



Dear Client:

Replacing the Free-Riding and Withholding Interpretation (IM-2110-1), FINRA Rule 5130 governs the handling of all equity initial public offerings ("Equity IPOs"). FINRA Rule 5130, Restrictions on the Purchase and Sale of Initial Public Offerings of Equity Securities, requires member firms to make bona fide public offerings of securities at the offering price to persons and entities deemed not to be restricted under the rule.

The new rule affects an account's ability to receive an allocation in Equity IPOs. The new rule requires all member firms to reevaluate all accounts wishing to be considered for participation in Equity IPOs. In order to be considered for eligibility to participate in Equity IPOs, please complete, sign and return the attached Form 5130 prior to participating.

Form 5130 is divided into two sections which describe the nature of the beneficial interest. Please check the box next to the appropriate section that best identifies your account. Failure to complete, sign, and return Form 5130 will restrict your account from being considered to participate in Equity IPOs. Please return Form 5130 as soon as possible.

If you have more than one account with our Firm which qualified in the past to participate in Equity IPOs, you may receive a letter for each account. Each account will be required to have Form 5130 on file in order to be considered for participation in Equity IPOs. If you require additional forms or have further questions relating to this issue, contact your broker or other sales representative as soon as possible. You may only certify the status of an account for which you are the owner or have investment discretion.

The new rule requires that all firms verify the status of all accounts receiving Equity IPOs at least annually. If the status of your account changes and the representation ceases to be correct at any time in the future, please notify your broker in writing immediately. You will be receiving a letter annually from Kingswood Capital Partners, LLC asking you to reaffirm the account's status.

Thank you for your attention to this matter. We value your business and appreciate your assistance in complying with this important industry regulation.

Sincerely,

Kingswood Capital Partners, LLC

# CERTIFICATE FOR THE PURCHASE OF INITIAL PUBLIC OFFERINGS OF EQUITY SECURITIES

Pursuant to FINRA Rule 5130 (the Rule), Kingswood Capital Partners, LLC may not sell or cause to be sold a new issue (as defined in the Rule; generally, initial public offerings of equity securities) to any account in which a restricted person (all bolded terms are defined in the attached) holds a beneficial interest unless the account qualifies for a general exemption under the Rule. Kingswood Capital Partners, LLC requires that you sign and return this Certificate indicating whether or not your account is eligible to purchase IPO shares in accordance with the Rule. In addition, in connection with any new issue, you hereby represent that you will not act as a finder (i.e., a person who receives compensation for identifying potential investors in an offering) or in a fiduciary capacity to any managing underwriter of any new issue and that you shall notify Kingswood Capital Partners, LLC immediately in the event that such representation ceases to be true and correct.

**PLEASE CHECK ONE BOX FROM SECTION "A" AND COMPLETE THE ACCOUNT INFORMATION BELOW.**

## SECTION A.

The undersigned hereby certifies that with respect to each Kingswood Capital Partners, LLC account in which it has the opportunity to purchase and/or allocate new issues:

... The account is eligible to purchase new issues either because no restricted person (which includes those accounts that meet a general exemption and, by definition, are not restricted persons) holds a beneficial interest in the account, or because the account has implemented procedures to reduce the beneficial interests of all restricted persons with respect to new issues to in the aggregate below 10%, and the undersigned hereby represents that it will follow such procedures in connection with the purchase by the account of all new issues; or

... The undersigned is a conduit (such as a bank, foreign bank, broker/dealer, or investment adviser) and all purchases of new issues are, and will be, in compliance with the Rule. If the beneficial interests of all restricted persons in any one account exceeds in the aggregate 10% of the account but the account has implemented procedures to reduce the beneficial interest of all restricted persons with respect to new issues to in the aggregate below 10%, the undersigned hereby represents that it will follow such procedures in connection with the purchase by the account of all new issues; or

... The account is a restricted person and is not eligible to purchase new issues.

The undersigned hereby certifies that the undersigned is authorized to provide this Certification and that the undersigned or an authorized representative of the account will promptly notify Kingswood Capital Partners, LLC in the event this Certification ceases to be true and correct.

Account Title: \_\_\_\_\_ Account Number: \_\_\_\_\_

Account Holder(s) Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Print Name: \_\_\_\_\_

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Print Name: \_\_\_\_\_

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Print Name: \_\_\_\_\_

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Print Name: \_\_\_\_\_

Advisor Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Advisor Name: \_\_\_\_\_

Manager/Supervisor Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Manager/Supervisor Name: \_\_\_\_\_

## **General Exemptions:**

1. An investment company registered under the Investment Company Act of 1940.
2. A common trust fund or similar fund as described in Section 3(a)(12)(A)(iii) of the Securities Exchange Act of 1934, provided that: (i) the fund has investments from 1,000 or more accounts, and (ii) the fund does not limit beneficial interests in the fund principally to trust accounts of restricted persons.
3. An insurance company general, separate or investment account, provided: (i) the account is funded by premiums from 1,000 or more policyholders or, if a general account, the insurance company has 1,000 or more policyholders, and (ii) the insurance company does not limit the policyholders whose premiums are used to fund the account principally to restricted persons, or if a general account, the insurance company does not limit its policyholders principally to restricted persons.
4. An account, including a fund, limited partnership, joint back office broker-dealer or other entity, if the beneficial interests of restricted persons do not exceed in the aggregate 10% of the account.
5. A publicly traded entity (other than a broker-dealer authorized to engage in the public offering of new issues either as a selling group member or underwriter, or an affiliate of such a broker-dealer) that is: (i) listed on a U.S. national securities exchange, (ii) traded on the Nasdaq National Market, or (iii) a non-U.S. issuer whose securities meet the quantitative designation criteria for listing on a national securities exchange or trading on the Nasdaq National Market.
6. An investment company organized under the laws of a non-U.S. jurisdiction, provided that: (i) the investment company is listed on a non-U.S. exchange or authorized for sale to the public by a non-U.S. regulatory authority, and (ii) no person owning 5% or more of the shares of the investment company is a restricted person.
7. An ERISA benefits plan that is qualified under Section 401(a) of the Internal Revenue Code; provided that the plan is not sponsored solely by a broker-dealer.
8. A state or municipal government benefits plan that is subject to state or municipal regulation.
9. A tax-exempt charitable organization under Section 501(c)(3) of the Internal Revenue Code.
10. A church plan under Section 414(e) of the Internal Revenue Code.

## **Restricted Persons/Entities:**

1. A FINRA member firm or other broker-dealer.
2. An officer, director, general partner, associated person or employee of a FINRA member firm or any other broker-dealer (other than a limited business broker-dealer).
3. An agent of a FINRA member firm or any other broker-dealer (other than a limited business broker-dealer) that is engaged in the investment banking or securities business.
4. A person who has authority to buy or sell securities for a bank, savings and loan association, insurance company, investment company, investment adviser (whether or not registered as an investment adviser) or collective investment account.
5. A person listed, or required to be listed, on one of the following schedules to Form BD as filed, or required to be filed, with the SEC by a broker-dealer (other than with respect to a limited broker-dealer): (i) Schedule A, unless the person is identified by an ownership code of less than 10%; (ii) Schedule B, unless the person's listing on Schedule B relates to an ownership interest in a person that is listed on Schedule A and identified by an ownership code of less than 10%; or (iii) Schedule C, unless the person would be excluded under the percentage ownership criteria for Schedule A or B above.
6. A person that directly or indirectly owns an interest, in the amounts specified below, of a public reporting company listed, or required to be listed, on Schedule A or B of Form BD relating to a broker-dealer (other than a limited business broker-dealer), unless the public reporting company is listed on a national securities exchange or is traded on the Nasdaq National Market: (i) 10% or more of a public reporting company listed, or required to be listed, on Schedule A; or (ii) 25% or more of a public reporting company listed, or required to be listed, on Schedule B.

7. A person acting: (i) as a finder in connection with any new issue in which the person is participating or (ii) in a fiduciary capacity to the managing underwriter(s) in connection with any new issue in which the person is participating.
8. An immediate family member of: (i) a person specified in items 2-7 that materially supports, or receives support from, that person; (ii) a person specified in items 2-3 that is employed by or associated with FINRA member or its affiliate selling the new issue to the immediate family member, or that has an ability to control the allocation of the new issue; or (iii) a person specified in items 5-6 that is an owner of the FINRA member or its affiliate selling the new issue to the immediate family member, or that has an ability to control the allocation of the new issue.

#### **FINRA Rule 5130 Definitions:**

**Associated person or employee of a FINRA member firm.** (1) Any natural person registered with FINRA and (2) any natural person, whether or not registered or exempt from registration with FINRA, who is a sole proprietor, partner, officer, director, or branch manager of a FINRA member firm, or any natural person occupying a similar status or performing similar functions, or any natural person engaged in the investment banking or securities business who is directly or indirectly controlling or controlled by a FINRA member firm (for example, any employee).

**Beneficial interest.** Any economic interest, including the right to share in gains or losses, other than management or performance based fees for operating a collective investment account, or other fees for acting in a fiduciary capacity.

**Collective investment account.** Any hedge fund, investment partnership, investment corporation, or any other collective investment vehicle that is engaged primarily in the purchase and sale of securities, but not (1) a legal entity that is beneficially owned solely by immediate family members or (2) an investment club comprising a group of friends, neighbors, business associates or others who pool their money to invest in stock or other securities and are collectively responsible for making investment decisions.

**Immediate family member.** A person's parents, mother-in-law or father-in-law, spouse, brother or sister, brother-in-law or sister-in-law, son-in-law or daughter-in-law and children, and any other individual to whom the person provides material support.

**Limited business broker-dealer.** Any broker-dealer whose authorization to engage in the securities business is limited solely to the purchase and sale of investment company/variable contracts securities and direct participation program securities.

**Material support.** Directly or indirectly providing more than 25% of a person's income in the prior calendar year. Members of the immediate family living in the same household are deemed to be providing each other with material support.