



[Redacted]
Complex Director
Financial Advisor
Ameriprise Financial Services, Inc.
[Redacted]

04/17/2014

[Redacted]

Dear [Redacted]

I hope that this note finds you well. I am writing to update you on an upcoming regulatory change that impacts Financial Advisors who change broker-dealer. From national trade publications, you may be familiar with FINRA disclosure rule, 13-02. I'm writing to let you know that this disclosure rule has a new name, FINRA 2243, and is one step closer to reality. I've enclosed both the language of the proposed rule as well as a sample of what the disclosure form may look like. Please take some time to review the materials and consider the impact that this impending rule could have on your potential transition.

At Ameriprise Financial, we have great things happening on a national level, and even more exciting things happening locally. In the coming days, I will reach out to you and share some of the reasons why you should consider joining our firm. With tax season behind us, the timing for us to meet is as good as it's ever going to be. From the perspective of making a transition, consider the following:

1. Markets are near all-time highs
2. Clients are happy and likely to follow you
3. Your production and AUM are high
4. Deals are more lucrative than ever before
5. Deals are still private – rule 2243 isn't in effect, yet

I look forward to speaking with you in the coming days. In the interim, please call me directly at [Redacted] if I can help you in any way.

Regards,

[Redacted]

Complex Director

Enclosed: FINRA 2243, Disclosure Form Sample



Recruitment Disclosure Form

This form provides important information you should consider before making a decision to transfer assets to a new firm.

Total Aggregate Amount of Upfront Payments Your Representative Has Received or Will Receive*

- ☐ \$100,000—\$500,000
 ☐ \$500,001—\$1,000,000
 ☐ \$1,000,001—\$2,000,000
 ☐ \$2,000,001—\$5,000,000
 ☐ \$5,000,001 and over

Basis for Upfront Payments (check all that apply)

- ☐ Asset-Based
 ☐ Production-Based
 ☐ Other

Total Aggregate Amount of Potential Future Payments Your Representative Will Receive**

- ☐ \$100,000—\$500,000
 ☐ \$500,001—\$1,000,000
 ☐ \$1,000,001—\$2,000,000
 ☐ \$2,000,001—\$5,000,000
 ☐ \$5,000,001 and over

Basis for Potential Future Payments (check all that apply)

- ☐ Asset-Based
 ☐ Production-Based
 ☐ Other

Other Important Considerations

Costs to Transfer Assets

Transferring assets to your representative's new firm will result in costs to you (e.g., account termination or account transfer fees from your current firm or account opening or maintenance fees at your representative's new firm).

☐ Yes

Portability of Assets

- Some assets in your account cannot be transferred to your representative's new firm. You may incur costs, including taxes, to liquidate and transfer those assets to your representative's new firm or inactivity fees to leave those assets at your current firm. ☐ Yes
- You may have assets in your account that cannot be transferred to your representative's new firm. Please contact your current firm to ask whether any assets cannot transfer to your representative's new firm and what costs, if any, you would incur to liquidate and transfer such assets or keep them in your account. If you choose to transfer accounts, nontransferable assets will be identified in the account transfer documentation during the transfer process. ☐ Yes

Comments (Optional)

This section includes additional information regarding the disclosures provided by your representative or the new firm.

*Upfront Payments mean payments that are either received by the registered person upon commencement of employment or association or are specified amounts guaranteed to be paid to the registered person at a future date, including, e.g., payments in the form of cash, deferred cash bonuses, forgivable loans, loan-bonus arrangements, transition assistance, or in the form of equity awards (e.g., restricted stock, restricted stock units, stock options, etc.) or other ownership interest.

**Potential Future Payments include, e.g., payments, including the forms of payments described in the definition of the term "upfront payments," offered as a financial incentive to recruit the registered person to a firm that are contingent upon satisfying performance-based criteria, or are a special commission schedule for registered persons paid on a commissioned basis beyond what is ordinarily provided to similarly situated registered persons, or are an allowance for additional travel and expense reimbursement beyond what is ordinarily provided to similarly situated registered persons.

Please contact XXXX for more information regarding these disclosures or if you have other questions about transferring your assets.

EXHIBIT 5

Below is the text of the proposed rule change. Proposed new language is underlined; proposed deletions are in brackets.

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Text of Proposed New FINRA Rule

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2200. COMMUNICATIONS AND DISCLOSURES

* * * * *

2240. Conflicts of Interest

2243. Disclosure and Reporting Obligations Related to Recruitment Practices

(a) Disclosure Requirement

A member that hires or associates with a registered person and directly or through that registered person attempts to induce a former customer of that registered person to transfer assets to an account assigned, or to be assigned, to the registered person at the member shall disclose to the former customer:

(1) if the registered person has received or will receive \$100,000 or more of either (A) aggregate upfront payments or (B) aggregate potential future payments, in connection with transferring to the member;

(2) the basis for determining any upfront payments and potential future payments (e.g., asset-based or production-based) the registered person has received or will receive in connection with transferring to the member;

(3) if transferring the former customer's assets to the member will result in costs to the former customer, such as account termination or account transfer fees from the former customer's current firm or account opening or maintenance

fees at the member, that will not be reimbursed to the former customer by the member; and

(4) if any of the former customer's assets are not transferable to the member and that the former customer may incur costs, including taxes, to liquidate and transfer those assets to the member or inactivity fees to leave those assets with the former customer's current firm.

(b) Delivery of Disclosures

(1) A member shall deliver the disclosures in paragraph (a) of this Rule at the time of first individualized contact with a former customer by the registered person or the member that attempts to induce the former customer to transfer assets to the member. If such contact is in writing, written disclosures must accompany the written communication; if such contact is oral, disclosures must be made orally at the time of contact followed by written disclosures sent within 10 business days from such oral contact or with the account transfer approval documentation, whichever is earlier.

(2) If the registered person or the member attempts to induce a former customer to transfer assets to an account assigned, or to be assigned, to the registered person at the member, but no individualized contact with the former customer by the registered person or member occurs before the former customer seeks to transfer assets, the member shall deliver the disclosures in paragraph (a) to the former customer with the account transfer approval documentation.

(3) The delivery of disclosures in paragraph (a) shall apply for a period of one year following the date the registered person begins employment or associates

with the member.

(c) Reporting Requirement

A member shall report to FINRA at the beginning of the employment or association of a registered person that has former customers if the member reasonably expects the total compensation paid to the registered person by the member during the registered person's first year of employment or association with the member to result in an increase over the registered person's prior year compensation by the greater of 25% or \$100,000. In determining total compensation, the member must include any aggregated upfront payments, aggregated potential future payments, increased payout percentages or other compensation the member reasonably expects to pay the registered person during the first year of employment or association with the member. The report shall include the amount and form of such total compensation and other related information, in the time and manner that FINRA may prescribe.

• • • Supplementary Material:-----

.01 Disclosure of Ranges of Compensation. A member shall make the disclosures in paragraph (a)(1) of this Rule by separately indicating aggregated upfront payments and aggregated potential future payments in the following ranges: \$100,000 to \$500,000; \$500,001 to \$1,000,000; \$100,000,001 to \$2,000,000; \$2,000,001 to \$5,000,000; and above \$5,000,000.

.02 Format of Disclosures. The disclosures in paragraph (a) of this Rule shall be delivered in paper or electronic form in a format prescribed by FINRA, or an alternative format with substantially similar content. Written disclosures must be clear and prominent.

.03 Representations of a Registered Person. A member may rely on the reasonable representations of the registered person, supplemented by the actual knowledge of the member, in determining whether a disclosure in paragraph (a) must be made to a former customer. In the event that a member, after considering the representations of the newly hired registered person, cannot make a determination regarding the applicability of paragraph (a)(4) of this Rule, the member must advise former customers in the disclosure to: (1) ask their current firm whether any of their securities account assets will not transfer to the member and what costs, if any, the customers will incur to liquidate and transfer such assets or keep them in an account with their current firm and (2) that nontransferable securities account assets will be identified to the former customer in writing prior to, or at the time of, validation of the account transfer instruction pursuant to Rule 11870.

.04 Calculating Compensation. In calculating compensation for purposes of paragraphs (a) and (c) of this Rule, a member: (1) must assume that all performance-based conditions on the registered person's compensation are met; (2) may make reasonable assumptions about the anticipated gross revenue to which an increased payout percentage will be applied; and (3) may net out any increased costs incurred directly by the registered person in connection with transferring to the member.

.05 Definitions. For the purpose of this Rule, the term:

(a) "Former customer" shall mean any customer that had a securities account assigned to a registered person at the registered person's previous firm. This term shall not include a customer account that meets the definition of an institutional account pursuant to Rule 4512(c); provided, however, accounts held by any natural person shall

not qualify for this institutional account exception.

(b) "Upfront payments" shall mean payments that are either received by the registered person upon commencement of employment or association or are specified amounts guaranteed to be paid to the registered person at a future date, including, e.g., payments in the form of cash, deferred cash bonuses, forgivable loans, loan-bonus arrangements, transition assistance, or in the form of equity awards (e.g., restricted stock, restricted stock units, stock options, etc.) or other ownership interest.

(c) "Potential future payments" shall include, e.g., payments, including the forms of payments described in the definition of the term "upfront payments," offered as a financial incentive to recruit the registered person to a member that are contingent upon satisfying performance-based criteria, or are a special commission schedule for registered persons paid on a commissioned basis beyond what is ordinarily provided to similarly situated registered persons, or are an allowance for additional travel and expense reimbursement beyond what is ordinarily provided to similarly situated registered persons.

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