or formulas for the calculation of investor gains.** For example, some structured notes have a payout structure that tracks the upside performance of a reference asset one-for-four, but if the reference asset's performance exceeds a specified threshold the payoff is reduced to a much lower, pre-set level, regardless of how it performs afterward.