



# ALTERNATIVE INVESTMENT SELLING REPRESENTATIVE STATEMENT

Rep's Printed Name: \_\_\_\_\_

Program: American Realty Capital Trust IV, Inc.

As the Selling Representative on the above program, it is solely your obligation to fully study and understand the specific characteristics of this or any other Alternative Investment you present to your clients. Full understanding requires more than just a cursory review of the offering documents or marketing material. As a licensed representative, you are obligated to understand (among other things):

- How the investment product works (and seek training if needed)
- The risks and factors, including costs that affect performance
- The structure and any qualifications of the offering
- How the product should be sold and who it should be sold to

In selling these types of products you cannot and should not ever rely solely on the marketing materials or on any marketing agent's representations because the risks associated with the offering are not fully disclosed. The offering document usually instructs the reader that they cannot rely on any statements made by the Selling Representative so **any representations you make to the client that in any way contradict or downplay the statements made in the offering document places you at risk of a sales practice violation.**

The American Realty Capital Trust IV, Inc. offering should be represented and sold as an **illiquid and speculative investment**. Most alternative products are appropriate only for accredited, sophisticated investors. While an investor may be accredited based on income or net worth, if the investor lacks sophistication and experience then this type of investment is not appropriate and should not be sold. The Selling Representative must match the product not only to the client's investment objectives and suitability requirements, but more importantly to the client's temperament for a possible slow return, if any.

These investments rely upon exemptions from registration and are often not regulated. No amount of due diligence undertaken by Prospera or by you can uncover or mitigate the inherent risk in these investment products. **While we do our best to make sure that products added to our platform have merit, we cannot and do not offer any assurances to you or your clients regarding the success of the program.**

*Please initial that you understand the following:*

\_\_\_\_\_ I have received read and reviewed the prospectus or offering memorandum and have had an opportunity to ask questions from the Issuer prior to this sale.

\_\_\_\_\_ I understand that any statements made in the marketing material cannot be relied upon and must be evaluated in the context of the offering document.

\_\_\_\_\_ I understand that any statements I make that contradict the offering document may place me at risk of a sales practice violation.

\_\_\_\_\_ I understand the investment product and its use in a diversified investment portfolio.

- \_\_\_\_\_ I understand that the deductible on my Errors and Omissions coverage is higher and the amount of coverage available on a claim is lower for this type of product than typical financial service products.
- \_\_\_\_\_ I have considered my client's temperament for these types of investments prior to suggesting its use.
- \_\_\_\_\_ I understand that Prospera's approval of this product for sale does not relieve me or the client's requirement to undertake sufficient due diligence of the offering.
- \_\_\_\_\_ I understand I must provide the client with the offering's tax opinion letter for any program whose primary purpose is to provide tax advantages to the investor.

Prospera has undertaken a process to gather due diligence material and to evaluate the sponsors and the specifics of the offering. Without attempting to restate or downplay your requirement to review and understand the offering material, there are specific details we would like to highlight in this investment:

#### **OFFERING SPECIFIC - American Realty Capital Trust IV, Inc.**

In reviewing confidential due diligence reports provided to us for this offering, we would like to point out some of the specific concerns expressed as key weaknesses of the transaction, including:

- The PPM says that the program's "investment objectives and strategies may be changed without stockholder consent." While a change may be unlikely, if it happens clients may not be as diversified as desired if they own other REITS.
- Because the REIT's Repurchase Program can be amended, suspended or terminated it should not be a feature promoted to clients as a liquidity option. The REIT should instead be presented as an illiquid investment for which the client should be prepared to hold indefinitely.
- The REIT can pay distributions from any source, **including borrowing funds and/or using incoming offering proceeds**. Such actions could present a significant risk to future returns and to the long-term viability of the program. In addition, ARC's affiliated broker-dealer will be raising capital for its other offerings, which could lead to reduced fundraising, profitability issues and/or delay the implementation of the offering's objectives.
- The shares are subject to dilution should the REIT adopt a stock option plan.
- This is a blind-pool offering and no properties have been identified in order to be reviewed prior to purchase, other than those disclosed in the PPM.
- This REIT will be in competition with other ARC programs for the same or similar properties. The company indicates it has implemented an allocation agreement to fairly allocate investment opportunities among its REITs.
- While the company's principals have years of experience, the company itself has only been in business since 2007. The REIT will be in competition with other offerings for the time of the principals, whom serve several other affiliated offerings. The company has expanded its platform quickly by sponsoring several REITS that are in registration or have recently begun their offering periods.
- Information on prior performance is limited because of the short operating history.

**We ask that you acknowledge that you know and are aware of these risks, as well as the ones outlined in the offering documents, and that you will advise your clients of the risks accordingly.**

\_\_\_\_\_ Selling Representative \_\_\_\_\_ Date \_\_\_\_\_ Designated Principal \_\_\_\_\_ Date