Kingswood Capital Partners, LLC

Written Supervisory Procedures (WSPs)

Rev. January 21, 2026

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APPENDICES

A. FIRM DESIGNATED OFFICERS, PRINCIPALS AND SUPERVISORS
B. CCO APPROVAL OF WRITTEN SUPERVISORY PROCEDURES

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1 GENERAL ADMINISTRATION

In accordance with Rule 3110(a), Kingswood Capital Partners, LLC (the “Firm” or “Kingswood Capital Partners, LLC”) has established and implemented a system to supervise the activities of each registered representative and associated person that is reasonably designed to achieve compliance with applicable federal and state securities laws as well as self-regulatory organization (SRO) rules and regulations.

Establishing, maintaining, and enforcing written compliance and supervisory procedures is a cornerstone of self-regulation within the securities industry. Supervisory procedures that are reasonably designed to achieve compliance with applicable rules, and to detect and deter rule violations, enable the firm to effectively serve the public and identify and respond to regulatory concerns in a manner that can reduce the risk of disciplinary action.

Therefore, the construction of this Written Supervisory (Procedures) Manual (“Manual”) is designed to comply with the aforementioned rules in addition to general securities industry practices and procedures. This Manual is intended to serve as an internal compliance guide for registered representatives of the Firm, and to provide general supervisory and procedural assistance for those who have been assigned a direct supervisory responsibility over other registered representatives or unregistered associated persons while conducting a securities business.

1.1 Introduction

Our Firm's Compliance Department, led by our CCO, is responsible for the issuance and dissemination of all policies, procedures and directives put into place to govern the conduct of this Firm and its associated persons. Our CCO is responsible for ensuring that all new regulatory requirements are communicated to all associated persons, put into action as appropriate and required, and is responsible for maintaining and enforcing these Supervisory Policies and Procedures (WSPs). The CCO is responsible for disseminating information required for associated personnel to conduct their business in a manner that encompasses all laws, rules, regulations, and interpretations.

Management may, at its discretion, impose stricter standards of conduct than what is generally required by the regulators or what is indicated herein or in any additional Compliance or Operational Manuals being utilized. Compliance policies and procedures are issued in order to ensure that all Associates maintain high standards of ethical conduct and fair principles of trade.

Directives concerning Compliance and/or Supervisory Policies and Procedures will be issued any time an activity is discovered which is to be immediately ceased or an unacceptable course of conduct is uncovered. Failure to heed any such directives or communications may result in various disciplinary actions, including possible termination and/or fine.

As it is not possible for these WSPs to address every possible circumstance which may arise or the entirety of the regulatory structure under which we transact our business, we expect all associated personnel to be as thoroughly familiar as possible with any and all regulations applicable to their activities. We will look to our Compliance Department for guidance in this area. More importantly, however, is that we instill throughout the firm a Culture of Compliance promoting the willingness to seek guidance and assistance from senior management, supervisory personnel, and the Compliance Department with respect to any questions not adequately addressed by these Written Supervisory Policies and Procedures, or any supplements or directives.

The duty of a broker-dealer to maintain and enforce adequate standards of supervision extends to every aspect of its activities. Customers dealing with our firm are entitled to be confident that they are being treated fairly. They should be able to rely upon the firm having systems of supervision and internal control, providing safeguards against inadvertent violation of laws, rules, and regulations, most particularly against those Associates who may be tempted to engage in improper or fraudulent conduct.

Issuance of the Manual

Every associated person of the Firm, upon affiliation, shall receive a current copy of this Manual with relevant updates to gain a solid knowledge of the Firm's internal compliance and supervisory policies and procedures. Additionally, all registered persons are required to certify annually that they have received and reviewed the Manual and understand their role and responsibilities in order to comply with general industry practices and procedures in accordance with applicable rules and regulations.

Manual Updates and Amendments

Rule 3110(b)(7) provides that each broker-dealer shall promptly amend its written supervisory procedures to reflect changes in applicable securities laws or regulations, including FINRA rules, and as changes occur in its supervisory system. This procedures manual will receive periodic updates and amendments as warranted based on material changes and/or amendments to corresponding rules or procedures as referenced herein. All updates will be in the form of electronic manual replacement with written notice of modified content and pages and/or module sections.

Action Plan for the Issuance and Maintenance of the Firm's WSPs:

Requirements	Broker-dealer Actions
Supervisory Responsibility	Chief Compliance Officer
Frequency of Review	At least annually, or as regulatory changes dictate or material changes to the Firm's business occur.
Review Process	All associated persons will be provided an electronic version of the Firm's Written Supervisory Procedures upon affiliation. As revisions are made to the WSPs, the CCO will issue an email to all registered representatives, principals and appropriate staff notifying them of and directing their attention to the sections and page(s) of changes. Associated persons will be required to provide an annual attestation of receipt and understanding of the Firm's most current WSPs.
Evidencing Procedures	The CCO will review annually; maintaining a copy of each reviewed and revised version evidencing date and approval.

1.2 Form Filings

Designation of Chief Compliance Officer

FINRA Rule 3130 requires that broker-dealers at all times have a designated Chief Compliance Officer ("CCO"), and that appropriate disclosure is made to FINRA identifying this individual. Our CEO, or the

individual who functions in that capacity, has been designated as having the responsibility for ensuring that this requirement under Rule 3130 is adhered to and that changes in our CCO designation are appropriately made in a timely manner. Appropriate supervisory review procedures and documentation is maintained in order to ensure compliance with Rule 3130, which requires that a principal of this broker-dealer will be designated as our CCO, and that such individual is disclosed on our Form BD and the FINRA Contact System, amending the name of the individual should it change at any time.

Designation of Executive Representative

The CCO or designee will ensure that Executive Representative information electronically filed with FINRA is (1) promptly updated upon any material change (not later than 30 days following any change in such information); (2) verify such information annually (within 17 business days of the end of each calendar year); and (3) comply with any FINRA request for such information promptly, but in any event not later than 15 days following the request, or such longer period that may be agreed to by FINRA staff.

Form BD Amendments

The firm's CCO or a designated registration/licensing principal, or his or her designee, shall be responsible for ensuring that the firm's Form BD is kept current at all times and that all required amendments to the application are filed with the FINRA not later than 30 days after learning of the facts or circumstances giving rise to the amendment

Form BR Filings

The designation of offices as OSJs, Branches, Non-Branch or other types of offices (residential) shall be made by the CCO and approved and reviewed no less than annually by the CCO and President, in connection with completion of the CEO Certification of Compliance and Supervision. A record of the branch offices shall be retained internally, and all such locations shall be reported via Form BR to FINRA.

Kingswood Capital Partners, LLC's Membership Agreement limits the firm to a specific number of branch locations and to a limited number of RRs. The firm's CCO shall be responsible for monitoring the number of office locations and number of RRs to ensure that the firm is in compliance with Conduct Rules regarding its branch and RR registrations.

Firm Procedure

The firm's CCO shall be responsible for monitoring the number of office locations and number of RRs to ensure that the firm is in compliance with Conduct Rules regarding its branch and RR registrations. In the event that it is apparent that the number of branch locations or number of RRs is about to exceed the Firm's limits, the CCO shall submit the necessary documents to FINRA to increase the limits, as necessary.

The CCO shall submit a Form BR for each branch office; each branch's Form BR shall be reviewed at least annually by the CCO and when necessary, the FCS will be updated.

Form U4 Filings

Form U-4 is the primary disclosure and application document used by FINRA to maintain and monitor the registration status and other pertinent information regarding each RR. A current Form U-4 must be on file with FINRA at all times. To comply with this regulation, it is the RR's responsibility to promptly (within 5 business days) and completely disclose any changes or anticipated changes to RR's Form U-4 to the RR's Supervisor and to the Compliance department. Changes to Form U-4 must be promptly filed and include, but are not limited to those listed below, which must be submitted to the Compliance department unless otherwise designated:

- changes in residence address of the RR
- name changes (including marriage, divorce)
- additions or changes related to Outside Business Activities (see section 3 - **Outside Business Activities**);
- new or amended customer complaints, arbitrations, or other litigation, (including settlements or other changes in status);
- new or amended felony or misdemeanor charges, indictments, convictions, plea of guilty or nolo contendere to a felony or certain misdemeanor;
- bankruptcy filings, judgment liens, compromises with creditors or IRS liens;
- a foreign, federal, or state regulatory agency investigation, censure, fine, suspension or expulsion against the RR or an organization over which the RR exercised management or policy control;
- a discharge or permission to resign due to an accusation of violating investment or investment-related statues, regulation, rule or industry standard of conduct, or failure to supervise;
- new business affiliations (requests for dual registration with another broker-dealer will be reviewed on a case-by-case basis).

To disclose changes to Form U-4, the RR should describe the nature of the change in writing and deliver correspondence and any supporting documentation to the Supervisor. Upon any amendment, and whenever signature is required by the RR on the Form, the RR is hereby notified that an agreement to arbitrate claims by the RR against Kingswood Capital Partners, LLC must be resolved through the FINRA Dispute Resolution service, and ultimately if required, through FINRA Arbitration. Such notice will be reaffirmed upon amendment through a separate written disclosure to the RR, in compliance with FINRA Rule 2263.

The CCO shall gather all necessary information for the completion of the U-4 and shall assure the RR reviews and approves the information as presented. The CCO is responsible for submitting the registration to FINRA to license the RR with the Firm. The CCO shall have the RR sign the U-4 and shall maintain a signed copy of the U-4 in the Firm files.

Form U5 Filings

Form U-5 shall be completed and filed for each terminated registered representative within 30 days of the termination date. A copy of the completed and filed form shall be provided to the individual within that time frame. A record of providing this document to the individual shall be retained among the firm's licensing and registration records. Upon RR request, Kingswood Capital Partners, LLC shall promptly provide a copy to the RR.

The CCO will be responsible for ensuring that a copy of the U-5 is forwarded to the terminated RR by mail, or e-mail, with proof of delivery. All copies of U-5s will be maintained in the RRs file.

Fingerprints

Kingswood Capital Partners, LLC has in place internal procedures addressing the fingerprinting of prospective associated persons as required under Exchange Act Section 17(f)(2) and Exchange Act Rule 17f-2 to attempt to ensure that the person being fingerprinted is the same person who is seeking association with the firm, as follows:

- Kingswood Capital Partners, LLC does not fingerprint prospective Associated Persons in-house.
- Because Kingswood Capital Partners, LLC relies on third parties in an off-site location to collect fingerprints and to verify the identity of the person being fingerprinted, the following procedure(s) apply:

- Applicants will be directed to an authorized provider for fingerprinting. A list of vendors participating in FINRA's fingerprint process is available on the FINRA website: https://www.finra.org/registration-exams-ce/classic-crd/fingerprints/electronic-fingerprint-submission-efs#vendors.

- The CCO will assign a Supervisor for all RRs and associated persons. The CCO will monitor all new and existing RRs for prohibited dual registrations. The CCO will forward all fingerprint cards of Kingswood Capital Partners, LLC associated persons to the proper authority.

FINRA Fees and Assessments

As a FINRA member, Kingswood Capital Partners, LLC is required to pay annual fees and assessments to the FINRA based on the firm's revenue as reported on the FOCUS Reports. Records of this assessment and payment are maintained in the Home Office.

Mandatory Electronic Filing Requirements

FINRA Rule 4517 requires certain notifications to be made electronically. The FINOP is responsible for ensuring that the following notices, as appropriate and/or necessary are filed electronically with FINRA:

- Withdrawals of Equity Capital - SEC Rule 15c3-1(e)
- Special Reserve Bank Account - SEC Rule 15c3-3(i)
- Replacement of Accountant - SEC Rule 17a-5(f)(4)
- Net Capital Deficiency - SEC Rule 17a-11(b)
- Aggregate Indebtedness in Excess of 1200 Percent of Net Capital - SEC Rule 17a- 11(c)(1)
- Net Capital is Less than 5 Percent of Aggregate Debit Items - SEC Rule 17a-11(c)(2)
- Net Capital is Less than 120 Percent of Required Minimum Dollar Amount - SEC Rule 17a-11(c)(3)
- Failure to Make and Keep Current Books and Records - SEC Rule 17a-11(d)
- Material Inadequacy in Accounting Systems, Internal Controls or Practices and Procedures - SEC Rule 17a-11(e)

Note: Electronic filing of these notices with FINRA does not affect, replace, or supersede requirements in those rules to file notices with the SEC or other securities regulatory agencies.

The Firm's FINOP shall be responsible for submitting the required records electronically prior to the deadlines for their completion and as are required to be submitted.

1.3 Business Continuity Plan

Firm Emergency Preparedness Policy

Our firm's emergency preparedness and general policy is to respond to a Significant Business Disruption (SBD) by safeguarding Associated Persons' lives and firm property, making a financial and operational assessment, quickly recovering, and resuming operations, protecting all of the firm's books and records, and allowing our customers to transact business. In the event that we determine we are unable to continue our business, we will assure customers prompt access to their funds and securities.

Disaster Recovery from Significant Business Disruptions (SBDs)

Our plan anticipates two kinds of SBDs, internal and external. Internal SBDs affect only our firm's ability to communicate and do business, such as a fire in our building. External SBDs prevent the operation of the securities markets or a number of firms, such as a terrorist attack, a city flood, or a wide-scale, regional disruption.

Our response to an external SBD relies more heavily on other organizations and systems. The Chief Compliance Officer will maintain the responsibility to create and maintain a written business continuity and disaster recovery plan identifying procedures relating to an emergency or significant business disruption. Such procedures must be reasonably designed to enable the firm to meet its existing obligations to customers. In addition, the procedures must address the firm's existing relationships with other broker-dealers, service providers, and counterparties. The business continuity plan must be made available promptly upon request to FINRA staff.

The Chief Compliance Officer will be required to update the plan in the event of any material change to the firm's operations, structure, business, or location. The Chief Compliance Officer must also conduct an annual review of the business continuity plan to determine whether any modifications are necessary in light of changes to the firm's operations, structure, business, or location.

The elements that comprise a business continuity plan are flexible and may be tailored to the size and needs of the firm. The plan must at a minimum, address:

(1) Data back-up and recovery (hard copy and electronic);
(2) All mission critical systems;
(3) Financial and operational assessments;
(4) Alternate communications between customers and the firm;
(5) Alternate communications between the firm and its Associated Persons;
(6) Alternate physical location of Associated Persons;
(7) Critical business constituent, bank, and counter-party impact;
(8) Regulatory reporting;
(9) Communications with regulators; and
(10) How the firm will assure customers' prompt access to their funds and securities in the event that the firm determines that it is unable to continue its business.

The business continuity plan must address the above-listed categories to the extent applicable and necessary. If any of the above-listed categories is not applicable, the business continuity plan need not address the category. The business continuity plan, however, must document the rationale for not including such category in its plan. If the firm relies on another entity for any one of the above-listed categories or any mission critical system, the business continuity plan must address this relationship.

The Chief Compliance Officer must designate a member of senior management to approve the plan and he or she shall be responsible for conducting the required annual review. The member of senior management must also be a registered principal.

The Chief Compliance Officer must ensure that each registered representative discloses to his or her customers how its business continuity plan addresses the possibility of a future significant business disruption and how the firm plans to respond to events of varying scope. At a minimum, such disclosure must be made in writing to customers at account opening, posted on the firm's Internet Web site, and mailed to customers upon request.

Action Plan for Business Continuity Plan – FINRA Rule 4370

Requirements	Broker-dealer Actions
Supervisory Responsibility	Chief Compliance Officer
Frequency of Review	Annually or at any time there is a change in the Chief Compliance Officer, or any material change to the firm's operations, structure, business, or location.
Review Sample	Business Continuity Plan
Review Process	The CEO will maintain the responsibility to update the Business Continuity Plan at any time there is a change in the Chief Compliance Officer, or any material change to the firm's operations, structure, business, or location. The CCO will ensure that the business continuity plan covers all of the material issues noted above. The plan will be reviewed by the CCO on an annual basis to determine if the plan is current and up to date. Should the plan need to be updated the CCO will update the plan and ensure that all of the firm's associated persons are provided with the most current plan. Additionally, the updated plan must be posted to the firm's website for public accessibility.
Evidencing Procedures	The CCO will initial and date each revised version of the business continuity plan and maintain documentation evidencing changes made and ultimate CCO approval.

Emergency Contact Information – FINRA Rule 4370

The Chief Compliance Officer will ensure that the firm reports to FINRA, via FINRA Firm Gateway electronic filing as FINRA requires, prescribed emergency contact information for the firm on an annual calendar basis. The emergency contact information for the firm includes designation of two emergency contact persons. At least one emergency contact person must be a member of senior management and a registered principal of the Firm.

Furthermore, the Chief Compliance Officer must promptly update the firm's emergency contact information, via FINRA Firm Gateway contact system electronic filing as FINRA may require, in the event of any material change. The Chief Compliance Officer must review and, if necessary, update the firm's emergency contact information, including designation of two emergency contact persons, within 17 business days after the end of each calendar year end to ensure the information's accuracy. The firm's Executive Representative, or his or her designee, which designation must be in writing, must conduct such a review, and file any necessary update. The Chief Compliance Officer must ensure that the firm has adequate controls and procedures to ensure that the Executive Representative, or his or her written designee, may perform the review and update.

Action Plan for Emergency Contact Information – FINRA Rule 4370

Requirements	Broker-dealer Actions
Supervisory Responsibility	Chief Compliance Officer
Frequency of Review	Annually or at any time there is a change in the Emergency Contact Information for the firm
Review Sample	FINRA Contact System Questionnaire or any other means of notification required by FINRA or any other regulatory agency.
Review Process	The designated principal will ensure that the firm reports to FINRA, via such electronic or other means as FINRA may require, prescribed emergency contact information for the firm. The emergency contact information for the firm includes designation of two emergency contact persons. At least one emergency contact person must be a member of senior management and a registered principal of the firm.
Evidencing Procedures	The designated principal will initial and date each revision to the firm's contact information.

Alternate Communications between the Firm and Customers, Associated Persons, and Regulators

Customers

We now communicate with our customers using the telephone, e-mail, our Web site, fax, U.S. mail, and in person visits at our firm or at the other locations. In the event of an SBD, we will assess which means of communication are still available to us and use the means closest in speed and form (written or oral) to the means that we have used in the past to communicate with the other party. For example, if we have communicated with a party by e-mail but the Internet is unavailable, we will call them on the telephone and follow up where a record is needed with paper copy in the U.S. mail.

Associated Persons

We now communicate with our Associated Persons using the telephone, e-mail, regular mail and in person. In the event of an SBD, we will assess which means of communication are still available to us and use the means closest in speed and form (written or oral) to the means that we have used in the past to communicate with the other party. We will also employ a call tree so that senior management can reach all Associated Persons quickly during an SBD. The call tree includes all staff home and office phone numbers.

Regulators

We are currently members of the following SROs: FINRA, MSRB, and multiple state SROs. We communicate with our regulators using telephone, e-mail, fax, U.S. mail, and in person. In the event of a SBD, we will assess which means of communication are still available to us and use the means closest in speed and form (written or oral) to the means that we have used in the past to communicate with the SROs.

Critical Business Constituents, Banks, and Counter-Parties

Business Constituents

We have contacted any critical business constituents (businesses with which we have an ongoing commercial relationship in support of our operating activities, such as vendors providing us critical services), and determined the extent to which we can continue our business relationship with them in light of the internal or external SBD. We will quickly establish alternative arrangements if a business constituent can no longer provide the needed goods or services when we need them because of an SBD to them or our firm.

Banks

It is not anticipated that we will require financing in light of any internal or external SBD.

Counterparties

We have contacted any critical counterparties, such as institutional customers, to determine if we will be able to carry out our transactions with them in light of the internal or external SBD. Where the transactions cannot be completed, we will contact those counterparties directly to make alternative arrangements to complete those transactions as soon as possible.

Regulatory Reporting

Our firm is subject to regulation by: SEC, FINRA, MSRB and the state of CA. We now file reports with our regulators using electronic filing methods (primarily). In the event of an SBD, we will check with the specific regulators to determine which means of filing are still available to us and use the means closest in speed and form (written or oral) to our previous filing method. In the event that we cannot contact our regulators, we will continue to file required reports using the communication means available to us.

Disclosure of Business Continuity Plan

Kingswood Capital Partners, LLC gives customers a written BCP disclosure statement at account opening and annually. A new disclosure will be provided in the event the plan is updated due to a material change to the firm's operations, structure, business, or location. Our firm mails its BCP to customers upon request. A copy of the disclosure statement is maintained with the BCP.

Updates and Annual Review

Our firm will update this plan whenever we have a material change to our operations, structure, business, or location. In addition, our firm will review this BCP annually and modify any changes in our operations, structure, business, or location.

2 PERSONNEL

2.1 Hiring Practices

Investigation of Background and Qualifications

The Chief Compliance Officer and the Designated Supervising Principal shall be responsible for verifying the information given by all new applicants for association, employment, or registration regarding their background. The CCO shall determine the accuracy and completeness of information given by such person, including making appropriate inquiry from references and other sources as to the person's record, reputation, and ability to perform his or her proposed duties.

Background checks and verification of information provided on applications will be conducted by phone, or by sending a letter to the former broker dealer(s) asking about any potential customer complaints, disciplinary actions, arbitrations, or any other information that should be shared and used in the determination of association. References should be called and queried. Documentation of these efforts shall be made and kept in the candidate's file.

Hiring Procedures

Our firm is responsible under SRO and SEC rules and regulations to investigate adequately each applicant's character, business repute, qualifications, and experience before hiring them, and to maintain documentation of the steps taken in the hiring process (subject to regulatory review during examinations). To aid in efforts to identify and, where appropriate, exclude registered representatives with a history of customer complaints, disciplinary actions, or arbitrations from the securities industry, it is important to follow these hiring procedures when considering registered representatives for affiliation with our firm.

During the due diligence phase, or more commonly referred to as our registration "pre-hire" process, the CCO collects multiple disclosure documents (see RR Registration Checklist) including a robust Outside Business Activities Disclosure questionnaire, a review of the candidates "BrokerCheck" report from FINRA (if currently or previously licensed), the candidate's name is run through the SDN OFAC search system, a search of the Internet for any other potential activities that may come up for that candidate, and in certain cases running and reviewing a background/credit check is done; all in advance of affiliating the individual.

Screening for SD Persons Hired in Clerical or Ministerial Positions

All person associated with the firm who are not registered are limited to clerical and ministerial functions. To ensure market integrity and maximize customer protection, associates hired for clerical positions are limited in their duties and tasks, as deemed appropriate by the CCO. If you are unsure about a particular activity, you are required to check with the Chief Compliance Officer in advance. Likewise, appropriate hiring standards for clerical, non-licensed positions exist and are conducted and documented in the associated person's personnel file at the sole discretion of the CCO.

Parking Registrations

Our firm does not permit individuals to "park" licenses and registrations. Parking occurs when the firm maintains a registration on behalf of an individual who does not work for the firm or who does not need a particular license to perform his or her job function. Registration is retained only for those associated persons where and when it is required.

2.2 Qualification and Registration

Qualifications of Supervisory, Municipal, and Trading Personnel

It is the responsibility of the Chief Compliance Officer to ensure that any person who is acting in a principal capacity is appropriately registered. The CCO shall report to the individual and their designated supervising principal the need for additional registration.

- Every person acting as a General Securities Principal shall take and pass the requisite exam as required by the regulatory authorities with jurisdiction over the firm.
- Every person acting as a Municipal Securities Principal shall take and pass the requisite exam required by the regulatory authorities with jurisdiction over the firm.
- Every person acting as a Municipal Securities Representative shall take and pass the requisite exam required by the regulatory authorities with jurisdiction over the firm.
- Every person acting as a Financial and Operations Principal shall take and pass the requisite exam required by the regulatory authorities with jurisdiction over the firm.
- Every person acting as an Options Principal (ROSFP) shall take and pass the requisite exam required by the regulatory authorities with jurisdiction over the firm.
- Every person acting as an Equity Trading Principal shall take and pass the requisite exam required by the regulatory authorities with jurisdiction over the firm.
- Persons appointed to any trading position in the firm shall have taken and passed, at a minimum, the Series 7 and 63 prior to their appointment.
- Persons appointed to any principal position in the firm shall have taken and passed the Series 7, 24 and 63 prior to their appointment.
- Within 90 days of their appointment, they will also pass or be exempted from the Series 24 exam, or other appropriate examination necessary for their position.

Properly Registered Associated Persons

It shall be the responsibility of the Chief Compliance Officer to obtain a completed form U-4 for any person who associates with the firm in a registered capacity, or who transfers within the firm to a capacity needing new or additional registration. The Designated Supervising Principal who supervises an associated person of the firm shall notify the Chief Compliance Officer of the licensing needs for those persons assigned to them. The Chief Compliance Officer shall request appropriate exams and provide any necessary study materials when appropriate.

Prior to hiring, the Chief Compliance Officer shall:

- review the background and CRD information of all applicants,
- contact the applicant's previous employing broker-dealer(s),
- discuss with the applicant the nature of the applicant's prior customers and the types of securities sold while associated with prior employing broker-dealers, and
- ask applicant about the existence and nature of any pending proceedings, customer complaints, regulatory investigations, or arbitrations not listed in CRD.

The Chief Compliance Officer will carefully scrutinize any U-4 containing disciplinary disclosures, investigations, and/or alleged complaints. Any affirmative answer on the disclosure page will require that the U-4 DRP attachment page be completed in their entirety and any supporting documents provided including, but not limited to, copies of customer complaints, arbitration statement of claim, arbitration and investigation findings, and applicable court documents.

The Chief Compliance Officer and the Designated Supervising Principal will review each incident, and discuss the incident with the applicant, compliance, and legal staff (as appropriate), satisfying in his/her mind that the candidate does not present a potential compliance risk. While affirmative answers do not necessarily indicate a compliance problem, additional inquiries and a "level of reasonable comfort" should be obtained that any compliance issue or complaint was isolated and does not indicate a pattern or practice of compliance problems.

Registered representatives must be questioned about any ongoing or pending investigations or complaints and any "yes" answers on form U-4. If the Chief Compliance Officer and the Designated Supervising Principal disagree concerning the hiring of the applicant in question, the situation will be elevated to the CEO for a final decision.

The Chief Compliance Officer will ensure that all applicants completing a Form U-4 for employment shall sign such form, affirming and attesting to the accuracy of the information contained therein. A CRD and "Google" search (and in some cases, a credit history report) will be performed on all applicants and relevant information will be considered, printed, and added to the registration file.

2.3 Associated Person Records

Designated Supervising Principal

Our CCO is responsible for ensuring (as required under SEC Exchange Act Rule 17a-3) the following materials are maintained in such a manner as to be able to respond almost immediately to any regulator wishing to see documents relating to all "associated persons" working out of a specific "office" location, at all times when we have branch offices or off-site affiliated individuals.

The designated supervising principal, working as needed with the office location, is responsible for determining how each record can be accessed and/or made available to the specific office location upon request by a regulator.

Supervisory Review Procedures and Documentation

Our CCO is responsible to ensure that each individual designated at each location for itemizing books and records maintained on behalf of the office location (and for being able to enumerate and explain those books and records) receives appropriate training. Such training will cover what books and records are being maintained relevant to that office location, what they mean and how each can be delivered to the office location upon request. Records of all such training will be retained, including dates training was given, the names of the individuals who received such training and the training materials utilized. Initialed and dated documents pertaining to the review and final approval of the recordkeeping system utilized to ensure compliance with this rule will be maintained in the files.

Each newly hired associated person will be entered into the system utilized to ensure that his or her records are appropriately maintained in order to comply with the "office location" requirements. Initials and dates on U-4s or other appropriate materials will evidence that such individual has been entered into our "system."

Terminated individuals will be removed from the system, but their records must be maintained for an appropriate period of time under the SEC's books and records rules, with initialed and dated U-5s or other appropriate materials evidencing an individual's deletion from the system.

Minimally twice a year, utilizing a list of all associated persons, our record maintenance system, and the manner in which it is utilized will be reviewed to ensure that each individual is appropriately designated. Branch locations will be reviewed to determine if any individuals have changed locations. Documents utilized for such reviews will be initialed, indicating the individual who undertook the review and the dates of such review.

Required adjustments will be made appropriately to all associated persons' records, with notations of all such adjustments maintained as evidence of compliance.

"Associated Persons" Exclusion: The term "associated persons" excludes those persons whose functions are solely clerical or ministerial.

"Office" Definition: "Office" (under the SEC's amended Books & Records Rule – SEC Exchange Act Rule 17a-3) is defined as "locations where one or more associated persons regularly conduct a securities business." Excluded from the definition are private residences where only one associated person (or multiple persons of the same immediate family) regularly conducts business, and the office is not held out to the public as an office of the broker-dealer and neither customer funds nor securities are handled.

Records to be maintained by Associated Person, by Office Location:

- Complaints
- Complainant's name/address/account number
- Date complaint received
- Name of each associated person involved
- Description and nature of complaint
- Disposition

Employment Agreements: Any documents relating to the relationship between the associated person and this broker-dealer.

Compensation Arrangements: All compensation arrangements, including commission, concessions, overrides, and other compensation to the extent that they are earned or accrued for transactions – non-cash compensation (sales incentives, gifts, trips, etc.) also fall into this category if they are directly related to sales.

Compensation Transactions: Commission runs, and any transaction reports maintained pursuant to individual transactions for which a specific associated person is receiving compensation.

Blotters or Transaction Reports: Transaction Records, Subscription Agreements, or an otherwise Order Memorandum.

Designation of Individual at Each Location Responsible for Delivering and Explaining the Records Maintained for that Office Location

A specific individual at each office location must be designated as the individual at that location who can immediately explain to any regulator what records are maintained for that location by the broker-dealer and who is responsible for ensuring that all requested records can be immediately delivered to the office location.

Customer Account Records

Delivery of Books and Records to Office Locations: SEC Exchange Act Rule 17a-3 requires that all related books and records be maintained at the office location where the associated persons are located. However, the SEC has stated that in lieu of maintaining the books and records at the actual office location it is acceptable to have the books and records maintained elsewhere in such a manner as to allow for immediate delivery to the location, upon request by a regulator.

We are responsible for ensuring that all such records can be delivered, either through e-mail, an Intranet download, FAX, or overnight mail (the latter is acceptable if the regulator on sight has indicated overnight delivery as an acceptable timeframe for some materials).

Written Customer Agreements: We are required to create a record for each account, indicating that each customer has been furnished with a copy of any written agreement entered into, pertaining to that account. Should a customer request a copy of any agreement relating to their account, a record will be maintained indicating that it was, in fact, provided.

2.4 Continuing Education

About Continuing Education and Training

Effective October 17, 2011, FINRA Rule 1240[1] prescribes requirements regarding the continuing education of certain registered persons subsequent to their initial qualification and registration with FINRA. The two-part program requires periodic uniform training in regulatory matters (Regulatory Element) and ongoing programs by broker-dealers to keep associated person's current on job and product related subjects (Firm Element).

Compliance Education is essential to the ongoing training of RRs and other associated persons. Kingswood Capital Partners, LLC provides compliance education in many formats; the Annual Compliance Meeting, Firm Element Continuing Education, sales conference breakout sessions, classroom training, branch examinations, and other means. All RRs are required to complete any training programs assigned to them by Kingswood Capital Partners, LLC, including thoroughly reading and implementing any information provided in this Manual and the material provided in other Kingswood Capital Partners, LLC compliance-related memos.

FINRA provides compliance education through its Securities Industry Continuing Education Program, and through its email notifications, rule changes, interpretations, and periodic Notices to Members. Kingswood Capital Partners, LLC will monitor and implement these regulatory initiatives, some of which are discussed later in this manual. RRs are encouraged to independently register for the email notifications and review all regulatory releases, initiatives, and mandates.

Resources for compliance, regulatory and industry related information include the FINRA Regulation web site at www.FINRA.org, the SEC's web site, www.sec.gov, and other state or agency web sites readily available to any RR or member of the public.

[1] This version is valid from Mar 15, 2022 through Dec 31, 2022. Amendments have been announced but are not yet effective.

Each OSJ and Registered Branch office should maintain a file that contains documentation of all training provided to registered or licensed personnel and unregistered associated persons. Such documentation should include:

- Type of training (e.g., Kingswood Capital Partners, LLC, RR or Supervisor sessions, approved sponsor training, Annual Compliance Meetings, etc.);
- Date of attendance;
- Presenter's name;
- Attendee list (if a required firm element meeting or Annual Compliance Meeting); and
- Description of topics covered or the meeting agenda.

Annual Compliance Meeting

Conduct Rule 3110(a)(7) requires each RR to complete an annual compliance meeting in which regulatory, compliance and firm procedural matters are discussed. Each RR's attendance, whether in person, telephonically or on-line, is documented through the use of a sign-in attendance list and through the completion of certain documentation. It is important to note that the Annual Compliance Meeting requirement is separate and distinct from Kingswood Capital Partners, LLC's Firm Element Continuing Education Program, or other training requirements, and is in and of itself an important annual requirement.

The content of the Annual Compliance Meeting will be reviewed and approved by the CCO. Annual Compliance Meetings will be presented and documented by or under the supervision of the CCO. Because the presenter may not be available to conduct a make-up, all RRs and appropriate associated persons are expected to make every effort to attend the meeting. In the event an RR is unable to attend the meeting, he/she may be required to travel to the Home Office at the RR's own expense for a make-up session.

The CCO shall ensure a sign-in sheet is completed as evidence of attendance of all individuals required and shall maintain the agenda and the sign-in attendance in the central files. Should the firm choose an on-demand web-based platform for the Annual Compliance Meeting, each RR will be assigned a unique user ID and password to gain access and track the time spent on the webcast, provide click as you go confirmation, and have an attestation of completion at the end of the webcast. Attendees will be afforded the opportunity to ask questions regarding the presentation via email or a telephone hotline and receive timely responses.

Continuing Education Contact Person Responsible for CE Program

Our CCO is responsible for ensuring that we have an appropriate, written Continuing Education ("CE") Training Plan, developed from an annual "Needs Analysis" undertaking, and that the Training Plan is appropriately offered to all "covered" persons, and completed during each calendar year.

Compliance with the Regulatory Element Continuing Education Program

The Regulatory Element requires all registered persons to participate in a prescribed computer-based training session within 120 days of their requisite anniversary dates as follows:

- Every person registered less than 10 years as of 7/1/98, within 120 calendar days after the second anniversary of his or her initial registration and every three years thereafter;
- All registered principals registered for 10 years or less as of 7/1/98, within 120 calendar days after his or her second, anniversary of his or her initial registration and every three years thereafter;
- Anyone who is involved in a significant disciplinary action will immediately be re-entered into the program by the FINRA.

The Regulatory Element is delivered through a computer-based training program presenting a series of realistic situations and interactive instruction related to those situations. It is organized into the following seven modules:

- Registration and reporting issues;
- Communications with the public;
- Suitability;
- Handling customer accounts;
- Business conduct;
- Customer accounts, trade, and settlement practices; and
- New and secondary offerings.

Each of these topics is covered thoroughly in its corresponding module, with certain topics being addressed in more than one module. Each module is presented through a description of customer-related situations and fact patterns, combined with interactive questions, answers, and feedback. Unless otherwise specified, the topics are covered at basic levels of knowledge and understanding. In the process of interacting with the program, participants apply their existing knowledge and information presented in the modules.

A covered registered person must satisfactorily complete all seven modules contained in the program to satisfy the requirement to complete the Regulatory Element. The program is designed with the intent of providing ample time to complete all seven modules within the time allotted.

The Regulatory Element is a 3-hour; computer-based tutorial and is administered through the FINRA FinPro system. It is not a “test” and RRs do not “pass” or “fail” rather they complete the requirement.

Testing Center locations are found on FINRA’s testing partner Prometric’s web site at: https://finpro.finra.org/registerUser/ / Returning Users.

The Regulatory Element is designed to transmit information broadly applicable to all registered persons. The content was recommended by an industry committee representing a diverse range of broker-dealers, in conjunction with the Securities Industry/ Regulatory Council on Continuing Education, industry regulatory agencies, and SROs.

The Securities Industry Continuing Education Program is intended to ensure that registered securities industry personnel maintain a minimum standard of competency and are well versed in issues important to the performance of their jobs. Any registered person who violates industry regulations is subject to disciplinary action including censure, fines, suspension, and/or permanent loss of registration and license.

The Regulatory Element focuses on compliance, regulatory, ethical, and sales-practice standards. Its content is derived from rules and regulations and is based on standards and practices widely accepted within the industry. Although the specific requirements of certain rules may differ slightly among the different SROs, the program is based on standards and principles applicable to all. In certain instances, particular SRO requirements may be more restrictive than those represented in the program.

Additionally, many broker-dealers limit the types of activities in which their registered Associated Persons may engage and/or the investment products they may represent, or they may require specific approvals for certain functions. Registered persons are responsible for ensuring that their activities are within the scope permitted by their employing broker-dealers and conducted in accordance with the rule requirements of all of the SROs and jurisdictions regulating them.

Separate training components are required for the RRs and registered principals and may be developed for other licenses as deemed appropriate by FINRA.

Supervisory Review Procedures and Documentation

Our CCO will oversee the requirement that each registered individual completes FINRA's computer-based training sessions in a timely manner.

Our CCO will be responsible for ensuring that:

1. Individuals will be advised in writing of their CE training requirement at the beginning of their one hundred twenty-day (120) window, at ninety (90) days, at sixty (60) days and at thirty (30) days.
2. If, at thirty (30) days, the Regulatory Element CE training has not yet been completed by an individual, the individual's direct supervising principal will be contacted to request assistance in ensuring that the individual completes the Regulatory Element session within the remaining time period. The principal is to advise the individual at that time of the potential ramifications of being deemed "inactive" if successful completion of the requirement is not accomplished within the required timeframe.
3. 10 days prior to the 120-day expiration date, the individual will be notified that steps are being taken to make them "inactive" so as to allow for a smooth transition of duties requiring registration should his or her registration become "inactive" due to failure to timely complete the CE Regulatory Element, unless evidence of the training appointment have been received by the CCO. Documentation concerning each such notification will be retained in the RR's file, with copies sent to the individual's direct supervising principal.
4. Should an individual's 120-day period expire without successful completion of the CE Regulatory Element component, the individual and his or her supervising principal will be notified that no activities requiring registration may be undertaken by the individual until such time as the CE is completed. Such inactive status does not permit us to compensate this individual for any securities-related activities, and any loss of commissions or salary or other compensation may not be repaid upon successful completion of the training. Our CCO will maintain documentation of all steps taken to ensure an individual's inactive status is appropriately reflected and that he or she is adequately supervised to ensure no inappropriate activities are being undertaken.
5. Failure of any individual to complete the CE Regulatory Element within 60 days after becoming inactive will result in disciplinary action and may lead to termination. Our CCO will ensure that the RR's file contains documentation as to all steps taken with regard to any individual's continued delinquency 60 days past their 120-day timeframe.
6. Upon hiring a new registered Associated Person, our CCO will ensure that FINRA Firm Gateway verification is made to ensure that the individual's status is not "inactive" due to his or her failure to satisfy the Regulatory Element prior to being hired by us. Such verification will be accomplished by doing a "pre- hire" check on the FINRA Firm Gateway, which is printed out and maintained in the RR's file.
7. Any time a newly registered Associated Person possessing the CE status of "inactive" at the time of association occurs, steps shall be taken (and documented in the file) to ensure that no activities requiring registration (and no compensation based on securities-related activities) are permitted until such time as the CE Regulatory Element has been satisfied.
8. All records relating to our individuals and their compliance with the Regulatory Element will be maintained by our CCO.

Designated Supervising Principal

FINRA Rule 1240[2] requires that we designate and identify (by name and e-mail address) to FINRA an individual or individuals responsible for receiving e-mail notifications (provided by FINRA Firm Gateway). Such e-mail notifications will advise us:

1. When a registered person is approaching the end of his or her Regulatory Element timeframe.
2. When a registered representative is deemed inactive due to failure to complete the requirements of the Regulatory Element Program.

Our CCO is responsible for ensuring that the appropriate individual and contact information is disclosed on FINRA Contact System ("FCS") and that such information is reviewed to ensure that it remains current.

Our CCO is responsible for reviewing this information, at least on an annual basis, to ensure that prompt notification is made to FINRA regarding any change in such designation(s). Information must be updated, if necessary, within seventeen (17) business days after the end of each calendar year. Copies of these updates will be maintained by the CCO, as well as an indication when no changes were required for a particular annual review (evidenced by initials and date and a notation that no change is required).

Compliance with the Firm Element Continuing Education Program

The Firm Element requires Kingswood Capital Partners, LLC to annually develop and implement a Written Plan for training its registered persons based on an assessment of its own specific training needs. Registered persons are required to complete the Firm Element of Kingswood Capital Partners, LLC's training plan. Completing the Regulatory Element alone does not satisfy the provisions of the Rule. Content and training will be formulated to reflect Associated Persons' obligations under Regulation Best Interest.

The Firm Element requires Kingswood Capital Partners, LLC to keep Associated Persons up to date on job and product related subjects by means of a formal, ongoing training program. Kingswood Capital Partners, LLC is required to establish a training process meeting certain minimum criteria and standards.

The content of the Firm Element is regularly reviewed by the CCO to ensure that it is current, relevant to the firm's business and sales practices, and most importantly responsive to any recent disciplinary incidents, customer complaints, or other possible indications of rule infractions within the firm. All RRs, and Supervisors, irrespective of the length of their tenure with Kingswood Capital Partners, LLC or in the securities industry, must complete the Firm Element each year. Failure to satisfactorily complete the Firm Element within the prescribed time frame may result the withholding of commissions, suspension from Kingswood Capital Partners, LLC, and/or termination.

Kingswood Capital Partners, LLC shall prepare a written Needs Analysis and a written Training Plan on an annual basis. However, without material changes in personnel, operations, or product lines from the previous year, substantial revisions to their Written Plans may not be warranted. If there are no material changes in Kingswood Capital Partners, LLC's size, organizational structure, scope of business, or regulatory environment, a simple update from the previous year's Needs Analysis and Written Training Plan may be adequate.

[2] This version is valid from Mar 15, 2022 through Dec 31, 2022. Amendments have been announced but are not yet effective.

The Needs Analysis should contain a brief description of the Kingswood Capital Partners, LLC's products and services and the background and industry experience of its covered persons. It should address any Firm-specific issues relevant to the type of business the Firm conducts or plans to conduct as well as pertinent recommendations from the Firm Element Advisory. The Written Training Plan should briefly describe the training activities for the upcoming year which are reasonable in relation to the Kingswood Capital Partners, LLC's size, and resources. Documentation of the training, the Needs Analysis, and Written Training Plan must be maintained for inspection as part of the Firm's books and records.

The Firm Element requirement may or may not be distinguished from the Annual Compliance Meeting, depending on the discretion of the Chief Compliance Officer. Generally, the Firm will utilize the Annual Compliance Meeting as a portion of the Firm’s overall Firm Element Training Program.

Firm Procedure

The CCO or his designee shall perform the Firm Element Needs Analysis on an annual basis. Based on the results of this analysis, the CCO shall then prepare the Firm Element Training Plan consisting of an outline or assigned program detailing the topics to be covered in the training session. At a time designated by the CCO, he shall conduct the Firm Element Training with all registered associated persons or assign them to complete the training using electronic media. If electronic media is utilized for the training, the CCO shall monitor the completion of the training by all assigned personnel. Inclusion of unregistered personnel shall be at the discretion of the CCO. The Firm will retain a copy of all materials presented at the Firm Element Training along with a sign-in sheet of all attendees or a record of completion for electronic media.

Designated Supervising Principal

Our CCO is responsible for ensuring that internal training is offered to all registered personnel with direct contact with customers, and their immediate supervisors. Such training is given as often, but not less than annually, as deemed appropriate and/or necessary. An internal "Needs Analysis" has been created, under the supervision of our CCO, which is the basis for the CE Training Plan developed.

Our CCO, working with senior management, will ensure that the Needs Analysis is reviewed, minimally on an annual basis, to determine what changes, if any, are required to be made to our Training Plan. Documentation recording each review will be maintained in our files, including notations as to any changes required to the Training Plan based on the Needs Analysis review.

When reviewing the Needs Analysis, our CCO, working with senior management and other appropriate individuals, will take into consideration all complaints received, registered personnel histories, level of experience, specific requests, etc., compliance and legal feedback, aggregate Regulatory Element scores, and other internal indicators. All issues taken into consideration will be documented, including an indication as to how each has impacted the Training Plan.

Our CCO will ensure that complete and detailed records are maintained in order to demonstrate (a) the content of all training programs given to each individual, (b) the completion of each applicable program by each individual identified by us as required to take part in such training and (c) the annual review of our Needs Analysis as sell as indications of any resultant changes to our CE Firm Element Training Plan.

Our policy is to be as flexible as possible in order to permit all required covered individuals to complete the Firm Element in a convenient manner, making every effort to reschedule training requirements when sufficient cause can be evidenced (by the individual and possibly by his or her direct supervising principal as well). However, if it becomes apparent in any way that an individual is merely attempting to avoid the undertaking of training, he or she will be suspended from all trading activities pending completion of the required training, and in some instances may be terminated.

Our CCO, working with senior management and other applicable associated personnel will undertake the responsibility of determining, on an annual basis, whether our Continuing Education program is meeting our objectives as stated in the Needs Analysis and Training Plan.

Furthermore, the overall effectiveness of our Training Plan will be analyzed on a continuing basis, by obtaining feedback from the registered Associated Persons, by review of activities, by discussions with the Compliance Department, and by a review of customer complaints, etc. Documentation of these determinations will be maintained, on an annual basis, and will be reflected in the next year's Needs Analysis.

Notice to Members 05-68 (and others as issued) relating to Firm Element Advisories issues by The Securities Industry/Regulatory Council on Continuing Education will be referred to when developing new areas of our Firm Element Training Plan or when making amendments.

Consideration of Customer Complaints

Our CCO is responsible for ensuring that customer complaints are reviewed to determine whether or not additions or changes should be made to our Continuing Education ("CE") Firm Element Training Plan.

Supervisory Review Procedures and Documentation

- All customer complaints will be reviewed (at least annually) to uncover any patterns that may indicate specific training needs or point to areas uncovered or insufficiently addressed in our existing Training Plan. Such review will be evidenced by initials and notes to the file concerning any findings, and appropriate follow up action. Dates of such review and notes regarding follow-up actions that have been or will be taken will also be contained in the file.
- Additionally, customer complaints are also reviewed to assess the need for any particular individual or individuals to undergo heightened continuing education in a specific area. Findings resulting from this review will be maintained in the file, indicating dates of review and individual undertaking the review. Also included will be any required follow-up actions, dates of such actions and individuals responsible for enforcing them.

2.5 INDEPENDENT CONTRACTORS

[FINRA Notice to Members 01-80, 99-45, 98-38 and 86-65]

Independent Contractor Defined

Certain individuals are associated with Kingswood Capital Partners, LLC as "independent contractors" as defined under current IRS guidelines. Independent contractors are not "employees" of Kingswood Capital Partners, LLC for purposes of compensation and other considerations under IRS guidelines.

Supervision

Independent contractors are subject to the supervision of Kingswood Capital Partners, LLC and are responsible for complying with Kingswood Capital Partners, LLC's policies and procedures and the rules and regulations governing the activities of Kingswood Capital Partners, LLC, and its associated persons.

Agreements

RRs who are independent contractors (ICs) will, at the time of association with Kingswood Capital Partners, LLC, sign Kingswood Capital Partners, LLC's agreement outlining the conditions under which the IC provides services to Kingswood Capital Partners, LLC. No commission or other payments will be made to the IC until a signed agreement is on file. The designated supervisor is responsible for ensuring signed agreements are submitted to Kingswood Capital Partners, LLC prior to any payments to the IC.

Use and Display of the Firm's Name

Kingswood Capital Partners, LLC's name may be used only in conjunction with the products or services provided by Kingswood Capital Partners, LLC. Kingswood Capital Partners, LLC's letterhead may be used only for correspondence related to Kingswood Capital Partners, LLC's business.

Kingswood Capital Partners, LLC's name may be displayed only in authorized locations and in a manner approved by Kingswood Capital Partners, LLC.

Display of SIPC Symbol

In authorized branch locations, the SIPC symbol will be displayed. Compliance is responsible for identifying the office locations that require the necessary SIPC display.

Use of Other Names

ICs are permitted to establish business entities (sole proprietorship, partnership, corporation, etc.) under which they conduct business. The use of other business names or entities must be approved by Kingswood Capital Partners, LLC prior to use. Requests for approval are to be directed to Compliance and include:

- the name of the business entity
- description of the type of entity (partnership, corporation, etc.)
- description of what types of business will be conducted under the business entity, if not exclusively used for securities and investment advisory business supervised by The Firm

Compliance is responsible for reviewing requests to establish or conduct business through the ICs business entity and approving or disapproving the request. Compliance will retain a record of the requests and approval or disapproval with other Outside Business Activities for the Independent Contractor (if any).

ICs as Investment Advisers

[FINRA Notice to Members 96-33, 94-44 and 91-32]

Historically, The Firm has allowed its ICs or their business entities to be independently registered as investment advisers, however, the investment adviser activities are subject to the supervision of Kingswood Capital Partners, LLC. Independent registration as an investment adviser also requires the approval of Kingswood Capital Partners, LLC prior to engaging in investment adviser activities. Currently, in rare situations, The Firm may approve an ICs request to register their own independent investment advisor. Requests for approval should be submitted to Compliance for review and approval and include the following:

- the name under which the investment adviser activity will be conducted
- a copy of Form ADV for the adviser

Compliance may request other information, as necessary, to complete its review of the request. Compliance will retain a copy of the request and the approval or disapproval.

If approved, the IC is required to provide copies of the following information to the designated supervisor on an ongoing basis:

- all investment adviser agreements with adviser customers
- correspondence regarding investment adviser activities
- reports to adviser customers

In addition, the IC will maintain copies of all trading activity (confirmations and statements) in investment adviser accounts for review by Kingswood Capital Partners, LLC when the IC's activities are inspected by Kingswood Capital Partners, LLC.

Outside Business Activities and Outside Accounts

[FINRA Rule 3270; NASD Rule 3050]

As stated previously, ICs are subject to all provisions of the Firm's policies and procedures. Independent contractor status does not relieve the individual from complying with the requirements to disclose and obtain approval of all outside business activities and outside securities accounts. The chapter GENERAL EMPLOYEE POLICIES includes the policies in these and other areas affecting all individuals associated with Kingswood Capital Partners, LLC.

3 FIRM SUPERVISION AND OVERSIGHT

3.1 Supervisory System

Designation of Supervisors and Principals

The following list of supervisory position descriptions is provided as a basis for the firm's supervisory system, in compliance with FINRA Rule 3110(a). It is noted that in no circumstance may a producing principal supervise him or herself. The Board of Directors, President and CEO shall ensure that the management structure of Kingswood Capital Partners, LLC does not allow for any producing principal to supervise themselves.

President/CEO Position Description

The President/CEO of Kingswood Capital Partners, LLC is responsible for the general supervision of all business units and activities through the broker-dealer. These responsibilities include but are not limited to:

- Establishment of proper sales practices;
- Supervision of Senior Management and Designated Supervisors;
- Ultimate supervision of the sales organization.

Kingswood Capital Partners, LLC's CEO and President is Mr. Michael Nessim.

Senior Manager Position Description

The Senior Managers are responsible for the supervision of all Branch Offices and detached locations within their jurisdiction. These responsibilities include but are not limited to:

- Oversight of Supervisors;
- Procedural enforcement; and
- Due diligence in hiring of Supervisors and RRs

Chief Compliance Officer Position Description

The Compliance Officer is ultimately responsible for all of Kingswood Capital Partners, LLC's compliance activities, and responsibilities. Specifically, this means:

- Annual review of business and branch inspection
- Test and verify that the Kingswood Capital Partners, LLC supervisory procedures are reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA and MSRB rules with respect to the activities of the Firm, its RRs, and its associated persons;
- Create additional or amend supervisory procedures where the need is identified by such testing and verification;
- Submit an annual report detailing test results including additional or amended supervisory procedures created in response to the test results;
- Overseeing the adoption and periodic amendment of the compliance procedures outlined in this manual;

- Overseeing the correction of deficiencies noted in the annual inspection of the OSJs and Branch Offices, to make sure that the supervisory and record keeping guidelines remain adequate and are being followed;
- Ensuring adherence to established company policies and procedures, laws, and regulations;
- Establish, maintain, and enforce a system of supervisory control policies and procedures;
- Communicating all compliance issues to Kingswood Capital Partners, LLC's senior management;
- Setting and communicating all compliance policies and procedures;
- Reviewing and approving all advertising and sales literature;
- Reviewing the securities activities of all registered personnel, including Supervisors and others, coordinating all compliance training, complaint investigations, DRP reporting to the FINRA;
- Interfacing with all securities regulators;
- Filing required amendments to Form BD and Form BR within 30 days of changes requiring FINRA notification;
- Supervision, review and approval of electronic filings and acknowledging electronically that the forms are filed on behalf of Kingswood Capital Partners, LLC, and its associated persons; and
- Ensure contact information is current on the FINRA Contact System by the 17th business day of the calendar year end.

Currently, Kingswood Capital Partners, LLC's Chief Compliance Officer is Dave Martin.

Financial and Operations Principal

Currently, the Firm's CFO and Financial and Operations Principal is Ms. Nikita Brown. Ms. Brown is an individual with experience and background in financial matter and holds FINRA Series 27 license.

Kingswood Capital Partners, LLC has engaged a FINOP who is part-time, off-site, or registered with multiple firms to provide support as needed in licensed and/or unlicensed capacities.

Chief Financial Officer

The Chief Financial Officer (CFO) may or may not be the Firm's FINOP. The CFO (or his/her designee) is responsible for the following on behalf of Kingswood Capital Partners, LLC:

- Ensuring the accurate and timely filing of Kingswood Capital Partners, LLC financial reports with regulators and others where financial reports are required
- Establishing bank accounts and designating employees authorized to sign checks and transfer funds on behalf of Kingswood Capital Partners, LLC
- Establishing and enforcing appropriate financial accounting controls including fund transfers, financial agreements and commitments, journal entries, etc.

- Interacting with Kingswood Capital Partners, LLC's public accounting firm and coordinating the providing of information requested during Kingswood Capital Partners, LLC's annual audit
- Follow up regarding exceptions or recommendations referred by the outside public accounting Firm
- Assisting FINOP with establishing accounting procedures appropriate for the industry Currently Kingswood Capital Partners, LLC has designated the CFO responsibilities to the FINOP. The CEO is responsible for the review and supervision of the firm's designated CFO.

Operational Professionals Registration (Series 99)

In accordance with FINRA Rule 1230(b)(6), the Firm requires that any individual designated as an Operational Professional must be appropriately registered and qualified by passing the Series 99 Operations Professional Qualification Examination, or other examination as permitted by FINRA.

Operational Professionals include associated persons who are senior management with direct responsibility over the covered functions, as well as those who supervise, design, or implement policies and procedures relating to:

- Client on-boarding, account opening, and financial records;
- Receipt, delivery, and safeguarding of funds and securities;
- Trade confirmation, clearance, settlement, and reconciliation;
- Margin, stock loan/securities lending, and custody functions; and
- Maintenance of books and records.

The Chief Compliance Officer (CCO), in consultation with senior management, will identify and track all Firm personnel whose functions fall within these categories to ensure timely registration and qualification. Registration records will be maintained in accordance with SEC Rule 17a-3 and FINRA By-Laws.

Third-Party Vendor Registration Considerations

The Firm recognizes that certain third-party service providers (e.g., ACI) may be granted access or entitlements to the Firm's bank accounts or other critical operational functions. To ensure compliance and safeguard client and Firm assets:

1. Assessment of Registration Requirement

- Internal stakeholders (CCO, RM Senior Director, VP of RM Retail Firms, VP of Retail Exams, and senior management) will convene to assess whether such vendors or their personnel meet the definition of "associated person" under FINRA By-Laws.

- Where vendor personnel exercise control or supervision over covered operational functions, the Firm will consult with FINRA Registration & Disclosure staff to determine if Series 99 registration is required.

2. Vendor Discussions

- The Firm will conduct discussions with ACI management (or any comparable vendor) to clarify the scope of access, responsibilities, and control functions performed.

- Documentation of these discussions, together with any determinations regarding registration or exemption, will be retained in the Firm's compliance files.

3. Ongoing Monitoring

- The Firm will review these determinations at least annually, or sooner if material changes to the vendor's role, entitlements, or access occur.

- Any updates or changes will be promptly reflected in the WSPs and disclosed to FINRA, if required.

Municipal Securities Principal

The designated Municipal Securities Principal's responsibilities include but are not limited to:

- Monitor for compliance with all applicable rules and supervise the activities of associated persons;
- Assist the Compliance Officer with customer complaint concerning the dealer's municipal securities activities;
- Review and approve customer municipal securities accounts;
- Assist with the review of each office, which engages in municipal securities activities;
- Review each transaction in municipal securities on a daily basis, including each transaction in municipal securities affected with or for a discretionary account.

Currently, the Firm's Municipal Securities Principal is Mr. Val Peters.

Registered Options and Security Futures Principle (ROSFP)

The Firm shall have at least one Registered Options and Security Futures Principal ("ROSFP") who shall be responsible for supervision and control of each branch office handling transactions in option contracts and establishing procedures. If the designated ROSFP becomes registered as a ROSFP before a revised examination that includes security futures products is offered, they shall complete a firm-element continuing education program that addresses security futures and a principal's responsibilities for security futures before such person can supervise security futures activities.

Kingswood Capital Partners, LLC has designated Val Peters as the ROSFP. The ROSFP is qualified by experience and examination.

Executive Representative

The CCO or designee will ensure that the appropriate Executive Representative information electronically filed with FINRA is (1) promptly updated upon any material change (not later than 30 days following any change in such information); (2) verify such information annually (within 17 business days of the end of each calendar year); and (3) comply with any FINRA request for such information promptly, but in any event not later than 15 days following the request, or such longer period that may be agreed to by FINRA staff.

Branch Office Managers

Each Branch Office has an assigned FINRA Registered Principal (typically the Supervisor, collectively throughout this manual these individuals will be referred to as "Supervisor"). The Supervisor has responsibility for supervising the activities of all of the RRs assigned to him or her, whether they are housed in the same location as the Supervisor or detached.

The Supervisor's main duty is to make sure that all registered RRs adhere to all Kingswood Capital Partners, LLC compliance and business policies and comply with all requisite laws and regulations. Specifically, the Registered Principal must institute procedures to ensure that compliance requirements are met in his or her office in the areas including but not limited to:

- Ensuring that all individuals hired to work under his or her supervision are qualified for their position;
- Providing training for all representatives and staff members appropriate for their assigned duties;
- Ensuring that all federal, state, FINRA, and Kingswood Capital Partners, LLC compliance and business policies and procedures are adhered to by all associated persons assigned to his or her office(s);
- Ensuring all transactions receive a good order and suitability review and are processed promptly through the appropriate transaction execution system;
- Monitoring the sales practices of all representatives under his or her jurisdiction;
- Visiting certain assigned locations/RRs at least annually to examine RRs' sales practices and customer account files, etc.;
- Ensuring compliance with Kingswood Capital Partners, LLC's standard for continuance of FINRA registration;
- Enforcing Kingswood Capital Partners, LLC's Compliance-initiated disciplinary actions against RRs as situations dictate and immediately notify Kingswood Capital Partners, LLC's Chief Compliance Officer of any potential breach;
- Ensuring that client account reviews are at least conducted initially, and every 36 months, or more frequently on an as needed basis;
- Ensuring client service, regulatory and administrative corrections are processed in a timely manner;
- Ensuring that all advertising, sales materials, and correspondence comply with FINRA rules and company policies;
- Reviewing and updating supervisory responsibilities/procedures for the office as changes occur;
- Ensuring all offices maintain, or have access to via computer, the FINRA Manual, MSRB Manual and Kingswood Capital Partners, LLC Written Supervisory Procedures Manual;
- Ensuring that all subordinate RRs attend the Kingswood Capital Partners, LLC annual compliance meeting and fulfill Kingswood Capital Partners, LLC, FINRA and state insurance continuing education requirements;
- Acknowledging written client complaints and immediately forwarding complaints, subpoenas, or demand letters to the CCO for handling;
- Maintaining required files and records evidencing appropriate review and supervision;
- Ensuring producers are properly licensed and appointed for solicitation and sales of products and services;
- Ensuring only approved products and services and sold;
- Each Supervisor reports ultimately to another Supervisor or to the President of the firm.

General Supervisory Obligations

All Registered Representatives associated with Kingswood Capital Partners, LLC will be assigned to a supervisor. The Firm maintains a record of all RRs by their assigned supervisors and branch office locations as part of the Firm's Books and Records requirements.

Supervisory Review Procedures and Documentation

Our CCO will ensure that our WSPs contain appropriate indications for all "covered" activities (i.e., those requiring broker-dealer registration) being performed on our behalf, either completely or in part, by a third party that clearly conveys who the third party is and what their responsibilities are. This will be documented by maintaining all third-party outsourcing contracts and/or agreements in our files.

Our CCO will ensure that appropriate parties undertake a due diligence review of any third-party vendors utilized, with reports, notes and comments relating to such a review maintained in our files.

Our CCO will ensure that we have appropriate procedures in place to oversee, supervise (where appropriate) and monitor the service provider's performance of covered activities. This will be evidenced by our WSPs.

Our CCO will ensure that FINRA and other regulatory bodies have complete access to the service provider's work product, as would be the case if the covered activities were actually performed directly by us. This will be evidenced by our having third party vendors include in their agreements with us their willingness and ability to make all appropriate documents, and other materials as requested, available to FINRA and other applicable vendors. Such review will be evidenced by initials and dates on all agreements entered into by this broker- dealer and third- party vendors, or correspondence requesting that appropriate language is included before such an agreement can be finalized. No agreements will be finalized without appropriate language.

Our CCO will review, on an annual basis, all outsourcing arrangements we have in place to determine if they continue to be appropriate, based on how they have performed on our behalf and based on financial, reputational, and operational impact their failure to perform adequately may have on this firm. Notes concerning this review (including dates, names of individuals undertaking the review, findings, etc.), and decisions made based on the review, will be maintained in our files.

Our CCO is responsible for advising all appropriate personnel that entering into an outsourcing arrangement with a third-party vendor in no way relieves us of our responsibilities (maintaining all documentation relating to how such information was disseminated, the dates and to whom it was disseminated). Any required activity undertaken on our behalf remains our responsibility, as indicated throughout these WSPs.

Our CCO is responsible for ensuring that any third-party systems or other outsourcing support utilized has a mechanism whereby it can be easily and rapidly updated or amended to reflect new or altered regulatory rules and requirements (and for documenting steps taken to gain such assurance).

The CCO or qualified designee will assure that all third-party outsourcing contracts and/or agreements are maintained. The CCO or qualified designee will undertake a due diligence review of any third-party vendors utilized, with reports, notes and comments relating to such a review maintained in our files in an "Outsourcing / Service Providers" agreement file. Our CCO or qualified designee will ensure that FINRA and other regulatory bodies have complete access to the service provider's work product. This will be evidenced by our having third party vendors include in their agreements with us their willingness and ability to make all appropriate documents, and other materials as requested, available to FINRA and other applicable vendors. Such review will be evidenced by initials and dates on all agreements entered into by this broker/ dealer and third-party vendors, or correspondence requesting that appropriate language be included before such an agreement can be finalized.

No agreements will be finalized without appropriate language.

Our CCO or qualified designed principal will review annually all outsourcing arrangements to determine if they continue to be appropriate. Notes concerning this review (including dates, names of individuals undertaking the review, findings, etc.), and decisions made based on the review, will be maintained in our files.

3.2 General Supervisory

The CCO of Kingswood Capital Partners, LLC is responsible for the general supervision of all business activities through the broker-dealer. These responsibilities include, but are not limited to:

- Establishment of proper sales practices;
- Supervision of Senior Management and Designated Supervisors
- Ultimate supervision of the sales organization.

3.3 Associated Person Supervision

Kingswood Capital Partners, LLC is a registered broker-dealer with the U.S. Securities and Exchange Commission ("SEC"), a member of the Financial Industry Regulatory Authority, Inc. ("FINRA"), and the Municipal Securities Rulemaking Board ("MSRB"), as well as most state jurisdictions.

Kingswood Capital Partners, LLC depends on the ability of its representatives to provide quality services to clients in a manner that is ethical, fair, and equitable to all concerned. Failure to comply fully with the rules and policies contained in this Manual may jeopardize the individual registered representative ("RR"), the Designated Supervisor ("Supervisor"), other Associated Persons, and Kingswood Capital Partners, LLC itself. Beyond the standard level of compliance, it is expected that all associated persons will represent the Firm in an exceptionally professional, responsible manner and at all times reflect the "tone at the top" or the culture of compliance that Kingswood Capital Partners, LLC wishes to support.

As part of its responsibilities as a broker-dealer, Kingswood Capital Partners, LLC is required to maintain a manual outlining its procedures for compliance and the supervision of associated persons. Further, it is the responsibility of Kingswood Capital Partners, LLC, and its principals to ensure that the provisions of this Manual and all applicable securities laws, rules, and regulations are communicated to and understood by all RRs.

As such, designated principals of Kingswood Capital Partners, LLC will engage in regular and frequent review of Kingswood Capital Partners, LLC documents, and branch activities. All documents relating to Kingswood Capital Partners, LLC activities are the property of Kingswood Capital Partners, LLC. All Kingswood Capital Partners, LLC principals, including any member of the Compliance Department or the Designated Supervisor ("Supervisor"), shall have unrestricted access to documents under their purview for the purpose of engaging in proper supervision of representatives.

Each RR is subject to a variety of laws, regulations, and rules. These include state securities (Blue Sky) laws, state insurance laws, and several Federal Acts. In addition, each is subject to the provisions of the By-laws, Conduct Rules, and related interpretations of the FINRA. Finally, each must comply with the rules and policies established by Kingswood Capital Partners, LLC. It is the RR's responsibility to familiarize him or herself with these laws, regulations, and policies in the jurisdictions in which they do business. At least annually, each RR must participate in an annual compliance meeting. In addition, all RRs are subject to FINRA continuing education requirements.

Kingswood Capital Partners, LLC's responsibility is to supervise its operations and in particular the activities of its RRs. The statutes of individual states echo these regulators' concerns and requirements.

Kingswood Capital Partners, LLC supervises the business conducted by RRs and qualified staff through its registered principals including Supervisors or other qualified personnel, who report to managers in the corporate headquarters. Kingswood Capital Partners, LLC shall undertake reasonable efforts to determine

that all supervisory personnel are qualified by virtue of experience or training to carry out their assigned responsibilities.

Kingswood Capital Partners, LLC may elect to establish Branch Offices and/or Offices of Supervisory Jurisdiction (“OSJ's) at its discretion, and agrees to ensure that the supervisory structure will at all times include an organizational chart that ensures each RR is subject to adequate and qualified supervision.

Each Branch Office is managed by a Supervisor who is responsible not only for the processing of Kingswood Capital Partners, LLC business through that office, but also for the securities activities of all of the RRs operating out of or reporting to that office and all detached locations. It is important that each RR understand his or her own role in supporting the efficacy of the procedures by submitting fully to them, understanding them, and asking for clarification regarding any aspect of the procedures that may be unclear or which may not appear relevant.

The supervisory structure will not be effective without the compliance of each and every RR with all state and federal laws as well as rules and policies established by the broker-dealer.

Gifts and Gratuities

It is prohibited for any Associated Person, or member of their immediate family, to give to any person or receive from any person, any item of value (i.e., gifts, gratuities, etc.) greater than one hundred dollars in value (annually) when the item of value given or received relates to firm business.

Entertainment of, or by, clients that is of a reasonable cost does not fall under the above prohibition. Entertainment costs are found to be "reasonable" if both the host and guest attend the entertainment together (i.e., a football game) and/or the guest's portion of the total cost of the entertainment does not exceed (a) $250 if the entertainment has a "for profit" sponsor or (b) $500 if a "non-profit" sponsor is involved. Reasonable greens fees or admission to a baseball game are examples of "reasonable."

Designated Supervising Principal

Our CCO is responsible for ensuring that all Associated Persons are sufficiently aware of the restrictions on the giving or receiving of gifts and/or compensation of any nature (Rule 3060).

Supervisory Review Procedures and Documentation

All Associated Persons are required to submit a request to their immediate supervising principal or to our CCO prior to giving (or permitting to be given) a gift that is in any manner business related to an individual employed by another broker-dealer, a financial institution, or any other entity with which we have a business relationship.

All such requests will be reviewed and either approved or denied, in writing. Decisions will be made on a case- by-case basis. In no instance will any such gifts be permitted to exceed $100 for any one individual over a 12- month period.

Our CCO will oversee the maintenance of our Gifts and Gratuities log, reviewing it on a quarterly basis looking for any patterns, which may raise concern.

Any gift or gratuity received by an Associated Person, or an immediate family member, which does not fall within the above "reasonable" definition, must be reported to our CCO, who will enter the information onto our "Gifts & Gratuities” log, which will be retained for a period of six years. The log will be reviewed (minimally on a quarterly basis) to determine any patterns that have developed which may require investigation.

Copies of all requests, along with the CCO's response, will be maintained, and the quarterly review of the gifts and gratuities log will be evidenced by the CCO's initials.

All gift and gratuity requests will be submitted in advance for review by the CCO. The associated person will be required to complete and submit the Gift and Gratuity request form from the Compliance Department. The form will either be approved or denied, in writing. A signed copy will be returned to the associated person with a copy kept in the Gift and Gratuity file. Decision will be made on a case-by-case basis. In no instance will any such gifts be permitted to exceed $100 for any one individual over a 12-month period without compelling, reasonable, justifiable rationale.

Cash and Non-Cash Compensation

Non-cash compensation or sales incentive items (including travel bonuses, prizes, and awards offered by any sponsor, or program) CANNOT BE PAID DIRECTLY OR INDIRECTLY to us or to our firm or any associated person, in excess of one hundred dollars ($100) per person per issuer annually without the expressed written approval of the Firm's CCO. Such compensation is not permitted to be preconditioned on achievement of a sales target.

Our firm is permitted to provide such non-cash compensation to its representatives provided no sponsor, affiliate of a sponsor, or program, including an affiliate of this broker-dealer, directly or indirectly, participates or contributes in providing such non-cash compensation. In such instance, cash compensation must be paid directly to the firm, with the firm then making the distribution to representatives controlled by the firm. These payments must be disclosed as additional expenses in the prospectus, if appropriate, and reflected on our books and records.

Designated Supervising Principal

Our designated supervising principals are responsible for taking all reasonable efforts to ensure that no inappropriate cash or non-cash compensation is received by any of the individuals under their direct supervision.

Our CCO is responsible for reviewing, on a quarterly basis, all cash and non- cash compensation received to ensure that we are not violating any regulations.

Supervisory Review Procedures and Documentation

Sufficient training is given as appropriate, through our Annual Compliance Meetings, Continuing Education Firm Element Training, internal memorandums, face to face discussions, etc. - with documentation retained on all such training and/or communications, including names and CRD #s of those who received such training, copies of any handout materials utilized, agenda items, etc. as to cash and non-cash compensation prohibitions.

Copies of all required formal requests for receipt of cash or non-cash compensation, with the written response, will be maintained either in the individual's personnel / U-4 file or in another appropriate file.

Documentation of any permitted cash and non-cash compensation paid to our registered Associated Persons is maintained and routinely monitored, minimally on a quarterly basis by our CCO or specifically designated individuals. Evidence of such maintenance and review will indicate the date of any list updates, with the initials of the individual who updated the list, and notes concerning any findings during the review which required follow- up actions. Such follow-up actions will also be documented, indicating the outcome of any investigation, who undertook the investigation, the dates of such investigation and what steps were taken and by whom they were taken.

Pre-approval is required for any representative to receive cash or non-compensation. When a Sponsor is offering reimbursement for costs associated with a representative attending a seminar being given by a Sponsor, the Sponsor is to submit to the CCO a detailed accounting of the costs anticipated to be reimbursed and an agenda of the seminar for pre- approval. If approved or disapproved, the CCO will return an approved/disapproved copy of the request to the Sponsor, the representative and a copy is to be maintained in the representative's file.

Outside Business Activities – FINRA Rule 3270

As defined in FINRA Rule 3270, no registered person may be an Associated Person, independent contractor, sole proprietor, officer, director or partner of another person, or be compensated, or have the reasonable expectation of compensation, from any other person as a result of any business activity outside the scope of the relationship with his or her broker-dealer firm, unless he or she has provided prior written notice to the BD, in such form as specified by the Firm. Passive investments and activities subject to the requirements of FINRA Rule 3280 (private securities transactions) are exempted from this requirement.

Disclosure Outside Business Activities is essential for the purpose of maintaining market integrity. They include, but are certainly not limited to the following situations:

- Volunteer activities which involve board membership, or other control positions
- Activities for which a cash compensation is received
- Activities for which non-cash compensation is received

At Kingswood Capital Partners, LLC, RRs are required to complete an Outside Business Activities Disclosure form disclosing all activities conducted outside of Kingswood Capital Partners, LLC prior to their initial affiliation and annually during the firm's required annual compliance disclosure and policy attestations (generally distributed during the first quarter of every new calendar year). The firm also conducts a thorough Internet search of any potential activities disclosed or undisclosed during the pre-hire process and throughout the year. RRs are advised that they must seek and be granted pre-approval for any new OBA and to notify the Compliance Department if changes are made to current approved activities.

Kingswood Capital Partners, LLC requires OBA information to be updated during the annual compliance attestation; OBA's are covered during branch office inspections and addressed again during the annual compliance meeting. In addition, during other reviews of Advertising, Websites, Internet Searches, rep interviews, training functions and account updates and changes, Kingswood Capital Partners, LLC further looks for undisclosed outside business activities and outside account activity.

During the firm's Annual Compliance Meeting our policies regarding outside business activities are covered thoroughly and RRs are reminded to update their present disclosure information, as necessary. The firm may also cover the topic of outside business activities through the Firm Element Continuing Education training program each year. RRs have a continuing responsibility to report to the Compliance Department any activities considered prior to involvement, as well as notification of termination of activities on an on-going basis.

Designated Supervising Principal

Once an outside business activity has been disclosed by a representative, our CCO is responsible for oversight of the disclosure procedures and ultimate approval or denial of the request.

Upon receipt of a written notice under Rule 3270 by way of Kingswood Capital Partners, LLC's Outside Business Activities Disclosure form, Kingswood Capital Partners, LLC will consider whether the proposed activity will: (1) interfere with or otherwise compromise the RR's responsibilities to the firm and/or the firm's

customers, or (2) be viewed by customers or the public as part of the firm's business based upon, among other factors, the nature of the proposed activity and the manner in which it will be offered. Based on Kingswood Capital Partners, LLC's review of such factors, Kingswood Capital Partners, LLC will evaluate the advisability of imposing specific conditions or limitations on a RR's outside business activity, including where circumstances warrant, prohibiting the activity. Kingswood Capital Partners, LLC will also evaluate the proposed activity to determine whether the activity properly is characterized as an outside business activity or whether it should be treated as an outside securities activity subject to the requirements of Rule 3280 (private securities transaction). Kingswood Capital Partners, LLC will maintain all requests and disclosures by RRs for outside business activities in the RR's registration file as a record of its compliance with these obligations with respect to each written notice received, as required.

Supervisory Procedures & Documentation

Outside business activity disclosures must be in writing on Kingswood Capital Partners, LLC's Outside Business Activities Disclosure form. Once a RR has made proper disclosure to the Compliance Department, a consideration of potential conflict of interest must be assessed. The determination is made by the designated supervising principal with the CCO, who will notify the RR of the determination. This notification will be made in writing and the RR will be instructed to keep the approved notification on file. The approved notice will also be kept on file in the RR's file and the outside business activities log.

Upon denial of the requested activity, the RR must cease his involvement as a condition of continued Kingswood Capital Partners, LLC association. Upon approval, the RR must then amend their U4 to disclose the required details of each outside business activity. The CCO will be responsible for entering the amended U4 "other business" disclosure filing through the FINRA Firm Gateway.

At least annually, as part of their annual compliance and registration attestation packets, RRs will be required to affirm they have disclosed all outside business activities. If any new activities have not been disclosed the RR must complete an "Outside Business Activities Disclosure" form and submit it to the Compliance Department.

The CCO or qualified designee will review the form for conflicts and then determine if it will be approved or disapproved. The form will then be marked as "accepted" or "denied," signed and dated by the reviewer. A signed copy of the form will be returned to the RR with copies maintained in the RR's file. The outside business activity log will be updated indicating accepted or denied.

Kingswood Capital Partners, LLC also provides annual training to RRs on the continuing obligation to comply with FINRA Rule 3270 through the Annual Compliance Meeting and may even be included in the firm element Continuing Education Plan Training.

Private Securities Activities – FINRA Rule 3280

Our CCO is responsible for (a) educating RRs on their requirements regarding private securities transactions and (b) for ensuring that adequate supervision is given to all such activities.

In addition, on an ongoing basis, our designated supervising principals are responsible for ensuring that the individuals for whom they have immediate, ongoing supervision responsibilities are both aware of the rules and requirements and are adhering to them.

Supervisory Review Procedures and Documentation

Prior to participating in any private securities transactions, Kingswood Capital Partners, LLC affiliated persons are required to provide written advance notice to the Compliance Department, describing in detail

the proposed transaction(s) and the individual's proposed role therein on our Private Securities Activities Disclosure form.

Also given in detail must be a clear explanation concerning any selling compensation, which may be received in connection with the proposed transaction. In the case of a series of related transactions in which no selling compensation has been, or will be, received, a single written notification will suffice.

Our CCO will determine whether the individual's participation in the proposed transaction(s) is approved or denied.

If the proposed transaction(s) is/are approved, we will record all such transactions on its books and records and will supervise the individual's participation in the transaction(s) as if it/they were executed on behalf of this firm.

Our CCO will ensure on an annual basis that a review of all such approved private securities transactions is undertaken to ensure that we are, maintaining the appropriate books and records, and appropriately supervising the activities of the individuals permitted to engage in such private securities transactions. Documentation as to such reviews will be maintained in the files, including dates, the name(s) of individual(s) who undertook such reviews, the scope of the review, findings and any corrective measures taken, if deemed necessary based on the review findings.

Documentation as to all training given registered personnel on this matter will also be maintained in the files, including dates, copies of training materials utilized, method of delivery (i.e., annual compliance meeting, CE, compliance manuals, compliance alerts, on-line training, etc.), and names and CRD #s of all individuals who received the training.

Outside Brokerage Accounts

Our CCO is responsible for ensuring that we have appropriate pre-hire and ongoing procedures in place to ensure that we are fully aware of each Associated Person's outside brokerage accounts.

In addition, our designated supervising principals are responsible for ensuring that the individuals under their direct supervision are aware of the requirements regarding any outside brokerage accounts held by Associated Persons of this broker-dealer.

IPO Restrictions: Associated persons and their immediate families are prohibited from participating in IPOs (except for broker-dealers who are engaged solely in mutual funds and/or variable annuities and/or Direct Participation Programs) as indicated in Rule 5130.

Supervisory Review Procedures and Documentation

Our designated supervising principals are responsible for ensuring that each registered person understands the requirements. A Representative must obtain pre-approval for any outside brokerage accounts. To obtain approval the representative will be required to submit such request to Compliance for final approval on the firm's Outside Brokerage Account request form.

Our CCO or appropriate designee will determine whether the request will be approved or disapproved. Our CCO or designee will maintain records of all correspondence or discussions concerning outside brokerage accounts.

Our designated supervising principals or our CCO will advise individuals of approval or denial regarding opening a new brokerage account.

If approval is given, the appropriate designated supervising principal or our CCO will advise the individual of requirements regarding duplicate confirms and/or statements.

Our designated supervising principals will review Associated Person confirms and/or statements on a monthly basis. The designated supervising principals will work with Compliance in investigating any transactions identified by their review.

Copies of all written correspondence will be maintained in the files, with the supervising principal's initials indicating review of the material.

Monthly statements will have reviews evidenced by the reviewing individual's initials and date of review. Any investigations and findings undertaken due to questions raised while reviewing statements will be documented and maintained either by the supervising principal or by Compliance (with notes as to the findings and any necessary follow up actions, indicating who undertook the investigation).

Sharing in Customer Account

The individual responsible for ensuring that all rules and regulations relating to this firm or any of its registered personnel's involvement of sharing in customer profits or losses is our CCO.

In addition, on an ongoing basis, our designated supervisory principals are responsible for overseeing all activities engaged in by the individuals under their direct supervision and for ensuring that they are aware of and in compliance with, all applicable rules and regulations.

Supervisory Review Procedures and Documentation

FINRA rules prohibit broker-dealers and associated persons from sharing, directly or indirectly, in the profits or losses in any account of a customer of this or any other registered broker-dealer. Upon being hired, and thereafter on an annual basis, all registered personnel are advised of this prohibition, except under the following circumstances:

- Prior written authorization is given by Compliance to the firm or to the associated person;
- Prior written authorization is received by this firm from the customer; and
- Prior written guidelines indicate that this firm or the associated person share in the profits and losses in the account ONLY in direct proportion to the financial contributions made to such account by either the firm or the associated person.

Under Rule 2150 accounts of the immediate family (parents, mother-in-law, father-in-law, spouse or any relative to whose support the firm or associated person contributes directly or indirectly) are exempted from the direct proportionate share limitation indicated above.

An associated person acting in an investment advisory capacity (whether or not registered as such) may receive compensation based on a share in profits or gains in an account if:

- Such individual seeking such compensation obtains prior written authorization from this firm;
- Such associated person obtains prior written authorization from the customer; and
- All of the conditions of 205-3 of the Investment Advisers Act of 1940 are satisfied.

While it is this firm's general policy to prohibit all profit and/or loss sharing arrangements between associated persons and our customers, in situations where a request is deemed to warrant a departure from this general prohibition, such sharing may not occur in any account until all of the items as required

hereunder are in place and the individual has been expressly authorized, in writing, by our CCO to engage in such activity.

Our CCO is responsible for ensuring that this general prohibition is made known to all associated personnel, through appropriate training. Documentation of all such training will be maintained in the files, including dates, copies of training materials utilized, method of delivery (i.e., annual compliance meeting, CE, on-line training, etc.), and names and CRD #s of all individuals who received the training.

All such documentation and the rationale for allowing the activity will be maintained in the client files and the personnel / U-4 files, which are both overseen by our CCO.

Restrictions on Personal Accounts of Certain Firm Personnel

Personnel in certain departments such as research, trading, and investment banking may be subject to additional requirements or restrictions on the trading in their personal accounts. Affected personnel will be provided with any additional policies affecting their personal transactions.

IPO Restrictions: Associated persons and their immediate families are prohibited from participating in IPOs (except for broker-dealers who are engaged solely in mutual funds and/or variable annuities and/or Direct Participation Programs) as indicated in Rule 5130

Loans between Registered Persons and Customers

Rule 3240 prohibits registered persons of broker-dealers from borrowing money from or lending money to a customer. The scope of this rule is limited to lending arrangements between registered persons and their customers, rather than customers of the broker-dealer. It is our responsibility to determine whether a particular registered individual represents or services a customer.

The following are the only scenarios in which such arrangements may be permitted without requesting permission from our CCO:

- The customer is a member of the registered individual's immediate family (parent, grandparent, in- law, husband or wife, brother or sister, child, grandchild, cousin, aunt or uncle, niece or nephew or any other person whom the registered person supports, directly or indirectly, to a material extent).
    - Such lending arrangements are permitted, and associated personnel need not make notification or receive written approval from Compliance prior to or subsequent to such lending arrangements.
- The customer is in the business of lending money
    - Such lending arrangements are permitted, and associated personnel need not make notification or receive written approval from our CCO prior to or subsequent to such lending arrangements, PROVIDED the lending arrangement between the RR and the financial institution has been made on commercial terms that the customer generally makes available to the general public similarly situated as to need, purpose and creditworthiness.

The following scenarios require a written request to our CCO who will, on a case-by-case basis, consider approval of any such lending and/or borrowing requests only if the situation meets one of the permissible scenarios, as follows:

- The customer and the registered individual are both registered individuals of the same firm.

    - In this scenario, our CCO may or may not permit such lending arrangements - prior written request to and approval from Compliance is required.
- The lending arrangement is based on a personal relationship outside of the broker-customer relationship.
    - In this scenario, our CCO may or may not permit such lending arrangements - prior written request to and approval from Compliance is required.
- The lending arrangement is based on a business relationship outside of the broker-customer relationship.
    - In this scenario, our CCO may or may not permit such lending arrangements - prior written request to and approval from Compliance is required.

Our CCO is responsible for ensuring that all registered personnel are appropriately educated in terms of what is permitted and what is prohibited when it comes to borrowing money from or lending money to customers.

In addition, our designated supervising principals are responsible for ensuring that the registered personnel under their direct supervision are aware of the prohibitions and that they act accordingly.

Supervisory Review Procedures and Documentation

Our Chief Compliance Officer is responsible for ensuring that, upon hiring, and throughout their association with this broker-dealer, all registered personnel are given training covering the prohibitions and the possible acceptable scenarios. Documentation of all such training will be retained in our files, including dates, copies of training materials utilized, method of delivery (annual compliance meeting, CE, on-line training, etc.) and lists (names and CRD #s) of all individuals who received such training.

Designated supervising principals will also be given training (also documented as shown above) so as to be able to respond directly to those individuals reporting directly to them, either indicating that a particular scenario is (a) not permitted under 3240, (b) only permitted upon prior written approval granted in response to a written request made to Compliance, or (c) permitted without written request and approval.

Should compliance determine that the lending or borrowing situation falls into one of the above situations where approval may be granted, based on a written request outlining all applicable facts and circumstances, a determination will be made as to whether or not to approve the registered person's request. Approval or denial will be made in writing and only upon written approval may the registered individual engage in the lending or borrowing arrangement.

Our CCO will retain documentation in the files of each request and each response, indicating what fact-specific issues determine approval of any such request.

Failure to adhere to the requirements under Rule 3240 or with our policies there under will result in sanctions, which may include termination.

Annual attestations are required by all registered personnel regarding any loan arrangements in which they are involved with customers or attesting to the fact that no such arrangements exist.

Supervision of outsourcing arrangements

A Notice to Members 05-48 was issued "to remind broker-dealers that, in general, any parties conducting activities or functions that require registration under FINRA rules will be considered associated persons of

the broker-dealer, if the service provider is not itself registered as a broker- dealer and the outsourcing functions are known to FINRA (such as in the case of clearing arrangements)."

Our CCO is responsible for being aware of all arrangements we have entered into whereby a third-party service provider is performing a compliance function on our behalf, or assisting us with the performance of a compliance function

Investment Adviser Activities of Associated Persons

The Investment Advisers Act of 1940 defines an "investment adviser" as a person who, for compensation, engages in the business of advising others, either directly or through publications or writings, as to the value of securities, the advisability of investing in, purchasing, or selling securities, or who issues reports or analyses regarding securities. Any person involved in any of the aforementioned activities must be registered.

- Compensation may come in any number of forms including virtually any form of economic benefit that a person receives, including advisory fees, commissions, or any combination thereof. Compensation also includes indirect economic or other benefits such as fees or benefits received from sources other than the recipient of the advice.
- "In the business of" is a term used by the financial services industry to identify those individuals who hold themselves out to the public as being in the financial, investment, or securities business.
    - Additionally, the SEC considers a person to be "in the business" of providing investment advice if the person receives any separate or additional compensation that represents a clearly definable charge for providing the advice. Further, a person is deemed to be "in the business" of rendering investment advice if the person holds himself out as being a person capable of rendering such advice.
- Advice, analyses, or reports about securities: The Advisers Act broadly defines the term "security" Some of the examples are:
    - Equity and debt instruments;
    - Mutual fund shares;
    - Limited partnership interests or shares
    - Investment-oriented insurance products such as variable annuities and variable life insurance;
    - Syndicated investments in, for example, motion pictures, cattle, and racehorses.

A person may be deemed to be giving advice even when the advice doesn't relate to a specific security, such as advising as to the benefits of investing in securities committing assets to another vehicle such as real estate or insurance. A person who provides market-timing advice is viewed as giving advice about securities. A person who advises clients as to the selection of an investment adviser, or who evaluates the performance of investment advisers for clients, may be considered to be indirectly giving advice about securities.

The following persons/entities that perform advisory services that are solely incidental to their practice or profession are excluded from the definition of an investment adviser under the Advisers Act:

- Banks;
- Lawyers, accountants, engineers, and teachers;
- Broker-dealers (investment advice is solely incidental and no special compensation is paid to the provider; i.e.: fees);
- Bona fide publishers;
- Government securities investment advisers;

- Such other persons designated by SEC rules.

RA vs. RIA

An "RA" (also known as “IAR”) is an associated person or “Investment Adviser Representative” of a Registered Investment Adviser. The relationship of an RA to a RIA is similar in many ways to the relationship of an RR to a broker-dealer. Kingswood Capital Partners, LLC currently has a registered investment adviser ("the Corporate RIA"). RRs become associated with the Corporate RIA through a registration process that includes:

- Take and pass Series 65 or Series 66 (where applicable);
- Submit a completed Kingswood Capital Partners, LLC RA Registration Kit to the Financial Advisor Registration area with the Compliance Department.

More information regarding RA registration may be obtained by contacting the CCO.

A "RIA" is a registered entity: an investment adviser firm or individual maintaining separate individual registration with a state or states, or with the U.S. Securities and Exchange Commission ("SEC"). Each such entity is separately accountable to the SEC and to states in which it is registered or filed for compliance with that jurisdictions rules and regulations, capital requirements and to its/their separate examination program(s). For this reason, Kingswood Capital Partners, LLC generally does not permit RR's or agents to be independently registered as an investment adviser with a state(s) or with the SEC. Exceptions are granted only under special circumstances. It is noted that the use of the three-letter acronym “RIA” is unacceptable on business cards, stationery, or in other means.

Corporate Advisor (“The Corporate RIA”), Registered Investment Adviser

In 1997, the National Securities Markets Improvement Act ("NSMIA") separated the regulation of investment advisers between the states and the SEC. NSMIA requires advisers with over $100 million in assets under management to register with the SEC. Certain other advisers, such as those under common control of a SEC advisor or with affiliates or clients in a majority of the states, may also qualify or be required to register with the SEC.

Heightened Supervision

Heightened or “Special” Supervision arrangement (“HSA”) may be imposed in any case in which the Supervisor or the CCO, or another individual in the chain of the RR’s direct or indirect supervisory command feels that such special terms are appropriate. The plan of heightened supervision may generally range from 1 to 12 months, and beyond as appropriate, and may take any form and require any documentation review which the Supervisor and/or CCO feel are appropriate. The plan of heightened supervision shall include an effective date, a termination or conclusion date, and terms through which the plan may be documented and through which its efficacy may be tested. The HSA is effective upon executed signature by agreement of RR, Supervising Principal and CCO and maintained in the RR’s Registration File, as well as a Kingswood Capital Partners, LLC Heightened Supervision Agreement file.

The Supervising Principal and CCO will design all plans of heightened supervision for Kingswood Capital Partners, LLC. The CCO shall also supervise the implementation of the plan and monitor its effectiveness by review and testing to determine if key aspects of the plan are being followed. Only upon concurrence of the Supervising Principal and CCO (as permitted by regulators), the heightened supervision plan may be modified in any manner or terminated.

Our CCO is responsible, on an overall basis, for ensuring that all individuals so required are under heightened supervision. However, on a day-to-day basis, the designated supervising principal is

responsible for monitoring, on a heightened supervisory basis, the activities of any individual required to be overseen in this manner.

Supervisory Review Procedures and Documentation

The following criteria will be used by our CCO (with input from senior management and appropriate designated supervising principals) to determine whether a registered individual should be subject to special or heightened supervision:

(a) Registered representatives with a history of customer complaints, disciplinary actions, and/or arbitration (three or more customer complaints alleging sales practice abuse within the past two years, including written complaints, arbitrations, civil actions);
(b) Persons hired in a non-registered capacity who were previously employed as a registered representative and who have such a history;
(c) Registered representatives who develop such a history while associated with this firm;
(d) Registered representatives terminated from prior employment for what appears to be a significant sales practice or regulatory violation;
(e) Registered representatives who have had a frequent change of employers within the industry (three or more broker-dealers in the past five years);
(f) Registered Representatives from a disciplined firm
(g) A complaint filed by a regulator; or
(h) An injunction in connection with an investment-related activity.

At such time as an individual has been identified as requiring heightened supervision, our CCO (working with the individual's direct supervising principal) will develop and implement special supervisory procedures structured to address specific sales practice concerns raised by the individual's history.

Taken into account will be the product, customer, and/or activity type with which the individual is involved, and the level and risks presented. Restriction of the individual's activities will be considered.

Documentation as to all discussions concerning this individual's special supervisory needs, time frames, limitations, pre-approval on some or all trades, verification of customers of new account information when accounts are opened, extra training or CE in areas subject to special supervision, etc., with copies of the special supervisory procedures created to address those needs, will be maintained in our files, and with a copy signed off on by the supervising principal and the individual being placed under special supervision.

The individual's prior history will be factored into our Needs Analysis determining the scope of continuing education to be afforded this individual. Documentation as to the CE review and determination as to any additional requirements to individuals under heightened supervision will be maintained.

Minimally, the designated supervising principal will hold weekly meetings with any individual under their direct supervision falling within the above parameters requiring heightened supervision, to discuss the ongoing responsibilities of each, and to determine the continuing willingness of the individual to accept the special supervision. Detailed notes concerning these meetings, including any issues raised, which are problematic, will be maintained in the files, including any steps taken by the supervisor to address concerns.

On a quarterly basis, the CCO will meet with supervisory principals who are responsible for enforcing heightened supervision over any individuals, to ensure the supervisor fully understands the requirements and continues to accept the heightened supervisory responsibilities. These meetings will also be utilized to determine whether or not it is felt that any limitations can be removed, if additional limitations need to be added, if the timeframe of heightened supervision can be shortened or should be extended, etc. Detailed

notes concerning these meetings will be retained in the files, indicating dates of meetings, discussion areas, determinations made based on the discussions, etc.

Our CCO will meet with the supervising principal and the individual under heightened supervision at the end of the specified period of time requiring heightened supervision. This meeting will be to determine (a) whether or not the objectives of the supervisory arrangement were met and (b) the need to extend the period of special supervision. Detailed notes concerning all such meetings, including who attended, the date of the meeting, issues discussed, and determinations made, etc. will be maintained in the files. If a determination is made that the heightened supervisory period is to be extended, the individual will be advised of the new time frame, and requested to sign off on it, indicating his or her consent to the arrangement. A decision will also be made at such meetings as to the possible need to alter in any manner the supervisory needs and/or limitations. Any such changes will be distributed appropriately and will be maintained in the file.

Statutorily Disqualified Individuals

Kingswood Capital Partners, LLC will conduct a criminal records check of all prospective Associated Persons and all prospective independent contractors by submitting fingerprint card for processing through the FBI. The U- 4 or Non-Registered Filing form and response from the FBI will serve as documentation. In addition, a copy of the fingerprints must be retained on the premises of the registered branch office to which the unregistered person has been assigned. A felony or serious misdemeanor conviction will be a factor in considering whether to hire a prospective Associated Person, take adverse employment action with respect to a current Associated Person, or deny prospective or current independent contractors or temporary Associated Person's access to Kingswood Capital Partners, LLC's records. Refusal to submit to fingerprint shall be grounds for denial or termination of employment or affiliation as an independent contractor. For each unregistered person associated with a registered branch office, a file must be maintained to contain, at minimum:

- Pre-hire documentation including evidence of a background or reference check and a completed employment application (Although it would not be submitted as a registration document, Form U- 4 may be utilized for the purpose of gathering background information for unregistered personnel;
- Copies of fingerprints and evidence of submission of the original fingerprints to the Compliance Department;
- A job description, including the name of the RR to which the unregistered person shall report;
- A description of the nature of compensation for the Associated Person, note that no unregistered person may be compensated by any percentage of commissions, fees or other compensation related to transactions or investments.

The CCO and Supervisory personnel shall monitor unregistered personnel to detect any inappropriate behavior or actions on their part. Periodically and as needed, the CCO shall provide training to unregistered personnel on conduct that is allowed and conduct that is not and will maintain a record of the training and the personnel in attendance in the central training files.

While our current policy is that we will not consider hiring a statutorily disqualified individual, should Management and Compliance agree, on a case-by-case basis, to override that policy, special care will be taken to comply with stringent supervisory undertakings for such statutorily disqualified person, and to ensure that such individual's Designated Supervising Principal is uniquely qualified.

3.4 Exception Report Utilization

Exception Reports

SEC Exchange Act Rule 17a-3 (Books and Records) requires that BDs retain 'all reports generated to review unusual activity in customer accounts. Industry defines these as 'exception reports.'

FINRA Rules requires that at least annually, the CCO or person designated by the CCO will review the list or description of all reports (exception and other types of reports) provided by the clearing firm and will promptly notify the clearing firm, in writing, of those specific reports that the firm requires to supervise and monitor its customer accounts.

The CCO will conduct the annual review of exception reports and retain documentation of review in the central files.

All exception reports utilized are maintained through our back-office system provided by RBC, with indication (electronic flag of reviewer and date of review) as to who undertook the review. In addition, we will maintain, as part of our records, documentation as any actions required based on what findings resulted. In addition, any corrective measures taken with regard to problems brought to light based on these reports are to be documented and maintained in the Compliance files.

SEC Exchange Act Rule 17a-3 (Books and Records) requires that broker-dealers retain all exception reports for a period of 18 months after generation of the report. We will retain all exception reports, and in addition, will document any corrective measures taken with regard to problems brought to light based on these reports.

Rule 17a-3 permits the use of vendors when exception reports are stored off site and are not maintained on premises at the broker-dealer. Should we not maintain any of our exception reports, the designated principal is responsible for ensuring that the reports can be duplicated "on demand" by a regulator or can be reconstructed so as to accurately show the information utilized on any given date for any specific oversight activity.

All individuals engaged in surveillance activities, using our exception reports, will receive appropriate training in what the reports mean, what "red flags" to look for and how to initiate and document investigations where concerns arise.

Our CCO will retain in the file's information concerning all such training efforts, including, if applicable, meeting agendas, hand out materials, etc., and lists of attendees and the training dates.

Designated Supervisor

Our CCO is responsible for ensuring that we have reasonable systems in place to utilize whatever internal or external exception reports available to have tools to assist in compliance efforts. Such exception reports are to include, but not be limited to, variable and mutual fund switching activities, sales near breakpoint, B and C share transactions over a certain dollar amount (i.e., B shares of $50,000 or more and C shares of $100,000 or more), variable product replacements, increased activity in customer files, or any patterns which may be red flags of fraudulent activities.

Our CCO, working with other appropriate principals of the firm, clearing firm and IT personnel (or outside vendors), is responsible for ensuring that appropriate reports are developed, taking into account our specific products / services and what activities are important to monitor.

3.5 Correspondence Review

Incoming Mail

Our CCO is responsible for ensuring that appropriate policies and procedures are in place for the handling of incoming mail (including e-mail). Incoming email communications to Kingswood Capital Partners, LLC associated persons are captured and reviewed through the firm's outsourced email management technology vendor, Global Relay.

In addition, on an ongoing basis, our designated supervising principals are responsible for ensuring that the individuals under their immediate supervision handle all incoming correspondence appropriately, and that they are reviewed, to be in compliance with regulatory issues and internal policies and procedures.

Outgoing Mail

Rule 2210 defines "Correspondence" as follows: "any written (including electronic) communication that is distributed or made available to 25 or fewer retail investors within any 30 calendar-day period."

FINRA has been clear in stating that included in this definition are e-mails (both internal and external), instant messages, and facsimiles, as well as "snail mail."

Our CCO is responsible for ensuring that we have appropriate policies and procedures in place for reviewing outgoing mail (including e-mail) and that all appropriate individuals are adhering to these policies and procedures.

Each individual's direct supervising principal is responsible for ensuring that all outgoing correspondence is handled appropriately and reviewed, so as to be in compliance with regulatory issues and internal policies and procedures.

All outgoing e-mail messages will be captured and maintained by our outsourced email management vendor, Global Relay.

Designated supervising principals are responsible for ensuring that the registered personnel directly under their supervision are aware of their responsibility to use their approved e-mail address for all securities-related customer communications, so that all emails are captured in the Firm's email surveillance system for review and to make available copies of all e-mail messages sent to clients. Registered persons are strictly prohibited from using any other e-mail address to conduct Kingswood Capital Partners, LLC-related activities. Registered persons are required to save duplicate copies of all electronic communications on the individual's computer and/or back-up drive.

Ongoing supervisory reviews of outgoing e-mail correspondence from registered persons for compliance with regulatory and firm correspondence and electronic communications rules will be conducted on a random basis and will be evidenced by an E-mail Review Log or automated system provided by the email achieve vendor. If a manual log is maintained by the CCO or qualified designee it will contain the following information: Date of correspondence, recipient name, sender's name, reviewer's name, date of review, and whether or not the message poses any compliance or regulatory issues.

Our CCO is responsible for ensuring that appropriate training; monitoring, testing, and record documentation is retained to comply with Rule 3110 and with the guidelines outlined in Notice to Members 22-10. Training will occur at least annually at the firm's Annual Compliance Meeting.

Outgoing “Snail Mail”

All outgoing correspondence, including facsimiles, excluding e-mail (discussed elsewhere herein) prepared by a registered representative and related to our investment banking or securities business is to be reviewed by the designated supervising principal PRIOR to mailing.

All outgoing correspondence will be copied and the review evidenced by initials and dates, with copies to be maintained in monthly or quarterly "outgoing correspondence" files for the requisite six-year period.

Where it is not possible to undertake PRIOR review of outgoing correspondence, our CCO is responsible for ensuring that appropriate training, monitoring, testing, and record documentation is retained in compliance with Rule 31103110 and comply with the guidelines outlined in Notice to Members 14-1014-10.

Branch Office Outgoing Correspondence

Internal audits conducted of branch locations will include a testing of all correspondence review, approval and retention policies and procedures to ensure that they are appropriate and that all locations are fully compliant with applicable rules and internal policies and procedures. Branch reports will indicate the findings, as well as the name of the individual or individuals who undertook the review, and the dates of such review.

Electronic Communications

The Firm is responsible for designating an appropriate principal to monitor and supervise all incoming and outgoing electronic communications with the public. The term “electronic communications” can be defined as any communication transmitted through an electronic medium such as email systems, facsimiles, Intranet, Internet (World Wide Web), social networking through the Internet using social media, electronic bulletin boards, and any other communication systems that can be used, distributed, and received electronically.

The following is a list of some of the guidelines relating to the supervision and enforcement of the Firm’s policy on electronic communications:

Internal Policy

All associated persons of the Firm will be informed that all communications distributed through electronic means are to be used for business purposes only and that any such communications are not to be considered private under any circumstances. Participation in electronic chat rooms, or electronically downloading unauthorized attachments or other information from an otherwise unknown source, is strictly prohibited. It is the policy of the Firm that any action, which is not in compliance, and does not conform to appropriate business standards, may lead to disciplinary action.

Internet-based Electronic Communications

Any distribution of business-related internet-based electronic communications may be considered “Retail Communications” advertising by definition under FINRA Rule 2210 and is therefore prohibited unless reviewed and approved by a designated supervisor of the Firm.

Social Media and Instant Messaging

Instant messaging was originally introduced as an add-on to subscription Internet services but has a growing presence in business communication. Depending on the circumstances, instant messaging is considered “retail communications” or correspondence in accordance with FINRA Rule 2210. In the event that RRs or the Firm uses such technology, the Firm must supervise the use of instant messaging consistent with the required supervision of e-mail messaging. If the Firm is unable to establish an adequate supervisory

program regarding the use of instant messaging technology, the Firm will prohibit the use of such activity involving business communications.

The Firm will also ensure that its use of instant messaging complies with applicable SEC and FINRA recordkeeping requirements.

In accordance with SEA Rule 17a-4(b), SEA Rule 17a-4, and FINRA Rule 2210, the Firm requires that ALL business-related communications, including instant messaging and social media communications, if approved by the Firm for use, be retained for the appropriate retention period in a format that complies with regulatory requirements. Any approved communications will be archived for the applicable regulatory retention period.

Implementation Strategy

Kingswood Capital Partners, LLC requires prior approval before any use of Social Media and IM Technology by its associated persons If the firm does not approve the request or, in the event that the Firm does not maintain a platform which enables it to monitor, archive, and retrieve instant message traffic, the use of instant messaging technology or social media communications with public customers involving business and/or investment related activities will be strictly prohibited.

The designated principal will ensure that associated persons are properly notified of this internal policy and refrain from engaging in any instant messaging communications or social media communications with the public involving business and/or investment related activities and/or investment related activities.

(Reference KW Social Media Compliance Desktop Procedures March 2025)

Approval Requirements

All communications that are electronically distributed may be subject to periodic review and approval by a designated principal of the Firm. The frequency and complexity of the approval process will be conducted in accordance with the current rules under FINRA Rule 2210, Communications with the Public.

Maintenance of Books and Records

It is the Firm's responsibility to preserve a periodic sample of incoming/outgoing electronic communications for overall compliance and review. The maintenance requirements for electronic communications will be similar to that of FINRA Rule 2210.

> **Implementation Strategy:** The designated principal will review and approve all relevant electronic communications (e.g., email, facsimiles, Intranet, Internet, electronic bulletin boards, etc.) concerning any firm-related information and/or investment advice. If necessary, such information will be submitted to FINRA Advertising Department ten days prior to first use pursuant to FINRA Rule 2210. Each piece of electronic communication will be initialed and dated as evidence of review.

3.6 Customer Account Review

Kingswood Capital Partners, LLC shall conduct a review, at least annually, the businesses in which it engages, and which shall be reasonably designed to assist in detecting and preventing violations of, and achieving compliance with, applicable securities laws and regulations, and with applicable FINRA rules. Kingswood Capital Partners, LLC shall review the activities of each office, which shall include the periodic examination of customer accounts to detect and prevent irregularities or abuses.

A broker-dealer that does business with a public customer makes an implied representation that it will deal fairly with the customer in accordance with industry standards. This gives rise to obligations under the U.S federal securities laws, including the obligation to recommend only specific securities or investment strategies suitable for the customer. Broker-dealers must “make every effort to familiarize themselves with each customer’s financial situation, trading experience, and ability to meet risks involved with such products and to make every effort to make customers aware of the pertinent information regarding the products.” Additionally, broker-dealers and their RRs must (1) have an "adequate and reasonable basis" that a recommendation is suitable for some customer and (2) make recommendations based upon the customer's financial situation and level of sophistication, as well as the securities and investment strategy in the context of the customer's other securities holdings.

Account applications are required in all cases including brokerage and non-brokerage accounts, proprietary and non-proprietary products, and variable products as applicable. All account applications, request for change of account address, report of error in an account, and changes of any other type to a customer account shall be made through a Supervisor. Under no circumstance are non-supervisory personnel permitted to process an application or change customer address directly with the clearing firm or a product sponsor.

Customer Account Information

Kingswood Capital Partners, LLC shall maintain the following information for each account:

- Customer's name and residence.
- Whether customer is of legal age.
- Signature of the registered representative introducing the account and signature of the member or partner, officer, or manager who accepts the account.
- If the customer is a corporation, partnership, or other legal entity, the names of any persons authorized to transact business on behalf of the entity.

For each account other than an institutional account, and accounts in which investments are limited to transactions in open-end investment company shares that are not recommended by Kingswood Capital Partners, LLC or its associated persons, Kingswood Capital Partners, LLC shall also make reasonable efforts to obtain, prior to the settlement of the initial transaction in the account, the following information to the extent it is applicable to the account:

- Customer's tax identification or Social Security number.
- Occupation of customer and name and address of employer.
- Whether customer is an associated person of another BD.

Further, in order to recommend the purchase, sale or exchange of any security, the RR must demonstrate that they have reasonable grounds for believing that the recommendation is suitable for the customer based on the individual's situation, including the customer's financial status, investment objectives, cash flow needs, and investment experience. Recording complete, current, and accurate information on the account application evidences the collection of information upon which a reasonable basis for securities recommendations is established.

Periodically, but no less than every three years or whenever there is a material change in client circumstances, the account application must be updated to reflect current information to the customer's data, including net worth, current income, investment experience, investments objectives and risk tolerance. At each amendment to the document, Kingswood Capital Partners, LLC will provide a copy of the amended form, or a summary of the amendments made, to the client and to the RR.

The CCO or designated Supervisory Principal will examine the customer account application/forms to check for completeness and accuracy and to review items that describe the customer's net worth, annual income, options trading experience and other suitability factors and evidence his review by sign-off on the log or the new account form. The CCO or his designee shall monitor the dates of new account forms in order to develop a list of customers who require a new account form to be sent to them in order to update their information.

Change of name or Address on Account

A client address may only be changed on an account upon the receipt of the signed written letter of instruction from the client. Written client instructions will be reviewed to ensure that the address on an account is not being updated to include any of the following prohibited addresses:

- Kingswood Capital Partners, LLC Name address or the branch or detached location address
- P.O. Box, (absent some valid reason)
- Any other address under the control of the RR

The clearing firm, mutual fund or variable product company carrying the customer's account, or the CCO or their designee will send written confirmation of the address change to both the customer's old and new address. The CCO will follow up regarding questions about address changes. All documentation regarding the change of account requests will be maintained in the customer file.

3.7 Taping Rule

The adoption of the Taping Rule was designed to ensure that firms that hire a significant number of registered persons from firms that have been expelled from membership or participation by any SRO or have had their registrations revoked by the SEC for sales practice violations ("disciplined firms") have proper supervision and oversight of their sales force to prevent fraudulent and improper sales practices.

Currently, firms that exceed the threshold levels of the Taping Rule must establish, maintain, and enforce special written procedures for supervising the telemarketing activities of all their registered persons. As part of these procedures, firms are required to install taping systems that record all conversations with customers, to review the tape recordings for questionable sales practices, and to file quarterly reports with FINRA Regulation describing any sales practice violations discovered during the review of the recordings. All such procedures and systems must be maintained for a period of two years. The Taping Rule permits firms to petition FINRA Regulation for exemptive relief pursuant to the Rule 9600 Series.

> **Implementation Strategy:** Although Kingswood Capital Partners, LLC does not engage in telemarketing activities, in accordance with the Taping Rule, if Kingswood Capital Partners, LLC engages in telemarketing at some time in the future, Kingswood Capital Partners, LLC will supervise the telemarketing activities of all of its registered persons if Kingswood Capital Partners, LLC is either is notified by FINRA Regulation or has actual knowledge that it meets one of the following:

- Kingswood Capital Partners, LLC has at least twenty registered persons, where 20% or more of its registered persons have been employed by one or more Disciplined Firms within the last three years;
- Kingswood Capital Partners, LLC has at least ten but fewer than twenty registered persons, where four or more of its registered persons have been employed by one or more Disciplined Firms within the last three years; and

- Kingswood Capital Partners, LLC has at least five but fewer than ten registered persons, where 40% or more of its registered persons have been employed by one or more Disciplined Firms within the last three years;

If Kingswood Capital Partners, LLC meets any one of the criteria above, Kingswood Capital Partners, LLC will tape-record all telephone conversations between registered persons and both existing and potential customers for a period of at least two (2) years from the date that Kingswood Capital Partners, LLC establishes it meets one of the criteria. All tape recordings made will be retained for a period of not less than three years from the date the tape was created, the first two years in an easily accessible place. All recordings will be cataloged by registered person and date. By the 30th day of the month following the end of each calendar quarter, Kingswood Capital Partners, LLC will submit a report FINRA regarding Kingswood Capital Partners, LLC's supervision of the telemarketing activities of its registered persons.

Opt-Out Provision

The Taping Rule permits firms that become subject to the Rule for the first time a one-time opportunity to adjust their staffing levels to fall below the prescribed threshold levels and thus avoid application of the Rule (often referred to as the "opt out provision"). A firm that elects this one-time option must reduce its staffing levels to fall below the applicable threshold levels within 30 days after receiving notice from FINRA or obtaining actual knowledge that it is subject to the provisions of the Rule. Once a firm has made the reductions, Kingswood Capital Partners, LLC is not permitted to rehire the terminated individuals for at least 180 days.

Exemption Requests

FINRA also has the authority to grant exemptions from the Rule in "exceptional circumstances." In reviewing exemption requests, FINRA generally has required a firm to establish that it has alternative procedures to assure supervision at a level functionally equivalent to a taping system.

Firms that trigger application of the Taping Rule for the first time can elect to either avail themselves of the one- time "opt out provision" or seek an exemption from the Rule, but they may not seek both options.

> **Implementation Strategy:** Kingswood Capital Partners, LLC will not employ any registered persons from any firm that have been expelled from membership or participation by any SRO or have had their registrations revoked by the SEC for sales practice violations (otherwise known as "disciplined firms").

3.8 Branch Supervision

Mandatory Inspection Cycles

FINRA Rule 3110 details mandatory inspection cycles that each Firm must have in place for its Offices of Supervisory Jurisdiction (OSJ), branch offices, and non-branch locations. Specifically, Rule 3110 requires each Firm to inspect, at least annually (every calendar year), each OSJ.

Any location that is responsible for supervising the activities of persons associated with a Firm at one or more of a Firm's non-branch office locations is considered to be a branch office.

Also, Rule 3110 requires Firms to inspect all branch offices and non-branch locations, at a minimum, every three years. When establishing how often to inspect its branch offices, Kingswood Capital Partners, LLC will consider whether the nature and complexity of a branch office's securities activities, the branch office's volume of business, and the number of associated persons assigned to the branch office require inspections more frequently than every three years.

Kingswood Capital Partners, LLC will conduct an annual evaluation of each branch office and non-branch location to determine the need for more frequent inspections.

Mandatory Inspection Cycles (Including Registered Support Locations "RSLs")

FINRA Rule 3110 details mandatory inspection cycles that each Firm must have in place for its Offices of Supervisory Jurisdiction (OSJs), branch offices, non-branch locations, and Registered Support Locations ("RSLs"). Under FINRA's RSL framework, locations designated as RSLs are permitted to engage in specified sales-support, client-service, and administrative functions and are therefore subject to tailored supervisory oversight.

Consistent with Rule 3110, the Firm will incorporate RSLs into its risk-based inspection program. While RSLs are not considered traditional branch offices, their registration status requires that they be supervised under written supervisory procedures and included within the Firm's inspection schedule based on the nature of activities performed.

Kingswood Capital Partners, LLC will evaluate each RSL to determine the appropriate inspection frequency. In making this determination, the Firm will consider factors such as:

- the type and extent of client interaction occurring at the RSL;
- whether any securities-related activities are occurring beyond those permitted for RSL designation;
- the number and experience of personnel operating from the RSL;
- the RSL's history of compliance with Firm policies; and
- any red flags identified through email review, trade surveillance, or other supervisory controls.

RSLs will, at a minimum, be reviewed on a risk-based cycle, and the Firm may conduct in-person or remote inspections depending on risk, activity levels, and regulatory requirements. Should an RSL's activities or risk profile change, the Firm will reassess whether a more frequent inspection cadence is required or whether the location should be reclassified as a branch office.

Kingswood Capital Partners, LLC will conduct an annual evaluation of each OSJ, branch office, non-branch location, and RSL to determine whether more frequent inspections are warranted. This annual risk assessment ensures that all locations—including RSLs—are supervised in a manner consistent with the nature, size, and complexity of their activities and in accordance with FINRA Rule 3110.

Required Content and Record keeping Requirements for Inspection Reports

The CCO will also establish the "audit module" to be used when an inspection is being conducted. Once the examination has been completed and the written audit module is completed, the person who conducted the examination will sign and date the report. A copy of the completed report will be sent to the branch manager of the office inspected and a copy will be maintained in the Compliance Department's inspection file. All deficiencies will have to be corrected and the branch manager will have 30 days to respond to the CCO in writing on how they intend to correct the noted items.

The CCO will then follow-up with the Branch Manager to make sure all deficiencies have been corrected. A record of all follow-up communications will be kept with the audit report in the inspection file.

Rule 3110 mandates that Firms must reduce each office inspection to a written report and keep it on file for a minimum of three (3) years, unless the inspection is being conducted pursuant to a regular periodic cycle for

non-branch office locations and the regular periodic schedule is longer than a three-year cycle, in which case the BD must keep the report on file at least until the next inspection report has been written. The written inspection report must also include without limitation, the testing and verification of the BD's policies and procedures, including supervisory policies and procedures, in the areas of:

Required Content and Recordkeeping Requirements for Inspection Reports

The CCO will establish the approved inspection format to be used when conducting branch and non-branch location reviews. Inspectors must utilize the Firm-approved format to document their examination findings, observations, and any identified deficiencies.

Upon completion of the inspection, the examiner will finalize the written report and submit it to the CCO for review. No signature requirement applies. The CCO will review the completed inspection report to ensure that all required elements have been addressed, that the scope was appropriate based on the location's risk profile, and that the report meets Firm standards.

A copy of the completed report will be provided to the branch manager or designated supervisor of the location inspected, and a copy will be retained in the Compliance Department's inspection file in accordance with FINRA Rule 3110(c) recordkeeping obligations.

All deficiencies noted in the report must be remediated. The branch manager will have 30 days to provide a written response to the CCO outlining the corrective actions taken or planned to address each item.

The CCO will conduct appropriate follow-up to confirm that all deficiencies have been fully resolved. Documentation of all follow-up communications and remediation activities will be maintained with the inspection report in the Compliance Department's inspection file.

Supervision of Supervisory Personnel

The Rule prohibits, unless exempt as defined in 3110(b)(6)(C) below, associated persons who perform supervisory functions from (i) supervising their own activities, (ii) reporting to, or having their compensation or continued employment determined by a person they are supervising.

If a member determines, with respect to any of its supervisory personnel, that compliance with subparagraph (i) or (ii) above is not possible because of the member's size or a supervisory personnel's position within the firm, the member must document:

1. The factors the member used to reach such determination; and
2. How the supervisory arrangement with respect to such supervisory personnel otherwise complies with paragraph (a) of this rule?

Supervision of Multiple OSJ's by One Principal

Kingswood Capital Partners, LLC does not allow the supervision of multiple OSJ's by one principal, at this time. At times, some OSJ responsibilities may be allocated to corporate principals or principals of other OSJs.3.09 Monitoring for Insider Trading

Insider Trading

Each member shall include in its supervisory procedures a process for the review of securities transactions that are reasonably designed to identify trades that may violate the provisions of the Exchange Act, the rules thereunder, or FINRA rules prohibiting insider trading and manipulative and deceptive device that are effected for the:

(A) Accounts of the member;
(B) Accounts introduced or carried by the member in which a person associated with the member has a beneficial interest or the authority to make investment decisions;
(C) Accounts of a person associated with the member that are disclosed to the member pursuant to FINRA Rule 3210, as applicable; and
(D) Covered accounts.

Each member must conduct promptly an internal investigation into any such trade to determine whether a violation of those laws or rules has occurred.

A member engaging in investment banking services must file with FINRA written reports, signed by a senior officer of the firm, as such times, and, without limitation, including such content as follows:

(A) Within ten business days of the end of each calendar quarter, a written report describing each internal investigation initiated in the previous calendar quarter pursuant to paragraph (d)(2), including the identity of the member, the date each internal investigation commenced, the status of each open internal investigation, the resolution of any internal investigation reached during the previous calendar quarter, and with respect to each internal investigation, the identity of the security, trades, accounts, associated persons of the member, associated person of the member's family members holding a covered account, under review, and that includes a copy of the member's policies and procedures required by paragraph (d)(1).
(B) Within five business days of completion of the internal investigation pursuant to paragraph (d)(2) in which it was determined that a violation of the provisions of the Exchange Act, the rules thereunder, or FINRA rules prohibiting insider trading and manipulative and deceptive devices had occurred, a written report detailing the completion of the investigation, including the results of the investigation, any internal disciplinary action taken, and any referral of the matter to FINRA, another self-regulatory organization, the SEC, or any other federal, state, or international regulatory authority.

Definitions:

For purposes of this Rule:

(A) The term "covered account" shall include any account introduced or carried by the member that is held by:
    a. The spouse of a covered person associated with the member;
    b. A child of the person associated with the member or such person's spouse, provided that the child resides in the same household as, or is financially dependent upon, the person associated with the member;
    c. Any other related individual over whose account the person associated with the member has control; or
    d. Any other individual over whose account the associated person of the member has control and to whose financial support such person materially contributes.
(B) The term "investment banking services" shall include, without limitation, acting as an underwriter, participating in a selling group in an offering for the issuer, or otherwise acting in furtherance of a public offering of the issuer; acting as a financial adviser in a merger or acquisition; providing venture capital or equity lines of credit or serving as placement agent for the issuer or otherwise acting in furtherance of a private offering of the issuer.

Our CCO is responsible for insider trading controls and for ensuring that all individuals are adequately educated on insider trading issues.

Supervisory Review Procedures and Documentation

- All Associated Persons are required to sign an "Insider Trading" Statement, initially upon being hired and thereafter on an annual basis at our Annual Compliance Meeting. Our CCO will either maintain all these statements in an individual, annual file or see that each individual's U-4 / personnel file contains each year's signed document.
- All Associated Persons are required to sign off on having received a copy of this section of our Written Supervisory Policies & Procedures, that they understand the requirements there under, and, specifically, that they have read and understand this material on "Insider Trading."
- Documentation of this dissemination will be retained in the files, indicating a copy of what was disseminated, dates, names, and CRD #s of the individuals who received the material, and copies of all return attestations of understanding.
- At our Annual Compliance Meeting, or earlier, if necessary (based on the information), all affiliated personnel will be advised of any new or revised Insider Trading rules and updates on new or revised IT regulations.
- All Associated Persons (including all officers and registered and non-registered personnel) adhere to:
  - Maintain as confidential all business-related information in connection with his or her job- related responsibilities;
  - Refrain from disclosing (except on a carefully determined "need to know" basis) any inside information to any person; and
  - Refrain from trading on inside information.

Our CCO will ensure that we:

- provide (on a regular basis) an educational program geared toward familiarizing all associated personnel with "what is insider trading," the firm's policies and procedures on insider trading safeguards and safeguards to be undertaken;
- Respond to any questions or concerns regarding insider trading and/or our policies and procedures in this area;
- Resolve issues, whenever necessary, as to whether information received is material and nonpublic;
- Review on a regular basis (updating when necessary or appropriate to incorporate new or amended IT rules) our policies and procedures concerning Insider Trading safeguards; Make a determination that an officer, director or Associated Person has material nonpublic information, and
  (a) implement measures to prevent dissemination of such information, and
  (b) if necessary, restrict certain individuals from trading the securities; and
- Maintain notes, logs, records, and whatever other documentation may be relevant to memorialize the foregoing efforts taken to prevent insider trading abuse.

Special Reports to Management

If any Associated Person or associated individual (registered or non-registered) learns of any potential violation of our Policies and Procedures to Detect and Prevent Insider Trading, she or he must promptly prepare a written report to the appropriate supervising principal (or to the CCO or senior management) providing full details. If an individual is not certain if any rules have been violated, the issue should be brought to the attention of a supervising principal or CCO for determination.

Training will include advising any associated individual who may have information that one or more other Associated Persons is/are trading on material, non-public information or who may have provided such information to others who are not authorized to receive such information, of the above reporting requirement. However, there may be outside persons authorized to receive such information in connection

with one or more particular transactions, such as individuals who are typically authorized to receive such information (including, among others, attorneys, accountants, and investment bankers involved in the relevant transaction). Therefore, any questions regarding whether information may or may not be properly communicated to another person must be addressed to our CCO prior to taking any action.

Our CCO is responsible for retaining documentation relevant to all of the above, in sufficient detail to have a complete picture of any event related to insider trading.

Training files will be maintained which include dates, copies of training material utilized, method of delivery (i.e., annual compliance meeting, CE, on-line training, etc.), and lists of names and CRD #s of all who received such training.

In order to uncover any insider trading activities, supervisory procedures (overseen by our CCO and/or Designated Supervisory Principal) in place include, but are not necessarily limited to:

- Monthly reviews of trading activity (reviews to be evidenced by initials, dates, and findings)
- Monthly reviews of Outside Brokerage Accounts held by all Associated Persons of the firm. (reviews to be evidenced by initials and dates, and findings)
- Monthly reviews of trading activity of this firm's account, if appropriate (reviews to be evidenced by initials and dates, and findings)

An annual coordinated review of all of the above reports with other appropriate officers, directors and/or Associated Persons is to be conducted (review to be evidenced by indicating who was involved in the review, dates, and findings).

Information Barrier (formerly Chinese Wall) Procedures

A "solid" information barrier is maintained to contain information and prevent leaks of material non- public information outside of the corporate finance group. The Insider Trading and Securities Fraud Enforcement Act of 1988 ("Insider Trading Act") imposes an obligation to establish policies and procedures reasonably designed to prevent the misuse of material non-public information by broker-dealers, Associated Persons, and their proprietary accounts. There is a separation between investment banking and retail. Investment banking transactions cannot be subject to review by, under supervision or control of the retail arm of the broker-dealer.

With regard to retail, all communications and correspondence related to an issuer during a PIPE offering must be approved by compliance. Information related to the issuer, or the PIPE will be communicated internally only on a "need-to-know" basis. Associated Persons with access to such information should be advised of their obligation not to disclose such information to any person unless that person is required to know in performance of the firm's contracts and responsibilities. In the event an Associated Person is required to "cross the wall" in the normal course of business, the compliance department will be notified at which point it will be determined if the circumstances warrant further documentation.

Restricted and Control Securities

Our firm maintains a "watch list" and a "restricted list" policy. The BD firm shall place the issuer's security on the "watch list" at the time interest is shown in the issuer by either the investment-banking or research staff. Once on the "watch list," no member of the investment-banking or research departments will be allowed to engage in trading activity regarding that particular issuer. The BD firm shall place the issuer's security on the "restricted list" at the time that the firm and the issuer have agreed upon the terms of the firm's engagement. Once on the "restricted list," no member of the firm will be permitted to trade in the securities of that particular issuer.

A security must be placed on the “restricted list” when the firm has been engaged for a particular transaction. In the PIPE scenario, this is typically the time when the firm enters into a written engagement letter for a particular PIPE transaction.

On occasions where the investment banking staff is engaged in discussions with an issuer, periodic reports must be made to the firm’s compliance department for the purpose of determining whether discussions have reached a stage that require an issuer’s securities be placed upon either the “watch” or “restricted” list.

4 CUSTOMER ACCOUNTS

Each registered individual opening new accounts or undertaking securities transactions on behalf of an account has the responsibility to use due diligence and learn as many essential facts as possible concerning our customers.

On any recommended transaction, we must obtain minimal information about a customer's financial situation and investment objectives, prior to or promptly after, completion of an initial transaction.

Review as to the appropriate gathering of all required information will be evidenced by a new account form containing the signature of the registered individual who opened the account, the customer, and a supervising principal (whose signature indicates approval).

Information must be obtained and maintained with the New Account forms concerning any special circumstances appropriate to any unusual transactions.

The ongoing reviews will be on a daily, "as needed" basis (in terms of account opening), upon the raising of suitability or other matters (i.e., switching, churning, etc.), and will otherwise be an annual event. However, should situations arise (i.e., concerns with particular registered representatives, anti-money laundering issues, or other concerns), such account reviews may be continued on an on-going basis. Our CCO will make notes to the client files concerning any such reviews. For account openings, such reviews will be evidenced by the principal signing off on the new account form.

Documentation of all training received by registered personnel on account opening procedures and suitability issues is maintained in the files and includes dates, copies of any training materials utilized, method of delivery (i.e., Annual Compliance Meeting, CE, on-line training, etc.), and lists of all individuals (names and CRD #s) who received such training.

An institution is defined as (a) a bank, savings and loan association, insurance company, or registered investment company, (b) an investment adviser registered with either the SEC under Section 203 of the 1940 Act or with a state securities commission (or any agency or office performing like functions), or (c) any other entity (whether a natural person, corporation, partnership, trust, or otherwise) with total assets of at least $50 million.

All investment recommendations made to a client must be suitable for the client, based on information disclosed to the registered representative upon opening of the account.

Notice to Members 96-60 states that a broker-dealer’s suitability "applies only to securities that have been recommended by the [firm or its associates]. It would not apply, therefore, to situations in which a BD acts solely as an order-taker for persons who, on their own initiative, effect transactions without a recommendation from the BD. HOWEVER, a broad range of circumstances may cause a transaction to be considered recommended, and this determination does not depend on the classification of the transaction by a particular BD as 'solicited' or 'unsolicited.' In particular, a transaction WILL be considered to be recommended when the BD or its associated person brings a specific security to the attention of the customer through any means, including, but not limited to, direct telephone communication, the delivery of promotional material through the mail, or the transmission of electronic messages."

Notice to Members 96-60 notwithstanding, our registered personnel are advised that that suitability is always first and foremost in their decisions to accept a non-recommended transaction. There have been cases where broker-dealers have been cited for unsuitable “non- recommended” transactions and the mere fact that a registered individual states a transaction was not recommended will not be the determining factor

in an arbitration case. Our training includes discussions as to how to handle a requested transaction which the registered individual can clearly determine to be unsuitable. No such transaction should be processed without first consulting a supervising principal who may require a written disclosure from the customer acknowledging this firm's concern that the transaction is unsuitable, and that the customer wishes to proceed regardless.

Determining a Customer's Ability to Evaluate Risk Independently: This type of determination depends on an examination of the customer, including the resources available to them to make informed decisions. Several factors relevant to making such a determination include:

1. the use (by the customer) of one or more consultants, investment advisers, or bank trust departments;
2. the general level of experience of the customer in financial markets and specific experience with the type of instruments under consideration;
3. the customer's ability to understand the economic features and risks of the security involved;
4. the customer's ability to independently evaluate how market developments might affect the security; and
5. the complexity of the security of securities involved.

Determining a Customer's Ability to Make Independent Investment Decisions: Several considerations would be called for, including but not necessarily limited to:

1. any written or oral understanding that exists between the broker-dealer and the customer regarding the nature of their relationship and the services to be rendered by the broker-dealer;
2. a pattern of accepting or rejecting recommendations of the broker-dealer;
3. the customer's use of ideas, suggestions, market views, and information obtained from other broker- dealers and/or market professionals, specifically those relating to the same type of securities; and
4. the extent to which the broker/ dealer has received from the customer current comprehensive portfolio information in connection with the discussion of recommended transactions.

4.1 Disclosures to Customers

Under the SEC's books and records rules (Exchange Act Rule 17a-3) we must ensure that all customers are provided with the address and telephone number of the department or individual within the firm to whom complaints should be directed.

Our CCO is responsible for ensuring that appropriate customer notification is made regarding where they may make complaints.

Supervisory Review Procedures and Documentation

Our CCO is responsible for ensuring that a mechanism has been put into place (statement stuffer, comment on statements, individually at account opening, on confirms, etc.) whereby each customer receives the required information. On an annual basis, minimally, all such documents utilized will be reviewed to ensure that all documents being utilized contain the appropriate required disclosure.

If changes have been made to either the address or phone number, appropriate steps will be taken to implement the changes as rapidly as possible. The date a determination was made that changes were needed, and steps to be taken (including who is responsible for undertaking what step and requisite timeframes for completion) will be documented.

SIPC Coverage

Pursuant to the Securities Investors Protection Act (SIPA), procedures are established for the protection of customer funds and securities in the event our firm becomes insolvent. Due to our use of U.S. Mail and other instruments of interstate commerce, Kingswood Capital Partners, LLC is a member of the Securities Investors Protection Corporation (SIPC).

Insured Investors

SIPC provides coverage for each separate customer (retail and institutional) to a maximum of $500,000, of which no more than $250,000 may be for cash holdings. Cash and margin accounts held by the same customer are combined when determining SIPC coverage. SIPC coverage does not extend to BD's that have securities in the possession of a failed BD, subordinated lenders, or commodities accounts.

SIPC Procedures & Liquidation

Upon failure of a BD firm, a trusted will be appointed by a federal court to distribute funds and securities to customers. The trustee is required to notify the BD's customers of the insolvency and to handle the orderly liquidation of the failed BD firm. Liquidation then becomes part of the bankruptcy proceeding. Liquidation proceedings would occur as follows:

1. Wages
2. Taxes
3. Secured Creditors including Secured Bonds
4. General Creditors including Subordinated Debentures
5. Preferred Stockholders
6. Common Stockholders

Disclosure to Customers

Customers are notified upon account opening of any applicable SIPC coverage and reminded annually by our disclosure sent by mail.

4.2 Customer Information Controls

New Accounts

Each individual's direct supervising principal is responsible for ensuring that all suitability requirements related to the age of the investor are appropriately handled by the individuals under their direct supervision, according to regulatory rules, regulations, and definitions.

Supervisory Review Procedures and Documentation

Customer's Age: A customer's age must be noted for all accounts (except institutional accounts). No account is permitted for anyone under the age of majority UNLESS the account is carried as a "custodian" account. (For life insurance sales, the age of majority is 15 years, 6 months.)

No individual or joint account may be opened in the name of any person who has not attained the age of majority in his/her state of residence.

UGMA / UTMA: An account for the benefit of a minor may be opened by an adult custodian. There are two types of custodial accounts for minors - those under the Uniform Gifts to Minors Act (UGMA) and those under the Uniform Transfers to Minors Act (UTMA). All of the states and US territories have adopted either one or both of these Acts. New account documentation must be completed to open a UGMA or UTMA account, with the following information included:

- minor's date of birth;
- minor's state of residence; and
- minor's social security number.

In states with laws modeled on UGMA, the account title must be: (*Custodian's name*) as custodian for (*Minor's name*) under the (*State*) UGMA.

A transfer of property into a UGMA or UTMA account is a complete and irrevocable transfer of property to the minor. The transferor gives up all rights to the property; the transfer cannot be revoked.

Restrictions on Custodial Account Transactions

1. Only one custodian and one minor can be listed on a UGMA or UTMA account.
2. Joint custodians and/or joint minors are not permitted.
3. Powers of attorney giving discretionary authority over a UGMA or UTMA account to persons/entities other than professional money managers ARE PROHIBITED and will not be accepted.
4. UGMA or UTMA accounts are not eligible for margin trading.
5. UGMA or UTMA accounts are not eligible for futures trading.
6. Option trading activity is limited in UGMA or UTMA accounts to purchasing puts against long stock positions and selling covered calls.

Designated supervisory principals review all new accounts and transactions on an on-going basis. Documentation concerning review for appropriate age restrictions, limitations and appropriate disclosures will be evidenced either by initials and dates or by the principal’s signature on the new account form.

Customer Verification of Account Information

Our CCO is responsible for undertaking appropriate reviews to determine that all customers have verified their new account information (within the required 30-day period).

In addition, on an ongoing basis, our designated supervisory principals are responsible for overseeing all new account-opening procedures undertaken by the individuals under their direct supervision.

Supervisory Review Procedures and Documentation

At the time of opening a new account, and on a 36-month cycle thereafter, our clearing firm (RBC) will send out a negative consent letter reflecting information currently on file and requesting updates or changes, if necessary, to ensure the client profile & suitability characteristics are correct and up to date.

"Good Faith" Efforts: The designated principal is responsible for ensuring that all new account information sent to customers for verification displays a statement that the customer should mark any corrections and return the account record (or whatever material we utilize for customers to verify their information on file with us) with any corrections plainly indicated. The statement will also make a request of the customer that we be notified of any future changes to information contained in the account records.

The designated principal will verify any customer accounts which have had changes made (either internally or at the request of the customer) to the account investment objectives or any customer-related information to ensure that each customer received, within 30 days, a copy of the new account information we have on file for that customer. The customer will be asked to check all information for verification purposes and to report back to the firm any corrections that need to be made.

Documentation concerning such reviews will be maintained in the files, indicating what the review covered, the dates of such review, the name of the individual or individuals who conducted the review, and all findings, including, where applicable, corrective measures were taken.

Safeguarding Customer Funds and Securities

Testing and verifying that the internal security procedures include physical, electronic, and procedural safeguards to protect customer funds and securities. Considering the size and scope of the Firm's activities, appropriate safeguards relating to administrative, technical, and physical safeguards are implemented. They are designed to ensure the security and confidentiality of customer funds, securities and other relevant information, protect against any anticipated threats or hazards to the security or integrity of such records, and protect against unauthorized access to or use of such records or information which could result in substantial harm or inconvenience to any customer. The Firm will evaluate and adjust the program in light of changes in the Firm's business arrangements or operations. Additional testing and verification will occur to confirm that each check and/or security received by the Firm is properly recorded and delivered within the prescribed time period as required in accordance with the customer protection rule.

Maintaining Books and Records

Testing and verifying that all relevant books and records are created and maintained in accordance with SEC Rule 17a-4 as amended and effective May 2, 2003. The testing shall also verify whether the Firm is properly filing all records in their appropriate and corresponding file to be located in a convenient and accessible location for a designated period before being moved to a more remote long-term storage location (if applicable).

Transmitting Funds between Customers and Registered Representatives and between Customers and Third Parties

Testing and verifying the proper recording of all transmittals of funds (e.g., wires or checks, etc.) or securities from customers to third party accounts (i.e., a transmittal that would result in a change of beneficial ownership); from customer accounts to outside entities (e.g., banks, investment companies, etc.); from customer accounts to locations other than a customer's primary residence (e.g., post office box, "in care of" accounts, alternate address, etc.); and between customers and registered representatives, including the hand- delivery of checks.

Validating Customer Address Changes

Testing and verifying that in the event the Firm receives a request for a change of address from an existing customer; certain procedures are conducted as an effective verification process for the requested address change. The designated supervisor will ensure that the Firm sends a notification letter to the last known residential address of record for the customer as provided on the Firm's customer account information. Similar to a "negative verification" letter, this letter will confirm the customer requested the address change and would only require a response from the customer in the event that the information contained in the confirmation letter is incorrect. Additionally, a similar verification letter will be sent to the new address also confirming the requested change. As an alternative method to verifying the change in customer address information, the Firm may contact the customer directly via telephone and receive a verbal confirmation. All methods of the verification process shall be documented and retained as evidence of supervision and compliance.

Validating Changes in Customer Account Information

Testing and verifying that before any customer order is executed at or through the Firm, there must be placed upon the memorandum for each transaction, the name or designation of the account (or accounts)

for which such order is to be executed. No change in such account name(s) (including related accounts) or designation(s) (including error accounts) shall be made unless the change has been authorized by a broker-dealer or a person(s) designated under the provisions of FINRA rules. Such person must, prior to giving his/her approval of the account designation change, be personally informed of the essential facts relative thereto and indicate his or her approval of such change in writing on the order or other similar record of the BD. The essential facts relied upon by the person approving the change must be recorded and preserved for a period of not less than three years, the first two years in an easily accessible place in accordance with SEC Rule 17a-4. More specifically, verifying that the designated supervisor is monitoring all relevant trades to ensure that each memorandum include the name or designation of the account for each order to be executed. Moreover, the designated supervisor will review each request for change in such account name(s) (including related accounts) or designation(s) (including error accounts), and render a decision based on relevant facts and circumstances surrounding the request. In the event that the designated supervisor approves a change in account name or designation, such approval will be in writing on the order or other similar record as documentary evidence.

Customer Option Account

Each BD shall maintain at the principal supervisory office having jurisdiction over the office servicing customer accounts, or have readily accessible and promptly retrievable, information to permit review of each customer's options account on a timely basis to determine:

- the compatibility of options transactions with investment objectives and with the types of transactions for which the account was approved;
- the size and frequency of options transactions;
- commission activity in the account;
- profit or loss in the account;
- undue concentration in any options class or classes, and
- compliance with the provisions of Regulation T of the Federal Reserve Board and the confirmation letter is incorrect.

For more information, see Options section.

4.3 Account Approval

A completed new account form, signed by the RR, is required for each new account opened. The designated supervisor is responsible for reviewing the new account form for the necessary information and will promptly approve each new account.

4.4 Transferring Accounts

Accounts Transferring In

When new accounts are transferred from another broker-dealer, a transfer form must be completed by the customer authorizing the transfer and provided to the receiving firm. Most accounts transfer via ACATS which expedites validation and transfer from the other BD.

RRs should contact Operations to confirm whether the transfer has been validated.

Accounts Transferring out

When validated instruction has been received to transfer a customer's securities account assets to another firm, the account will be "frozen," i.e., all open orders (with the exception of option positions that expire within 7 business days) must be canceled and no new orders taken.

The firm and its employees may not interfere with a customer's request to transfer his or her account unless there is a bona fide reason for doing so, such as a lien for money owed.

4.5 Account Updates

RRs should promptly update customer new account information whenever they are informed or become aware of changes. Updates may be recorded by making revisions to existing forms or completing new forms. New forms require the approval of the designated supervisor and signature of the customer, where required.

At least every 36 months' customers will be provided with new account information on record for their accounts and will be asked to advise of any changes or updates. Responses will be forwarded to Compliance. This notification is not required for accounts that have been inactive for 36 months or where no recommendations are made to the customer.

4.6 Margin Accounts

Margin is available to investors pursuant to the Securities Exchange Act of 1934 that gave the Federal Reserve Board ("FRB") the responsibility and authority to regulate the extension of credit on the purchase of securities. The FRB regulates the extension of credit by brokerage firms through Regulation T (most commonly referred to as "Reg T"). The FRB can change the margin requirement to either tighten (raise requirement) or loosen (lower requirement) credit. At any time, the FRB may raise or lower the required % for initial purchase and maintenance. RRs are advised to notify their client that clearing firm, as Kingswood Capital Partners, LLC's clearing firm, may also establish its own requirements for margin by account or by security, provided they at least meet those requirements set by the FRB. In addition, Kingswood Capital Partners, LLC may establish certain additional constraints and requirements related to margin accounts.

In recent rule-making and subsequent guidance to its BDs regarding margin accounts, FINRA has established the requirement for annual disclosure of the features of margin accounts. The Notice to Members, which includes samples of the margin disclosure statement, provides a useful resource, and should be reviewed by all RRs who intend to offer such accounts.

Because a margin account enables a client to borrow against account equity, the basic nature of a margin account is more aggressive and involves a higher degree of risk than a cash account. A client may use margin to purchase securities for which he/she does not have available cash, or to write checks against equity in a brokerage account. Any of these activities could lead to shortfalls in the client account in the event of a market downturn.

Margin accounts are available to appropriate Kingswood Capital Partners, LLC clients through the brokerage account platform.

Appropriate Clients for Margin Accounts

Qualified margin customers are those customers that exhibit adequate financial and credit resources to absorb an increased risk of loss, prior investment history in marginable stocks, and financial investment

sophistication to adequately evaluate the inherent risks of margin trading. A client must have the wherewithal to pay for any trade at the time it is executed whether it is entered in a cash or margin account.

Margin accounts should be reserved only for those clients who fully understand the nature of the account, and who can bear the responsibility and increased risk. Margin applicants deemed unacceptable by Kingswood Capital Partners, LLC may be approved for cash accounts. No less than annually, clients investing in margin accounts will receive a disclosure notice identifying specific terms and explaining general characteristics of this type of account.

Inappropriate Categories of Accounts for Margin

The following categories of accounts may not be margined:

- Custodial accounts for minors (UGMA, UTMA);
- IRA, ERISA accounts;
- Most fiduciary accounts (Trustee, Guardian, etc.) and Corporate Accounts - documentation demonstrating the scope of authority for fiduciaries or corporate officers, and specifically allowing margin accounts will be required for approval;
- Estate accounts; and
- Financial Institution Associated Person accounts.

Opening a Margin Account

The Kingswood Capital Partners, LLC Brokerage Account Application includes a separate section entitled for "margin account" which must be completed and separately executed by the client if he or she wishes to apply for the privilege. The margin account section of the document includes several disclosures that must be thoroughly reviewed by the RR with the client. These disclosures include:

- Under what conditions interest can be charged;
- The annual rates of interest;
- Method of computing interest;
- When interest rates can be changes without prior notice;
- How debit balances are determined;
- What other charges can be imposed;
- The nature of any lien or other interest that can be retained by RBC;
- When additional collateral can be required;
- When and why a margin call may occur; and
- What affect a margin call may have.

The clearing firm will also provide extensive additional information pertaining to the status of the margin account to the customer in monthly or quarterly statements, including the following:

- Beginning and closing balances;
- Beginning and ending dates of the interest period;
- The balance at the end of the interest period;
- Debits and credits entered during the period;
- Interest charged;
- Rates of interest charged during the period; and
- Debit balance(s) or average debit balance upon which interest was computed.

A RR with margin account client invested in a margin account should be familiar with the reporting mechanisms of clearing firm for its margin accounts to ensure that a client's questions and concerns can be answered.

Approval for margin accounts may take up to 2 weeks, and will be based on client suitability (income, objectives, experience) and other factors. After passing review and gaining approval at Kingswood Capital Partners, LLC, a margin account is subject to further review by clearing firm, which reserves the final right of approval in all cases.

RRs should contact their supervisor or the CCO for further information regarding margin accounts.

Margin Disclosure Statement

Under the terms of Rule 4210[3], no BD may open a margin account, as specified in Regulation T of the Board of Governors of the Federal Reserve System, for or on behalf of a non-institutional customer, unless, prior to or at the time of opening the account, the BD has furnished to the customer, individually, in writing or electronically, and in a separate document, the statement which is required by FINRA.

The annual required disclosure statement may be delivered within or as part of other account documentation and does not have to be provided in a separate document.

In lieu of providing the disclosures above, a BD may provide to the customer an alternative disclosure statement, provided that the alternative disclosures shall be substantially similar to the disclosures specified in paragraph above.

For purposes of this Rule, the term “non-institutional customer” means a customer that does not qualify as an “institutional account,” as defined.

The Compliance Officer will ensure that Kingswood Capital Partners, LLC complies with all of the terms of the Rule.

[3] This version is valid from Apr 06, 2022 through Apr 23, 2023.

Maintaining a Margin Account

Once the account is opened, the client must maintain a minimum amount of equity. This amount is currently $5,000 or 50% of the equity of securities in the account, but could be raised or lowered at the discretion of the FRB, clearing firm, and/or Kingswood Capital Partners, LLC at any time. In the event account equity falls below the minimum, a call ("Margin Call") will be placed to the RR of record. Upon notification of a Margin Call, the RR must immediately contact the client and obtain a deposit to the account in sufficient value to restore the appropriate level of equity. Failure by the client to restore the equity in the account will result in a sell-out of securities in the account.

In volatile markets, in market downturns, and in other circumstances, Margin Calls may be more prevalent. It is incumbent upon the RR to monitor and maintain accounts in a manner that ensures that Margin Calls will be minimal and promptly communicated to the investor.

The CCO shall review all margin account applications and the relevant documentation in the customer file such as (but not limited to) financial condition, investment objectives, and investment experience in order to make a determination if a margin account is appropriate for the customer. All margin accounts must be approved in writing by the CCO prior to any trading activity on margin. The CCO or his designee shall deliver the annual margin disclosure to all margin accounts and document the disclosure and the list of recipients in the central files. The Supervisor and/or the CCO shall monitor margin accounts to ensure each has the minimum amount of equity. In the event an account's equity falls below minimum for the account, the Supervisor and/or the CCO shall ensure the RR contacts the customer to obtain a deposit or the appropriate actions necessary will be taken to restore the minimum equity in the account.

4.7 Pre-Dispute Arbitration Agreement

Customers will be provided with copies of any signed agreements that include a pre-dispute arbitration agreement within 30 days of signing; the customer will acknowledge receipt of the arbitration agreement on the agreement itself or on a separate document.

In addition, within 10 days of request by a customer, Kingswood Capital Partners, LLC will provide a copy of any pre-dispute arbitration agreement the customer has signed as well as relevant arbitration forum rules, if requested. The customer will be notified if the signed agreement cannot be located.

4.8 Industry Affiliated Account

When opening an account for a person employed by another broker-dealer (including accounts where the employee has control or a personal financial interest), the other broker-dealer must be notified. Kingswood Capital Partners, LLC will provide duplicate confirmations, statements, or other information requested by the employing broker-dealer.

4.9 Standards for Senior Investors

Firms should carefully consider the risk and time horizon of a product in relation to an investor's age and lifestyle, liquidity needs, retirement status. As a result, OUR FIRM interprets suitability for senior investors as one of risk adversity.

The CCO or his DSP will perform periodic account reviews as pertains to senior investors.

Red Flags

With the guidance of Notice to Members 07-43, we consider the following types of account activity to warrant further review of the account representative's investment practices:

1. Products that have withdrawal penalties or otherwise lack liquidity, such as deferred variable annuities, equity indexed annuities, some real estate investments, and limited partnerships
2. Variable life settlements (additional guidance on Notice to Members 06-38)
3. Complex structured products, such as collateralized debt obligations (CDOs)
4. Mortgaging home equity for investment purposes
5. Using retirement savings, including early withdrawals from IRAs, to invest in high-risk investments
6. New purchases of long-term products, such as Variable Annuities

Senior Investors and 'Accredited Investor' Status

Kingswood Capital Partners, LLC prohibits the practice of 'over reliance on net worth.' Specifically, an investor who qualifies as 'accredited' based solely on the value of his illiquid assets is deemed unsuitable for an investment product requiring 'Accredited' status. Registered Representatives must be diligent treat 'eligibility' and 'suitability' as separate and distinct.

5 FINANCIAL AND OPERATIONS PROCEDURES

5.1 Financial Reporting

Supervisory Review Procedures and Documentation

Our FINOP is responsible for [in accordance with FINRA Membership and Registration Rule 1022(c)] the following, as applicable to the business and financial requirements of this broker-dealer:

- Final approval and responsibility for the accuracy of financial reports submitted on behalf of this firm.
- Final preparation of all financial reports (trial balances, income/expense statements, net capital computations, FOCUS Reports, etc.). Prior to submission of FOCUS Reports an officer of the firm will review and provide approval to submit.
- Supervision of all individuals assisting in the preparation of financial documents.
- Supervision of, and overall responsibility for all individuals engaged in the maintenance of this firm's books and records which form the basis for our financial reports and net capital computations.
- Supervision and oversight of all matters relating to this firm's financial and net capital computations, including but not limited to:
    - Ensuring that additional net capital funds are deposited when necessary;
    - Ensuring that a Fidelity Bond in an appropriate amount (to match our net capital requirement) is maintained; and
    - Ensuring that all books and records (general ledgers, trial balances, etc.) are maintained on a current basis.
- Reviewing (on a quarterly basis) our “Checks Received/Disbursed” and “Securities Received/Disbursed” logs to ensure that we are not permitting any activities which could jeopardize our Exchange Act Rule 15c3-3 exemption or place us in net capital violation.
- Establishing procedures to ensure that all books and records will be maintained in a readily accessible place for two years and then kept for either three or six years pursuant to the appropriate time frame noted in SEC Exchange Act Rule 17a-4.
- Ensuring that an extension request is filed at least three (3) business days prior to filing date if it is ever anticipated that a FOCUS filing will not be made by the required deadline.

Under SEC Exchange Act Rule 15c3-1, our FINOP is also responsible for:

1. Ensuring that net capital is being computed in accordance with the provisions of the rule, and that we have been (and are in) net capital compliance during all hours in which business was being conducted.
2. Establishing, maintaining, and verifying that all accruals are being posted properly and in compliance with Generally Accepted Accounting Principles. (NOTE: Cash Basis Accounting is not allowed for financial reporting by the SEC, although it is allowed for tax reporting by the IRS).
3. Analyzing for allowable and non-allowable assets periodically, and at a minimum, at least every two weeks. (NOTE: Receivables from other Brokers or Dealers for other than regular securities transactions are generally non-allowable for capital, including receivables from tax shelter programs, among others).
4. Conducting reviews of any secured demand notes we carry to make certain collateral value, after appropriate "haircuts" are applied, equals or exceeds face value of notes.

5. Reviewing frequently the market value of any inventory positions we may carry with an eye towards possible concentrated positions (being conservative in valuations and making sure of "haircut" deductions).
6. Ensuring that we are in full compliance (under SEC Exchange Act Rule 15c3-1) regarding any withdrawals of capital.
7. Establishing procedures which will allow all reconciliations and analyses to be completed in time for the prompt preparation and filing of FOCUS Reports (FOCUS II for carrying firms and FOCUS IIA for non- carrying firms) within the seventeen (17) business day filing requirement.
8. Preparing a monthly net capital computation, regardless of whether or not we are required to file FOCUS Reports on a monthly basis.
9. Ensuring compliance with all notification provisions under SEC Exchange Act Rule 17a-11, including, among other things, notices relating to net capital and books and records deficiencies.
10. Notifying regulators of any change in our fiscal year end ("FYE").
11. Payment of assessments and fees to regulators (see further "FINRA Assessments and CRD Renewals" section in these WSPs).

Electronic Filing Requirements

Utilizing FINRA's regulatory notice templates, our FINOP is responsible for ensuring that the following notices, as appropriate and/or necessary, are filed electronically with FINRA:

- Withdrawals of Equity Capital - SEC Rule 15c3-1(e)
- Special Reserve Bank Account - SEC Rule 15c3-3(i)
- Replacement of Accountant - SEC Rule 17a-5(f)(4)
- Net Capital Deficiency - SEC Rule 17a-11(b)
- Aggregate Indebtedness I Excess of 1200 Percent of Net Capital - SEC Rule 17a-1(c)(1)
- Net Capital is Less than 5 Percent of Aggregate Debit Items - SEC Rule 17a-11(c)(2)
- Net Capital is Less than 120 Percent of Required Minimum Dollar Amount - SEC Rule 17a-11(c)(3)
- Failure to Make and Keep Current Books and Records - SEC Rule 17a-11(d)
- Material Inadequacy in Accounting Systems, Internal Controls or Practices and Procedures - SEC Rule 17a-11(e)

Notice to Members 06-61 (November, 2006) states at Endnote #4, "Electronic filing of these notices with FINRA does not affect requirements in those rules to file notices with the SEC or other securities regulatory agencies."

As additional controls, our FINOP is responsible for undertaking or overseeing the reconciliation and/or preparation, review, and maintenance of the following, if applicable, based on the business undertaken by this broker-dealer:

- Liquid asset accounts
- Error accounts
- Any other accounts prepared on our behalf

It is the CCO's responsibility to ensure that the FINOP has access or is provided these statements of accounts each month. Any issues arising from the review of any of the above, or any other areas of financial control and/ or oversight, will be immediately addressed and documented (including the nature of the concern, what the findings were, what actions, if any, were required, relevant dates and initials of the individual undertaking any review or follow up actions). Our CCO is the individual ultimately responsible for ensuring that all corrective measures are taken when necessary, or that additional surveillance or other supervisory activities are put into place (working with Senior Management and Compliance).

FYE Audited Financials: In addition, our FINOP is also responsible for making every effort to see that our outside independent accountant completes our FYE Audited Financial Statement in sufficient time for it to be filed (not later than 60 days after FYE) with the relevant FINRA, SEC and state jurisdictions.

In the event that our outside independent auditors do not finalize their audit report in sufficient time for us to file it with the regulatory bodies in a timely manner, our FINOP will ensure that appropriate extension request letters are submitted, PRIOR to the filing deadline. In such instances, our FINOP is responsible for appropriate documentation, follow up and timely submission, based on extensions received.

Two copies of the audited financials are required to be submitted to the SEC in Washington, DC, one copy to the appropriate SEC Regional/District Office and one copy to FINRA's Principal Office. In addition, it is our FINOP's responsibility to determine, the states in which this broker-dealer is registered which also require receipt of our FYE audited financials, as well as the required submission deadlines. Documentation of FYE Audited Financial Statement submissions will be maintained in the files, on an annual basis.

Our FINOP is responsible for ensuring that all financial reports are filed in a timely manner, to the appropriate locations.

Financial Filing Extensions: FOCUS Reports (both monthly, if required, and quarterly) are required to be filed no later than 17 business days after month- or quarter-end. FYE annual audited financials are due 60 calendar days after the end of our fiscal year. All reports are due by midnight, EST, of the deadline date, and reports are considered filed when actually received by the regulatory body. (If the due date of an annual audit falls on a weekend or business holiday, the audit will be accepted up to the next business day following the weekend or holiday.)

Our FINOP is aware that requests for extensions may only be made in exceptional circumstances, and if such an extension request is made it must be submitted in writing to, and received by, our FINRA District Office no later than three business days prior to the due date of the report, with all related documentation retained in the files.

Late Filing Fee: In Notice to Members 03-35, FINRA states that "failure to file such reports by the due date, or the revised due date if an extension has been granted, will result in a late fee of $100 per day for a maximum of 10 days, as described in Schedule A of FINRA's By-Laws." This late fee is an "administrative fee" and is therefore not a "reportable event." FINRA also states that "all reports will be considered timely filed only when received at the appropriate time and at the required location."

Our FINOP is responsible for ensuring that late filing fees are paid in a timely manner and for maintaining appropriate documentation indicating the payments in the files.

Sarbanes-Oxley Act: The Sarbanes-Oxley Act, Section 17(e) of the Exchange Act requires financial documents filed by broker-dealers to be certified by an independent public accountant registered with the Public Company Accounting Oversight Board (PCAOB). This requirement is suspended until such time as PCAOB promulgates rules for the registration of independent public accountants that audit non-public broker-dealers. Our FINOP is responsible for ensuring that when such requirement becomes official, appropriate steps will be taken to ensure our compliance.

In accordance with Rule 2261, our CCO will ensure that our FINOP makes available, upon customer request, any information relative to our financial condition as disclosed in our most recent balance sheet.

(For purposes of this rule a "customer" is deemed to be any person who in the regular course of our business has cash of securities in our possession.)

Bank Sweep Program and recordkeeping

In accordance with SEA Rule 17a-3(a)(11), SEA Rule 17a-4, and FINRA Rule 3110(b), the Firm has established procedures governing its Bank Sweep Program and related financial recordkeeping.

1. Bank Sweep Account Oversight

-The Firm shall maintain supervisory procedures to monitor all bank sweep accounts, including the Endeavor Bank Sweep Account ending in 4730.

- The Firm will ensure that monthly bank statements are obtained directly from the bank for each account. Reliance solely on transaction summary reports, screenshots, or non-statement data is prohibited for reconciliation purposes.

2. Monthly Bank Reconciliations

- The Firm shall prepare accurate monthly reconciliations for each sweep account using the official bank statement.

- Reconciliations will include documentation of all activity details, deposits, withdrawals, and month-end balances.

- The reconciliations will be retained as part of the Firm's books and records in accordance with 17a-3(a)(11).

3. Supervision and Review

- The Chief Financial Officer (CFO) or designee will review and sign off on all monthly reconciliations within ten (10) business days of receipt of the bank statement.

- The Chief Compliance Officer (CCO) will periodically review reconciliations to confirm supervisory adherence and compliance with regulatory requirements.

4. Audit & Independent Confirmation

- The Firm will maintain procedures to reconcile its reported balances with bank confirmations obtained during PCAOB audits and regulatory reviews.

- Any discrepancies identified will be promptly escalated to senior management, documented in the compliance files, and corrected in financial reporting.

5. Materiality and Documentation

- The Firm will continue to apply GAAP-based materiality standards in preparing financial reports and net capital computations.

- All reconciliations, bank statements, and supervisory approvals will be retained in accordance with SEA Rule 17a-4.

5.2 Handling of Customer Funds and Securities

Improper Use of Customer Funds

Our CCO is responsible for ensuring that we have appropriate policies in place to deter and detect inappropriate handling of customer funds.

In addition, on an ongoing basis, our designated supervising principals are responsible for sufficiently overseeing all individuals under their immediate supervision so as to detect and deter any activities involving the improper use of customer funds.

Supervisory Review Procedures and Documentation

It is our policy that customers are discouraged from sending checks to the firm, but in circumstances where these instructions are not followed, all policies and procedures concerning the handling of client funds must be carefully adhered to.

All customer checks are to be made payable to a third party (as appropriate, to an investment company, insurance company, an issuer, an issuer's escrow account, clearing firm, etc.).

No client checks may be accepted that are made payable to the firm or an Associated Person of the firm. Should a client submit a check made payable to the firm or an Associated Person of the firm, it is to be immediately turned over to the individual's supervising principal who will, in turn, ensure that the check is entered onto our “checks received / disbursed” log and returned to the client, with re- issue instructions.

Our CCO and our designated supervising principals are responsible for ensuring that all registered personnel are sufficiently informed as to the appropriate handling of customer funds.

All funds received by this firm will be processed, copies made (appropriate “checks received / disbursed” log entries made) and mailed via a traceable carrier (no later than noon of the following business day) directly to the appropriate third party or returned to the customer. Copies of all customer checks received are maintained in the client files.

Our “checks received / disbursed” logs will be reviewed, minimally on a monthly basis, to ensure that all checks are appropriately forwarded in a timely manner. Failure to immediately forward the checks could put us in net capital jeopardy.

All such reviews will be documented, evidencing reviews by initials and dates.

Red flags triggering reviews of a more in-depth nature include, but are not limited to:

- Significant increase/decrease in transaction frequency
- Material change in the type of securities purchased/sold in an account
- Increase in commissions generated by an account
- Significant increase in canceled transactions or extension requests

Documentation of any red flag, or other reviews, generated to ensure that there has been no improper handling of customer funds will be maintained in the files, indicating what caused the review, who undertook the review, the dates of such review activities, what the review entailed, and any findings and corrective measure taken.

Escrow Accounts

Our CCO is responsible for ensuring that all rules and regulations relating to any escrow agreements into which we may enter for best efforts offerings. Neither Kingswood Capital Partners, LLC nor any of its associated persons will maintain an escrow account for any securities offering conducted through the firm, or for the operation and management of its securities customers.

Supervisory Review Procedures and Documentation

Prior to entering into any escrow agreements, the designated principal will ensure familiarity with the rules and FINRA Notices to Members 87-61 and 84-7 to ensure that all requirements under SEC Exchange Act Rules 10b- 9 and 15c2-4 (which applies to best efforts offerings that include a contingency that may result in the return of investors' funds if the contingency is not met) have been met. These rules cover both public and private offerings.

Generally, these escrow agreements are drawn up by issuer's counsel and only require us to review them for regulatory compliance. Should we have concerns which are not addressed by issuer's counsel, we will seek assistance from separate counsel (documenting such concerns and findings in the file).

Each proposed escrow agreement will be individually reviewed against FINRA Notice to Members 87-61, with a note to the file indicating that it complies with the requirements (such reviews evidenced by initials and dates). Where it is determined that it does not comply, non- compliance areas will be brought to the attention of issuer's counsel for rectification.

Prior to our being in a position to begin soliciting investments for any best efforts offering or "mini/ maxi" deal, an escrow agreement must be signed off on and approved by our CCO.

Private Offerings for Affiliated Entities: When conducting an offering for an affiliated issuer, we are responsible for ensuring that any checks sent to the issuer (affiliate) are promptly transmitted to the escrow account. The regulators deem checks sent to an affiliated issuer to be checks sent to this broker-dealer, for net capital purposes.

Our CCO will require that any affiliated entities for which we act as a private placement agent maintain a "Checks Received/Disbursed" log which must be sent to us by close of business each Friday during the time when funds are being raised for any offering. These logs will be maintained in our files, with review evidenced by initials and dates.

Our CCO will review this log to determine that all checks are being sent to the escrow account (the same day of receipt or by noon the following business day when same day delivery is not possible).

Failure of our affiliates to promptly delivery all investor checks will impact our net capital requirement and may place us in net capital violation.

Escrow Bank Must be "Independent": Our CCO will determine that all escrow accounts are maintained at a bank (with a bank officer acting as "escrow agent"), that is independent of both this broker-dealer and the issuer making appropriate notes to the file as to how the determination was reached. (Counsel is not permitted to act as an escrow agent.)

Receipt of Cash

Our designated supervising principals are responsible for ensuring that the individuals under their immediate supervision are aware of both the prohibition against the receipt of cash by this broker/ dealer

and its affiliated personnel and the potential ramifications (including the possibility of immediate termination) for violating this prohibition.

Supervisory Review Procedures and Documentation

Each individual is sufficiently trained to understand our strict prohibition against accepting cash (all such training documented in the files, including dates, copies of training materials utilized, method of delivery, annual compliance meeting, CE, compliance manuals, compliance alerts, on-line training, etc. – and names and CRD #s of those individuals who received the training).

Our policy not to receive cash is further carried out by the fact that any deviation from the policy will result in appropriate disciplinary action, including the possibility of immediate termination.

In addition, if it is found that an affiliated individual violated our prohibition against receiving cash, our CCO must immediately be notified so that a determination can be made as to whether or not any actions are required under our Anti-Money Laundering Program, such as filing a Cash Transaction Report ("CTR") or a Suspicious Activities Report ("SAR-SF").

Receipt of Securities

Our designated supervising principals are responsible for ensuring that the individuals under their immediate supervision are aware of the appropriate procedures when accepting customer securities for deposit into their account, and the potential ramifications (including the possibility of immediate termination) for violating the firm's policy.

It is imperative that the firm ensure the prompt delivery of customer securities on behalf of customers to the clearing broker in order to qualify for the SEC Rule 15c3-3(k)(2)(ii) exemption. It is preferred that existing customers send their securities certificates directly to our clearing firm for immediate deposit into their respective accounts.

Supervisory Review Procedures and Documentation

Any securities certificates received are to be immediately turned over to the appropriate supervising principal, Operations Manager or CCO for immediate processing. Each certificate is imaged into our document imaging software. Metadata is used to log the date, time received, and the account to which it is to be deposited to. That metadata can be retrieved as a report for tracking purposes. Securities are then immediately forwarded to our clearing firm (or other appropriate third party custodian).

It is the policy of this firm not to implement a sell order for a security without having the securities certificate in- hand and in good order or already "long" in an account with our clearing firm. At the time the certificate is received, the back and front of the certificate will be examined for any endorsements with regard to restrictions and/or controls of the particular stock. Any identified restriction may indicate a delay in the "good delivery" of the securities, and therefore, any sell order must not be processed without the approval of the Trading Principal or CCO.

Any instances where it is determined that securities received were not immediately turned over to the appropriate Principal, Trading Principal or CCO will warrant immediate and serious disciplinary action, including termination.

Misappropriation of Customer Funds or Securities

Our CCO is responsible for ensuring that sufficient training and educational materials are made available to all registered personnel to ensure their awareness of the seriousness with which we take our

responsibility to the public and the ethical manner in which we expect all associated personnel to conduct themselves.

In addition, our designated supervising principals are also given specific training as to their responsibilities to ensure that any efforts to misappropriate customer funds or securities or to undertake any other fraudulent or unethical activities by individuals under their immediate supervision are detected and deterred.

It is the responsibility of our designated supervising principals to be aware of all activities in which the individuals under their supervision are engaged and to be in a position to immediately take action when a specific individual's actions raise concerns.

Preventing theft or any other fraudulent activity by any of our affiliated personnel is a matter of the highest priority and is dealt with seriously by senior management and compliance staff of this broker-dealer.

While sales practice abuses and manipulative activities (such as inappropriate address changes, inappropriate trading within an account, acting in a discretionary manner, etc.) are addressed elsewhere in these WSPs, this section is included to cover all areas of possible manipulation and misappropriation of client funds or securities in one section, in order to stress the importance of these matters.

(a) Accounts Utilizing P. O. Box Addresses:

It is company policy that no P. O. Box accounts may be maintained at this firm without written authorization by the account holder. Where possible, in instances where we do permit a P. O. Box to be utilized, we will send duplicate confirms and statements to the account holder's physical address.

(b) Addresses Other than Accounts "Home" Address / "In Care of" Addresses:

The same procedures as given above for P. O. Box addresses are in place for addresses other than the account holder's home address, and for any accounts which are "in care" of someone other than the account holder. Duplicate confirmations and account statements are sent to the customer's home address, whenever possible.

(c) Verification of Changes of Address with the Customer:

Any address changes will automatically generate, either through our operations department or Compliance, as appropriate, a letter to the account holder, sent to both the old and new address. In addition, supervisory principals are required to contact the account holder by telephone to verify the address change upon any registered personnel submitting an address change for an existing client. Our registered personnel do not have the ability to alter account statements (including any maintained online). No address change is permitted to be made effective until such time as the letters have gone to the old and new addresses and the phone call has been made to the account holder.

(d) Changes to Customer Account Information:

No account information change is permitted to be formalized until we have sent a letter to the client requesting verification and a supervising principal has made personal contact with the account holder verifying the change. This policy is further overseen by our sending updated account information to our clients, minimally every 36 months as required under the SEC Amended Books and Records Rules (Exchange Act Rules 15c-3 and 15c-4). Our registered personnel have no means by which to independently change any new account information online.

(e) Confirming Customer Authorizations to Transfer Funds:

All transfers, withdrawals, or wires from a customer's account are confirmed in writing to the customer. In addition, a supervising principal or a member of our compliance staff will verify the transfer or withdrawal (the amount and the recipient, including the account number the funds are to be transferred to, if applicable) directly with the customer by telephone, minimally on a sample basis at the discretion of the supervisor with an emphasis on risk, as well as for any unusual transfers or withdrawals.

(f) Pre-signed letters of authorization:

Such pre-signed documents do not provide adequate assurance of authorization from the customer and are prohibited. Any associated personnel found in possession of pre-signed documents will be required to meet with compliance, and may face further training requirements or sanctions (including possible termination).

(g) Customer Signatures:

All customer signatures are verified by a supervising principal or compliance. In addition, all third- party wire transfers and checks require principal approval. Any transfers to accounts serviced by the registered representative or branch manager will undergo immediate and careful scrutiny.

Supervisory Review Procedures and Documentation

We are committed to focusing on the possibility of abuse, and periodically and systematically review (on an on- going basis, utilizing exception reports, client file reviews, supervisory oversight, etc.) for indications of problems.

Such indications, requiring immediate review, would include but not necessarily be limited to

(a) an instance where a registered individual has a number of customers with non-home mailing addresses (such as a P. O. Box, an “in care” of address, etc.),
(b) any customer account that shows the same address as the registered individuals,
(c) multiple changes of address by a customer or among customers of a particular registered individual,
(d) the use of the same address for multiple customers, or
(e) correspondence returned as undeliverable by the post office.

Any activity deemed to be unusual for any reason (increased customer activity, larger than usual investment amounts, increase in address change requests, substantial change in registered individual’s lifestyle, etc.) will be required to be immediately investigated, generally by the supervising principal. Based on the findings of the supervisor, Compliance may or may not get involved for further investigation. In many instances, client contact will be required. Documentation recording all such investigations will be maintained for the files, including dates, names of individuals conducting the reviews, exception reports utilized, findings, corrective measures taken if applicable, etc.

Our CCO, with the assistance of senior management and all supervising principals, must ensure that we have in place controls over the utilization of account statements, letterhead, and mail facilities to prevent unauthorized use. In instances where we provide customers with online access to their account statements, we will only do so on a secure firm website so that customers can easily verify activity in their accounts. No affiliated persons of this firm have, or will have, the ability to alter these statements in any manner.

Documented evidence as to how these security measures are carried out will be maintained in the files. All account statements include the phone number of the registered representative's supervisor, as well as a

number where the customer can call with a complaint, in case of any questions or problems with the account. We prohibit Associated Person use of personal electronic devices (personal computers, iPads, iPhones,

Blackberries) to conduct firm business, unless prior approval has been given, in writing, by our CCO. Where permission is granted, it is required that the laptop or other electronic devise be linked with the firm's system to allow for supervisory review. Where the linking is not possible, we require that data be periodically downloaded to the firm's system for review, or that a manager periodically review the contents of the electronic device.

Evidence of all such reviews will be maintained in the files, including dates, names of individuals who undertook the review, findings and any corrective measures taken, if applicable. During all audits or routine visits to registered Associated Persons who work out of their homes, a request to see all computers and other electronic instruments utilized will be made, and all findings from such requests will be maintained in the file.

5.3 Capital and Credit Regulation

FINRA has adopted the requirements set forth in NASD Rule 2520 (Margin Requirements) and related margin rules and interpretations (NASD Rules 2521, 2522 and IM-2522), subject to certain amendments discussed below, as new FINRA Rule 4210 (Margin Requirements).

Rule 4210 prescribes requirements governing the extension of capital and credit by firms that offer margin accounts to customers, as permitted in accordance with Regulation T. The rule promulgates the margin requirements that determine the amount of collateral customers are expected to maintain in their margin accounts, including strategy-based margin accounts and portfolio margin accounts. Maintenance margin requirements for equity, fixed income, warrants, and option securities are also established under the rule.

Kingswood Capital Partners, LLC will comply with FINRA guidelines and follow the requirements set by our clearing firm, RBC in determining, setting, communicating, and complying with capital and credit regulation and account margin requirements. Our CCO will be responsible for the review and maintenance of our margin accounts and their requirements.

Net Capital Calculations

Kingswood Capital Partners, LLC will reference SEA Rule 15c3-1 and, if applicable, FINRA Rule 4110 (Capital Compliance) when computing net capital charges against net capital and haircut requirements. Some Kingswood Capital Partners, LLC accounts may be subject to greater net capital requirements pursuant to the provisions of paragraph (c) of FINRA Rule 4110.

Joint Accounts Exemption

FINRA integrated NYSE Rule 431 Supplementary Material into FINRA Rule 4210 regarding joint accounts in which the clearing firm or stockholder has an interest. The provision permits a firm to seek an exemption under the FINRA Rule 9600 Series if the account is confined exclusively to transactions and positions in exempted securities. Kingswood Capital Partners, LLC will review FINRA Rule 4210 for the required information to be included in any such application.

Additional Requirements on Control and Restricted Securities and Relationship to FINRA Rule 4120

FINRA adopted provisions NYSE Rule 431 pertaining to deductions from net capital on control and restricted securities. As a result, Kingswood Capital Partners, LLC will make deductions from its net capital

if it extends credit over specified thresholds on control and restricted securities, and it must take such deductions into account when determining if it has reached any of the financial triggers specified in FINRA Rule 4120 (Regulatory Notification and Business Curtailment). Kingswood Capital Partners, LLC must take into account the special deductions from net capital set forth in FINRA Rule 4210 in determining its status under FINRA Rule 4120.

Day Trading

FINRA Rule 4210 requires that the day-trading buying power for non-equity securities may be computed using the applicable special maintenance margin requirements pursuant to other provisions of the margin rule. Kingswood Capital Partners, LLC will, in the event that a customer seeks to open an account or resume day trading in an existing account knows or has a reasonable basis to believe that they will engage in pattern day trading, require a minimum equity requirement of $25,000 deposited in the brokerage account prior to commencement of day trading.

Portfolio Margining

Portfolio margin-eligible accounts through Kingswood Capital Partners, LLC, in addition to being required to be approved to engage in uncovered short option contracts, must be approved in advance to engage in security futures transactions pursuant to FINRA Rule 2370 (Security Futures). Currently, Kingswood Capital Partners, LLC is not authorized to conduct Securities Futures trading and such requests will be denied until such time as the firm seeks and receives licensure for conducting such business activities.

6 RECORD KEEPING

6.1 Maintenance of Books, Records and Accounts

Our CCO, or designated principal is responsible for ensuring that all required books and records are maintained in an appropriate manner, for an appropriate length of time, and that they are adequately safeguarded.

On an ongoing basis, other supervisory personnel are responsible for overseeing appropriate books and records maintenance. Our FINOP has certain recordkeeping responsibilities, as do any number of other principals as specifically designated for certain responsibilities throughout these WSPs.

Supervisory Review Procedures and Documentation

Our designated supervising principals are responsible for ensuring that the individuals under their direct supervision are aware of what books and records they must maintain and for sufficiently monitoring and reviewing to ascertain whether they are being adequately maintained.

All books, records and accounts concerning all securities transactions and related activities undertaken by this firm must be maintained in clear, full detail and must accurately reflect all transactions, all activities, and must contain clear evidence as to who was responsible for reviewing and/or approving the document, for the appropriate amount of time (as specified in SEC Rule 17a-4).

Customer account records (required to be maintained for a period of six years) must include:

- Client holdings
- Cross-reference lists
- Copies of order tickets / applications / subscription documents
- If applicable, research files on stock and/or bond recommendations
- Correspondence, incoming and outgoing (including faxes, e-mails, and IMs)
- New Account forms
- AML customer identification program related information
- Other materials required to justify or clarify actions taken on behalf of a client

Electronic Notification Filing Requirement

Our FINOP and CCO are responsible for ensuring that any discovered “material inadequacy in accounting systems, internal controls, or practices and procedures” and/ or “failure to make and keep current books and records” are filed, as required under SEC Rule 17a-11(d) and (e), electronically via FINRA’s website (using appropriate templates and/or language).

Electronic Books and Records - Third Party Undertaking Background

Broker-dealers “exclusively” using electronic storage media for some or all of its record preservation, must have at least one third party, who has access to and the ability to download information from the broker-dealer’s electronic storage media to any acceptable medium under SEC Rules, file with FINRA on behalf of the broker- dealer, an undertaking with respect to such records.

Sample third-party notification language The undersigned hereby undertakes to furnish promptly, upon reasonable request, to the SEC, its designees or representatives, any self-regulatory organization of which Kingswood Capital Partners, LLC is a member, and any state securities regulators having jurisdiction over

Kingswood Capital Partners, LLC such information as is deemed necessary by the SEC, SRO or state securities regulatory authority to download information kept on Kingswood Capital Partners, LLC's electronic storage media to any medium acceptable under SEC Rule 17a-4.

Furthermore, the undersigned hereby undertakes to take reasonable steps to provide access to information contained on Kingswood Capital Partners, LLC's electronic storage media, including, as appropriate, arrangements for the downloading of any record required to be maintained and preserved by Kingswood Capital Partners, LLC pursuant to SEC Rules 17a-3 and 17a-4 in a format acceptable to the SEC, FINRA and state securities regulatory authorities. Such arrangement will provide specifically that in the event of a failure on the part of Kingswood Capital Partners, LLC to download the record into a readable format and after reasonable notice to Kingswood Capital Partners, LLC, upon being provided with the appropriate electronic storage medium, the undersigned will undertake to do so, as the SEC, FINRA or any state regulatory authorities may request.

Our CCO is responsible for working with operations, senior management, and any other applicable associated persons, including IT personnel, to ensure full awareness of all books and records being "exclusively" maintained in an electronic format, and to see that all appropriate FINRA notifications are made in a timely manner.

Supervisory Review Procedures and Documentation

Our CCO will maintain records of all books and records maintained exclusively in electronic format. This will be reviewed on a periodic basis to ensure that it has not changed, or to file additional notifications if needed based on changes. Notes will be made indicating when such review took place, indicating who undertook the review and indicating any actions necessary to be taken.

Our CCO will maintain copies of all notifications made to and FINRA (by us and by any outside vendors). If at any time a vendor is not forthcoming with appropriate FINRA notification, it may be necessary to change vendors, and documentation will be made to the file concerning any such events.

Oversight

Our CCO is responsible for working with outside vendors (as necessary) and appropriate internal IT staff to ensure that all requirements of SEC Exchange Act Rule 17a-4)(f) regarding the electronic storage of broker- dealer books and records are adhered to.

Supervisory Review Procedures and Documentation

Our CCO and other appropriate principals will:

- Develop appropriate internal systems or select a vendor that meets the rule requirements
- Notify FINRA (and other appropriate Designated Examining Authorities), in a timely manner, when initiating electronic storage (providing third-party representation if applicable)
- Ensure procedures for providing revised notifications to FINRA, as necessary
- Obtain written senior management approval of system configuration (in house or third-party vendor) to store records, create, and retain, updating as required, a list of exactly what books and records are being maintained electronically
- Issue passwords to authorized personnel
- Ensure procedures for disabling passwords for terminated Associated Persons, or for those who no longer require access
- Review to ensure corrective measures are taken internally or with outside vendor if deficiencies become apparent

- Ensure that the electronic storage media meets the following:
    - Non-rewritable, non-erasable formatted disks are utilized
    - Automatic verification of the quality and accuracy of the recording process (after writing to a disk, reading back to determine what was written was accurately reproduced – also known as “cyclical redundancy check” or “CRC”
    - Serializing (labeling and numbering of disks) for the original (and duplicate units)
    - Time-dating the disks for required retention period
    - Capacity to readily access indexes and records (to clearly indicate what is stored on each disk and to deliver such materials from each disk as may be requested by the regulators)
- Ability to immediately retrieve easily readable production of records
- Separate storage for copies and originals
- Accurate organization and indexing
- Documentation containing current information necessary to access records and indexes
- Contract with independent third party with access and the ability to download records (only required if both copies of any records are being stored electronically and no paper copy exists)
- Ensure that the system is internally audited (minimally biannually) to ensure the integrity of the records being retained electronically
- Establish a “schedule of record retention” identifying the specific records being maintained and the required time frame for each
- Ensure the establishment of a method for producing required records at outside office locations upon the request of a regulator

Compliance measures taken with each of the above requirements, and any other internal procedures implemented, will be documented in the files, in sufficient detail, indicating who was responsible for creating, reviewing, approving, modifying, etc. and the dates of all actions.

Designated Supervising Principal

Our CCO is responsible for ensuring that we are in compliance with Rule 17a-4(f)(2)(ii) of the Securities Exchange Act of 1934 in terms of making appropriate notification as to our utilization of electronic storage media to maintain some or all of the books and records we are required to maintain.

Supervisory Review Procedures and Documentation

On an annual basis our CCO will discuss all books and records maintenance technology being utilized with both Senior Management and applicable IT individuals. The CCO will also determine if any changes to the technology being utilized are being considered.

Our CCO will ensure that all individuals involved in any aspect of the technology being utilized for maintenance of any of our books and records are fully aware of the fact that no new technology

or different systems may be utilized without prior discussion with the CCO.

Electronic Notification Required

Utilizing the appropriate template on FINRA's web site, our CCO is responsible for ensuring that any required "Electronic Storage Media" filings (pursuant to SEC Rules 17a-4(f)(2)(i) and 17a-4(f)(3)(vii) are made electronically according to FINRA requirements.

Order Tickets & Confirmations

Our designated supervising principals are responsible for ensuring that the individuals under their immediate supervision have placed all required information on their order tickets (or other similar documents such as subscription agreements, investor questionnaires, applications, confirmations, etc.).

Our CCO is responsible for undertaking appropriate oversight actions (i.e., annual review) of order tickets to ensure that they are being handled appropriately.

Supervisory Review Procedures and Documentation

RRs are required to maintain a memorandum of each brokerage order and of any other instruction given or received for the purchase or sale of securities, whether executed or unexecuted, which document must disclose, as appropriate:

1. the terms and conditions of the order or instructions, as well as any modification thereof to the account for which it was entered
2. if applicable, the time the order was received, the time the order was entered and the time the order was executed - all three times must appear even if the time of any two actions is the same
3. the identity of each associated person assigned responsibility for the account
4. the identity of any other associated person who entered or accepted the order on behalf of the customer
5. the price at which executed and, to whatever extent feasible, the time of execution or cancellation
6. if applicable, solicited orders are to be so designated
7. if applicable, discretionary orders are to be designated to the appropriate account name / designation must be placed on each order ticket, per FINRA regulation. Any required changes to the account name and/or designation given on an order ticket cannot be made without prior initialed approval and rationale for change made by an appropriately licensed principal
8. any exercise of time and price discretion must be reflected on the order ticket, per Rule 2510

Subscription / Application basis orders (i.e., private placements, mutual funds, etc.) are exempt from (2), (3), (4) and (8) above.

Confirmation Disclosure

The Securities and Exchange Commission (SEC) recently adopted amendments to Rule 10b-10 that require the disclosure of additional information on customer confirmations. The SEC deferred action on a proposal to require disclosure of markup/markdown information for riskless principal trades in debt securities. Likewise, the SEC deferred action on proposed Rule 15c2-13 that would require similar disclosure for municipal securities transactions. The amendments are effective April 3, 1995.

7 COMMUNICATIONS WITH THE PUBLIC

Introduction

In accordance with FINRA rules governing communications with the public, broker-dealer firms are required to employ both general and specific standards of compliance when engaging in communications with the public. The following is an overview of some of the internal policies and procedures as they specifically apply to FINRA Rule 2210 and various interpretative materials including definitions, explanations, and overall standards for conducting communications with the public.

7.01 Communications Defined

For purposes of this Rule and any interpretation thereof:

(1) “Correspondence” means any written (including electronic) communication that is distributed or made available to 25 or fewer retail investors within any 30 calendar-day period.
(2) “Retail Communications” consist of all general correspondence, retail communications, and institutional communications.
(3) “Institutional Communications” means any written (including electronic) communication that is distributed or made available only to institutional investors but does not include Kingswood Capital Partners, LLC's internal communications.

“Institutional investor” means any:

(A) person described in FINRA Rule 4512(c), regardless of whether the person has an “account” with a broker- dealer;
(B) government entity or subdivision thereof;
(C) employee benefit plan, or multiple employee benefit plans offered to employees of the same employer, that meet the requirements of Section 403(b) or Section 457 of the Internal Revenue Code and in the aggregate have at least 100 participants, but does not include any participant of such plans;
(D) qualified plan, as defined in Section 3(a)(12)(C) of the Exchange Act, or multiple qualified plans offered to employees of the same employer, that in the aggregate have at least 100 participants, but does not include any participant of such plans;
(E) Broker-Dealer or registered person of such a broker-dealer; and
(F) person(s) acting solely on behalf of any such institutional investor.

Kingswood Capital Partners, LLC may not treat a communication as having been distributed to an institutional investor if the broker-dealer has reason to believe that the communication or any excerpt thereof will be forwarded or made available to any retail investor.

“Retail communication” means any written (including electronic) communication that is distributed or made available to more than 25 retail investors within any 30 calendar-day period.

“Retail investor” means any person other than an institutional investor, regardless of whether the person has an account with a broker-dealer.

7.02 Content Standards

Standards Applicable to All Communications with the Public

- RR's communications with the public shall be based on principles of fair dealing and good faith, must be fair and balanced, and must provide a sound basis for evaluating the facts in regard to any particular security or type of security, industry, or service. No RR may omit any material fact or qualification if the omission, in the light of the context of the material presented, would cause the communications to be misleading.
- RRs shall refrain from making any false, exaggerated, unwarranted or misleading statement or claim in any communication with the public. RRs may not publish, circulate, or distribute any public communication that they know or have reason to know contains any untrue statement of a material fact or is otherwise false or misleading.
- Information may be placed in a legend or footnote only in the event that such placement would not inhibit an investor's understanding of the communication.
- Communications with the public may not predict or project performance, imply that past performance will recur or make any exaggerated or unwarranted claim, opinion or forecast. A hypothetical illustration of mathematical principles is permitted, provided that it does not predict or project the performance of an investment or investment strategy.
- If any testimonial in a communication with the public concerns a technical aspect of investing, the person making the testimonial must have the knowledge and experience to form a valid opinion.

Standards Applicable to Advertisements and Sales Literature

Advertisements or sales literature providing any testimonial concerning the investment advice or investment performance of a BD or its products must prominently disclose the following:

- The fact that the testimonial may not be representative of the experience of other clients.
- The fact that the testimonial is no guarantee of future performance or success.
- If more than a nominal sum is paid, the fact that it is a paid testimonial
- Any comparison in advertisements or sales literature between investments or services must disclose all material differences between them, including (as applicable) investment objectives, costs and expenses, liquidity, safety, guarantees or insurance, fluctuation of principal or return, and tax features.
- All advertisements and sales literature must:
    - prominently disclose the name of Kingswood Capital Partners, LLC and may also include a fictional name by which the BD is commonly recognized, or which is required by any state or jurisdiction;
    - reflect any relationship between the BD and any non-BD member or individual who is also named; and
    - if it includes other names, reflect which products or services are being offered by the BD.

Note: This section does not apply to so-called "blind" advertisements used to recruit personnel.

Violation of Other Rules

Any violation by a BD of any rule of the SEC, the Securities Investor Protection Corporation, or the Municipal Securities Rulemaking Board applicable to BD communications with the public will be deemed a violation of this Rule 2210.

Standards Applicable to Investment Analysis Tools

Pursuant to IM-2210-6, a Firm may offer an investment analysis tool (whether customers use Kingswood Capital Partners, LLC's investment analysis tool independently or with assistance from Kingswood Capital Partners, LLC), written reports indicating the results generated by such tool and related sales material only if Kingswood Capital Partners, LLC:

- Describes the criteria and methodology used, including the investment analysis tool's limitations and key assumptions.
- Explains that results may vary with each use and over time.
- Describes, if applicable, the universe of investments considered in the analysis; explains how the tool determines which securities to select; discloses if the tool favors certain securities and, if so, explains the reason for the selectivity; and states that other investments not considered may have characteristics similar or superior to those being analyzed.
- Displays the following additional disclosure: "IMPORTANT: The projections or other information generated by [name of investment analysis tool] regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results and are not guarantees of future results."

These disclosures must be clear and prominent and must be in written (electronic or hard copy) narrative form. In addition, a Firm that offers or intends to offer an investment analysis tool, written report, or related sales material under IM-2210-6 must, within 10 days of first use, (1) provide FINRA's Advertising Department access to the investment analysis tool and (2) file with the Advertising Department any template for written reports produced by, and sales material concerning, the tool.

After the Advertising Department has reviewed the investment analysis tool, written-report template or sales material, Kingswood Capital Partners, LLC must notify the Advertising Department and provide additional access to the tool and re-file any template and sales material if the BD makes a material change to the presentation of information or disclosures.

Implementation Strategy: Currently, Kingswood Capital Partners, LLC does not use any kind of investment analysis tools. In the event that Kingswood Capital Partners, LLC will use investment analysis tools, the designated supervisor will ensure that Kingswood Capital Partners, LLC provides each filing the required disclosures and ensure that the approved literature is submitted at least 10 business days prior to first use and provide the Advertising Department access to the investment analysis tool along with any applicable templates. Kingswood Capital Partners, LLC will also notify the Advertising Department any changes that have been made since initial filing promptly.

7.03 Guidelines for Avoiding Misleading Communications with the Public

Kingswood Capital Partners, LLC is responsible for determining whether any communication with the public, including material that has been filed with the Department, complies with all applicable standards, including the requirement that the communication not be misleading. In order to meet this responsibility, RR communications with the public must conform to the following guidelines. These guidelines do not represent an exclusive list of considerations that a RR must make in determining whether a communication with the public complies with all applicable standards.

- RRs must ensure that statements are not misleading within the context in which they are made. A statement made in one context may be misleading even though such a statement could be appropriate in another context. An essential test in this regard is the balanced treatment of risks and potential benefits.

- RR communications should be consistent with the risks of fluctuating prices and the uncertainty of dividends, rates of return and yield inherent to investments.
- RRs must consider the nature of the audience to which the communication will be directed. Different levels of explanation or detail may be necessary depending on the audience to which a communication is directed. RRs must keep in mind that it is not always possible to restrict the audience that may have access to a particular communication with the public. Additional information or a different presentation of information may be required depending upon the medium used for a particular communication and the possibility that the communication will reach a larger or different audience than the one initially targeted.
- RR communications must be clear. A statement made in an unclear manner can cause a misunderstanding. A complex or overly technical explanation may be more confusing than too little information.
- In communications with the public, income or investment returns may not be characterized as tax-free or exempt from income tax when tax liability is merely postponed or deferred, such as when taxes are payable upon redemption.
- In advertisements and sales literature, references to tax-free or tax-exempt income must indicate which income taxes apply, or which do not, unless income is free from all applicable taxes. For example, if income from an investment company investing in municipal bonds is subject to state or local income taxes, this fact must be stated, or the illustration must otherwise make it clear that income is free only from federal income tax.

Recommendations

In making a recommendation in public communications, whether or not labeled as such, RRs must have a reasonable basis for the recommendation and must disclose any of the following situations which are applicable:

- that at the time the advertisement or sales literature was published, the RR was making a market in the securities being recommended, or in the underlying security if the recommended security is an option or security future, or that the BD or associated persons will sell to or buy from customers on a principal basis;
- that the RR, BD and/or its officers or partners have a financial interest in any of the securities of the issuer whose securities are recommended, and the nature of the financial interest (including, without limitation, whether it consists of any option, right, warrant, future, long or short position), unless the extent of the financial interest is nominal; that the BD was manager or co-manager of a public offering of any securities of the recommended issuer within the past 12 months.
- The RR shall also provide, or offer to furnish upon request, available investment information supporting the recommendation. Recommendations on behalf of corporate equities must provide the price at the time the recommendation is made.
- A RR may use material referring to past recommendations if it sets forth all recommendations as to the same type, kind, grade, or classification of securities made by a BD within the last year. Longer periods of years may be covered if they are consecutive and include the most recent year. Such material must also name each security recommended and give the date and nature of each recommendation (e.g., whether to buy or sell), the price at the time of the recommendation, the price at which or the price range within which the recommendation was to be acted upon and indicate the general market conditions during the period covered.
- Also permitted is material that does not make any specific recommendation, but which offers to furnish a list of all recommendations made by a BD within the past year or over longer periods of consecutive years, including the most recent year, if this list contains all the information specified in subparagraph (C). Neither the list of recommendations, nor material offering such list, shall

imply comparable future performance. Reference to the results of a previous specific recommendation, including such a reference in a follow-up research report or market letter, is prohibited if the intent or the effect is to show the success of a past recommendation, unless all of the foregoing requirements with respect to past recommendations are met.

7.04 Filing Requirements and Review Procedures

Requirement for Certain BDs to File Retail Communications Prior to First Use

(A) For a period of one year beginning on the date reflected in the CRD system as the date that FINRA membership became effective, the BD must file with FINRA at least 10 business days prior to first use any retail communication that is published or used in any electronic or other public media, including any generally accessible website, newspaper, magazine or other periodical, radio, television, telephone or audio recording, video display, signs or billboards, motion pictures, or telephone directories (other than routine listings). To the extent any retail communication that is subject to this filing requirement is a free writing prospectus that has been filed with the SEC pursuant to Securities Act Rule 433(d)(1)(ii), the BD may file such retail communication within 10 business days of first use rather than at least 10 business days prior to first use.

(B) If FINRA determines that a BD has departed from the standards of this Rule, it may require that such BD file all communications, or the portion of such BD's communications that is related to any specific types or classes of securities or services, with FINRA at least 10 business days prior to first use. FINRA will notify the BD in writing of the types of communications to be filed and the length of time such requirement is to be in effect.

Requirement to File Certain Retail Communications Prior to First Use

At least 10 business days prior to first use or publication (or such shorter period as FINRA may allow), a BD must file the following retail communications with FINRA and withhold them from publication or circulation until any changes specified by FINRA have been made:

(A) Retail communications concerning registered investment companies (including mutual funds, exchange- traded funds, variable insurance products, closed-end funds and unit investment trusts) that include or incorporate performance rankings or performance comparisons of the investment company with other investment companies when the ranking or comparison category is not generally published or is the creation, either directly or indirectly, of the investment company, its underwriter or an affiliate. Such filings must include a copy of the data on which the ranking or comparison is based.

(B) Retail communications concerning security futures. The requirements of this paragraph (c)(2)(B) shall not be applicable to:

(i) retail communications concerning security futures that are submitted to another self-regulatory organization having comparable standards pertaining to such retail communications; and

(ii) retail communications in which the only reference to security futures is contained in a listing of the services of a BD.

(C) Retail communications concerning bond mutual funds that include or incorporate bond mutual fund volatility ratings, as defined in Rule 2213.

Requirement to File Certain Retail Communications

Within 10 business days of first use or publication, a BD must file the following communications with FINRA:

(A) Retail communications concerning registered investment companies (including mutual funds, exchange- traded funds, variable insurance products, closed-end funds, and unit investment trusts). The filing of any retail communication that includes or incorporates a performance ranking or performance comparison of the investment company with other investment companies must include a copy of the ranking or comparison used in the retail communication.

(B) Retail communications concerning public direct participation programs (as defined in Rule 2310).

(C) Any template for written reports produced by, or retail communications concerning, an investment analysis tool, as such term is defined in Rule 2214.

(D) Retail communications concerning collateralized mortgage obligations registered under the Securities Act.

(E) Retail communications concerning any security that is registered under the Securities Act and that is derived from or based on a single security, a basket of securities, an index, a commodity, a debt issuance, or a foreign currency.

Filing of Television or Video Retail Communications

If a BD has filed a draft version or "story board" of a television or video retail communication pursuant to a filing requirement, then the BD also must file the final filmed version within 10 business days of first use or broadcast.

Date of First Use and Approval Information

A BD must provide with each filing the actual or anticipated date of first use, the name, title, and CRD number of the registered principal who approved the retail communication, and the date that the approval was given.

Exclusions from Filing Requirements

The following communications are excluded from the filing requirements:

(A) Retail communications that previously have been filed with FINRA and that are to be used without material change.

(B) Retail communications that are based on templates that were previously filed with FINRA the changes to which are limited to updates of more recent statistical or other non-narrative information.

(C) Retail communications that do not make any financial or investment recommendation or otherwise promote a product or service of the BD.

(D) Retail communications that do no more than identify a national securities exchange symbol of the BD or identify a security for which the BD is a registered market maker.

(E) Retail communications that do no more than identify the BD or offer a specific security at a stated price.

(F) Prospectuses, preliminary prospectuses, fund profiles, offering circulars and similar documents that have been filed with the SEC or any state, or that is exempt from such registration, and free writing prospectuses that are exempt from filing with the SEC, except that an investment company prospectus

published pursuant to Securities Act Rule 482 and a free writing prospectus that is required to be filed with the SEC pursuant to Securities Act Rule 433(d)(1)(ii) will not be considered a prospectus for purposes of this exclusion.

(G) Retail communications prepared in accordance with Section 2(a)(10)(b) of the Securities Act, as amended, or any rule thereunder, such as Rule 134, and announcements as a matter of record that a BD has participated in a private placement, unless the retail communications are related to publicly offered direct participation programs or securities issued by registered investment companies.

(H) Press releases that are made available only to members of the media.

(I) Any reprint or excerpt of any article or report issued by a publisher ("reprint"), provided that:

(i) the publisher is not an affiliate of the BD using the reprint or any underwriter or issuer of a security mentioned in the reprint that the BD is promoting;

(ii) neither the BD using the reprint, nor any underwriter or issuer of a security mentioned in the reprint has commissioned the reprinted article or report; and

(iii) the BD using the reprint has not materially altered its contents except as necessary to make the reprint consistent with applicable regulatory standards or to correct factual errors.

(J) Correspondence.

(K) Institutional communications.

(L) Communications that refer to types of investments solely as part of a listing of products or services offered by the BD.

(M) Retail communications that are posted on an online interactive electronic forum.

(N) Press releases issued by closed-end investment companies that are listed on the New York Stock Exchange (NYSE).

(O) Research reports as defined in Rule 2711 that concern only securities that are listed on a national securities exchange, other than research reports required to be filed with the Commission pursuant to Section 24(b) of the Investment Company Act.

**Communications Deemed Filed with FINRA **

Although the communications described in the section above are excluded from the foregoing filing requirements, Investment Company communications described in those paragraphs shall be deemed filed with FINRA for purposes of Section 24(b) of the Investment Company Act and Rule 24b-3 thereunder.

Filing Exemptions

(A) FINRA may exempt a BD from the pre-use filing requirements for good cause shown.

(B) FINRA may conditionally or unconditionally grant a filing exemption for good cause shown after taking into consideration all relevant factors, to the extent such exemption is consistent with the protection of investors, and the public's best interest.

Use and Disclosure of a Broker-Dealer Firm's Name

FINRA communication rules make clear that the requirement to disclose the BD's name applies to advertisements, sales literature, correspondence, business cards, and letterhead.

Limitations on Use of FINRA's Name

Broker-dealers may indicate FINRA membership in conformity with FINRA's communications rules in the following ways:

- in any communication with the public, provided that the communication complies with the applicable standards of Rule 2210 and neither states nor implies that FINRA or any other regulatory organization endorses, indemnifies, or guarantees the BD's business practices, selling methods, the class or type of securities offered, or any specific security;
- in a confirmation statement for an over-the-counter transaction that states: "This transaction has been executed in conformity with FINRA Uniform Practice Code."

Upon request to FINRA, a BD will be entitled to receive an appropriate certification of membership, which may be displayed in the principal office or a registered branch office of the BD. The certification shall remain the property of FINRA and must be returned by the BD upon request of FINRA.

Web Site References to FINRA Membership by a Broker-Dealer

The use of FINRA's name requires that a BD firm, or a person associated with a BD, that refers to its membership in FINRA on its Web site to provide a hyperlink to FINRA's home page, www.FINRA.org. The hyperlink must be located in close proximity to any reference reasonably designed to draw the public's attention to FINRA membership. The amendment also applies to a Web site relating to a firm's investment banking or securities business that is maintained by or on behalf of any person associated with Kingswood Capital Partners, LLC. BDs, and persons associated with a BD, are granted some flexibility in placing the hyperlink.

RRs should note that there is no requirement for a BD or RR of a BD to refer to its FINRA membership on its Web site. The rule applies only to the extent that a BD or a RR with a BD chooses to represent on a Web site that Kingswood Capital Partners, LLC is a BD of FINRA. FINRA believes that a "legend" posted on a BD's Web site indicating that Kingswood Capital Partners, LLC is a member of FINRA would impose an obligation to provide a hyperlink. However, the hyperlink requirement would not apply to references to FINRA membership appearing in a disclosure document or other offering document that is merely linked to the BD's Web site.

Implementation Strategy: Kingswood Capital Partners, LLC's chief compliance officer will ensure that if Kingswood Capital Partners, LLC refers to its membership in FINRA on its Web site (including any legend posted on its Web site), he/she will provide a hyperlink to FINRA's home page, www.FINRA.org in accordance with FINRA requirements. In the event that Kingswood Capital Partners, LLC's Web site has more than one reference to FINRA membership, Kingswood Capital Partners, LLC will place the hyperlink in close proximity to any FINRA reference that is reasonably designed to draw the public's attention to FINRA membership.

FINRA Advertising Regulation Spot-Checks

All FINRA broker-dealer firms are subject to a spot-check of their retail communications (advertising and/or sales literature) by the FINRA Advertising Regulation Department. Upon notification of a spot-check, Kingswood Capital Partners, LLC will submit all requested documentation to FINRA Advertising Regulation Department within the specified time period.

Implementation Strategy: The designated supervisor will ensure that Kingswood Capital Partners, LLC provides with each filing the actual or anticipated date of first use, the name and title of the designated supervisor or other registered principal who approved the retail communication, and the date that the approval was given. At least 10 business days prior to first use or publication (or such shorter period as the Department may allow), Kingswood Capital Partners, LLC will file the following communications with FINRA and withhold them from publication or circulation until any changes specified by FINRA have been made:

- Retail Communications concerning mutual funds, variable contracts, continuously offered closed-end funds and unit investment trusts that include or incorporate performance rankings or performance comparisons; advertisements concerning CMOs; and security futures
- The designated supervisor will also ensure that Kingswood Capital Partners, LLC files the following Retail Communications with FINRA Advertising Department within 10 business days of first use or publication (and/or when applicable):
- Retail Communications concerning DPPs and government securities.

7.05 Recordkeeping Requirements

Kingswood Capital Partners, LLC must maintain all retail communications in a separate file for a period of three (3) years from the date of last use. The file must include the name of the registered principal who approved each advertisement, item of sales literature, and independently prepared reprint and the date that approval was given.

Kingswood Capital Partners, LLC must also maintain a file concerning the source of any statistical table, chart, graph, or other illustration used by Kingswood Capital Partners, LLC in communications with the public.

7.06 Approval, Review and Recordkeeping Procedures

The preparation and approval of retail communications and correspondence should be properly documented as evidence of review.

Implementation Strategy: On an ongoing basis, the designated principal will approve by signature or initial and date each retail communication before the earlier of its use or filing with FINRA's Advertising Regulation Department.

7.07 Institutional Communications and Correspondence

Key Definitions

The term "Correspondence" shall be defined as any written letter or electronic mail message distributed by a BD to: (i) one or more of its existing retail customers; and (ii) fewer than 25 prospective retail customers within any 30 calendar-day period.

The term “Institutional Communications" consists of any communication that is distributed or made available only to institutional investors.

FINRA defines "institutional investor" as any (i) person described in Rule 3110(c)(4), regardless of whether that person has an account with an FINRA BD; (ii) governmental entity or subdivision thereof; (iii) registered representative benefit plan that meets the requirements of Section 403(b) or Section 457 of the Internal Revenue Code and has at least 100 participants, but does not include any participants of such a plan; (iv)

qualified plan, as defined in Section 3(a)(12)(C) of the Securities Exchange Act of 1934, that has at least 100 participants, but does not include any participant of such a plan; (v) FINRA BD or registered associated person of such BD; and (vi) person acting solely on behalf of any such institutional investor.

Note: no BD may treat a communication as having been distributed to an institutional investor if the BD has reason to believe that the communication or any excerpt thereof will be forwarded or made available to any person other than an institutional investor.

Required Principal Approval

Rule 2211 requires registered principal pre-use approval of any correspondence sent to 25 or more existing retail customers within any 30 calendar-day period if the correspondence makes any financial or investment recommendation or otherwise promotes a product or service of the BD. This correspondence need not be filed with FINRA and is not subject to all of the content standards of the advertising rules. Of course, a firm may choose to file this correspondence with FINRA to better ensure that it complies with applicable standards, particularly when the correspondence promotes Kingswood Capital Partners, LLC’s products, or services.

Implementation Strategy: The designated supervisor will pre-approve such correspondence and maintain documentary evidence of such approval in accordance with books and records.

Kingswood Capital Partners, LLC has established written procedures that are appropriate to its business, size, structure, and customers for the review by a registered principal of institutional communications used by the BD and its registered representatives. Such procedures should be written and are designed to reasonably supervise each registered representative. Where such procedures do not require review of all institutional sales material prior to use or distribution, they include a provision for the education and training of associated persons as to Kingswood Capital Partners, LLC's procedures governing institutional communications, documentation of such education and training, and surveillance and follow-up to ensure that such procedures are implemented and adhered to. Evidence that these supervisory procedures have been implemented and carried out are maintained and made available to FINRA upon request.

Recordkeeping Requirements

Kingswood Capital Partners, LLC maintains all institutional communications in a file for a period of three years from the date of last use. The file includes the name of the person who prepared each institutional communication. Kingswood Capital Partners, LLC maintains in a file of information concerning the source of any statistical table, chart, graph, or other illustration used by the BD in communications with the public.

Content Standards Applicable to Institutional Communications and Correspondence

All institutional communications and correspondence are subject to the content standards of Rule 2210. All correspondence (which for purposes of this provision includes business cards and letterhead) must:

- Prominently disclose the name of the BD and may also include a fictional name by which the BD is commonly recognized, or which is required by any state or jurisdiction;
- Reflect any relationship between the BD and any non-BD or individual who is also named; and if it includes other names, reflect which products or services are being offered by the BD.

Kingswood Capital Partners, LLC does not permit RRs to use investment company rankings in any correspondence.

Implementation Strategy: The designated supervisor will review a proportionate sample of institutional communications to ensure the RR's correspondence (i) prominently discloses the BD name (or a fictional name by which Kingswood Capital Partners, LLC is commonly recognized or which is required by any state or jurisdiction); (ii) reflect any relationship between Kingswood Capital Partners, LLC and any non-BD or individual who is also named; and if it includes other names, reflect which products or services are being offered by Kingswood Capital Partners, LLC. All reviewed institutional correspondence will be initialed by the designated supervisor as evidence of review.

7.08 Retail Communications and Correspondence (By Product)

This firm does conduct a general securities business and may advertise or promote general securities products.

Implementation Strategy: Note: For a detailed description of Kingswood Capital Partners, LLC's compliance, and supervisory procedures as they apply to specific securities/investment services of Kingswood Capital Partners, LLC, please see the appropriate product section in this Manual.

7.09 General Correspondence

As stated previously, "Correspondence" can be defined as any written or electronic communication to include form letters and group e-mails sent to existing retail customers and to fewer than 25 prospective retail customers within any 30 calendar-day period ("Group Correspondence"), as well as written and electronic communications prepared for delivery to a single retail customer. Therefore, it is the responsibility of Kingswood Capital Partners, LLC's designated supervisor to monitor and review all correspondence before distribution and maintain relevant records in an accessible location.

Incoming Correspondence

When reviewing incoming correspondence, the designated supervisor will ensure that all such correspondence, to include letters, facsimiles, and other similar materials, meet the criteria of the General and Specific Standards as set forth in FINRA Rule 2210 (Note: Personal mail will also be subject to the policy of Incoming Correspondence).

Outgoing Correspondence

When preparing and reviewing outside correspondence, the designated supervisor will ensure that all such correspondence meet the criteria of the Content Standards of FINRA Rule 2210 and the Guidelines to Ensure That Communications with the Public Are Not Misleading as set forth in IM-2210-1.

Implementation Strategy: The designated principal shall review all incoming and outgoing correspondence on an ongoing basis. All incoming correspondence received by each registered representative shall be faxed or otherwise submitted to the designated principal for review and maintained in a centralized correspondence file. All outgoing correspondence will be maintained in the same centralized outgoing correspondence file.

Additionally, during each annual OSJ or otherwise scheduled Branch review (if applicable), the designated principal will review a random sample of the received incoming and outgoing correspondence to verify that all materials are being submitted as required. All batched incoming and outgoing correspondence will be initialed and dated as evidence of review.

7.10 Electronic Communications

Kingswood Capital Partners, LLC is responsible for designating an appropriate principal to monitor and supervise all incoming and outgoing electronic communications with the public. The term “electronic communications” can be defined as any communication transmitted through an electronic medium such as email systems, facsimiles, Intranet, Internet (World Wide Web), social networking through the Internet using social media, electronic bulletin boards, and any other communication systems that can be used, distributed, and received electronically.

The following is a list of some of the guidelines relating to the supervision and enforcement of Kingswood Capital Partners, LLC’s policy on electronic communications:

Internal Policy

All associated persons of Kingswood Capital Partners, LLC will be informed that all communications distributed through electronic means are to be used for business purposes only and that any such communications are not to be considered private under any circumstances. Participation in electronic chat rooms, or electronically downloading unauthorized attachments or other information from an otherwise unknown source, is strictly prohibited. It is the policy of Kingswood Capital Partners, LLC that any action, which is not in compliance, and does not conform to appropriate business standards, may lead to disciplinary action.

Internet-based Electronic Communications

Any distribution of business-related internet-based electronic communications may be considered “Retail Communications” advertising by definition under FINRA Rule 2210, and is therefore prohibited unless reviewed and approved by a designated supervisor of Kingswood Capital Partners, LLC.

Instant Messaging

Instant messaging was originally introduced as an add-on to subscription Internet services but has a growing presence in business communication. Depending on the circumstances, instant messaging is considered “retail communications” or correspondence in accordance with FINRA Rule 2210. In the event that RRs or Kingswood Capital Partners, LLC uses such technology, Kingswood Capital Partners, LLC must supervise the use of instant messaging consistent with the required supervision of e-mail messaging. If Kingswood Capital Partners, LLC is unable to establish an adequate supervisory program regarding the use of instant messaging technology, Kingswood Capital Partners, LLC will prohibit the use of such activity involving business communications.

Kingswood Capital Partners, LLC will also ensure that its use of instant messaging complies with applicable SEC and FINRA recordkeeping requirements.

Implementation Strategy: Kingswood Capital Partners, LLC may permit the use of Social Media and IM Technology ONLY in the event that it maintains the capability to archive such correspondence. However, in the event that Kingswood Capital Partners, LLC does not maintain a platform which enables it to monitor, archive, and retrieve instant message traffic, the use of instant messaging technology for communications with public customers involving business and/or investment related activities will be strictly prohibited. The designated principal will ensure that associated persons are properly notified of this internal policy and refrain from engaging in any instant messaging communications with the public involving business and/or investment related activities. Currently Kingswood Capital Partners, LLC utilizes a third-party vendor, Global Relay, for the ability to monitor and archive activity on Twitter, LinkedIn, and Facebook pages used for business purposes only.

Approval Requirements

All communications that are electronically distributed may be subject to periodic review and approval by a designated principal of Kingswood Capital Partners, LLC. The frequency and complexity of the approval process will be conducted in accordance with the current rules under FINRA Rule 2210, Communications with the Public.

Maintenance of Books and Records

It is Kingswood Capital Partners, LLC's responsibility to preserve a periodic sample of incoming/outgoing electronic communications for overall compliance and review. The maintenance requirements for electronic communications will be similar to that of FINRA Rule 2210.

Implementation Strategy: The designated principal will review and approve all relevant electronic communications (e.g., email, facsimiles, Intranet, Internet, electronic bulletin boards, etc.) concerning any firm- related information and/or investment advice. If necessary, such information will be submitted to FINRA Advertising Department ten days prior to first use pursuant to FINRA Rule 2210. Each piece of electronic communication will be initialed and dated as evidence of review.

(Reference KW Social Media Compliance Desktop Procedures March 2025)

7.11 Electronic Delivery of Information

Introduction

Kingswood Capital Partners, LLC shall be responsible for providing adequate supervision and overall compliance as it relates to the delivery of information, including order tickets and confirmation statements, to all customers distributed via electronic means.

Acceptance of Electronic Delivery

The designated principal should ensure that Kingswood Capital Partners, LLC has obtained written consent to receive electronic documentation and information from each client who has chosen to use such a means. The designated principal is responsible to ensure that the customer consent form has been signed by the client, is maintained, and preserved according to SEC Rule 17a-4.

All clients of Kingswood Capital Partners, LLC who wish to discontinue receiving electronic documentation and information can cancel and receive hardcopy versions of the information. Any such cancellation and request to change the receipt of such records should be maintained and preserved pursuant to SEC Rule 17a-4. The designated principal is responsible to ensure that Kingswood Capital Partners, LLC's clients receive the required documentation in the form of their choice.

Delivery Obligations

The designated principal will verify that Kingswood Capital Partners, LLC complies with the following electronic delivery requirements:

- All recipients are not burdened by the electronic medium used and that they can access the information effectively and efficiently;
- Verify that Kingswood Capital Partners, LLC's customers who receive information electronically have access to the same or substantially similar information provided in paper form. The designated principal will further ensure that the electronically transmitted document must convey all relevant and required information;

- Offer clients the opportunity to retain the information through the electronic means or have the ability to access the same information on an ongoing basis;
- Provide timely and adequate notification to its customers that information is available in an electronic format as well as ensure that proper notification is given in more than one format (i.e., electronic and paper) if necessary to ensure adequacy;
- Verify that the transmitted information is delivered to the intended client.

Evidence of Delivery

The designated principal must confirm that the delivered information was conducted in compliance with all relevant federal, state, and self-regulatory (SRO) rules and regulations. Kingswood Capital Partners, LLC should evidence satisfactory delivery of the information and documentation which may be achieved by implementing one or more of the following methods:

- Use of a customer service e-mail link included in the message for clients unable to access the transmitted information;
- Confirmation statements showing that a given username and password accessed and downloaded or printed the information;
- Use of courtesy calls or courtesy letters to verify receipt;
- Use of electronic mail return receipt;

The designated principal is responsible for ensuring that Kingswood Capital Partners, LLC evidences, maintains, and preserves proof that the information was properly delivered and received by the appropriate recipient.

Delivery of Financial Information

Kingswood Capital Partners, LLC may provide personal financial information, customer account statements, or confirmations, to its clients in electronic form. However, the designated principal is responsible to ensure that Kingswood Capital Partners, LLC makes a reasonable effort to ensure the integrity, confidentiality, and security of the information. All information distributed through electronic means shall be reasonably secure from piracy, tampering, or alteration. Additionally, Kingswood Capital Partners, LLC representatives will obtain written consent, or verbally verify random account information, i.e. social security, address, etc., before transmitting the information.

Implementation Strategy: On an ongoing basis, the designated principal will review and approve a representative sample of external electronic communications prior to use and/or distribution. All electronic communications will be electronically stored in Global Relay.

7.12 Telemarketing Procedures/National Do-Not-Call Registry

Requirements Specific to Telemarketing Activities

This firm does not engage in telemarketing activities. However, in the event that Kingswood Capital Partners, LLC decides to engage in telemarketing activities at some point in the future, Kingswood Capital Partners, LLC is prohibited from initiating any telephone solicitation to:

- Any residence of a person before the hours of 8 a.m. or after 9 p.m. (local time at the called party's location), unless it has received that person's prior consent, or the person called is a broker/dealer;
- Any person that previously has stated that he or she does not wish to receive an outbound telephone call made by or on behalf of the BD; or

- Any person who has registered his or her telephone number on the Federal Trade Commission's national do-not-call registry

National Do-Not-Call Registry

On January 12, 2004, the SEC approved amendments to Rule 2212 (Telemarketing) and Rule 3110 (Books and Records). These amendments set forth FINRA's requirement that firms participate in the Federal Trade Commission's (FTC) national do-not-call registry.

In accordance with Rule 2212(a)(3), Kingswood Capital Partners, LLC, and/or its associated persons are prohibited from making telephone solicitations to any person who registers his or her phone number on the national do-not-call registry. Registrations are maintained in the national registry for a period of five years. A consumer may re-register his or her telephone number at any time. Such re-registration re-commences the applicable five-year registration period.

Exceptions from the National Registry Do-Not-Call Requirements

Firms making telephone solicitations will not be liable for violating the policy if:

- Kingswood Capital Partners, LLC has an established business relationship with the recipient of the call. A person's request to be placed on Kingswood Capital Partners, LLC-specific do-not-call list terminates the established business relationship exception to that national do-not-call list provision for that firm even if the person continues to do business with Kingswood Capital Partners, LLC;
- Kingswood Capital Partners, LLC has obtained the person's prior express invitation or permission. Such permission must be evidenced by a signed, written agreement between the person and BD which states that the person agrees to be contacted by Kingswood Capital Partners, LLC and includes the telephone number to which the calls may be placed; or
- The associated person making the call has a personal relationship with the recipient of the call.

The definition of "established business relationship" replaces the definition of "existing customer," which was applicable solely to the time-of-day restrictions and disclosure provisions in current Rule 2212. A firm may not call outside the time-of-day restrictions where an established business relationship is predicated on being the broker/dealer of record for an account of the person within the previous 18 months or having contacted the BD to inquire about a product or service within the previous three months.

A person's request to be placed on a firm-specific do-not-call list terminates the established business relationship exception. Thus, a firm or associated person may not make telephone solicitations to a person with whom it has an established business relationship if such person requests to be placed on Kingswood Capital Partners, LLC's do-not-call list. Nothing in amended Rule 2212 prohibits Kingswood Capital Partners, LLC from contacting a customer solely concerning the administration of his or her account. Such calls do not constitute telephone solicitation or telemarketing.

Safe Harbor Provision for the National Do-Not-Call Registry Requirements

Firms and/or associated persons making telephone solicitations will not be liable for violating paragraph (a)(3) if Kingswood Capital Partners, LLC, or associated person demonstrates that the violation is the result of an error and that as part of the BD's routine business practice, it meets the following standards:

- Kingswood Capital Partners, LLC has established and implemented written procedures to comply with the national do-not-call rules;
- Kingswood Capital Partners, LLC has trained its personnel, and any entity assisting in its compliance, in procedures established pursuant to the national do-not-call rules;

- Kingswood Capital Partners, LLC has maintained and recorded a list of telephone numbers that it may not contact; and
- Effective March 1, 2005, under amended Rule 2212(c)(4), a BD relying on Rule 2212's safe harbor provision must use a process to prevent telephone solicitations to any telephone number on any list established pursuant to the do-not-call rules, employing a version of the national do-not-call registry obtained from the administrator of the registry no more than **thirty-one (31) days** prior to the date any call is made, and must maintain records documenting this process.

Wireless Communications

In general, the FCC has stated that wireless subscribers may participate in the national do-not-call registry. Although FCC telemarketing rules only generally apply to residential telephone subscribers, the FCC has stated that it will presume wireless subscribers who ask to be put on the national do-not-call list are residential subscribers.

Outsourcing Telemarketing Functions

In the event that Kingswood Capital Partners, LLC, uses another entity to perform telemarketing services on its behalf, Kingswood Capital Partners, LLC remains responsible for ensuring compliance with all provisions contained in the rule. If unregistered persons are used for telemarketing purposes, such unregistered persons may only contact prospective customers to: (1) extend invitations to firm-sponsored events; (2) inquire whether the customer wishes to discuss investments with a registered person; and (3) inquire whether the customer wishes to receive investment literature in accordance with applicable FINRA rules.

Soliciting Business in Foreign Jurisdictions

Kingswood Capital Partners, LLC understands its obligations concerning cold calling and advertising to persons outside of the United States. When considering cold calling or advertising in any foreign jurisdiction, Kingswood Capital Partners, LLC will ensure that such activities comply with all applicable U.S. laws and foreign laws.

Implementation Strategy: The designated principal will be responsible for establishing and maintaining a centralized do-not-call list of persons who do not wish to receive telephone solicitations on behalf of Kingswood Capital Partners, LLC. All associated personnel are required to notify the main office for updating the do-not-call list any time an individual asks not to be contacted or asks to be removed from a phone solicitation list. All periodic reviews of cold calling procedures and the do-not-call list will be initialed and dated as evidence of review.

7.13 Disclosure of Financial Condition to Customers

In accordance with FINRA Rule 2261, broker/dealers shall make available to inspection by any bona fide regular customer, upon request, the information relative to such firm's financial condition as disclosed in its most recent balance sheet prepared either in accordance with such firm's usual practice or as required by any state or federal securities laws, or any rule or regulation thereunder.

Implementation Strategy: Upon request by a customer (where such customer in the regular course of Kingswood Capital Partners, LLC's business, has cash or securities in the possession of Kingswood Capital Partners, LLC), the designated supervisor will provide such customer with information relative to Kingswood Capital Partners, LLC's financial condition as disclosed in its most recent balance sheet prepared in

accordance with Kingswood Capital Partners, LLC's usual practice and/ as required by state or federal securities laws, or applicable rules or regulations.

7.14 Handling Customer Complaints

In conjunction with our review procedures for incoming correspondence (see “incoming correspondence” section in these WSPs), all written complaints are immediately copied at the branch level and sent to our CCO. If necessary and when appropriate, our CCO may also forward a copy of the complaint to the firm’s legal counsel for consultation.

Our CCO’s (and, if necessary, legal) review of each complaint will include making a determination as to whether or not the individual’s Form U-4 needs to be amended to reflect the complaint in any manner.

In any instance where a member of senior management is involved in a complaint, a review of Form BD will also be undertaken to determine if a disclosure is required on that document.

- Copies of all complaints are to be maintained by our CCO on a permanent basis, along with any relevant correspondence and/or notes. Such files, and any internal databases in which complaint information is stored, are under the direct supervision of our CCO.
- An acknowledgement of receipt for all written complaints will be made by a principal of the firm (in the form of a letter to the client or the client's designated representative).
- All complaints received concerning actions taken by Associated Persons of this firm will be dealt with on a one-on-one basis between principals of the firm and the relevant registered representative (and his or her direct supervisor if applicable). · Detailed narratives (or correspondence) involving the investigation and follow up activities for each complaint will be retained in the files, indicating who undertook the investigation, what the findings were and what follow-up steps have been taken.
- Notes, indicating who undertook the review and when, as to what determination was made in terms of Form U-4, Form U-5 and/or Form BD disclosure will be made and maintained with the complaint.

If a Form U-4, Form U-5, or Form BD amendment is required, copies of such filed amendments will be maintained with the complaint (indicating the date on which the amendment was filed on FINRA Firm Gateway). In instances where it has been determined that a customer comment did not fall within the definition of a "complaint," and no disclosure of said complaint was made either in our complaint report or on a specific individual's U-4 or U-5, careful cross-references will be made in the files indicating why and how this decision was reached, and the date on which it was reached.

Appropriate Handling

While all immediate designated supervising principals are responsible for ensuring that those individuals under their immediate supervision are handling complaints in an appropriate manner, the individual designated as having overall responsibility for all customer complaints is our CCO.

Supervisory Review Procedures and Documentation

Our CCO is responsible for ensuring that all associated individuals are adequately educated (at our Annual Compliance Meeting, through compliance alerts, during one-on-one conversations, through manuals, or other means as deemed appropriate) in appropriate complaint handling procedures (for both verbal and written complaints).

Customer Grievances - Options

For purposes of this subparagraph, the term "options-related complaint" shall mean any written statement by a customer or person acting on behalf of a customer alleging a grievance arising out of or in connection with options. Each options-related complaint received by a branch office of a BD shall be forwarded to the office in which the separate, central file is located not later than 30 days after receipt by the branch office, which is the subject of the complaint.

A copy of every options-related complaint shall also be maintained at the branch office, which is the subject of the complaint. In addition to the requirements of Rule 4513, every BD shall maintain and keep current a separate central log, index, or other file for all options-related complaints, through which these complaints can easily be identified and retrieved. The central file shall be located at the principal place of business of the BD, or such other principal office as shall be designated by the BD.

At a minimum, the central file shall include:

(i) identification of complainant;
(ii) date complaint was received;
(iii) identification of registered representative servicing the account;
(iv) a general description of the matter complained of; and
(v) a record of what action, if any, has been taken by the BD with respect to the complaint.

Complaint and Disclosure Filing Requirements (FINRA Rule 4530)

The occurrence of any of ten (10) specified “events” (not all necessarily relating to customer complaints), as outlined in Notice to Members 95-81 (and contained in former Rule 3070), and later revised in Notice to Member 11-32 (and contained in FINRA Rule 4530) are required to be reported to FINRA individually, within ten days of occurrence.

Furthermore, on the 15th day of the month following the calendar quarter in which customer complaints are received, we must report them, online, to FINRA (“in such detail as FINRA shall specify”).

In addition, we must file promptly with FINRA copies of:

(1) any indictment, information or other criminal complaint or plea agreement for conduct reportable under paragraph (a)(5) of this Rule;
(2) any complaint in which a BD is named as a defendant or respondent in any securities or commodities- related private civil litigation;
(3) any securities or commodities-related arbitration claim filed against a BD in any forum other than FINRA Dispute Resolution forum; and
(4) any indictment, information or other criminal complaint, any plea agreement, or any private civil complaint or arbitration claim against a person associated with a BD that is reportable under question 14 on Form U-4, irrespective of any dollar thresholds Form U-4 imposes for notification, unless, in the case of an arbitration claim, the claim has been filed in FINRA Dispute Resolution forum.

We need not submit to FINRA any of the above documents that have been the subject of a request by FINRA's Registration and Disclosure staff, provided that we produce those requested documents to the Registration and Disclosure staff not later than 30 days after receipt of such request.

Our CCO is responsible for ensuring that the requirements of Rule 4530 (“Reporting Requirements”) are met.

Supervisory Review Procedures and Documentation

Our CCO will ensure that, as part of our initial orientation for new hires and annually at our Annual Compliance Meeting, all registered personnel are given a copy of Notice to Members 11-32 (or advised to download them from FINRA's Web Site, www.FINRA.org) and that they have their responsibilities there under explained to them. Notice to Members 02-34 may also be distributed and discussed as it contains slight amendments to Rule 3070. Furthermore, as determined by our CCO and senior management, FINRA Notices to Members 95-81, 02-34 and other appropriate Notices, may be discussed and distributed at various times, including at our Annual Compliance Meetings.

Our CCO will also ensure that all designated supervising principals receive sufficient instruction regarding their responsibility to determine that the individuals under their direct supervision are aware of, and in compliance with, the requirements to disclose any event specified under Rule 4530.

- In addition, in order for us to comply with the 10-day reporting requirement under Rule 4530, it is the designated supervising principals' responsibility to continuously make individuals under their direct supervision aware of their responsibilities and the appropriate time frames.
- Documentation evidencing such supervisory oversight will be maintained by the designated supervising principals, indicating methods utilized to address this matter, dates of such undertakings, as well as any deficiency findings passed on to Compliance for further action.
- Our CCO will require, minimally, on a quarterly basis, each registered person to review the list of events required to be reported and attest to the fact that either none is applicable, or to immediately disclose to either his or her supervising principal, or to Compliance, those which are applicable.
- Records will be maintained of all communication with our registered personnel requiring response for reporting purposes. Our CCO will review our complaint file(s) on a monthly basis (with a note to the file indicating such review has occurred) to determine whether all required reporting for each written complaint falling under the guidelines of Notice to Members 11-32 has been undertaken. Copies of all Rule 4530 filings will also be maintained.
- If there have been no written customer complaints within any quarter, and if no registered Associated Person has responded affirmatively to a quarterly request for disclosure concerning non-customer complaint events which require reporting, a note will be entered into the file so indicating, initialed and dated.

REGULATION S-P (Privacy of customer information)

7.15 Regulation S-P

SEC Regulation S-P, Notices 00-66, 05-49; Graham-Leach Bliley Act, as amended, Regulation S-P is codified at **17 C.F.R. Part 248, Subpart A**. Amendments were adopted by Securities and Exchange Commission (SEC) on **May 16, 2024** (Release No. 34-10015)

The Company has adopted the following supervisory procedures in order to comply with Regulation S-P and to protect the privacy of customer financial information.

The Designated Principal shall ensure compliance with these procedures, and shall use the following text, in addition to other materials, such as technical manuals and office procedures instructions, in order to comprehensively train employees with regard to their obligations under the regulation.

Who is Protected?

The regulation protects only natural persons. Trusts, partnerships, corporations and other entities are not protected. Further, beneficiaries of trusts, 401(k) participants, shareholders of corporations or partners of partnerships are not protected unless they are customers outside of their relationship with the entity. IRA beneficiaries are protected since they are individuals.

What is Protected?

With certain exceptions set forth below, the Company is required to protect "Nonpublic Personal Information" ("NPI") defined as "Personally Identifiable Financial Information" ("PIFI") acquired from the customer PLUS any list, description or other grouping of customers derived from using any PIFI. In general, PIFI would include all information of a personal nature supplied on account applications, questionnaires and other information provided in order to obtain accounts, obtain credit, enter into advisory or other relationships, etc.

NPI does not include information that the Company has taken steps to verify and reasonably believes could lawfully be obtained from federal, state or local government records, widely distributed media (telephone book, television, website or radio program) or disclosures to the general public required to be made by federal state or local law.

In addition, regulation S-P protects account number information. The Regulation (with certain exceptions) prohibits the Company under any circumstances from disclosing to any non-related third party ("NTP") other than a consumer reporting agency, a customer account number or similar form of access number or access code for a credit card account, deposit account or transaction account if such disclosure is for use in telemarketing, direct mail marketing or other electronic mail marketing. Regulation S-P also controls "re-disclosure and reuse" of any NPI.

Regulation S-P specifically requires the Privacy Notice to state that the Company may disclose NPI about former customers as well as current ones. The Regulation does not require that a Privacy Notice be provided to any former customer.

How is it Protected?

With certain exceptions (consult Rule) the Company may not disclose NPI of any customer to any NTP without prior notice and consent by the customer. An NTP is any person, firm or corporation that is not controlled by, controlling or under common control with the Company. NOTE: if any other government

regulator treats the Company as an “affiliate” of a company regulated by it, then the Company is also an “affiliate” of that company for purposes of regulation S-P and may disclose NPI to that company.

Privacy Notice Requirements

Initial Privacy Notice Requirement the Regulation requires the Company to provide an Initial Privacy Notice to (a) every customer at all times and (b) every customer and “consumer” (see note below) where the Company intends to disclose that customer’s NPI to any NTP under any non-exempt circumstances. Each recipient must also be provided with a “reasonable” time to “opt out” or not.

NOTE: If the Company does not share NPI, it does not have to provide initial and annual notices or opt-out choices to each “consumer”—that is, an individual who obtains or has obtained a financial product or service from the Company that is to be used primarily for personal, family, or household purposes. Typically, a “consumer” has no further contact with the Company other than the one-time delivery of products or services (versus a customer, who has an on-going relationship with the Company). The Designated Principal must ensure that this distinction is well understood and accurately applied.

The Initial Privacy Notice must be provided to the customer, with certain exceptions, AT OR BEFORE the time the Company establishes the customer relationship or BEFORE the Company makes any disclosures of that customer’s NPI to an NTP. The Initial Privacy Notice may be provided in written or electronic form (if the customer is able to acknowledge receipt electronically).

The exceptions are as follows: The Initial Privacy Notice may be provided at a “reasonable” later time where (a) the customer relationship has been established without the customer’s knowledge or consent (i.e., an ACATS transfer or SIPC trustee transfer); (b) where to provide the Notice would substantially delay the customer’s transaction and the customer has agreed to receive the Notice at a later date; or (c) where the NTP establishes an account or purchases securities on behalf of the customer.

“opt Out” Provision: The Company’s Privacy Notice advises each customer as to NPI that may be disclosed unless there is an objection. Included in the Privacy Notice is a place where the customer can object or “opt out” by notifying the Company that he/she does not want all or part of the NPI to be disclosed. The “opt out” is ongoing and can be changed by the customer at any time in writing. Where the Company changes any NPI sharing policies, a new Notice and “opt out” option must be provided to the customer. The customer may not “opt out” of the exceptions to NPI disclosure described in the Regulation. These exceptions are noted in the Company’s Privacy Notice.

The Privacy Notice must also include disclosures that NPI may be shared among affiliated entities, in compliance with the notice requirements of Section 603 of the Fair Credit Reporting Act, and that the customer may “opt out” of this sharing provision.

Annual Privacy Notice: If the Company does not share NPI with unaffiliated persons or entities that would require an opt-out provision to be included in the notice and has not amended its privacy policy in the past 12 months), the Company is not required to provide an Annual Privacy Notice. However, the Company will provide a notice to any customer requesting such and is available on the Company’s website. Should the Company change its privacy policy or begin sharing NPI with unaffiliated parties where an opt-out is required, the CCO shall ensure the Company delivers the amended privacy notices and annual notices, where applicable to all covered parties.

Books and Records Requirement

The Company maintains records to evidence its delivery of Privacy Notices to customers. Each “opt out” choice is perpetual unless affirmatively revoked by the recipient.

Superseding Authorities/ State Regulations

Regulation S-P does not modify, limit or supersede the Fair Credit Reporting Act (15 U.S.C. 1681), particularly Section 603 that allows companies to provide selected credit information to lenders. In addition, Regulation S-P does not supersede, alter or affect any state law or regulation that establishes and imposes different information protection standards.

The Company must be aware of the privacy laws and disclosure requirements in each state where it is doing business. The CCO must attempt to identify where specific state requirements exist and ensure the Company's procedures conform to these State regulations when applicable.

Regulation S-P (Privacy & Safeguarding Customer Information) Procedures

(Effective December 3, 2025—Large Firm Requirements)

1. Purpose and Regulatory Requirement

These procedures are designed to ensure compliance with **SEC Regulation S-P**, including the 2023 amendments to the **Safeguards Rule** and **Disposal Rule**, effective December 3, 2024, as applicable to large institutions. The Firm must adopt written policies and procedures reasonably designed to:

- Protect customer information against unauthorized access or use;
- Detect, respond to, and recover from security incidents;
- Oversee service providers with access to customer information;
- Provide timely customer notifications following certain data breaches;
- Conduct annual written assessments of the Firm's safeguarding program.

These procedures apply to all Firm personnel and any third party with access to customer records.

2. Information Security Program Overview

The Firm maintains a **written Information Security Program ("ISP")** tailored to the Firm's size, business model, customer base, technology infrastructure, and the sensitivity of the information it maintains. The ISP includes:

- Administrative, technical, and physical safeguards;
- Risk assessments and controls over customer information;
- Monitoring and testing of safeguards;
- Incident detection and response measures;
- Policies governing access, disclosure, and disposal of customer information.

3. Data Inventory and Classification

The Firm shall maintain a **data inventory** identifying:

(1) Types of customer information collected;
(2) The systems, applications, and databases where such information is stored;
(3) Who has access internally and externally;
(4) The sensitivity classification of each data category;
(5) The location and method of storage (cloud, on-premise, vendor-hosted, archives, etc.).

Customer information must be categorized at minimum as:

- **Restricted** (SSNs, account numbers, PII, trade data)
- **Confidential** (internal communications, nonpublic operational data)
- **Public** (materials approved for public release)

Safeguards must align to the sensitivity category.

4. Access Controls

The Firm shall:

- Implement **role-based access control (RBAC)**
- Use **multi-factor authentication** for systems containing customer information
- Require **strong password protocols**
- Remove access immediately upon termination or role change
- Review access logs periodically for unauthorized activity
- Review and certify user access at least quarterly

5. Encryption Standards

To the extent feasible and appropriate, the Firm shall:

- Encrypt customer information **in transit** and **at rest**
- Require all devices containing customer data to use **full-disk encryption**
- Prohibit downloading customer information to non-encrypted devices
- Require secure transmission methods for all transfers of customer information

6. Vendor / Service Provider Oversight

The Firm must oversee service providers with access to customer information. Required controls include:

- **Pre-engagement due diligence** assessing cybersecurity posture
- Contractual requirements mandating:
  - Safeguards consistent with Reg S-P
  - Breach notification to the Firm **as soon as possible and no later than 72 hours after discovery**
  - Restrictions on subcontractors
  - Audit rights or security reporting obligations
- **Annual reviews** of critical vendors, including updated SOC reports, certifications, or other evidence of continued compliance
- Ongoing monitoring of vendor performance and cyber incidents

7. Incident Response Program

The Firm maintains a formal Incident Response Program (IRP) that includes:

1. **Identification** and detection of unauthorized access or use
2. **Containment** steps to prevent further intrusion
3. **Assessment** of the nature and scope of the incident
4. **Investigation** to determine whether customer information was accessed or used
5. **Notification** and escalation to Compliance, CCO, CIO, Senior Management
6. **Documentation** of all facts, decisions, and remediation steps
7. **Restoration** of system integrity and monitoring for recurrence

The IRP must be reviewed and tested at least annually.

8. Customer Notification Requirements

If the Firm determines whether customer information has been **accessed or reasonably likely accessed without authorization**, and that such access creates a significant risk of harm to the affected individual, the Firm must:

- Provide **clear and conspicuous written notice** to each affected individual;
- Deliver notification as **soon as practicable, but no later than 30 days after the determination**;
- Include required content elements under Reg S-P, including:
  - Description of the incident
  - Information compromised
  - Steps taken by the Firm
  - Recommended steps the customer should take
  - Contact information for support

Exceptions: Notification may be delayed if law enforcement issues a written request stating that notice would impede an investigation.

9. Monitoring, Testing, and Annual Assessment

The Firm must maintain:

Annual Written Safeguards Assessment

A written assessment must be completed **no less than annually**, including:

- Review of the Firm's risk assessment
- Evaluation of the effectiveness of administrative, technical, and physical safeguards
- Assessment of data incidents, breaches, or attempted intrusions
- Review of vendor oversight effectiveness
- Testing outcomes and identified weaknesses
- Recommended enhancements and remediation timelines

The assessment must be **approved by Senior Management** and maintained as a **books-and-records obligation**.

10. Employee Training

All employees must undergo **annual privacy and cybersecurity training**, including:

- Identifying and reporting suspicious activity
- Protecting customer information
- Recognizing phishing, social engineering, and spoofing attacks
- Secure use of Firm technology
- Use of encrypted communication channels
- Incident reporting responsibilities

New hires must receive training prior to accessing customer information.

11. Record Retention

The Firm must maintain records of:

- The Information Security Program
- Annual written assessments
- Incident response documentation
- Vendor due diligence
- Notifications related to data incidents
- Access reviews and audit trails
- Training records

Records shall be retained consistent with SEC Rule 17a-4 and internal retention policies.

12. Disposal of Customer Information

Customer information must be disposed of in a manner that protects confidentiality, including:

- Secure shredding of physical documents
- Certified destruction of electronic media
- Wiping or decommissioning devices consistent with NIST standards
- Verification that third-party destruction providers maintain satisfactory safeguards

13. Program Governance

The Chief Compliance Officer ("CCO") and designated Information Security Officer ("ISO") are jointly responsible for:

- Oversight of the ISP
- Approving the annual written assessment
- Reviewing all incidents and escalation decisions
- Ensuring vendor compliance
- Ensuring training is administered firm-wide
- Maintaining all records associated with the ISP

Senior Management receives ongoing updates regarding material issues, testing results, and identified risks.

8 REGULATION BEST INTEREST AND FORM CRS

8.1 Background

On June 5, 2019, the Securities and Exchange Commission adopted Regulation Best Interest ("Reg BI"), which establishes a standard of conduct under the Securities Exchange Act of 1934 for broker-dealers and natural persons who are associated persons of a broker-dealer when making a recommendation of any securities transaction or investment strategy involving securities (including account recommendations) to a retail customer.

When making such a recommendation to a retail customer, a registered representative must act in the best interest of the retail customer at the time the recommendation is made, without placing their own financial or other interest ahead of the retail customer's interests.

While Reg BI did not define "best interest," this general obligation is satisfied only if you comply with four specified component obligations:

- Disclosure Obligation: provide certain required disclosure before or at the time of the recommendation, about the recommendation and the relationship between you and your retail customer;
- Care Obligation: exercise reasonable diligence, care, and skill in making the recommendation;
- Conflict of Interest Obligation: establish, maintain, and enforce written policies and procedures reasonably designed to address conflicts of interest; and
- Compliance Obligation: establish, maintain, and enforce written policies and procedures reasonably designed to achieve compliance with Regulation Best Interest.

Reg BI also defined a "Retail Customer" as the following:

A natural person, or the legal representative of such person, who: (a) receives a recommendation for any securities transaction or investment strategy from a BD or AP; and (b) uses the recommendation primarily for personal, family or household purposes.

For purposes of this definition, a "legal representative" includes the non-professional legal representatives of such a natural person, e.g., a non-professional trustee that represents the assets of a natural person. Reg BI would not apply when the legal representative is acting in a professional capacity as a regulated financial services industry professional retained to exercise independent professional judgment. Therefore, recommendations to registered IAs and BDs or corporate fiduciaries would not trigger Reg BI. On the other hand, recommendations to non-professional trustees, executors, conservators

8.2 Disclosure Obligation

The Firm must, prior to or at the time of the recommendation, provide the retail customer, in writing, full and fair disclosure of:

- all material facts relating to the scope and terms of the relationship with the retail customer; and
- all material facts relating to conflicts of interest that are associated with the recommendation.

Disclosure Delivery

The Firm intends to satisfy its disclosure obligation by providing required disclosures and notices through multiple channels, known as "layering." This includes, but is not limited to the Firm's Form CRS, a separate disclosure page, information contained within our new account applications, and/or product specific disclosures made on a direct business application, prospectus, offering materials, trade confirmation, and/or account statements.

Oral Disclosures: Although the disclosures necessary to satisfy the Disclosure Obligation must be in writing, in certain circumstances, you may satisfy your Disclosure Obligation by making supplemental oral disclosure not later than the time of the recommendation, provided that the Firm maintains a record of the fact that oral disclosure was provided to the retail customer.

Kingswood Capital Partners, LLC Disclosure Form

The Firm will be maintaining a stand-alone disclosure form which will be delivered to retail customers prior to or at the time of a recommendation. This disclosure form presented to the prospect/customer will be maintained in the new account documentation and made available to retail customers via the Firm's website. A link to this disclosures form will also be maintained on the Form CRS.

The CCO or his/her delegate are required to review and update the Firm's disclosure form and ensure the Firm is meeting its disclosure obligation through the layered approach as outlined above. The CCO will conduct this review on an annual basis or more regularly if required - for example, whenever material changes have occurred (e.g., structural/organizational changes, new products, or updated conflicts of interest).

8.3 Conflicts of Interest

Under the Conflict-of-Interest Obligation, the Firm must establish, maintain, and enforce written policies and procedures reasonably designed to address conflicts of interest associated with its recommendations to retail customers. This includes mitigation, disclosure, and in some cases elimination.

Reg BI defines "Conflict of Interest" as:

- An actual conflict of interest: a personal conflict of interest or a business conflict of interest which has actually arisen.
- A potential conflict of interest: a scenario in which a conflict of interest has not yet occurred but that could occur in certain circumstances in the future.
- A perceived conflict of interest: a situation in which a reasonable person, with knowledge of the relevant facts, would question the impartiality of the individual/corporate entity in the matter being considered.

Conflicts of Interest Inventory and Action Plan

A Conflicts of Interest Inventory and associated action plan is maintained by the Firm and provides a consolidated view of the conflicts of interest that could arise. Each conflict of interest is assessed against the relevant systems, controls, policies and procedures to effectively mitigate, prevent and/or manage those conflicts via the conflicts of interest action plan. In addition, this action plan helps identify location of disclosures of conflicts of interest, when applicable.

The CCO or his/her delegate are required to review and update the Firm's Conflicts of Interest Inventory and Action Plan on an annual basis or more regularly if required - for example, whenever material changes have occurred (e.g., structural/organizational changes, new products).

8.4 Care Obligation

Under the Care Obligation, a registered representative must exercise reasonable diligence, care, and skill when making a recommendation to a retail customer to:

- Reasonable Basis Care: understand potential risks, rewards, and costs associated with recommendation, and have a reasonable basis to believe that the recommendation could be in the best interest of at least some retail customers.
- Customer-Specific Care: have a reasonable basis to believe the recommendation is in the best interest of a particular retail customer based on that retail customer's investment profile and the potential risks, rewards, and costs associated with the recommendation and does not place the interest of the broker- dealer ahead of the interest of the retail customer; and
- Quantitative Care: have a reasonable basis to believe that a series of recommended transactions, even if in the retail customer's best interest when viewed in isolation, is not excessive and is in the retail customer's best interest when taken together considering the retail customer's investment profile.

Reasonable Basis Care

When individuals involved in the due diligence or product onboarding process are considering a new product, security, or investment strategy they will consider important factors to better understand potential risks, rewards, and costs associated with recommendation, and have a reasonable basis to believe that the recommendation could be in the best interest of at least some retail customers. This includes, but is not limited to considering important factors such as:

- The security or strategy's
    - investment objectives;
    - characteristics (including any special or unusual features);
    - liquidity;
    - reputation, experience, and credibility of management and/or product sponsor;
    - volatility; and
    - likely performance in a variety of market and economic conditions;
- the expected return of the security or investment strategy; and
- any financial incentives to recommend the security or investment strategy.

Customer-Specific Care

When considering an account type, security, or investment strategy for a particular customer, all registered representative must consider the risks, rewards, and costs in light of the retail customer's investment profile and have a reasonable basis to believe that the recommendation is in that particular customer's best interest and does not place the broker-dealer's interest ahead of the customer's interest. This includes, but is not limited to considering important factors such as:

- investment time horizon;
- investment experience;
- liquidity needs;
- risk tolerance;
- any other information the retail customer may disclose to the broker in connection with a recommendation;
- net Worth; and
- age;
- other investments;
- financial situation and needs;
- tax status;
- investment objectives;
- liquid Net Worth.

In addition, supervision and compliance personnel charged with review of these recommendations will ensure these factors have been considered and document this review.

Quantitative Care
When making a series of recommendations all registered representative must have a reasonable basis to believe that the transactions taken together are not excessive, even if each is in customer's best interest when viewed in isolation. The requirement applies irrespective of whether the registered representative exercises actual or de facto control over a customer's account.

In addition, supervision and compliance personnel charged with review of these recommendations will ensure these factors have been considered and document this review.

Best Interest Decision Criteria Policy (Consideration of Care, Skill, Costs, Reasonably Available Alternatives)
Before making a product, security, account, or investment strategy recommendation to any retail customer, all registered representatives must consider the following questions:

- Types of Accounts
  - Do you understand and have you considered all the various accounts offered under the broker- dealer and those of the investment adviser, if you are dually registered or affiliated with both entities?
  - Do you understand the customer's investment profile characteristics, including, but not limited to investment time horizon; investment experience; liquidity needs; risk tolerance; age; other investments; financial situation and needs; overall and liquid net-worth, tax status; investment objectives; and any other information the retail customer may disclose in connection with a recommendation
  - Do you understand and have you considered the risks, rewards, and costs in light of the retail customer's investment profile?
  - Based on this understanding and the considerations made above, is this account type in the customer's best interest?
- Product/Security/Investment Strategy
  - Do you understand the customer's investment profile characteristics, including, but not limited to: investment time horizon; investment experience; liquidity needs; risk tolerance; age; other investments; financial situation and needs; overall and liquid net-worth, tax status; investment objectives and any other information the retail customer may disclose in connection with a recommendation?
  - Have you considered reasonably available alternatives?
  - Do you understand and have you considered the risks, rewards, and costs in light of the retail customer's investment profile?
  - Based on this understanding and the considerations made above, is this specific security, product, or investment strategy in the customer's best interest?

8.5 Customer Relationship Summary – Form CRS

Preparation, Filing, and Updating Form CRS

According to Rule 17a-14 of the Exchange Act, a broker-dealer must prepare Form CRS that will include they types of services the firm offers, the fees, costs, conflicts of interest and required standard of conduct associated with those services, whether the firm and its investment professionals have a reportable legal or disciplinary history, and how to get more information about the firm. The firm is required to file the Form

CRS with the commission through CRD. The firm is also required to amend the Form CRS whenever the information becomes materially inaccurate.

The Firm has prepared and filed Form CRS. Compliance will review periodically Form CRS to determine if any updated need to be made to the form. Also, at any time there is a material change in any information required in Form CRS, the Form will be updated within 30 days.

The firm has posted the current Form CRS on its public website.

Delivery of Form CRS

Similarly, under Rule 17a-14 of the Exchange Act, a broker-dealer must deliver its Form CRS to each retail investor it provides services. Importantly, this Form CRS disclosure requirement is broader than Regulation Best Interest's applicability that applies to broker-dealers that make recommendations to an investor. Specifically, under Rule 17a-14 of the Exchange Act, the broker-dealer must deliver the Form CRS:

1. to each retail investor before or at the earliest of:

- a recommendation of an account type, a securities transaction or an investment strategy involving securities.
- placing an order for the retail investor; or
- the opening of a brokerage account for the retail investor.

2. to each existing retail investor before or at the time the firm:

- opens a new account.
- recommends that the retail investor customer roll over assets from a retirement account into a new or existing account or investment; or
- recommends or provides a new brokerage service or investment that does not necessarily involve the opening of a new account and would not be held in an existing account.

Registered Representatives are responsible for sending Form CRS to client and prospective client following the delivery requirements above. The firm has created a web-based form to deliver electronically or log the physical delivery of Form CRS to retail investors. A delivery confirmation provided to registered rep will be required whenever one of the above activities necessitates the delivery of the form. Training will be provided periodically during compliance calls and meeting on the requirements of CRS Delivery and scenarios. Compliance will review any CRS logs for accuracy at least quarterly

9 SALES PRACTICE

9.1 Acceptance and Prompt Entry of Orders

Orders should be accepted only from the beneficial owner of an account or their authorized agent. Authorized agents would include anyone holding third-party power to act on the customer's behalf such as a trustee, court- appointed guardian, authorized investment adviser, etc. Orders accepted from an unauthorized third-party may result in rescission of the transaction and assigning the loss to the RR. For example, orders should not be accepted from a husband, on behalf of his wife's account, unless the wife has signed a trading authorization giving her husband authority to act on her behalf.

If an employee receives a telephone order from someone they do not recognize or know to be the owner of the account or person authorized to act on behalf of the account, identity should be requested before accepting the order. Identity verification information would include:

- account number; and
- social security number; or
- other identifying information on record such as mother's birth name.

RRs enter orders promptly into the appropriate trading system provided by the Clearing Firm. Orders cannot be held for future entry; a limit order should be entered if the customer does not want to affect the transaction at the current market price.

9.2 Marking Orders

[SEC Regulation SHO Rule 200(g)]

All sell orders are required to be identified on the order record as "long," "short," or "short exempt" (if applicable at the time of entry.

A sell order may be marked "long" when the seller owns the security being sold and the security either is in the physical possession or control of Kingswood Capital Partners, LLC or it is reasonably expected that the security will be in the physical possession or control of Kingswood Capital Partners, LLC by settlement date.

A sell order should be marked "short" when the security being sold is not owned by the seller and will require it to be borrowed to make delivery by settlement date. See the section Locate And Delivery Requirements regarding the requirement to borrow securities.

9.3 Order Records

[SEC Securities Exchange Act of 1934 Rule 17a-3 and Rule 17a-4; FINRA Rule 5340]

Certain information must be recorded for orders accepted by Kingswood Capital Partners, LLC. Information to be recorded includes:

- Identification of the account
- Buy or sell
- If sell, long or short
- If a short sale, an indication the security can be borrowed
- If sell long, an indication that the seller will deliver the security
- If an option, put or call and open or close

- Name of security
- Quantity
- Price (if a limit order)
- Day or GTC (if not a market order)
- Other terms of the order (fill or kill, stop limit, etc.)
- If a discretionary account, notation whether discretion is exercised or not exercised (DE or DNE)
- Identity of RR responsible for the account if any
- Identity of other person(s) who entered or accepted the order
- Date and time order is received and entered (pre-timing of orders for block positions is prohibited)

Other information to be recorded for the order includes:

- If the customer's order is granted a stop (i.e., price protection on an order as negotiated by Kingswood Capital Partners, LLC, and the customer), the stop is to be noted on the order
- Any modification to/cancellation of order or instructions
- Execution price
- Date and time of execution or cancellation

9.4 Solicited and Unsolicited Orders

When a transaction is recommended to a customer and the customer enters an order as a result of that recommendation, the resulting order is considered to be solicited. Other actions that may result in an order being deemed solicited include the mailing of a research report or other written communication for the purpose of encouraging the customer to act on the information provided or sending a prospectus on a new issue.

Solicited Orders Should Be Indicated

Customer orders that are solicited should be so marked on the order ticket for the transaction.

9.5 Suitability and Best Interest of Recommendations

[FINRA Rule 2111; FINRA Regulatory Notice 13-31, 12-55 and 12-25; FINRA Suitability web page: http://www.finra.org/industry/issues/suitability/; SIFMA Institutional Suitability Certificate: https://www.sifma.org/resources/general/cross-product/]

When to apply Suitability versus Best Interest standard of care:

Regulation Best Interest applies to all retail customers, as defined below. Suitability will apply anytime Regulation Best Interest does not, e.g., institutional customers who have not waived the broker-dealers suitability obligation.

Suitability General Requirements

RRs must have a reasonable basis for believing that a recommended transaction or investment strategy involving a security or securities is suitable for the customer. Recommendations should be based on information obtained through reasonable diligence to ascertain the customer's investment profile, which is recorded in the account records, generally at the time the account is opened and updated when necessary. The customer's investment profile includes, but is not limited to, the customer's age, other investments, financial situation and needs, tax status, investment objectives, investment experience, investment time

horizon, liquidity needs, risk tolerance, and any other information the customer may disclose in connection with the recommendation.

Suitability Investment Strategy

[FINRA Rule 2111.03]

"Investment strategy" is defined in FINRA rules to include, among other things, an explicit recommendation to hold a security or securities. However, the following communications are excluded as long as they do not include (standing alone or in combination with other communications) a recommendation of a particular security or securities:

a. General financial and investment information, including (i) basic investment concepts, such as risk and return, diversification, dollar cost averaging, compounded return, and tax deferred investment, (ii) historic differences in the return of asset classes (e.g., equities, bonds, or cash) based on standard market indices, (iii) effects of inflation, (iv) estimates of future retirement income needs, and (v) assessment of a customer's investment profile;
b. Descriptive information about an employer-sponsored retirement or benefit plan, participation in the plan, the benefits of plan participation, and the investment options available under the plan;
c. Asset allocation models that are (i) based on generally accepted investment theory, (ii) accompanied by disclosures of all material facts and assumptions that may affect a reasonable investor's assessment of the asset allocation model or any report generated by such model, and (iii) in compliance with FINRA Rule 2214 (Requirements for the Use of Investment Analysis Tools) if the asset allocation model is an "investment analysis tool" covered by FINRA Rule 2214; and
d. Interactive investment materials that incorporate the above.

Components of Suitability Obligations

[FINRA Rule 2111.05]

As excerpted from the suitability rule, there are three main obligations when making a recommendation:

reasonable-basis suitability, customer-specific suitability, and quantitative suitability.

a. The reasonable-basis obligation requires a reasonable basis to believe, based on reasonable diligence, that the recommendation is suitable for at least some investors. In general, what constitutes reasonable diligence will vary depending on, among other things, the complexity of and risks associated with the security or investment strategy and Kingswood Capital Partners, LLC's or RR's familiarity with the security or investment strategy. Reasonable diligence must provide an understanding of the potential risks and rewards associated with the recommended security or strategy. The lack of such an understanding when recommending a security or strategy violates the suitability rule.
b. The customer-specific obligation requires a reasonable basis to believe that the recommendation is suitable for a particular customer based on that customer's investment profile which includes the customer's age, other investments, financial situation and needs, tax status, investment objectives, investment experience, investment time horizon, liquidity needs, risk tolerance, and any other information the customer may disclose.
c. Quantitative suitability refers to avoiding excessive activity and requires a firm or RR who has actual or de facto control over a customer account to have a reasonable basis for believing that a series of recommended transactions, even if suitable when viewed in isolation, are not excessive and unsuitable for the customer when taken together in light of the customer's investment profile. No single test defines excessive activity, but factors such as the turnover rate, the cost-equity

ratio, and the use of in-and-out trading in a customer's account may provide a basis for a finding a violation of the quantitative suitability obligation.

Another approach to suitability is portfolio-based that considers the entirety of an investor's investments (or at least those known to the RR). Where a customer has multiple accounts with Kingswood Capital Partners, LLC and those accounts have inconsistent investment objectives, or an investment is made in an account that is inconsistent with that account's stated objective in an effort to meet target asset allocations for the overall portfolio, it is recommended that you obtain written confirmation from an existing customer that you may invest for their account taking into consideration the whole portfolio. All new accounts are now required to answer this question on the new account document.

Customer Financial Ability

[FINRA Rule 2111.06]

Rule 2111 prohibits recommending a transaction or investment strategy involving a security or securities or the continuing purchase of a security or securities or use of an investment strategy involving a security or securities unless the member or associated person has a reasonable basis to believe that the customer has the financial ability to meet such a commitment.

Specific vs. General Recommendations

Suitability obligations apply to specific recommendations as opposed to general investment advice (i.e., a recommendation generally to invest in fixed income securities vs. recommending a specific bond). However, recommending a specific strategy (such as use of a bond ladder, day trading, margin, etc.) would be subject to suitability obligations. The narrower the scope of the recommendation, the more likely it is subject to suitability obligations.

Allocation Models and Educational Materials

To avoid suitability obligations, allocation models or educational materials cannot include recommendations of particular securities such as those comprising the asset allocation model. An explicit recommendation to "hold" specific securities in an asset allocation model constitutes a recommendation. FINRA has indicated that as an allocation recommendation becomes narrower and more specific, suitability obligations may apply.

Hold Recommendations

Suitability obligations apply to recommendations to hold a security or securities or to continue to use an investment strategy, even if the RR did not recommend the original purchase. RRs should disclose that the hold recommendation is based on relevant factors known at the time of the recommendation only, and that continued monitoring or recommendations will not occur (if that is the case). It is recommended that the RR document their hold recommendations (in client files or CRM systems), particularly when a hold recommendation is made regarding risky investments, such as leveraged ETFs, mortgage REITs, an issuer facing significant financial or other material risks, etc.

A hold recommendation is required to be documented on the "Hold Recommendation" form and submitted to the home office in the following circumstances:

* When a hold recommendation is made regarding a position that comprises 25% or more of the value of the account; and, or

* When a security is transferred or deposited into the client account, and it does not fall within the investment objective / risk profile of the accountholder.

Understanding Recommended Investments

It is important that the RR understands the investment being recommended. Kingswood Capital Partners, LLC provides training and/or other materials to describe the features of certain investments offered by Kingswood Capital Partners, LLC.

If the RR does not understand a security or investment strategy, it is the RR's obligation to contact his or her supervisor, the product manager, or Compliance to receive further information before making a recommendation.

Supervisory Review Procedures and Documentation

A designated supervisor will review transactions, client account information, order records and available exception reports for suitability and best interest. Reviews will be daily, periodic, and as needed. Designates supervisor will contact compliance if necessary.

9.6 Institutional Accounts

[FINRA Rule 2111(b), 2111.07 and 4512(c); SIFMA https://www.sifma.org/resources/general/cross-product/]

There is an exemption from suitability obligations for certain institutional accounts. Note this does not exempt Regulation Best Interest, for accounts which are considered retail accounts. Factors to consider when determining the scope of Kingswood Capital Partners, LLC's suitability obligation when making recommendations to institutional customers include: (1) the customer's capability to evaluate investment risk independently both in general and with regard to particular transactions and investment strategies involving a security or securities, and (2) the institutional customer's affirmation indicating that it is exercising independent judgment in evaluating the recommendations. An institutional customer may indicate that it is exercising independent judgment on a trade-by-trade basis, on an asset-class-by-asset-class basis, or in terms of all potential transactions for its account. Institutional accounts may be requested to provide an Institutional Suitability Certificate to be eligible for the suitability exemption.

Where an institutional customer has delegated decision making authority to an agent, such as an investment adviser or a bank trust department, these factors are applied to the agent.

Where an RR has reason to believe an institutional investor is not capable of understanding an investment or making an independent decision, the RR is obligated to make a specific suitability determination and should note this action on order records, in the RR's records, or in the account's records.

9.7 Recommendations of OTC Equity Securities

[FINRA Rule 2114]

Recommendations to purchase or sell short OTC equity securities require completion of the Firm's OTC Equity Securities Suitability and Best Interest Form prior to making the recommendation. Securities not subject to this requirement are listed in Exemptions at the end of this section. An "OTC equity security" is defined as any non- exchange-listed security and certain exchange-listed securities that do not otherwise qualify for real-time trade reporting.

OTC equity securities as defined in this section often trade at low prices and may represent a higher risk to the purchaser depending on where and how the security trades. For example, a thinly traded OTC stock may be subject to volatile price changes and may be difficult to liquidate. There is added risk when the security is purchased on margin, since some of these securities may be difficult to liquidate. Customer

trading in low-priced and microcap securities may also be an indicator of money laundering, depending on the scope and size of the trading. Any suspicious trading should be reported immediately to Compliance.

Low-Priced and Microcap Securities

These securities are subject to scrutiny because of potential risks, including the following.

- monitoring customer accounts liquidating microcap and low-priced OTC securities to ensure, among other things, that The Firm is not facilitating, enabling, or participating in an unregistered distribution;
- monitoring RR solicitations of customers to trade microcap and low-priced OTC securities to ensure that any recommendations are balanced, and the securities are suitable for the customer or in a retail customer's best interest, as applicable.

Supervisory Review Procedures and Documentation

A designated supervisor will review transactions, client account information, order records and available exception reports for suitability and best interest. Reviews will be daily, periodic, and as needed. Designates supervisor will contact compliance if necessary.

OTC Equity and Penny Stock Securities Suitability and Best Interest Determination

RRs have a higher obligation to determine suitability or best interest, as applicable when recommending the purchase or short sale of OTC and penny stock equity securities. This may include obtaining current financial statements (balance sheet, P&L, etc.) and "current material business information" including information available that relates to material events that occurred in the 12 months prior to the recommendation. "Current material business information" is defined as information that is ascertainable through the reasonable exercise of professional diligence and that a reasonable person would take into account in reaching an investment decision. If the issuer is delinquent in its filings (SEC, foreign authority, bank, or insurance regulator), an inquiry must be made about the circumstances about the failure to make current filings.

9.8 Non-Conventional Investments ("NCIs")

[FINRA Notice to Members 03-71]

Certain investments may have features and complexities not as easily understood by investors as traditional investments such as stocks or bonds. NCIs such as asset-backed securities, distressed debt, and derivative products may warrant closer scrutiny to determine suitability or best interest of the security for the specific potential investor, as applicable.

The RR recommending an NCI is responsible for understanding the features of the NCI and making a suitability or best interest determination considering the potential investor's investment objectives and financial background. The RR is also responsible for providing information to the prospective investor, including balanced disclosure of the risks and rewards, so the investor may make an informed decision about the potential investment. Where prospectuses or other disclosure documents are available, it is the RR's responsibility to provide the written disclosure to the prospective purchaser. RRs must also obtain signed subscription or other agreements from NCI investors, where required.

Complex Products

The suitability or best interest of recommendations involving complex investments should be documented on the order record or in the RR's records. FINRA provided examples of complex products to include asset-backed securities secured by a pool of collateral; unlisted REITs; investments with an embedded derivative

component; products with contingencies in gains or losses; structured notes with "worst of" features; and investments linked to the performance of markets that may not be understood by investors.

Documentation provides support for the RR and Kingswood Capital Partners, LLC in the event of a future question about suitability or best interest, either from a regulator or in a civil (court or arbitration) context.

Supervisory Review Procedures and Documentation

CCO, designated supervisor, or other compliance principal will review non-conventional or complex product documentation. Some products may require disclosures. Some complex products require principal approval prior to subscribing.

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.
- Products that include an embedded derivative component that may be difficult to understand, such as those:
  - 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.
  - 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.
  - 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.
  - 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.

9.9 Fair Prices

[FINRA Rule 2121]

Kingswood Capital Partners, LLC is required to make a reasonable effort to obtain a price for the customer that is fair and reasonable in relation to prevailing market conditions. In transactions (whether listed or unlisted) between The Firm and a customer where Kingswood Capital Partners, LLC sells from or buys into its own account, there is an obligation to effect the transaction at a price that is fair considering all relevant circumstances including market conditions; expenses involved and reasonable profit for Kingswood Capital Partners, LLC; and the expense of executing the order and value of service provided.

Commissions

The designated supervisor is responsible for reviewing the reasonableness of commissions on agency transactions. Relevant factors in determining the reasonableness of commissions may include:

- the expense of executing and filling the customer's order
- the value of the services rendered by Kingswood Capital Partners, LLC
- the amount of any other compensation received by Kingswood Capital Partners, LLC in connection with the transaction
- factors considered in principal transactions
- any other relevant factors at the time of execution
- Kingswood Capital Partners, LLC’s, published maximum commission guidelines for equities and options.

Mark-Ups and Mark-Downs

[FINRA IM 2440-1 and 2440-2]

The designated supervisor is responsible for reviewing the reasonableness of mark-ups and mark-downs on customer trades. In determining fair and equitable mark-ups or mark-downs, relevant factors may include:

- the best judgment of Kingswood Capital Partners, LLC as to the fair market value of the securities at the time of the transaction and of any securities exchanged or traded in connection with the transaction
- the expense involved in effecting the transaction
- total dollar amount of the transaction
- availability of the security
- the price or yield of the security
- the maturity of the security
- resulting yield to the customer, as compared to the yield on other securities of comparable quality, maturity, coupon rate, and block size then available in the market
- risk to Kingswood Capital Partners, LLC in handling the transaction
- the nature of Kingswood Capital Partners, LLC's business
- any other relevant facts at time of execution

Supervisory Review Procedures and Documentation

Designated supervisor will review transactions for acceptable commission or mark-ups or markdowns. Supervisor may review blotter, order information, and any available exception reports.

For mark-ups/mark-downs of debt securities (other than municipals), refer to the section Mark-Ups and Mark- Downs in the chapter CORPORATE FIXED INCOME SALES AND TRADING.

9.10 Front Running of Block Transactions

[FINRA Rule 5270]

Knowingly trading ahead of block orders is a manipulative activity that violates securities rules. The Firm and its employees are prohibited from entering or executing an order to buy or sell a security or related or underlying financial instrument when the Firm or employee has knowledge of material, non-public information about an imminent block transaction in that security or related or underlying financial instrument (stock, option, warrant, etc.). The prohibition applies until the information has been made publicly available or has otherwise become stale or obsolete.

This applies to executions in any account where the Firm or employee has an interest, has discretionary authority, or for accounts of customers or affiliates of the Firm when the customer or affiliate has been provided the block information by The Firm or an employee.

"Block transaction" means a transaction involving 10,000 shares or more of a security, underlying security, or related financial instrument.

Exceptions include:

- Transactions in the same security related to a prior customer order in that security
- Transactions to correct bona fide errors

- Facilitation of block orders (with conditions in the Rule)

Though the Rule specifically applies to block transactions, front running of other orders is not permitted where the interests of The Firm or an employee is placed ahead of the interests of the customer or where misuse of information about an imminent order violates other rules. Refer to FINRA Rule 5270 for specific details regarding the prohibition.

9.11 Orders in Volatile Market Conditions

[FINRA Notice to Members 99-11; FINRA Regulatory Notice 16-19]

Customer order handling and recommendations in volatile market conditions may require added disclosures or procedures.

Volatile Stocks

Some securities are characterized by volatility of price and volume. This has, in particular, been a characteristic of some Internet stocks. The RR should know the potential effect of volatility on recommended stocks and discuss these risks when recommending such investments with customers unfamiliar with transactions in these types of securities. Following are some of the conditions potentially affecting volatile stocks:

- High volume in volatile stocks may result in delays in execution at the opening or during the trading day.
- Market orders may be executed at a price significantly different from the current quote. The benefits and risks of market vs. limit orders should be discussed.
- Orders for IPOs in the secondary market may be executed at prices significantly away from the current quote, and, because of "fast market" conditions, the current quote may not be up to date.
- Volatile stocks may be subject to higher margin requirements or not available for purchase on margin.

Stop Orders

Stop orders may be used as a tool to manage market risk, but conditions during volatile market conditions may affect them differently than normal market conditions. Customers should be made aware of the risks of stop orders when markets are volatile:

- Stop prices are not guaranteed execution prices.
- Stop orders may be triggered by a short-lived, dramatic price change.
- Sell orders may exacerbate price declines during times of extreme volatility.
- Placing a "limit price" on a stop order may help manage some of these risks.
- Customers should be made aware of volatile market conditions when RRs advise customers in selecting a stop order type and the stop price (or the stop and limit prices for a stop limit order).
- If in place, customers should be notified of the expiration of good-till-cancelled stop and stop limit orders.

9.12 Account Designation and Cancels/Rebills

[FINRA Rule 4515]

Each order, prior to execution, must include the account name or designation on the order with the exception of investment adviser order allocations explained in the next section.

Whenever an order is cancelled and rebilled to another account (including changes between related or same- owner accounts), the reason for the cancel and rebill must be explained to and approved by the designated supervisor.

9.13 Time and Price Discretion

[FINRA Rule 2510(d)(1); FINRA Rule 4512(a)(3)]

With the customer's consent, time and price discretion may be used for orders for a definite amount of a specific security without written authorization from the customer. The duration of this authority is limited to the end of the business day on which the order was received. Discretion beyond the same day requires establishment of discretionary authority and signed and dated authorization from the customer. Refer to the chapter *ACCOUNTS* and the section Discretionary Accounts for procedures for establishing and handling discretionary accounts.

Exercise of time and price discretion should be noted on the order confirm.

9.14 Trading Systems and Electronic Transmission of Orders

[FINRA Notice to Members 04-66]

Orders are typically entered by the registered representative in the system provided by the clearing arrangement when accepted from the customer.

This section describes supervisory procedures to prevent errors when entering orders through order-routing and execution systems ("trading systems").

- Only authorized persons are permitted to access trading systems. Access is password-protected.
- Order entry personnel will receive training regarding order entry procedures and proper operation of the system.
- Orders will be validated for accuracy and identification of duplicate or re-transmitted orders.
- Limits on order entry include order size and/or credit limits.
- Errors due to system failure, order entry errors, or other system-related errors will be corrected internally. FINRA's "clearly erroneous transaction" procedures are not available to correct such errors.

9.15 Conflicts of Interest

Adverse Interest

When an RR is on the opposite side of a transaction from a customer (customer sells a security and the RR is the purchaser, or customer buys a security and the RR is the seller), the RR may be considered to have an "adverse interest" in the transaction. The branch manager or other designated supervisor should require a disclosure on the customer's confirmation or a letter to the customer disclosing that an employee was on the opposite side of the transaction.

Supervisory Review Procedures and Documentation

Designated supervisor will review for adverse interest as needed through available exception reports

Precedence of Customer Orders

Registered representatives are prohibited against trading ahead customer orders.

9.16 Review of Customer Transactions

Kingswood Capital Partners, LLC designated supervising principals shall monitor and review all firm transactions to assure the fair treatment of customers and compliance by RRs to all fair-trading practices and provisions including the markup/markdown and commissions being charged. The CCO, or designated principal, shall periodically conduct trade reviews to monitor the markup/markdown and commissions being charged and to monitor, review, test and if necessary, change supervisory procedures and trading practices.

The CCO, or designated principal, shall monitor and review trading activity, trade documentation, and exception reports to assure that Kingswood Capital Partners, LLC is providing fair treatment of customers and ensure the compliance by RRs to all fair-trading practices.

Guarantees

Our designated supervisory principals are responsible for overseeing the solicitation efforts of the registered personnel under their immediate supervision and for ensuring that the prohibition against guarantees is fully understood. On a general “oversight” basis, our CCO is responsible for reviewing (through exception reports, audits, on-site visits, training, etc.) activities and correspondence to ensure that all solicitation is done in an appropriate manner and in compliance with the rules and regulations.

Supervisory Review Procedures and Documentation

If deemed appropriate at any time, our CCO will undertake a random client survey basis, in which clients will be contacted and asked about their recollection with regard to the most recent solicitation received from this firm, especially requesting information on any excessively promissory or "glowing in nature" solicitations.

The results of any such client surveys will be documented, indicating names and account numbers of clients contacted, dates and name(s) of individual(s) making the calls, as well as any comments received which require further investigation. Details concerning findings relating to any required further investigations will also be maintained in the files.

In addition, the designated principal will ensure that reviews (minimally annually) are conducted to ensure that affiliated personnel are not utilizing any marketing or promotional materials other than those supplied by vendors which have been approved or those which have been internally developed and approved (see further herein under “Sales Materials.”).

Unapproved promotional materials may contain prohibited guarantees or other inappropriate language and are therefore prohibited. Evidence of all such reviews will be maintained in the files, indicating the scope of the review, dates, and name(s) of the individual(s) conducting the review, and all findings, including corrective measures taken where applicable.

We may require individuals found to be utilizing unapproved materials to meet with their supervising principal, and possibly also with Compliance. Notes concerning any such actions will be made and maintained in the files. In some instances, disciplinary action may be warranted, and indications of any such instances will be documented in the files, along with a description of resultant actions (i.e., required meetings, additional training, etc.).

Our CCO is responsible for ensuring that all registered personnel (upon being hired and as deemed necessary thereafter) are sufficiently trained as to their responsibilities to exercise extreme care, maintain high ethical and professional standards, and have a reasonable basis for all solicitations of, or

recommendations made to, clients. Such training will include the fact that exaggerated claims, unwarranted superlatives, or guarantees should never be used.

Conduct Rules prohibit any individual associated with a broker-dealer from guaranteeing a customer against loss in connection with ANY securities transaction or in ANY securities account of such customer. This prohibition against guarantees is not solely for securities transactions affected through this broker-dealer but applies also to any guarantees a registered person may make to an individual with an account at another broker- dealer.

Training will also cover the fact that only approved promotional materials may be utilized so as to not unwittingly utilize documents which are not in compliance with Conduct Rules. All training materials utilized, agendas, etc. will be maintained, including dates, copies of training materials utilized, method of delivery (i.e., annual compliance meeting, CE, on-line training, etc.), and a list of names (with CRD #s) of all individuals who received such training.

Churning

Churning a client's account (executing transactions solely for the purpose of generating commissions) is STRICTLY PROHIBITED. Uncovered churning activities will result in, minimally, suspension of trading activities for a specified period of time, and in severe or repeat instances, termination. Turnover is a mathematical ratio which measures how frequently a customer's funds are reinvested from one security to another. While there is no pre-determined turnover ratio which identifies churning because customer investment objectives and investment history must be considered on a case-by-case basis, churning is generally characterized by short- term holding periods and high turnover ratios.

Churning generally occurs when a representative has direct or indirect control over a customer's account. Direct control exists in discretionary accounts (prohibited for broker-dealers not also registered as investment advisers). Indirect control exists in situations where customers have a high degree of reliance on a representative, generally allowing the representative to transact whatever business the customer feels most appropriate. Such customers are generally unsophisticated and, not understanding the securities market in any depth, rely heavily on their representative's expertise.

Our designated supervising principals are responsible for ensuring that all transactions undertaken by individuals under their direct supervision are reviewed in such a manner as to reasonably deter and detect any instances of illegal churning in a customer account.

Supervisory Review Procedures and Documentation

Reports (including all buys and sells) will be generated (by client) and reviewed by the designated principal (including all buys and sells), minimally on a quarterly basis, showing all transactions in each client's accounts for the time frame reported. Where such reviews uncover instances that appear to have an excessive amount of client activity (an indication of possible churning), all the registered individual’s accounts will be reviewed with careful scrutiny.

In addition, accounts seeming to generate a disproportionately high amount of commissions relative to the size of the investment will be singled out for further review and possible investigation.

Accounts which registered individuals have brought to the attention of their supervising principal due to the fact that either the account has begun initiating its own trades on an extremely active basis or has dramatically changed its trading techniques will not be deemed to be a churning matter requiring further investigation.

- If it is suspected or believed that churning is occurring, the registered individual servicing the account will be contacted by an appropriate supervising principal or Compliance and given a chance to explain the particular activity in question. If the activity cannot be justified, the client will be contacted and the registered individual will face some sanction, ranging from loss of commissions to temporary suspension of conducting any activities which require registration, with possible termination being the resulting sanction in severe cases.
- All review and follow up activities will be evidenced as follows:
    - Initials and dates will be reflected on reports utilized for review purposes.
    - Notes will be indicated on (or accompanying) the reports as to any findings requiring further review or investigation.
    - Notes, including dates and initials, as to what was uncovered by further reviews or investigations.
    - Narrative documentation as to what sanctions were put into place, if any, or a rationale as to why sanctions were deemed not to be necessary.

Manipulative, Deceptive or Other Fraudulent Devices or Activities

Registered representatives are prohibited from effecting any transaction in, or inducing the purchase or sale of, any security, by means of any manipulative, deceptive or other fraudulent device or contrivance (Rule 2120 and SEC Exchange Act Rule 10b-5). Effecting customer transactions without the customer's permission is expressly prohibited (see further in these WSPs “Unauthorized Transactions”).

Our designated supervising principals are responsible for ensuring that each individual under their immediate supervision is not engaged in any manipulative, deceptive or other fraudulent activities, or acting in any manner other than that which is ethical, fair, and up to the standards of this broker-dealer. Our CCO is responsible for undertaking appropriate surveillance activities designed to deter and detect any sales practice abuses or other fraudulent activities. Files indicating all such surveillance activities, findings, dates, and other relevant information will be retained by our CCO.

Supervisory Review Procedures and Documentation

Our designated supervising principals are responsible for ensuring that no individual under their direct supervision acts in any manner which is in any way not in the best interests of the client and which is not in conformance with the ethical behavior required of all associated individuals. During our designated supervising principals’ on-going oversight of day-to-day activities, and during regular reviews (weekly, monthly, quarterly, and annually carried out by our CCO or other specifically designated individuals) of various areas of this firm's business, information concerning account activity will be reviewed with an eye toward any activity which may be deemed to be manipulative, deceptive, or fraudulent.

The discovery of any such actual or perceived activity will be investigated and will, in most instances, result in an internal sanction, including the possibility of termination. Day to day supervisory activity (e.g., approving new accounts, initialing transaction documents, reviewing correspondence, etc.) is evidenced by initials and dates.

All regularly scheduled review activities, whether on a weekly, monthly, quarterly, or annual basis, will be documented as to what was reviewed, who undertook the reviews, the dates of such reviews, findings, follow up investigations and remedial actions taken, and maintained in the files.

Designated Supervising Principal

Each individual’s direct supervising principal is responsible for sufficiently overseeing all activities engaged in by the individuals they supervise so as to deter and detect any false or artificial entries being made to

any of our books and records. Supervisory Review Procedures and Documentation Initial account approvals, as well as routine and scheduled client file reviews (undertaken under the oversight of our CCO) will require looking for cases of false or artificial entry violations. Minimally, such reviews must:

- Ensure that all accounts must have a legible signature; and
- Require that a principal of this firm be directed to call clients to verify any transactions which are deemed to be suspicious, highly volatile, or large in nature compared to the client's net worth.

Documentation of all such reviews, including the name and CRD # of the individual or individuals conducting such reviews will be maintained, including any findings and corrective follow-up measures undertaken. Concise and complete records of any calls made to clients under these review procedures will also be maintained, indicating the date, caller's identity, and what was discussed.

Market Manipulation

Our CCO is responsible for ensuring that all registered personnel are fully trained and educated with regard to prohibitions on any kind of market manipulation, and for undertaking appropriate surveillance activities (and documenting same) in order to deter and detect any such fraudulent activity. In addition, on an ongoing basis, our designated supervising principals are responsible for monitoring all activities of individuals directly under their supervision, making every effort to detect any efforts to manipulate the market.

Supervisory Review Procedures and Documentation

Our CCO is responsible for ensuring that all registered personnel are fully educated regarding the following:

- It is prohibited for any individual involved in the securities business to participate in any type of activity which might be construed as a manipulation of financial markets.
- It is further prohibited to circulate any rumors of a sensational or important enough nature to effect market conditions.
- It is important to be watchful of potential or actual manipulation of markets on the part of others with whom a registered individual does business (either colleague or client).
- Activities that affect the underlying price of a security for reasons other than supply and demand or other factors generally affecting the markets can be construed as "market manipulation."

All training in the area of market manipulation will be documented in the files, including dates, copies of training materials utilized, method of delivery (i.e., annual compliance meeting, CE, compliance manuals, on-line training, compliance alerts, etc.), and lists of names and CRD #s of all individuals who have received such training.

Any individual being suspected of being in any involved in market manipulation of any sort will be talked to in order to make a determination if the individual is actually engaged in wrongdoing. Documentation of all such occasions will be retained in the file, including the name and CRD # of the individual involved, the name of the individual who raised the concern, the reason for the concern and the final disposition of the matter, including any disciplinary actions taken, if applicable, and corrective measures put into place, if applicable.

Threats, Intimidation, Harassment, Profanity Background Consistent with rules adopted by the Federal Trade Commission ("FTC") and prior FINRA interpretations and policies, FINRA requires its membership that inherent in and implied by the provisions of Rule 2110 firms must ensure that no affiliated individual

engages in communications with customers that constitute threats, intimidation, the use of profane or obscene language or calls any individuals repeatedly to annoy, abuse or harass the called party.

Our designated supervising principals are responsible for ensuring that no individuals under their immediate supervision ever engage in threats, intimidation, harassment, profanity, or other unethical and illegal manner of behavior when undertaking any business activities on behalf of this broker-dealer.

Supervisory Review Procedures and Documentation

All registered and non-registered Associated Persons of this broker-dealer are made aware of this prohibition, initially upon being hired by us, through ongoing “Customer Relations” and “Cold Calling” training mechanisms and annually at our Annual Compliance Meeting. Documentation as to all such educational efforts is maintained in our files indicating dates, manner of delivery and lists of individuals who received such training and/or education. Records will be maintained regarding individuals who have engaged in unprofessional or unethical behavior when undertaking business dealings on behalf of this firm, indicating how the matter was addressed and what sanctions, if any, were enforced.

Unauthorized Transactions

"Unauthorized" transactions include both those transactions known as "selling away" (undertaking securities transactions at a broker-dealer other than this broker-dealer) and those transactions, which have not been authorized by the customer. Unauthorized activity in a customer account is never permissible. No transactions in a client's account can be undertaken without the customer's advance knowledge and approval. Other fraudulent types of non-customer approved transactions include but are not limited to implementations of transactions to cover previous failure to follow a customer's advice and attempts to cover tracks of other inappropriate activities.

Our designated supervising principals are responsible for ensuring that the individuals under their immediate supervision do not engage in any unauthorized transactions. Our CCO is responsible for undertaking appropriate surveillance measures to attempt to detect any possible unauthorized transactions.

Supervisory Review Procedures and Documentation

- registered representatives are advised in writing (upon associating with Kingswood Capital Partners, LLC) of this firm's position towards unauthorized transactions. All registered Associated Persons are well aware of the restrictions and prohibitions against unauthorized transactions.
- transactions are reviewed on a daily basis (evidenced by initials and dates) any involving products unauthorized by this firm will be readily apparent and will generate an immediate investigation (so indicated by initials and dates), with additional documentation as to the findings of such investigation and any follow- up measures taken.
- it is difficult to detect “selling away” activities through any internal review process, therefore, supervising principals are given training as to what to look for in terms of an individual’s activities, which may be evidence of selling away, and to immediately discuss any concerns with their supervising principal or with our CCO.
- the regulatory prohibition against selling away without first receiving written permission from the employing broker-dealer is discussed during initial training for new affiliates and on an annual basis at our Annual Compliance Meeting.
- should it not be possible through an investigation of the customer files and representative's records whether or not the transactions being investigated were, in fact, not authorized by the customer, the client will be contacted by an appropriate principal of the firm and asked directly about all transactions, which have raised concern. The content of that conversation will be documented, indicating the initials of the individual who made the call and the date.

- Any registered Associated Persons found to have engaged in any unauthorized activity (either "away" from the firm without prior written permission or on behalf of a customer) will face sanctions ranging from being required to give up commissions to possible termination. Notes regarding any sanctions made against any registered individual will be maintained in the files. · Utilizing exception reports, our CCO will oversee surveillance activities designed to detect possible unauthorized transactions, ensuring that appropriate investigations are undertaken and documented as to findings.

9.17 Sellouts

Customers who fail to pay for transactions will be subject to sellouts to close out the unpaid security position. RRs may be charged for any unpaid balance remaining after the sellout if there are no assets in the account.

A pattern of sellouts may indicate problems with customers or potential unauthorized transactions. The designated supervisor is responsible for directly contacting customers where there is a pattern of sellouts to determine the cause of the sellout and whether the customer authorized the transaction. If unauthorized transactions or other wrongdoing are identified, Compliance will take corrective action including disciplinary action against the RR.

9.18 Blue Sky of Securities

General Requirements

"Blue sky" refers to state laws that govern the sale of securities and those who sell securities to residents of individual states. Registration of agents is discussed in the chapter EMPLOYMENT, REGISTRATION AND LICENSING. This section discusses blue sky requirements of securities sold by Kingswood Capital Partners, LLC.

Securities must be blue skied in the state of residence of the customer to whom the security is sold. If a security that is not blue skied is sold to a customer in violation of state blue sky laws, the customer likely has a right of "rescission," which means the customer may cancel the transaction and receive a refund of the purchase price. Losses resulting from rescissions will be charged to the RR who sold the security in violation of blue-sky requirements. States may also take disciplinary action against firms and individuals for violations of state law.

There are two ways a security may be sold to a state resident under blue sky laws. First, the issuer may register with the state. Second, an exemption may apply. Exemptions generally apply to:

- Securities issued by the federal government and municipalities
- Exchange-listed securities
- NASDAQ Capital Market listed securities
- Securities sold to certain institutions

Because blue sky laws vary from state to state, Compliance should be consulted to determine specific requirements.

9.19 CDs

Special Characteristics of CDs

Some CDs have unique characteristics which should be understood by the RR and communicated to the potential purchaser. Some of those special characteristics are explained below.

CDs may be securities. Some CDs may be considered securities and must be registered. Whether or not a CD is a security depends on a number of factors and requires individual analysis.

"Brokered" CDs may be significantly different from traditional CDs. Brokered CDs are CDs issued by banks via a "master CD" to deposit brokers (which include broker-dealers) which sell interests to individual investors.

The master CD is an aggregation of individual CDs with the same denomination.

- Brokered CDs may have longer maturity dates (in some cases 20 years) than traditional CDs.
- Interest rate terms may differ significantly from simple rates paid by traditional CDs.
- There may be a penalty for withdrawing funds before maturity.
- If a secondary market exists for the CD, the customer may lose principal because of prevailing interest rates at the time of sale.
    - FDIC insurance protection may or may not be available to the customer, depending on whether the customer has exceeded the limit at a particular bank, thrift, or credit union.
    - Brokered CDs may have a call feature.

Disclosures When Selling Brokered CDs

Disclosures must be made to customers in the following areas:

- Potential for loss of principal
- Limitations on secondary markets
- Call features
- Step-up or Step-down features

Loss of Principal: Long-term CDs are subject to market price fluctuations primarily affected by prevailing interest rates. If a customer chooses to sell a CD prior to maturity, the pre-maturity sales price of the brokered CD may be less than its original purchase price. Using the term "no penalty for early withdrawal" is misleading unless the issuer guarantees redemption at full face value for a sale prior to maturity.

Secondary market: The secondary market for long-term CDs may be limited. Kingswood Capital Partners, LLC will make the appropriate disclosure to purchasers of CDs during an initial distribution.

Call features: Callable CDs give the issuer the right to redeem the CD. This typically happens when long-term CD is trading at a premium to its call price in the secondary market. Purchasers should understand it is the issuer that has the right to call the CD, and it may be redeemed at a time when less favorable interest rates are available for reinvesting the funds. RRs must not predict the likelihood that the CDs will or will not be called.

Discount or zero CDs: Purchasers should understand the maturity date of the CD and that interest and principal are not payable until maturity. Early sales may result in a substantial loss of value.

"Step rate" CDs: A "step-down" CD generally pays an above-market interest rate for a period of time after which it will then "step down" to a lower, predetermined rate that will be paid until maturity. A "step-up" CD generally pays a below-market interest rate for a period of time after which it will then "step up" to a higher predetermined rate that will be paid until maturity. The "step rate" may be below or above then-prevailing market rates. The initial rate cannot be used to calculate yield to maturity.

Market Index/Linked CDs

Some CDs are linked to market indices. Market Indexed/Linked CDs ("MCDs") are hybrid investments that often combine zero-coupon bonds with stock options on the underlying market index. When held to maturity, MCDs are intended to offer return of the initial investment with the potential of upside gain based on the performance of the underlying index. MCDs are insured by the FDIC.

There are important differences between certificates of deposit and indexed CDs. RRs should understand those differences and disclose key risks and features when recommending purchases.

- Unlike traditional CDs, MCDs are subject to market risk if sold prior to maturity.
- A secondary market is not guaranteed and may not exist; customers may not be able to liquidate MCDs prior to maturity.
- Investors must keep MCDs for the full term of the MCD (often 4-5 years) in order to be guaranteed a return of principal plus earnings.
- Some indexed MCDs have complicated terms that can result in yields that vary greatly from what investors expect.
- Risk and return may have multiple determinants; an indexed MCD may be linked to multiple indexes
  - and issuers can use a variety of averaging methods which, depending on the market environment, could result in no paper gains for the investor, even if the market ended higher at the end of the term.
- Some MCDs have call features that may result in the MCD being called prior to maturity.
- Some MCDs have "barriers" or "knock-out rates." Investors may receive no interest when the barriers are breached, i.e., the index rises above or below the barrier.
- The tax implications of MCDs are different from traditional CDs. Because MCDs include zero coupon bonds, the customer will be required to pay tax on the increase in the accreted value of the MCD on a yearly basis ("phantom" income) even though actual interest is not received until maturity. If held in a taxable account, the investor is taxed on this phantom income.
- Customer should be advised on the method used to derive valuation. The price may or may not be based on the actual closing value of the linked index on the final maturity date. Market value of the MCD may not correspond directly to increases or decreases in the underlying linked index.

9.20 Cash Alternatives

[FINRA Regulatory Notice 08-82]

In addition to issues about CDs, RRs must be aware of obligations when selling other securities that might be considered "cash alternatives." General obligations include the following:

- Avoid overstating a product's similarities to cash holding and provide balanced disclosure of the risks and returns associated with a particular product;
- Understand the features of the product; and
- Consider suitability or best interest, as applicable, before making a recommendation.

Public communications including sales materials and oral communications regarding cash alternatives must present a fair and balanced representation of the risks, benefits, and limitations of investing in these products. Investments may not be represented as an alternative to cash unless that is accurate. Written and electronic communications must include the following:

- Disclosure, if applicable, that the investment is not federally insured, and the customer may lose money.
- Factors that may affect liquidity or price stability or the issuer's ability to repay its obligation in full.

Sales materials may not be used where market or economic developments affect the continued accuracy or characterization of a product as a cash alternative.

Supervisory Review Procedures and Documentation

A designated supervisor will review sales material and other records on a periodic or as needed basis.

9.21 Real Estate Investment Trusts (REITs)

[FINRA Rule 2310; FINRA Regulatory Notice 08-35]

REITs invest in different types of real estate or real estate related assets such as shopping centers, apartment buildings, office buildings, hotels, and mortgages secured by real estate. The three types of REITs include:

- Equity REITs that invest in or own real estate with income principally from rents collected
- Mortgage REITs that lend money to owners and developers or invest in financial instruments secured by mortgages on real estate
- Hybrid REITs that combine the investment strategies of equity and mortgage REITs

REITs trade on national exchanges or in the over-the-counter market; some mutual funds specialize in public real estate. Some REITs invest specifically in one area of real estate (for example, apartment buildings) or in one specific geographic region. REITs generally provide ongoing dividend income along with the potential for long- term capital gains.

General Sales Guidelines

- When determining the suitability or best interest (as applicable) of recommending a REIT, consider the investor's investment objectives and need for income and the risks of the REIT including the use of leverage
- Apply a volume discount if it is available
- For unlisted REITs, consider liquidity and marketability and advise the investor of such risks [FINRA Rule 2310(b)(3)(D)]
- Customer account statements may include valuations and disclosures regarding certain REITs [FINRA Rule 2310(b), Notice to Members 01-08]

Private and non-traded REITs

[FINRA Regulatory Notice 13-18]

Private and non-traded REITs are companies whose shares do not trade on a national stock exchange. They generally operate like unit investment trusts by purchasing assets that are held for a fixed amount of time, often 7 to 10 years and will either sell off the properties or do an IPO at the end to exit the fund and deliver returns to shareholders.

There are features and risks which RRs must be familiar with prior to recommending a private or non-traded REIT.

- Sales costs are deducted from the offering price.
- The investment is illiquid during the term of investment which may be 7 to 10 years. Trying to liquidate the investment earlier is often difficult or costly or may be impossible.
- Many companies offer some form of redemption plan, but these are very limited, often limited to 3% of the shares outstanding in a year and involve a significant penalty.
- The fixed portfolio and long-term horizon provide a level of stability since the REIT is not required to sell properties to meet investor liquidation requirements.
- Non-traded REITs pay monthly or quarterly dividends which may be higher than publicly traded REITs; however, dividends are not guaranteed.
- Dividends may include repayment of principal in early stages of the program.
- Private REITs are not required to provide the same level of quarterly disclosure as publicly traded REITs.
- They impose minimum income and/or net worth requirements; RRs are obligated to determine the investor meets the requirements and completes any necessary subscription agreements.

9.22 Promissory Notes

[FINRA Notice to Members 01-79]

Promissory notes are a form of debt similar to a loan. Companies sometimes issue them to raise money for a variety of business needs. The company promises to return the buyer's funds (principal) and make interest payments during the life of the note.

Promissory notes often are deemed securities and must be registered with the SEC and/or the state they are sold in, or they must qualify for an exemption from registration.

When sold through Kingswood Capital Partners, LLC, RRs are required to make suitability or best interest (as applicable) determinations before recommending purchase. Considerations include the safety of the note and length of the term of the note. Transactions in promissory notes offered by Kingswood Capital Partners, LLC are subject to review by the designated supervisor.

Individuals or entities outside Kingswood Capital Partners, LLC may attempt to sell unregistered promissory notes through licensed RRs. RRs are reminded that they may only sell securities offered by Kingswood Capital Partners, LLC, unless specifically approved by Compliance.

9.23 Direct Participation Programs (DPPs)

[FINRA Rule 2310]

DPPs are primarily suitable or in the best interest of retail customers who need tax advantages on passive income. Each DPP has specified suitability or best interest (as applicable) standards including information such as the purchaser's net worth. Following are features and requirements of DPPs:

- RRs should reasonably determine that the customer understands the ramifications of not having a high enough tax bracket or not enough passive income to receive benefits of a DPP's partnership flow- through concept.
- RRs are responsible for obtaining the required subscription agreement or, if no agreement is required, determining that the customer meets the standards outlined in the prospectus and completing the Suitability/Best Interest Questionnaire.

- While there may be a secondary market for particular DPPs, they may have limited liquidity and should be considered a long-term investment.
- Secondary market transactions must be recorded in Kingswood Capital Partners, LLC's order records including the time of execution.

9.24 Hedge Funds

[FINRA Notice to Members 03-07]

This section describes the RR's obligations when selling hedge funds to customers. Funds of hedge funds are discussed in the chapter *MUTUAL FUNDS*.

Definition

A hedge fund includes a private and unregistered investment pool that accepts investors' money and employs sophisticated hedging and arbitrage techniques using long and short positions, leverage and derivatives, and investments in many markets. Hedge funds vary in size and trading strategies, including categories such as: relative value hedge funds, event driven hedge funds, equity hedge funds, global asset allocator hedge funds, short selling hedge funds, sectoral hedge funds, and market neutral hedge funds. Most hedge funds are not registered.

Features of Hedge Funds

Many hedge funds have the following features:

- not registered under the Investment Company Act and exempt from registration under the '33 Act
- high minimum investments, often $1,000,000 or more
- wide differences in the fees for investments in registered vs. unregistered hedge funds. Managers of unregistered hedge funds may receive both a management fee and a direct percentage in the profits earned.

Promotion of Hedge Funds

Sales material and oral presentations promoting hedge funds must be balanced to include the risks and potential disadvantages of the investment. Specific items that may NOT be included are statements that hedge funds offer:

- superior professional management with more investment flexibility
- protection against declining markets
- better returns due to the imposition of performance fees
- target returns unless sales literature referring to the target provides enough information to substantiate and provide a sound basis for the target unless these statements are fair, accurate, and without exaggeration. Risks that must be disclosed are that hedge funds:
- often engage in leveraging and other speculative investment practices that may increase the risk of investment loss;
- can be highly illiquid;
- are not required to provide periodic pricing or valuation information to investors;
- may involve complex tax structures and delays in distributing important tax information;
- are not subject to the same regulatory requirements as mutual funds; and,
- often charge high fees.

Investors must be provided with any prospectus or other disclosure document of the hedge fund.

Due Diligence

Unregistered hedge funds are usually offered through private placements. Kingswood Capital Partners, LLC will conduct due diligence prior to offering hedge funds to customers, including the following:

- investigation of the background of the hedge fund manager
- reviewing the offering memorandum
- reviewing subscription agreements
- examining references
- examining the relative performance of the fund
- other due diligence reviews determined by the reviewer

Customer Suitability and Best Interest

Historically hedge funds have only been available to high net-worth individuals or institutions. Access to some hedge funds has been expanded to include other investors. Prior to recommending a hedge fund to a customer, the RR is obligated to:

- Understand the risks and features of the investment.
- Consider the structure and nature of the hedge fund, particularly whether the hedge fund has "side- pocket" accounts that hold hard-to-value investments that may affect liquidity and limit the ability to determine the value of the fund.
- Determine suitability or best interest (as applicable) considering the usual factors including financial status, tax status, investment objectives, and other information reasonable for determining suitability or best interest. A customer's level of assets does not, in and of itself, meet suitability or best interest. requirements. The fact that a customer is an "accredited investor" under Regulation D does not, alone, satisfy the obligation.

9.25 Structured Products

Structured products generally are securities that are derived from or based on a single security, a basket of securities, an index, a commodity, a debt issuance, and/or a foreign security. There are many variations of structured products and different features such as principal protection; payment of interest above market rates; and capping upside participation. Structured products have a fixed maturity, and some may be listed while others are thinly traded.

Structured products typically have two components, a note, and a derivative (often an option). The note pays interest at a specified rate and interval while the derivative establishes the payment at maturity. Structured products are generally subject to the requirements for public offerings of securities under the '33 Act and are usually offered from a shelf registration.

Principal-protected notes are discussed in a specific subsection.

Suitability and Best Interest

Because of the potential complexity of structured products, RRs must determine the suitability or best interest (as applicable) of potential purchasers, including the customers:

- financial situation including income and liquid net worth
- age
- investment experience
- ability to bear the risks involved with the product

- knowledge and experience in financial matters that the customer can be reasonably expected to be capable of evaluating the risks of the recommended transaction

RRs should inform the customer of the features of the structured product being recommended. RR's will be required to pass specific modules prior to recommending any of these structured products

Risk Disclosure

It is important that investors understand the risks involved in structured product investments. If a prospectus or risk disclosure statement is available for the product being offered, it must be provided prior to any purchase. RRs must discuss the following risks with potential individual investors:

- General types of risks associated with structured products
- Any risk not usually associated with a given product, such as risk of loss due to any sale of the product before maturity
- Any material product-specific risk such as risks arising from the underlying asset, liquidity, and market risks in relation to the product itself, or specific tax considerations
- Acknowledgment of limitations on available data
- The distinction between the underlying asset and the structured product based on the asset
- For principal-protected products, that the principal protection applies only at maturity and the costs of unwinding the product mean an earlier redemption value which may differ significantly from maturity value
- Availability or lack of availability of a secondary market to liquidate the investment
- Sales in the secondary market may be at significantly discounted value to the original investment
- Tax implications (if applicable) and the potential need to consult with the investor's accountant, tax attorney, or other tax professional

Fees and Costs

Fees, costs, commissions, discounts, and any other amounts paid at the time of purchase or for acting as such, over the life of that product, must be disclosed to investors.

Credit Ratings

Credit ratings of issuers (or guarantors) may not represent a rating of the structured product. If credit ratings are disclosed to potential investors, disclosure must make clear the significance of the rating in relation to the investment.

Tax Implications

Investment in structured products may have tax consequences for individual investors depending on their personal circumstances and jurisdiction of residence. Although certain tax implications may be highlighted in product documents, investors should be encouraged to discuss the specific tax implications of structured products with their accountant, tax attorney, or other tax professional.

Features and Risks of Structured Products

Each structured product will have different features and it is the RR's responsibility to understand those features before making a recommendation. Following are some features that must be communicated to the customer (depending on the product) before a structured product is purchased:

- **Principal protection:** Some products offer full upside protection or have a cap; no dividends are paid. Principal protection may mature within one to seven years and investors must hold them until maturity to guarantee the principal's return. Maturities shorter than 5 years usually cap returns.
- **Buffered return-enhanced notes:** Usually linked to the performance of a market index and issued as senior unsecured debt obligations that mature within one to five years and trade in $1,000 increments. There is no dividend or interest income, and gains are taxed as long-term capital gains if the investment is held un-hedged for more than one year. Buffered notes provide partial principal protection with the buffer ranging from 10% to 15%.
- **Return-enhanced notes:** The investor gives up the right to participate in market gains over a period in exchange for a payout at maturity that may be 2 or 3 times the return of a Kingswood Capital Partners, LLC index. Maturities generally range from 1 to 3 years and trade in $1,000 increments. They have a cap and provide no protection against market declines, and there is no dividend income.
- Reverse convertibles: This product is linked to a particular stock, basket of stocks or index and pay a fixed coupon that provides some protection from loss. The registered notes mature within one year or less and trade in $1,000 increments. They typically carry a coupon of between 10% and 20% and the upside is limited to the coupon amount. If the underlying stock falls below a set "barrier" level, the investor may get significantly lower-valued stock instead of cash upon maturity. If the underlying stock is volatile, risk is significantly increased. Investors who try to sell a reverse convertible before maturity may lose money since there may not be much demand for the notes, especially in a down market.

Principal-Protected Notes (PPNs)

[FINRA Regulatory Notice 09-73; SEC Investor Alert: http://sec.gov/news/press/2011/2011-118.htm]

PPN in this section refers to any structured product that combines a bond with a derivative component and that guarantees a full or partial return of principal at maturity. Sales of PPNs to retail customers are subject to particular considerations explained in this section:

- While products may be described as "guaranteed," principal protection, absolute return, minimum return, the degree of guarantee, protection, risk, and return vary depending on the specific features of the note being sold.
- The suitability or best interest (as applicable) of recommendations must take these features into consideration as well as the customer's objectives, needs, and willingness/ability to sustain risk.

Features of PPNs

PPNs typically combine a zero-coupon bond with an option or other derivative product with a payoff linked to an underlying asset such as an equities index or basket of indices. There is a guarantee of a return of some or all principal at a maturity date which may be up to 10 years from issuance and participation in a return linked to a specific change in the value of the underlying asset.

RRs should review FINRA Regulatory Notice 09-73 for illustrations of how returns and guarantees may vary depending on how the note is structured.

Suitability and Best Interest Considerations

The following are factors to consider when recommending PPNs.

- The creditworthiness of the guarantor and the nature and terms of guarantees
- The investment's pay-out structure, costs, and fees

- The customer's need for access to their money before the maturity date arrives or a lock-up period expires
- The call risk of callable notes
- Tax consequences such as a note invested in zero-coupon bonds which could result in paying tax on imputed interest as it accrues
- Fees and costs
- Lack of inflation protection since principal guarantee generally relates to nominal principal

Reverse Convertibles

[FINRA Regulatory Notice 10-09]

A reverse convertible is a structured product that has features that should be communicated to potential retail investors before recommending the security. Relevant features potentially include the following:

- **How the product works** including pay-out structure, relevant information about the reference asset, and, if applicable, that the investor will not participate in any appreciation in the value of the reference asset.
- **Return of principal.** Instead of a full return of principal at maturity, the investor could receive less than a full return of principal if the value of the reference asset has fallen below a certain level, often referred to as the "knock-in" or "barrier" level. Depending on the underlying asset, the investor could receive a predetermined number of shares of common stock (or cash equivalent), which would amount to less than the investor's original investment.
- **Pay-out structure.** Pay-out structures may involve multiple variables that affect risk, cost, and potential benefits. The RR should have an understanding so these variables may be communicated to the investor.
- **Sale of product prior to maturity.** The ability to sell and the potential selling price may depend on the willingness of the issuer or another party to maintain a secondary market.

Communications, whether directly with a potential investor or through advertising or other communications, must be truthful and not contain any exaggerations. Following are restrictions and guidelines on communications:

- Reverse convertibles should not be described as ordinary debt securities.
- Any reference to the product's credit rating cannot suggest that the rating has any bearing on the expected performance of the reference asset, nor may it exaggerate the probability that the investor will receive a full return of principal.
- Annualized yield or coupon information cannot be presented in a misleading manner. For example, a 10% per annum coupon provides an actual return of roughly 2.5% (based on a 360-day year) over a 3- month term. Communications about products that mature in less than a year must balance communication about annualized yield with prominent disclosure of the actual percentage return and the term of the note.

Exchange Traded Notes (ETNs)

[FINRA Investor Alert:
http://www.finra.org/Investors/ProtectYourself/InvestorAlerts/TradingSecurities/P131262; NYSE Informed Investor: What You Should Know About Exchange Traded Notes]

ETNs are unsecured debt obligations of an issuer which typically is a bank or another financial institution. RRs must be familiar with the features and risks of ETNs before recommending them and explain features

to prospective investors. The complexity of an ETN is a factor to consider before recommending it to an investor.

Features include the following:

- ETNs are sold by prospectus which must be provided to the investor.
- ETNs usually do not pay interest but rather make distributions determined by the performance of an underlying index or Kingswood Capital Partners, LLC on the ETN's maturity date (which may be 10, 30, or 40 years from issuance) minus fees. An individual ETN may or may not provide for periodic payments or cash distributions prior to maturity.
- Underlying indexes may be familiar and broad-based or less familiar asset classes or complex and sometimes proprietary indexes.
- Some ETNs offer leveraged exposure to the index or Kingswood Capital Partners, LLC they track.
- Leveraged and inverse ETNs are short-term trading investments not intended for long-term investing.
- The creditworthiness of the issuer is important since the ETN itself is not rated.
- ETNs may have a repurchase feature allowing qualified investors to redeem notes of a minimum denomination or value daily or weekly at a predetermined price. Other investors may sell in an available secondary market (ETNs are often listed), sell if called by the issuer, or allow them to mature.
- The issuer charges an annual fee through the term of the ETN. Fees are explained in the prospectus.
- ETNs trade on exchanges; the sales price in the secondary market is determined by supply and demand. ETNs do not sell at net asset value (NAV).

Risks include:

- As unsecured debt obligations, the issuer may default on the note.
- ETNs are influenced by the value of the underlying index subjecting the investor to market risk.
- A trading market may not develop, even though an ETN is listed on an exchange.
- An ETN's market price may not track the underlying index.
- Some ETNs (particularly some leveraged, inverse and inverse leveraged) are short-term trading tools that may reset daily. The performance of these products over long periods can differ significantly from the stated multiple of the performance (or inverse performance) of the underlying index or Kingswood Capital Partners, LLC.
- ETNs containing components traded in foreign currencies are subject to foreign currency exchange risk.
- Some ETNs are callable at the issuer's discretion; the notes may be called when the investor may incur a loss.
- The issuer may engage in trading activities at odds with investors who hold the notes.

Supervisory Review Procedures and Documentation

Designated supervisor will review product offering documentation and fact sheets. On an as needed basis or at the time of subscription, supervisor will review client account information for suitability and concentration.

Supervisor may confirm registered rep training on any third-party vendors if applicable.

9.26 Locate and Delivery Requirements

[SEC Regulation SHO Rule 203]

Prior to effecting a short sale in an equity security, there is an obligation to "locate" securities available for borrowing and delivery by settlement date. The "locate" must be determined prior to order entry. Exceptions to this requirement are listed below.

It is the RR's responsibility to contact Operations (or consult a "borrow" list if available) to confirm whether the security being sold short may be borrowed. The borrow list relied upon must be less than 24 hours old. The following locate information must be recorded on the order:

- if obtained from a person, the name of the person and the number of shares to be borrowed and the date
- if obtained from an authorized "borrow list," notation that the list was consulted and the date

SEC Requirements for Reporting Securities

[SEC Securities Exchange Act of 1934 Rule 10b-21; SEC Regulation SHO Rule 204]

The SEC has imposed requirements that **securities must be delivered for short sales of all equity securities by settlement date (T 2)**. If securities are not delivered by settlement day, the broker-dealer is obligated to close out the position by borrowing or purchasing securities by the beginning of regular trading hours on the following settlement day (T 4). **For long sales**, the BD must close out the position no later than the beginning of regular trading hours on the 3rd consecutive settlement day following the settlement date (T 6).

For sales of securities under Rule 144 and other securities the seller is "deemed to own" and intends to deliver (such as securities not yet received after exercising an option or warrant): transactions must be closed out no later than the beginning of regular trading hours on the 35th calendar day following the settlement day for the transaction.

The purchase or borrow of securities does not qualify as a close-out if the BD or participant knows or has reason to know the securities will not actually be delivered by settlement [Rule 204(f)].

When a BD fails to close out a position as required under this rule, the BD may not accept a short sale order in that security from another person or effect an order in its own account until the fail to deliver is closed out.

9.27 Sale of Control or Restricted Stock

[SEC Securities Act of 1933 Rule 144 and Rule 145; SEC Rule 144 Guidance:

http://www.sec.gov/divisions/corpfin/guidance/rule144interp.htm]

Introduction

SEC Rule 144 provides a safe harbor method for affiliates (e.g., controlling shareholders, directors, and executive officers) to sell securities of their company (control securities). Rule 144 applies to non-affiliates on only a very limited basis. Rule 144:

- limits the number of shares sold in any three-month period (affiliates only);
- requires current public information about the issuer;
- imposes a holding period on shares prior to sale;

- places restrictions on how shares may be sold; and
- requires affiliates to file Form 144 (Notice of Intent to Sell)

Rule 145 governs the offer or sale of securities received in connection with reclassifications, mergers, consolidations, and asset transfers. Rule 145 applies only to affiliates selling securities of a shell company.

Compliance should be consulted for assistance regarding the processing of Rule 144 and Rule 145 sales. This section is provided for quick reference only.

Definitions

Restricted securities: Restricted securities generally are securities which were:

- acquired directly or indirectly from the issuer or from an affiliate of the issuer in a transaction or series of transactions not involving a public offering.
- acquired from the issuer and are subject to the resale limitations of various rules including Regulation D, Rule 144A, Regulation CE, and other rules and regulations providing for resale of unregistered securities [Rule 144(a)(3)].

Debt securities: Any security other than an equity security; non-participatory stock (non-convertible capital stock where holders are entitled to a preference for dividends and a share of assets upon liquidation of the company but not entitled to participate in residual earnings or assets); and asset-backed securities

[Rule 144(a)(4)].

Affiliate: A person who, directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with the issuer. An affiliate can be an individual, certain relative, trusts, estates, corporations, or other entities in which the seller is a 10% beneficial owner, trustee, executor or one acting in a similar capacity. The term applies for purposes of Rule 144 sales to anyone who had affiliate status within 90 days before the sale and for the 90 days after ceasing to have affiliate status.

Reporting issuer: An issuer who is and has been for a period of at least 90 days prior to the 144 sale, subject to SEC reporting requirements and has filed all required reports during the 12 months preceding the sale.

Non-reporting issuer: An issuer not subject to SEC reporting requirements but where there is publicly-available information as specified by Rule 144.

Control securities: Securities owned by an affiliate of an issuer; these securities are considered "restricted" and "control" securities.

Summary Chart of Rule 144 And 145 Requirements

Subject	Requirement
Holding period for affiliates and non-affiliates Rule 144(d)	• Reporting company: 6 months • Non-reporting company: 1 year • (To qualify as a reporting company, issuer must be subject to SEC • reporting requirements for at least 90 days prior to sale.)

Rule 144 restrictions (Affiliate restrictions apply if the person was an affiliate at any time during the period 90 days before the sale and for 90 days after the person ceases to be an affiliate.)	• Apply to affiliates ONLY; the following limited requirement applies to non-affiliates • For **non-affiliates** selling securities of a **reporting company,** Rule 144(c) regarding the current public information requirement applies if securities are held less than 1 year *(may not sell under 144 if the issuer is late in filing an SEC report during the second 6 months after the minimum 6-month holding period)* • For **non-affiliates** selling securities of a **non-reporting company,** after complying with the 1-year holding period, no other Rule 144 restrictions apply
Volume limitations for affiliates (calculated with all sales of restricted and other securities of the same class for the same person within the preceding 3 months) Rule 144(e)	• Apply to affiliates ONLY (non-affiliates may make unlimited resales) • Cannot exceed the greater of: · 1% of the outstanding shares or other units, or the average weekly reported volume on all national exchanges and/or reported through the automated quotation system during the 4 calendar weeks preceding filing of Form 144 (or date of broker's receipt of the order · or date of execution by a market maker), **or** the average weekly volume reported under a transaction reporting plan or national market system plan during the 4-week period explained above. • For debt securities, an amount that does not exceed 10% of a tranche (or class when the securities are non-participatory preferred stock), aggregated with all sales of securities of • the same tranche sold for the seller within a three-month period • For convertible securities, applies to amount of securities into which they are convertible • Other standards apply to sales by pledgees, donees, estates, and acting in concert and exclusions for determining volume limits [Rule 144(e)(3)]

Other Notes:

- Non-affiliate: to qualify as a non-affiliate, must not have been an affiliate of the issuer for at least 3 months prior to the sale.
- Various staff positions also apply regarding tacking of the holding period; sales by a pledgee; and other staff opinions.
- Rule 144 is not available to sellers of a shell company's securities whether the company is reporting or non- reporting.

New Account Information Regarding Affiliates

Kingswood Capital Partners, LLC's new account form includes an inquiry whether the customer is an affiliate of an issuer. RRs are responsible for obtaining this information and, if the customer is an affiliate

and places an order to sell shares of the issuer, contacting Compliance for instructions on executing the order under Rule 144.

Lending and Option Writing on Control and Restricted Securities

The lending of money, extension of loan value, or use as collateral of restricted securities are subject to specific limitations. Compliance should be contacted prior to any such arrangement.

Covered listed options may be written on underlying control or restricted stock if the stock is saleable when the option is written. Compliance should be contacted to determine the salability of the underlying securities prior to writing covered options.

9.28 Unregistered Resales of Restricted Securities

[FINRA Regulatory Notice 09-05; SEC FAQs http://www.sec.gov/divisions/marketreg/faq-broker-dealer-duty- section4.htm; SEC National

Exam Program Risk Alert: http://www.sec.gov/about/offices/ocie/broker-dealer-controls-microcap-securities.pdf]

Broker-dealers are prohibited from selling unregistered securities unless the sale falls within an available exemption such as Rule 144 sales discussed in the prior section. Avoiding such sales is based on knowing the customer and the securities to be sold. The RR should be aware of "red flags" that may indicate a customer is selling unregistered securities, including the following examples:

- A customer opens a new account and delivers physical certificates representing a large block of thinly- traded or low-priced securities.
- A customer has a pattern of depositing physical share certificates, immediately selling the shares and then wiring out the proceeds of the resale.
- A customer deposits share certificates that are recently issued or represent a large percentage of the float for the security.
- Share certificates reference a company or customer name that has been changed or that does not match the name on the account.
- The lack of a restrictive legend on deposited shares seems inconsistent with the date the customer acquired the securities or the nature of the transaction in which the securities were acquired.
- There is a sudden spike in investor demand for, coupled with a rising price in, a thinly traded or low-priced security.
- The company was a shell company when it issued the shares.
- A customer with limited or no other assets under management at Kingswood Capital Partners, LLC receives an electronic transfer or journal transactions of large amounts of low-priced, unlisted securities.
- The issuer has been through several recent name changes, business combinations or recapitalizations, or the company's officers are also officers of numerous similar companies.
- The issuer's SEC filings are not current, are incomplete, or nonexistent.
- Omnibus accounts are opened for purported stock loan companies which may hold restricted securities of corporate insiders who have pledged the securities as collateral for, and then defaulted on, purported loans, after which the securities are sold on an unregistered basis.
- Accounts are held in the name of a corporate entity (or LLC), either for the company's own use or as a third-party custodian on behalf of other beneficial shareholders or customers, which disguise the unregistered sales of securities owned by corporate insiders of the company and allow for those insiders to withdraw proceeds individually.

- Accounts are held in the names of foreign financial institutions, such as offshore banks and/or broker-dealers that sold shares of the stock on an unregistered basis on behalf of customers, who may have been stock promoters.
- Accounts may use a master/sub-structure, which allows for trading anonymity with respect to the sub- accounts' activity.
- When confronted with a customer wanting to sell a block of stock where there may be a question about the registered status of the stock, the following questions should be asked:
- How long has the customer held the securities?
- How did the customer acquire the securities?
- Does the customer intend to sell additional shares of the same class of securities through other means?
- Has the customer solicited or made any arrangement for the solicitation of buy orders in connection with the proposed resale of unregistered securities?
- Has the customer made any payment to any other person in connection with the proposed resale of securities?
- How many shares or other units of the class are outstanding, and what is the relevant trading volume

9.29 Reporting of Insider Transactions

[SEC Securities Exchange Act of 1934 Section 16(a); SEC Exchange Act Section 16 and Related rules & Forms (Q & A):

http://www.sec.gov/divisions/corpfin/guidance/sec16interp.htm]

Under Section 16(a) of the Exchange Act, directors, officers, and>10% holders of equity securities of a publicly- traded company are required to report their purchases and sales of the issuer's securities to the SEC (and, if the security is listed on a national exchange, with the exchange where listed) as follows:

- at the time the security is registered on a national securities exchange or by the effective date of the registration statement
- within 10 days of becoming a 10% beneficial owner, director, or officer
- by the end of the second business day following a purchase or sale transaction

Alternate reporting period requirements apply to two categories of transactions in which the insider does not control and may not be able to predict when the transaction will occur:

- Transactions pursuant to a contract, instruction, or written plan
- Discretionary transactions pursuant to employee benefit plans such as fund switching transactions

In these instances, the date the executing broker dealer or plan administrator notifies the insider of the transaction is deemed the date of execution for reporting purposes, as long as the notification is not later than the 3rd business day following the trade date. The SEC may also provide different due dates for limited types of transactions where two-day reporting is not feasible. If the issuer maintains a corporate website, the issuer is required to post the filing on the site no later than the end of the business day following the filing. Transactions by directors or officers that result in "short-swing" profits but that are exempt from Section 16(b) are also subject to the two-day reporting requirement.

The obligation to report is the responsibility of the insider. Customers should be encouraged to contact their counsel if they have questions, and Section 16 should be referenced for specifics regarding filing requirements.

General Requirements

[SEC Securities Exchange Act of 1934 Rule 15g-1 through 15g-6 and Rule 15g-9]

Securities that are identified as "designated securities" (penny stocks) are subject to certain requirements including:

- provision of risk disclosure to a customer other than an "established customer"
- a "cooling-off period" of two business days after the risk disclosure is sent before a penny stock may be purchased
- disclosure of certain price information relating to the customer's purchase
- disclosure of compensation received by the broker or dealer
- inclusion of prices of penny stock positions on the customer's monthly statement and a legend regarding the value assigned to the penny stock

There are five primary exemptions from these requirements:

1. The price of the security is $5.00 or more per share.
2. The purchaser is either an accredited investor or established customer or is a principal affiliated with the issuer (as defined in the rule).
3. The transactions are not recommended.
4. The broker-dealer's commissions, mark-ups and mark-downs from penny stock transactions did not exceed 5% of total commissions or mark-ups and mark-downs during the 3 months immediately preceding the transaction, AND the broker-dealer has not been a market maker in the penny stock to be purchased by the customer for the immediate 12 months preceding the transaction.
5. Any other transaction exempted by the SEC.

Per exemption #4 listed above, The Firm penny stock transactions do not exceed 5% of total commissions or mark-ups/mark-downs during any 3-month period, and The Firm does not participate in making markets, therefore, we do not require the risk disclosure document outlined above. RR's will receive notification if and when the firm were to exceed the 5% limitation on commissions, mark-ups/mark-downs within the 3-month period, which would then require all representatives to then obtain the risk disclosure document from clients that do not meet one or more of the other exemptions outlined above.

The following sections outline Kingswood Capital Partners, LLC's requirements for penny stock transactions subject to the rules.

Established Customer Defined

The requirements of the Rule do not apply to penny stock transactions for "established customers." The term established customer includes a customer who:

- has maintained an account (effected a transaction, made a deposit of funds or securities) more than one year previously, or
- has made three purchases of penny stocks that occurred on separate days and involved different issuers.

9.30 Sales to Military Personnel on Military Installations

[FINRA Rule 2272; Military Personnel Financial Services Protection Act]

- The following requirements apply when offering securities or life insurance products and annuities to military personnel and their dependents on military installations. "Military installation" means any

federally owned, leased or operated base, reservation, post, camp, building or other facility which members of the U.S. Armed Forces are assigned for duty, including barracks, transient housing, and family quarters.

- Referral fees upon securities sales or solicitations are prohibited unless the fee recipient is both registered with a broker-dealer and appropriately qualified under relevant SRO rules.
- Perform a suitability or best interest (as applicable) determination.
- Provide required written disclosures (including electronic) which must be provided prior to engaging in sales or offers of sales. Disclosures must:
    - clearly and conspicuously disclose the identity of the registered broker-dealer offering the securities, and
    - inform potential investors that the securities offered are not being offered by or provided on behalf of the federal government and are not sanctioned, recommended, or encouraged by the federal government.

Disclosures required when selling life insurance are included in a corresponding section in the chapter INSURANCE PRODUCTS.

9.31 Tax Switching Transactions

Transactions that are effected to accomplish certain tax results (i.e., establishing a gain or a loss) must be handled consistent with prevailing securities and tax rules and laws. Riskless tax switching are not allowed and may represent a violation of rules prohibiting pre-arranged trades.

Under tax laws, a "wash sale" occurs when someone sells a stock, mutual fund, or some other security at a loss and buys the same thing, or something "substantially identical," within 30 days before or after the sale. The seller cannot deduct the loss on that sale on his or her tax return for that year. "Substantially identical" means buying and selling the same security or one that is almost the same, such as selling an index fund and buying another index fund based on the same underlying index. Customers should be referred to their tax advisers when questions arise regarding tax loss strategies and what may be considered a security that is substantially identical.

A cross transaction must represent a beneficial change in ownership of the security sold and purchased. Where a customer wishes to sell a security and buy it back in their own account, this transaction must be effected at the risk of the market with no guarantee of the price at which the security may be repurchased. The prohibition applies to equity and debt securities. The following is an example of this type of transaction.

A customer wishes to sell Company A at year-end to establish a loss for tax purposes. He also ultimately wants to maintain his position in the security in his account. He asks that you sell the shares and buy them back in his IRA account 31 days later at the same price.

Even though the proposed transaction would meet the 30-day test, this transaction would be disallowed by the IRS because there is no beneficial change in ownership of the security and the customer would be guaranteed to sell and repurchase the security at the same price. In this example, an appropriate method of handling these orders would be to enter a sell transaction and, after it has been executed, enter a buy transaction at market risk after 30 days have elapsed. This places both transactions at the risk of the market and does not involve a guaranteed cross.

9.32 Cash and Non-Cash Compensation Policy

[FINRA Rule 2310, 2320 and 2341; MSRB Rule G-20]

Regulators' rules restrict compensation relating to the sale and distribution of debt, equity, direct participation program (DPP), REIT securities, and municipal securities. RRs may not accept (directly or indirectly) cash or non- cash compensation from outside firms or persons. The only exception includes compensation arrangements specifically approved by Kingswood Capital Partners, LLC.

Definitions

Cash compensation is defined as follows:

Any discount, concession, fee, service fee, commission, asset-based sales charge, loan or override, or cash employee benefit received in connection with the sale and distribution of securities.

Non-cash compensation is defined as follows:

Any form of compensation received in connection with the sale and distribution of securities, other than cash compensation, which includes, but is not limited to, merchandise, gifts and prizes, travel expenses, meals, and lodging.

Approval

Any compensation as defined in this section and paid directly to the RR requires sponsor submission of the Sponsor Request Form and approval by Compliance prior to accepting compensation. The following section outlines types of non-cash compensation permitted without specific approval, unless otherwise noted.

Types of Permissible Non-Cash Compensation

The following types of non-cash compensation are allowed provided they are not preconditioned on achieving a sales goal:

- Gifts amounting in aggregate value not exceeding $100 annually, per person.
- An occasional meal, ticket to a sporting event or show, or comparable entertainment that is not so frequent nor so extensive as to raise any question of propriety.
- Payment or reimbursement in connection with training or educational meetings, subject to several conditions. Note: Prior approval must be obtained from the designated supervisor before participating in such meetings.
- The location of the meeting is appropriate for its purpose, e.g., a U.S. office of the offeror or member holding the meeting, or a facility located in the vicinity of such office, or a U.S. regional location with respect to meetings of associated persons who work within that region or where a significant or representative asset of a DPP or REIT is located (inspection of real estate, oil and gas production facilities, and other types of assets that will be held and managed by the program). The designated supervisor will determine the appropriateness of the meeting.
- Only expenses incurred by Kingswood Capital Partners, LLC or its employees are eligible for payment. Expenses for guests of employees (spouse, etc.) will not be reimbursed.
- Non-cash sales incentive programs may be preconditioned on achieving a sales goal provided they are pre- approved in-house incentive programs sponsored by Kingswood Capital Partners, LLC and meet the following criteria:
- The program must be based on the RR's total production with respect to all of that type of security sold by Kingswood Capital Partners, LLC (investment company, DPP, etc.).
- Credit received for each security is equally weighted.
- Only Kingswood Capital Partners, LLC employees may participate.

- Other firms may make contributions to the program, provided they do not participate, directly or indirectly, in the organization of the program. However, the outside entity may provide a speaker for the meeting.

Supervisory Review Procedures and Documentation

Designated Supervisor will review, on an as needed bases, any sponsor request or reimbursement form. They will be approved or disapproved in writing.

9.33 Prohibited Transactions and Practices

Introduction

RRs are required to handle customer transactions in compliance with regulators' rules. This section highlights certain types of prohibited transactions.

Unauthorized Trading

No employee may enter a transaction before contacting the owner of the account (or the authorized agent for the owner) unless the employee has specific written authorization to act on the customer's behalf. Failure to contact the customer or the customer's agent can result in the customer rescinding the transaction later because it was not authorized. Engaging in unauthorized transactions subjects the employee to regulatory and Firm discipline which may include fines and/or termination depending on the seriousness of the violation. If Kingswood Capital Partners, LLC determines an RR engaged in unauthorized trading, any related losses will be charged directly to the RR.

RRs must also avoid "inadvertent" unauthorized transactions such as accepting an order from a husband for a wife's account where the wife has not signed a trading authorization giving her husband authority to trade on her behalf. Doing a customer, a "favor" by entering an order when he or she cannot be reached may be construed as good customer service by the RR but in reality is a rule violation and subjects the RR and Kingswood Capital Partners, LLC to potential liability for losses from unauthorized transactions.

Market Manipulation

[SEC Securities Exchange Act of 1934 Rule 10b-5; FINRA Rule 6140]

Kingswood Capital Partners, LLC and its employees may not engage in manipulative activity to artificially affect the price of a security including entering orders at successively higher prices; creating or inducing a false or misleading appearance with respect to the market in a security; trading at the close to influence the price of a security; or participate (directly or indirectly) in the profits of a manipulative operation or knowingly manage or finance a manipulative operation. "Matched trades" where a person buys or sells a stock, with knowledge that a substantially offsetting transaction is going to be entered by someone, in order to mislead others about the extent of activity in, or the market for, a given stock is a form of market manipulation.

Prearranged Trading

An offer to sell coupled with an offer to buy back at the same or a higher price, or the reverse, is a prearranged trade and is prohibited. Options or written agreements such as repurchase agreements are not included in this prohibition.

Adjusted Trading

Adjusted trading is a prohibited practice that involves the sale by a customer of a security to a broker-dealer at a price above the prevailing market price and the simultaneous purchase of a different security at a price

greater than its market value. This may be requested in instances where a bank or other fiduciary does not want to realize a loss on their books and engages in a scheme to avoid, disguise, or postpone losses. Federal banking regulators have stated that adjusted trading by federal financial institutions is an unacceptable and unsuitable investment practice.

Overtrading or Under trading

These are transactions at prices in excess of or below the prevailing market. Customer transactions must be executed at a price reasonably related to the market; overtrading and under-trading is not permitted.

Wash Transactions

[FINRA Rule 6140(a) and 6140(b)]

Transactions between two accounts with no market risk and where there is no beneficial change in ownership may be considered a "wash sale." Customers sometimes request cross transactions for tax purposes between accounts with the same owner. Such transactions may violate rules and tax losses may be disallowed by the IRS.

There should be no pre-arrangement or guarantee of execution price for both sides of the transaction where there is no change in beneficial ownership. All such transactions should be executed at the risk of the market.

Cross Transactions

Firms and their employees may not engage in a practice of effecting cross transactions for the purpose of supporting or maintaining the market price of a security.

Orders at the Opening or Close

Orders entered at the opening or close of the market for purposes of influencing the price of a security are prohibited.

Parking Securities

"Parking" is a prohibited practice where a trade or series of trades are effected for a person or entity and held in another person's or entity's account to disguise the investment activities of the original person or entity.

Churning

[FINRA Rule 2111.05(c) and 6140(c)]

Churning of a customer's account is prohibited. The term "churning" has a number of elements including:

- Control of the account by the RR
- Excessive transactions
- Intent to defraud which may be defined as the RR acting in the RR's own interest contrary to the customer's interest

An account that is "active" does not necessarily denote churning. An account's activity must be reviewed individually when reviewing for churning including the customer's objectives and the customer's control of the account.

Supervisory Review Procedures and Documentation

CCO, OSJ Principal, or designated supervisor will review transaction reports or blotters, available exception reports, and monthly statements periodically for any prohibited transactions or practices. Examples of such reviews include the following:

- Reviews of transactions should include consideration of prohibited transactions prescribed in these policies. Action on identified prohibited transactions could include consultation with Compliance to confirm whether transactions in question are prohibited and to identify corrective action.
- Some specific guidelines for review include the following. Contact Compliance for guidance regarding corrective action:
  - Wash transactions result from cross transactions between two accounts with the same beneficial owner and at no market risk, i.e., the buy and sell are pre-arranged at a set price. Wash transactions should be cancelled, and securities sold at the risk of the market.
  - Cross transactions on a frequent basis particularly in thinly traded securities may be an indicator of supporting the market.
  - Orders by the same RR frequently marked for "at the opening" or "at the close" may be an indication of an attempt to influence the market.
  - A pattern of purchasing securities in one account and transferring to another account at a later date may indicate parking.
  - Excessive trading may be an indicator of churning. See the section Active Accounts for guidance regarding action on actively traded accounts.
  - RRs trading ahead of customer block orders that may affect the market price of a security may indicate front running.

9.34 Penny Stocks

Penny Stock Defined

[SEC Securities Exchange Act of 1934 Rule 3a51-1; SEC Guide to Broker-Dealer Registration Section V(F)]

Penny stocks are equity securities identified as "designated securities" under the SEC's Penny Stock Rule. Penny stocks are low-priced securities (less than $5.00 per share) with the Rule setting forth securities that are not included in the definition, as follows.

The following are not considered penny stocks subject to the requirements outlined in following sections:

- A reported security as defined in Regulation NMS Rule 601.
- The stock is priced at $5.00 or more per share.
- Shares of investment companies.
- The stock is listed on an exchange.
- Security futures.
- The issuer has net tangible assets in excess of $2 million, if the issuer has been in continuous operation for at least 3 years, or $5,000,000 if in continuous operation for less than 3 years; or average revenue of at least $6,000,000 for the last 3 years.

Penny stocks include the equity securities of private companies with no active trading market if they do not qualify for one of the exclusions from the definition of penny stock.

OTC Bulletin Board or Pink Sheets

The Term “Penny Stock” generally refers to a security issued by a very small company that trades at less than $5 per share and is quoted over the counter, such as on the OTC Bulletin Board or the pink sheets (Not on a national exchange). These stocks cannot be solicited and **would require a penny stock disclosure form to be sent and returned signed by the client simultaneous with or with 5 business days of the unsolicited purchase** (we will allow this to be sent either by mail or through the email. It may be signed, scanned, and returned).

NASDAQ or National Exchange

Generally, any security which is listed on a national exchange is not considered a penny stock. **However, for the purpose of our internal rules any stock that is trading below one dollar will be considered a penny stock**. Consequently, a stock listed on the NASDAQ, or any national exchange, below one dollar, cannot be solicited, and **would require a penny stock disclosure form to be sent and returned signed by the client simultaneous with or with 5 business days of the unsolicited purchase** (we will allow this to be sent either by mail or through the email. It may be signed, scanned, and returned).

Failure to follow the above requirements could result in a trade being cancelled.

9.35 Consolidated Financial Account Reports

Consolidated Financial Account Reports

The practice of providing customers with consolidated financial account reporting has become increasingly common in the financial services industry. In many cases, these reports offer a single document that combines information regarding most or all of the customer’s financial holdings, regardless of where those assets are held. Firms are reminded that these reports represent communications with the public by the firm; the dissemination of these reports must comply with all applicable FINRA rules as well as the federal securities laws.

FINRA *Notice 10-19* reminds firms of their responsibilities to ensure that they comply with all applicable rules when engaging in this activity and highlights a number of sound practices. Firms are strongly encouraged to review the overall adequacy and effectiveness of their current policies and procedures relating to their consolidated reporting. Any firm that cannot properly supervise the dissemination of consolidated reports by its registered representatives must prohibit the dissemination of those reports and take the necessary steps to ensure that its registered representatives comply with this prohibition.

Consolidated reports are communications with the public. Therefore, they must be clear, accurate and not misleading. For assets held at the firm, this includes providing information, including valuations, that is consistent with the customer’s official account statement. For assets held away, this includes, among other things, taking reasonable steps to accurately reproduce information obtained regarding outside accounts and not to include information that is false or misleading. Consolidated reports, particularly those published on firm letterhead, can create a misconception that the firm produced or verified all of the data, including the valuation of assets held away. Therefore, these reports should be constructed and provided in such a manner that neither customers nor third parties with whom the customer interacts (e.g., banks, mortgage companies, other broker-dealers) are likely to be confused or misled as to the nature of the information presented or mistake these documents for official account statements regarding the reported assets. The reports should clearly delineate between information regarding assets held on behalf of the customer, which are included on the firm’s books and records, and other external accounts or assets.

Consolidated reports are also subject to the regulatory requirements regarding supervision and internal controls, records retention, privacy, and safeguarding of customer information. Effective firm controls would include procedures to vet and approve consolidated report templates for compliance with regulatory requirements before they are put into production. These reviews can help ensure that any new consolidated report-generating process complies with regulatory requirements and firm policies, and that it is integrated into the firm's supervisory control program. Similar controls should be put in place for any programming that permits customization, as well as any subsequent changes to the approved templates or programming.

If a firm provides this service to customers, it must ensure that the size and complexity of the consolidated reporting program does not exceed the firm's ability to supervise the activity and to subject it to a rigorous system of internal controls. Any firm that cannot properly supervise the dissemination of consolidated reports by its registered representatives must prohibit the dissemination of those reports and take necessary steps to ensure that its registered representatives comply with this prohibition.

Supervisory Review Procedures and Documentation

Currently Firm policy does not allow anyone associated with the firm to create or disseminate consolidated statements outside of the statement produced by our clearing firm, RBC. If the policy changes in the future, procedures and controls will be put into place to review and monitor such activity.

9.36 Due Diligence

Generally, due diligence refers to the care a reasonable person should take before entering into an agreement or a transaction with another party.

Due diligence is conducted in order to protect the clients and the Firm from any misrepresentations/fraud made on the part of the issuer or of those working on behalf of the issuers, such as public relations firms and media consultants.

Although a certain amount of due diligence is important for every potential investment, it is critical for more speculative investments such as private placements, investment banking deals, limited partnerships, and non- exchange traded REITs.

Due Diligence Review

It is important for Kingswood Capital Partners, LLC to exercise reasonable care in verifying the accuracy and completeness of the statements made in the prospectus or offering memorandum. For this purpose, "reasonable care" is considered to be the degree of care required by a "prudent man in the management of his own property." A reasonable attempt should be made to verify the data in the prospectus or offering memorandum. The amount of investigation required varies with the facts and circumstances of a particular investment. Due diligence may include:

- Meeting with issuer's management to discuss the plan, the issue, the knowledge of the issuer, etc.
- Final and Preliminary Prospectuses
- Review and verification of representation made in prospectus or offering documents
- Company Background
- Company Operations
- Company Management (including the background of management)
- Company Financial Status and Financial Statements including Funds From Operations and Cash Flow After Capital Items
- Capital Sources
- Tax aspects

- Description of Products and Services
- Industry and Competition
- Copies of Regulatory Filings
- Registration Statement
- Blue Sky Memorandum
- Correspondence
- Any Research and/or Analysis (gathered during the structuring of the deal)
- Any filings of the Issuer
- Program conflicts and risk factors
- Appraisals and any other pertinent reports

The Firm may rely upon the results of due diligence conducted by another firm provided that:

- Kingswood Capital Partners, LLC has reasonable grounds to believe that the due diligence was conducted with due care
- Results of the inquiry were provided to Kingswood Capital Partners, LLC with the consent of the firm conducting or directing the inquiry
- The firm conducting the due diligence cannot be affiliated with the issuer, investment sponsor, or underwriter The Designated Principal must review and maintain all due diligence documents.

10 TRADING

Kingswood Capital Partners, LLC routes all orders to its clearing firm for execution. In some cases, the firm may execute trades to correct errors or erroneous trades.

10.1 Best Execution

[Exchange Act Regulation NMS; FINRA Rule 5310; FINRA Regulatory Notice 15-46]

Kingswood Capital Partners, LLC has an obligation to provide best execution for its customers' orders. "Best execution" refers to using reasonable diligence to determine the best market to buy or sell a security and obtaining a price as favorable as possible under prevailing market conditions.

Factors for using "reasonable diligence" include:

- the character of the market for the security, e.g., price, volatility, relative liquidity;
- the size and type of transaction;
- the number of markets checked;
- accessibility of the quotation; and
- the terms and conditions of the order.

The term "markets" is broadly defined, including market centers that are trading a particular security.

Regular and Rigorous Review of Execution Quality

[FINRA Rule 5310.09]

Supervisory Review Procedures and Documentation

Kingswood Capital Partners, LLC conducts regular, periodic reviews of its execution quality to determine whether the firm is meeting its obligation for best execution of customer orders. This includes orders that are routed to other broker-dealers on an automated, non-discretionary basis.

Where Kingswood Capital Partners, LLC routes its order flow to another broker-dealer that has agreed to handle that order flow as agent for the customer (e.g., a clearing firm or other executing broker-dealer), Kingswood Capital Partners, LLC will rely on that broker-dealer's regular and rigorous review based on the statistical results and rationale of the review disclosed by the broker-dealer and reviewed by Kingswood Capital Partners, LLC.

10.2 Order Routing and Reporting

[SEC Regulation NMS Rule 601]

As required by Rule, Kingswood Capital Partners, LLC routes and executes orders in NMS securities only through exchanges and other facilities that have an effective transaction reporting plan filed with the SEC and will promptly report all information required by the reporting plan.

Disclosure of Order Routing

[SEC Regulation NMS Rule 606]

606 report is available on the Kingswood Capital Partners, LLC website under SEC Order Disclosure. The purpose of the report is to provide the public with information on how broker-dealers route their customers' orders, to enable customers (and others) to evaluate order routing practices. The Rule was adopted by the SEC to enhance market transparency and foster competition among market participants.

This information for each of our respective clearing firms is available on the Firm's website and in hard copy for those who do not have access to the internet. The report is published by the end of the month following the calendar quarter reported. In addition to quarterly reports, information about the routing of individual customer orders is available to customers, upon request, for the prior six months' trading activity.

Orders Covered by the Rule

The report includes customer orders in exchange-listed securities, NASDAQ securities, and listed options. It does not include the following orders:

- equity orders with a market value of $200,000 or more
- option orders with a market value of $50,000 or more
- firm trading account orders (proprietary orders)
- orders for OTC Bulletin Board securities

Information Included in the Reports

Extensive statistical information is available in the reports. In summary, the reports cover the top ten venues to which orders are routed (including internal routing) and any other venues that receive more than 5% of our clearing firm's order flow.

Customer Requests for Order Routing Information

Customers may request information on how their individual orders were routed for the past six months. This information may be obtained by making a request to Operations.

OATS

FINRA has established the Order Audit Trail System (OATS), as an integrated audit trail of order, quote, and trade information for all NMS stocks and OTC equity securities. FINRA uses this audit trail system to recreate events in the life cycle of orders and more completely monitor the trading practices of member firms. Under FINRA Rules 7410 - 7470, FINRA member firms are required to develop a means for electronically capturing and reporting to OATS specific data elements related to the handling or execution of orders, including recording all times of these events in hours, minutes, and seconds, and to synchronize their business clocks.

Supervisory Review Procedures and Documentation

Kingswood Capital Partners, LLC contracts third parties such as its clearing firm to submit orders to OATS. Although Kingswood Capital Partners, LLC relies on these third parties to report on its behalf, the firm conducts reviews for systematic errors in reporting. If any issues are discovered, the firm will contact the clearing firm or third-party reporting on the firm's behalf. A designated supervisor or trading principal will review the following:

- FINRA Gateway
    - Daily Summary
    - Rejects
    - Unmatched Trades
    - FORE Status
- FINRA Monthly OATS Reports

CAT

FINRA and the national securities exchanges (each an “SRO” or “Participant”) have adopted rules requiring their members to comply with Rule 613 of the Securities Exchange Act of 1934 and the CAT NMS Plan. All members that receive or originate orders in NMS stocks, OTC equity securities or listed options are required to report to CAT.

Supervisory Review Procedures and Documentation

Kingswood Capital Partners, LLC contracts third parties such as its clearing firm to submit orders to CAT. Although Kingswood Capital Partners, LLC relies on these third parties to report on its behalf, the firm conducts reviews for systematic errors in reporting. If any issues are discovered, the firm will contact the clearing firm or third-party reporting on the firm’s behalf. A designated supervisor or trading principal will review the following:

- CAT Portal
    - Late Records
    - Exceptional Error percentage
    - Reporting statistics

10.3 Trade Reporting by Third Parties

[2007 Member Alert: Notice to All TRF, ADF and Other FINRA Facility Participants Regarding AGU and QSR Relationships]

When a third-party is used for clearing, reporting or locking-in trades, whether under an Automated Give Up (AGU), Qualified Service Representative (QSR) or other arrangement, the third-party's reporting will be periodically reviewed for compliance with requirements. S

CCO or designated principal such as trading principal will periodically review any arrangements with third party reporting vendors

10.4 Trade Errors

SIFMA Policy Statement and Guidelines Regarding Error Trade Policies for Interdealer Brokers

Trade errors are to be immediately reported to the designated supervisor for correction. RRs are not permitted to correct errors themselves. Correction forms or email with error reason will be kept for records

Kingswood Capital Partners, LLC may not cover losses for investors by treating transactions as errors when, in fact, they are not errors. Some customers may request such an accommodation in exchange for future business. Absorbing losses is a violation of SRO rules and is not permitted.

10.5 Proprietary Trading

At this time Kingswood Capital Partners, LLC does not trade securities for its own benefit.

10.6 Trading Halts

[FINRA Rule 5260, 6120, 6121 and 6440; NASDAQ Rule 3340, 4120 and 4121]

When trading halts occur, whether they are for specific securities or circuit breakers that close entire markets, orders are handled as follows:

- When trading is resumed on the same trading day, pending and new customer orders are forwarded to the appropriate market for execution upon resumption of trading, unless the customer instructs otherwise.
- When trading is closed for the duration of the trading day, pending and new customer orders are treated as follows:
- Orders pending at the time of the halt and new orders received after the halt commences are treated as "Good Till Cancelled" and held for execution at the reopening of the next trading session (unless the customer instructs otherwise).
- "At-the-Close" orders (including "Market-on-Close" orders) pending at the time trading is halted are treated as cancelled orders. No new orders relating to closing prices received during a trading halt are accepted or forwarded to a market.

11 SUPERVISORY SYSTEM, PROCEDURES, AND CONTROLS

[SEC Securities Exchange Act of 1934 Section 15(f); FINRA Rule 3110, 3120 and 3130; FINRA web page:

http://www.finra.org/RulesRegulation/IssueCenter/SupervisoryControl/index.htm; MSRB Rule G-27; NASDAQ Rule 3010]

11.1 Introduction

Kingswood Capital Partners, LLC has established a supervisory system, procedures and controls reasonably designed to comply with regulators' rules.

Supervisory system: The internal system to oversee business includes the designation of supervisors and allocation of responsibilities; assignment of RRs to appropriate supervisors; identification of areas of business and rules that govern those businesses; and development of procedures.

Supervisory procedures: Procedures in this manual (and in other policies or manuals, if referenced in specific chapters) include:

- compliance procedures for RRs and others that explain rule requirements and prohibitions as well as internal policies when conducting sales and other activities; and,
- supervisory procedures that explain how supervisors are to conduct their ongoing responsibilities

Supervisory Controls: Controls refer to testing and evaluation of systems and procedures to measure and maintain their effectiveness. Internal controls typically involve sampling of functions to test effectiveness and identify shortcomings, gaps, or other inefficiencies in supervisory systems and procedures. Internal controls also involve the ongoing reassessment of these functions to determine whether they are serving their intended purpose.

11.2 Responsibility

Responsibility for Kingswood Capital Partners, LLC's supervisory system, policies, and controls includes the following:

- Designated supervisors (line managers) are responsible for enforcing policies and procedures in their respective business areas.
- The Chief Compliance Officer (CCO) is responsible for establishing and maintaining the supervisory system, policies, and procedures other than financial and operations procedures.
- The Financial and Operations Principal (FINOP) is responsible for establishing and maintaining systems, policies and controls regarding financial and accounting procedures and reporting.

11.3 Controls

Verification and Testing

Kingswood Capital Partners, LLC periodically conducts reviews to test and verify its supervisory system and controls. Testing and verification generally include:

- Identifying areas to be reviewed at least annually
- Developing reviews and a schedule for conducting the reviews
- Assigning responsibility for conducting reviews

- Preparing reports of reviews
- Providing reports to management, the audit committee, and other appropriate personnel for potential corrective action
- Following up regarding deficiencies in subsequent reviews

Records of testing are maintained by the department responsible for conducting testing and include:

- areas to be reviewed
- schedule of reviews
- reports of findings including a record of distribution of the report and responses from the supervisor of the area examined
- follow-up or corrective action taken

Testing and verification is the responsibility of the CCO. CCO, compliance and supervisory principals may work together to keep WSP up to date

Risk Management

[FINRA Notice to Members 99-92]

Kingswood Capital Partners, LLC has established risk management procedures which are outlined in the chapter FINANCIAL AND OPERATIONS PROCEDURES, in the section Risk Management.

Outside Auditors

Kingswood Capital Partners, LLC's outside auditors conduct an annual review of internal financial and operational controls as well as compliance with selected rules and regulations. The FINOP and/or the CCO is responsible for working with the outside auditors and providing them with requested information. The auditors' report is provided to senior management and Kingswood Capital Partners, LLC's audit committee (if an audit committee has been established) who are responsible for delegating responsibility for taking corrective action on exceptions noted in the report.

The FINOP retains records of outside financial audits and reports. The CCO will retain compliance, supervisory or AML audit reports

11.4 Written Compliance and Supervisory Procedures

[SEC Securities Exchange Act of 1934 Rule 17a-4(e)(7); FINRA Rule 3110(b)(7) and 3110.11]

Compliance is responsible for maintaining and updating Kingswood Capital Partners, LLC's compliance and supervisory procedures which are included in this manual.

This manual is updated, and policies distributed as follows:

- New and amended rules and releases from regulators are reviewed on an ongoing basis and changes considered for written procedures and incorporated where necessary.
- Changes are incorporated in written procedures including the date of the revision.
- Prior versions of the manual are archived for books and records purposes.
- When policy and procedure changes affect personnel, Compliance will distribute new or revised policies as follows:
- In written form, where practical
- By email

- Compliance provides manuals to new employees and obtains receipts that are maintained in employee
- or other compliance files.
- If a new policy manual is distributed, receipts will be requested and maintained in employee or compliance files.
- Policies may be made available to employees in electronic format.

11.5 Chief Compliance Officer (CCO)

[FINRA Rule 3130(a)]

Kingswood Capital Partners, LLC has designated a CCO who is listed under the Firm Supervision and Oversight section and Schedule A of Form BD which is filed with regulators.

11.6 Annual Certification of Compliance and Supervisory Processes

[FINRA Rule 3120 and 3130]

Compliance prepares an annual compliance report for the CEO (or equivalent senior officer).

Meetings between CEO and CCO

The CEO at least annually with the CCO to review compliance matters the subject of the annual certification.

Annual Report to CEO

The CCO will prepare and provide the CEO (or equivalent officer) with an annual report that includes a review of Kingswood Capital Partners, LLC's supervisory system and procedures and key compliance issues. The CCO will meet with the CEO to discuss and review the report and will meet at other times, as needed, to discuss other compliance matters. If Kingswood Capital Partners, LLC has designated multiple CCOs, each CCO will participate in the meeting.

The annual report will be provided to senior management annually, with the CCO ensuring that each ensuing annual certification is effected no later than on the anniversary date of the previous year's certification.

Certification

Annually (after receipt and review of the report), the Chief Executive Officer (or equivalent) will certify that The Firm has in place processes to establish, maintain, review, test, and modify written compliance policies and written supervisory procedures reasonably designed to comply with regulators' rules. Certification does not, by itself, establish line supervisory responsibility for those involved in the certification process.

Internal Inspections

At least annually, an internal review will be conducted of the businesses in which The Firm engages. This review will attempt to identify potential areas where standards of supervision may be compromised due to conflicts of interest that may be present regarding the location being inspected, including but not limited to economic or financial interests in the associated persons and businesses being inspected.

Supervision Chart
[FINRA Rule 3110(b)(6)(c)]

The Firm maintains a supervisory chart (available upon request) that designates what representatives are assigned to which supervisors. Our procedures expressly prohibit associated persons who perform a supervisory function from:

- (i) supervising their own activities; and
- (ii) reporting to, or having their compensation or continued employment determined by, a person or persons they are supervising.

If the Firm determines, with respect to any of its supervisory personnel, that compliance with subparagraph (i) or (ii) above is not possible because of the Firm's size or a supervisory personnel's position within the firm, the Firm must document:

1. the factors the Firm used to reach such determination; and
2. how the supervisory arrangement with respect to such supervisory personnel otherwise complies with paragraph (a) of FINRA Rule 3110(b) (6).

12 CORPORATE SECURITIES UNDERWRITING

[FINRA FAQ on Public Offering Review:
http://www.finra.org/industry/compliance/regulatoryfilings/publicofferingsystem/faq/;

This chapter outlines procedures for participating in corporate securities underwritings on a best-efforts basis. The term "syndicate supervisor" is used in this chapter to denote the person responsible for supervising and delegating responsibilities to other employees, where appropriate.

12.1 Selling Group Member Procedures

This section describes procedures when Kingswood Capital Partners, LLC participates in an underwriting as a selling group member.

Returning Unsold Allotment

As a selling group member, Kingswood Capital Partners, LLC has no financial commitment to sell underwritten shares and will return unsold allotments, unless the terms of the selling agreement dictate otherwise.

Unsold shares will be returned to the managing underwriter within the timeframe specified by the selling group agreement.

Tombstone Ads

Kingswood Capital Partners, LLC may publish tombstone announcements of participation as a selling group member. Tombstone ads must be approved by Compliance prior to publication.

Research

If Kingswood Capital Partners, LLC issues research regarding the subject company, participation as a selling group member requires compliance with SRO rules regarding research activities. The syndicate supervisor is responsible for notifying the Research Department of pending deals since issuance of research reports may be restricted.

Supervisory Review Procedures and Documentation

The Syndicate supervisor will review the invitation to participate, prospectus, registrations statement, any other available information provided by the lead underwriter, and accept or decline. This many be done by committee vote. The supervisor should notify compliance of proposed deal and when the securities should be added and removed from watch/restricted list. Any research should be forwarded to compliance. Review will be done on an as-needed basis.

12.2 New Issue Allocations and Distributions

[FINRA Rule 5131]

The following sections outline policies and procedures that govern the sale of new issues of equity securities. A "new issue" refers to an initial public offering of an equity security [as defined in Section 3(a)(11) of the Exchange Act] made pursuant to a registration statement or offering circular.

Fixed Priced Offerings

[FINRA Rule 5141]

Offerings must be sold at the stated public offering price to buyers, i.e., preferences cannot be granted to purchasers. A reduced price below the stated price is prohibited other than to those that are a member participating in a selling syndicate or selling group. This prohibition applies until the termination of the offering or until, after making a bona fide public offering of the securities, securities remain unsold.

A member of a selling syndicate or selling group may sell securities in the offering to an affiliated person (subject to restrictions under Rule 5130) if the securities are not sold at a reduced price. The prohibition does not apply to research provided under a soft dollar arrangement under Section 28(e) of the '34 Exchange Act.

A "**reduced price**" includes any direct or indirect offer or grant of a selling concession, discount, or other allowance, credit rebate, reduction of any fee (including any advisory or service fee), any sale products or services below reasonable commercially available rates for similar products and services (except research as described below) or any purchase of or arrangement to purchase securities from the person or account at more than their fair market price in exchange for securities in the offering.

"**Fair market price**" refers to a price or range of prices at which a buyer and a seller, each unrelated to the other, would purchase the securities in the ordinary course of business in transactions that are of similar size and similar characteristics and are independent of any other transaction.

Indications of Interest

Indications of interest are accepted prior to the effective date of the underwriting. Indications of interest are not orders and do not become orders until the syndicate supervisor confirms that securities are available to satisfy indications; RRs are responsible for re-confirming the customer's purchase of the securities at the time the issue is effective and allocated to customers. There is no assurance of an adequate quantity of securities to meet indications of interest.

Prospectuses and Confirmations to Purchasers

[SEC Securities Act of 1933 Rule 172 and Rule 173]

Supervisory Review Procedures and Documentation

The syndicate supervisor will review indication of interest as needed. A record of purchasers and sending of prospectuses (if required) is maintained in the deal file or establishment of electronic access and notice provided to purchasers

Confirmations and Notices of Allocations of Shares

Written confirmations and notices of allocations of shares offered, may be sent after the effectiveness of a registration statement (for an issue complying with Rule 172) without being accompanied or preceded by a final prospectus. Written communication from a broker-dealer to a customer, or from an underwriter to participating dealers in the selling group, may notify them of the basic terms of the transaction or their allocations of the securities. Notices of allocation may include the identity of the securities; CUSIP number; amount allocated; price; date or expected date of settlement; and incidental information.

When final prospectuses are not required, purchasers will be provided, no later than two business days after the sale a notice that the sale was made pursuant to a registration statement or in a transaction in which a final prospectus would not have been required to have been delivered in the absence of Rule 172.

Preliminary and Final Prospectuses
Preliminary prospectuses will be provided to RRs if available. These should be provided to customers submitting an indication of interest in the new issue.

The issuer is not required to print and physically deliver a final prospectus to investors if the issuer files the prospectus with the SEC within a prescribed period of time and complies with certain other conditions. For issuers that are required to provide prospectuses, copies will be obtained and forwarded to purchasers. In lieu of sending prospectuses, purchasers may be notified of electronic access to prospectuses if the issue qualifies for this alternative under Rule 172.

An investor may request a physical copy of the final prospectus, but the prospectus is not required to be provided prior to settlement.

Purchases during the Post-Effective Period
[SEC Securities Act of 1933 Rule 174 and Section 4(3)]

There is no obligation to provide a prospectus to purchasers in the post-effective period if the issuer is a reporting company under Section 13 or 15(d) of the '34 Act; is a shelf offering (other than the first bona fide offering); or if the registration statement is on Form F-6. This exemption does not apply to blank check companies.

For issues not included above, customers who purchase in the post-effective period and where the issue satisfies the requirements of Rule 172, will be provided with the required notice (see Confirmations and Notices of Allocations of Shares, above) within two business days of the sale. This requirement applies for a period of 25 calendar days after the offering date.

For issues that do not qualify under Rule 172, purchasers during the period of 25 calendar days after the offering date will be sent a copy of the final prospectus.

Term Sheets
[SEC Regulation C Rule 421]

Term sheets may be provided to prospective purchasers and will meet the requirements of a plain English summary that includes most material terms of the proposed offering. Bullet points will cross-reference detailed information in the prospectus or other offering document.

Term sheets may also be provided to new issue purchasers who have received a preliminary prospectus. The term sheet is included with the customer's confirmation and supplements the preliminary prospectus to disclose final terms such as price and effective date.

Electronic Delivery of Prospectuses
[SEC Securities Exchange Act of 1934 Release No. 37182 (May 1996) and Release No. 36345 (Oct. 1995)]

Where Kingswood Capital Partners, LLC determines to provide prospectuses through electronic media, the following guidelines apply:

- The prospectus itself may be sent to the investor by disk, tape, email, or similar method.
- Customers must agree to accept electronic delivery and consent retained in the customer's records.
- Delivery must be evidenced (confirmation document has been downloaded, record of hyper link access;
- etc.)

- Current updated versions of the preliminary prospectus may be posted on Kingswood Capital Partners, LLC's website available to all potential investors. Notice of updates is sent to investors expected to purchase the offered securities.
- When a prospectus is amended, (1) a postcard or email will be sent to investors notifying them of the availability of the amended prospectus or (2) a paper copy of the amendment will be sent to investors.

Restrictions on Purchase and Sale of IPOs of Equity Securities

[FINRA Rule 5130]

When selling IPOs, the distribution of shares must be a bona fide public offering and fair distribution to the public. This means sales will not be made to benefit insiders in the securities industry or to other closely related parties that might unfairly benefit at the expense of public customers. This section describes key elements of FINRA rule that limits the types of investors that may purchase equity IPOs.

The Rule should be consulted for specific details. Questions regarding restrictions should be directed to the syndicate supervisor or to Compliance.

Restricted Persons

- **Members or other broker-dealers**
- **Broker-Dealer Personnel**
    - Any officer, director, general partner, associated person or employee of a member or any other broker-dealer (other than a limited business broker-dealer);
    - Any agent of a member or any other broker-dealer (other than a limited business broker-dealer) that is engaged in the investment banking or securities business; or
    - An immediate family member of a person specified in subparagraph (B)(i) or (ii) if the person specified in subparagraph (B)(i) or (ii):
        - materially supports, or receives material support from, the immediate family member;
        - is employed by or associated with the member, or an affiliate of the member, selling the new issue to the immediate family member; or
        - has an ability to control the allocation of the new issue.
- **Finders and Fiduciaries**
    - With respect to the security being offered, a finder or any person acting in a fiduciary capacity to the managing underwriter, including, but not limited to, attorneys, accountants, and financial consultants; and
    - An immediate family member of a person specified in subparagraph (C)(i) if the person specified in subparagraph (C)(i) materially supports, or receives material support from, the immediate family member.
- **Portfolio Managers**
    - Any person who has authority to buy or sell securities for a bank, savings and loan institution, insurance company, investment company, investment advisor, or collective investment account.
    - An immediate family member of a person specified in subparagraph (D)(i) that materially supports, or receives material support from, such person.
- **Persons Owning a Broker-Dealer**
    - Any person listed, or required to be listed, in Schedule A of a Form BD (other than with respect to a limited business broker-dealer), except persons identified by an ownership code of less than 10%;

- Any person listed, or required to be listed, in Schedule B of a Form BD (other than with respect to a limited business broker-dealer), except persons whose listing on Schedule B relates to an ownership interest in a person listed on Schedule A identified by an ownership code of less than 10%;
- Any person that directly or indirectly owns 10% or more of a public reporting company listed, or required to be listed, in Schedule A of a Form BD (other than a reporting company that is listed on a national securities exchange or other than with respect to a limited business broker-dealer);
- Any person that directly or indirectly owns 25% or more of a public reporting company listed, or required to be listed, in Schedule B of a Form BD (other than a reporting company that is listed on a national securities exchange or other than with respect to a limited business broker-dealer);
- An immediate family member of a person specified in subparagraphs (E)(i) through (iv) unless the person owning the broker-dealer:
    - does not materially support, or receive material support from, the immediate family member;
    - is not an owner of the member, or an affiliate of the member, selling the new issue to the immediate family member; and
    - has no ability to control the allocation of the new issue.
- Subparagraphs (E)(i) through (iv) shall not apply to a sovereign entity.

General Prohibitions

The following summarizes the general prohibitions that apply to the sale of equity IPOs.

- Restricted persons are not allowed to purchase IPOs unless there is an available exemption.
- A broker-dealer or associated person (AP) may not purchase an equity IPO in an account where the BD or AP has a beneficial interest.
- A broker-dealer may not continue to hold new issues acquired as underwriter or selling group member except when the issue is under-subscribed (described in a later section).

Anti-Dilution

A restricted person that is an existing equity owner of an issuer may purchase shares in the IPO in order to maintain its equity ownership position. To qualify for this exemption, the restricted person must meet the following criteria:

- the account held shares for a period of at least 1 year prior to the offering;
- the sale of the new issue does not increase the account's percentage equity ownership in the issuer above the ownership level as of 3 months prior to the filing of the registration statement for the offering;
- the sale of the new issue to the account does not include any special terms; and,
- the new issue is held for at least 3 months following the effective date of the offering.

Firm Account

Kingswood Capital Partners, LLC is not permitted to retain shares in an initial IPO that is oversubscribed. If a customer cancels his or her indication of interest, the shares will be reallocated to fill another customer's interest. If, in the unusual circumstance another buyer cannot be found, Compliance must be contacted regarding proper placement of the securities which, if retained in a firm account, will be held for a minimum of 60 days.

If Kingswood Capital Partners, LLC is unable to sell all shares for which it has committed and the issue is under- subscribed, Kingswood Capital Partners, LLC may place those shares in a firm account.

Definitions Applying to New Issue Allocations and Distributions
[FINRA Rule 5130(i) and 5131(e)]

The following are selected Rule definitions; the Rule should be consulted for other definitions.

Beneficial interest: Any economic interest such as the right to share in gains and losses. This excludes receipt of a management or performance-based fee 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 engaged primarily in the purchase or sale of securities. This does not include a family investment vehicle or investment club.

Flipped: The initial sale of new issue shares purchased in an offering within 30 days following the offering date of the offering.

Immediate family member: Parents, in-laws, spouse, siblings, and children. The definition also includes anyone else to whom the person provides material support.

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."

New issue: Any initial public offering of an equity security as defined in Section 3(a)(11) of the Exchange Act made through a registration statement or offering circular. FINRA Rule 5130(i)(9) excludes a number of offerings from this definition (refer to the rule for details) including sales under Rule 144, 144A, 505, or 506; offerings of exempt securities; commodity pools; rights offerings; exchange offers; investment-grade asset-backed securities; convertible securities; preferred securities; investment companies; ADRs; and DPPs. This list does not include all exempt securities listed in the FINRA rule.

Penalty bid: An arrangement that permits the managing underwriter to reclaim a selling concession from a syndicate member in connection with an offering when the securities originally sold by the syndicate member are purchased in syndicate covering transactions.

Restricted person: Defined at the beginning of this section.

Disclosure of Interest in Distribution

[SEC Securities Exchange Act of 1934 Rule 15c1-6; FINRA Rule 2269]

At or before completion of a transaction in a primary or secondary distribution with managed accounts or other accounts where a fee is charged, the customer will be provided with written notice of the existence of Kingswood Capital Partners, LLC's participation in the distribution.

State Blue Sky Requirements

The syndicate supervisor is responsible for reviewing purchasers, prior to confirming transactions, to ensure the issue is sold only to purchasers in states where the issue is blue skied or is eligible for sale under an exemption.

Cancellation Policy

Indications of interest are not orders until the customer is contacted and confirms that securities allocated to the customer are accepted. At that point, a confirmation and final prospectus will be provided, and the customer will be expected to pay for the transaction.

If the customer then cancels the purchase, Compliance should be contacted to resolve the matter, which may include:

- Consideration of whether the customer received a preliminary prospectus prior to confirming the purchase.
- Determination whether the customer should be held responsible for the purchase, or the purchase cancelled.
- If cancelled and all other securities were sold in the underwriting, offer the new issue to another customer whose interest was not filled.
- If no other customer is available to purchase the securities, cancel the purchase to Kingswood Capital Partners, LLC's account. The RR who sold the shares may be held responsible for any loss incurred due to the cancellation.

13.2.8 Flipping

[FINRA Rule 5131(c)]

Customers may be limited or prohibited from purchasing future new issues at the syndicate supervisor's discretion because the customer engages in short-term trading of new issues (selling the new issue immediately or shortly after it becomes effective).

Flipping refers to the practice of selling new issues into the secondary market at a profit within 30 days following the offering date. Kingswood Capital Partners, LLC and its employees are prohibited from directly or indirectly recouping, or attempting to recoup, any portion of a commission or credit paid or awarded to an associated person for selling shares of a new issue that are subsequently flipped by the customer, unless the managing underwriter has assessed a penalty bid on the entire syndicate. Under a penalty bid, Kingswood Capital Partners, LLC itself is required to forfeit its compensation to the managing underwriter(s).

Quid Pro Quo Allocations

[FINRA Rule 5131(a)]

Kingswood Capital Partners, LLC (and its employees) are prohibited from offering or threatening to withhold shares it allocates of a new issue as consideration or inducement for the receipt of compensation that is excessive in relation to the services provided by Kingswood Capital Partners, LLC. The rule prohibits a firm from using an allocation of a new issue as a means of obtaining a "kick back" from the recipient in the form of excessive compensation for services offered by Kingswood Capital Partners, LLC. The prohibition applies not only to trading services but also to any service offered by Kingswood Capital Partners, LLC. The rule does not prohibit providing services where the customer does not pay excessive compensation.

Supervisory Review Procedures and Documentation

Syndicate manager or designated supervisor will review indications for restricted persons and prohibited purchases. Supervisor should verify 5130 form is on file. Review will be completed as needed.

Lock-Up Agreements

[FINRA Rule 5110(e), 5131(d) and 5131.03]

For an offering of equity securities, the issuer and its officers, directors, and principal security holders may enter into agreements ("lock-ups") promising not to sell any additional securities of the same class, or any securities convertible or exchangeable into the same class, for a specified period of time after the date of the prospectus. Securities subject to a lock-up restriction cannot be sold during the offering or sold, transferred, assigned, pledged, or hypothecated, or be the subject of any hedging, short sale, derivative, put, or call transaction that would result in the effective economic disposition of the securities. The restricted securities may not be sold for a period of 180 days immediately following the date of effectiveness or commencement of sales of the public offering [unless an exception applies under FINRA Rule 5100(g)(2)]. Kingswood Capital Partners, LLC, its officers, partners, registered persons, and affiliates will also be subject the lock-up.

Lock-up agreements include language that restrictions on sale apply to issuer-directed shares. Rule 5110(e) requires that the lock-up restriction must be disclosed in the section on distribution arrangements in the prospectus or similar document since disclosure of the material terms of any securities is required. At least two business days before the release or waiver of any lock-up or other restriction on the transfer of the issuer's shares, Kingswood Capital Partners, LLC as book-running lead manager will notify the issuer of the impending release or waiver of a lock-up or other restriction on the transfer of the issuer's shares and announce the impending release or waiver through a major news service unless the release or waiver is effected solely to permit transfer of securities that are not for consideration and where the transferee has agreed in writing to be bound by the same lock-up agreement terms in place for the transferor. The announcement may be made by the book- running lead manager, another member, or the issuer as long as the announcement complies with FINRA's rule requirement.

Rule 5131(d)(2) requires that any lock-up agreement applicable to the officers and directors of an issuer entered into in connection with a new issue stipulate that, at least two business days before the release or waiver of any lock-up or other restriction on the transfer of the issuer's shares, the book-running lead manager must notify the issuer of the impending release or waiver and the impending release or waiver must be announced through a major news service. The rule provides an exception from this requirement where the release or waiver is for a transfer that is not for consideration and where the transferee has agreed in writing to be bound by the same lock- up agreement terms in place for the transferor. The exception to transfers to "immediate family members" as defined in Rule 5130(i)(5) is included, provided that the transferee has agreed in writing to be bound by the same lock-up agreement terms in place for the transferor. 5131.03 relating to lock-up announcements provides that the disclosure of a release or waiver in a publicly filed registration statement in connection with a secondary offering satisfies the requirement for an announcement through a major news service, which is a codification of prior published guidance.

For reference, exceptions to the Lock-Up Restriction are listed below:

- if the security is required to be transferred by operation of law or by reason of reorganization of the issuer;
- if the aggregate amount of securities of the issuer beneficially owned by a participating member does not exceed 1% of the securities being offered;
- to a security of an issuer that meets the registration requirements of SEC Registration Forms S-3, F-3, or F-10;
- to a non-convertible or non-exchangeable debt security acquired in a transaction related to the public offering;

- to a derivative instrument acquired in connection with a hedging transaction related to the public offering and at a fair price;
- if the security was acquired in a transaction that met the requirements of paragraph Rule 5110(d);
- if the security is beneficially owned on a pro-rata basis by all equity owners of an investment fund, provided that no participating member manages or otherwise directs investments by the fund, and participating members in the aggregate do not own more than 10% of the equity in the fund;
- if the security was received as underwriting compensation, and is registered and sold as part of a firm commitment offering; or
- to a security that is “actively-traded” (as defined in Rule 101(c)(1) of SEC Regulation M).

Additionally, the following is not prohibited:

- the transfer of any security to any member participating in the offering and its officers or partners, its registered persons, or affiliates, if all transferred securities remain subject to the lock-up restriction in paragraph (e)(1) for the remainder of the 180-day lock-up period;
- the exercise or conversion of any security, if all securities received remain subject to the lock-up restriction in paragraph (e)(1) for the remainder of the 180-day lock-up period; or
- the transfer or sale of the security back to the issuer in a transaction exempt from registration with the SEC.

Supervisory Review Procedures and Documentation

When applicable the Syndicate manager or designated supervisor will notify its officers, partners, registered persons, and affiliates of the lock-up restriction and will require written affirmation from those notified. The designated supervisor will add the applicable securities on the restricted list for the designated period and will monitor for potential violations of the restriction. The Firm will use the clearing firm’s platform to be alerted of any attempt to violate the lock-up restriction including but not limited to securities transferred to the Firm. The designated supervisor will also monitor activities in the respective outside brokerage accounts of its officers and registered person to ensure there are no violations of the restriction. the Syndicate manager or designated supervisor will confirm in writing the responsible party for releasing the announcement at least three business days before the release or waiver of the lock-up restriction.

12.3 Trading Restrictions While Participating in a Distribution

[SEC Regulation M; FINRA Notice to Members 97-10; FINRA Reg M Frequently Asked Questions:

http://www.finra.org/Industry/Regulation/Guidance/P118758]

Trading restrictions apply to securities that are the subject of a distribution and also apply to a "reference security," a security into which the distributed security may be converted, exchanged, or exercised or where the terms of the distributed security may determine the value of the reference security. Bids for and purchases of outstanding nonconvertible debt securities are not restricted unless the security being purchased is identical in all terms to the security being distributed. Investment grade nonconvertible debt securities, nonconvertible preferred securities, and asset-backed securities are excluded from restrictions.

Short Sales

[SEC Regulation M Rule 105; SEC Release No. 34-56206;

A person may not purchase a security from an underwriter or broker or dealer participating in a public offering if the person sold the security short during the "Rule 105 restricted period." The Rule 105 restricted period is the shorter of:

- the period beginning five business days before the pricing of the offered securities and ending with such pricing; or
- the period beginning with the initial filing of the registration statement or notification on Form 1-A or Form 1- E and ending with the pricing.

Exceptions to the short sale limitation include the following.

1. Bona fide purchases: Restricted period short sellers may purchase offered securities if they make a bona fide purchase of the same security prior to pricing. A bona fide purchase must be:

- at least equal in quantity to the entire amount of the Rule 105 restricted period short sale(s);
- effected during regular trading hours;
- reported pursuant to an effective transaction reporting plan; and made after the last Rule 105 restricted period short sale and no later than the business day prior to the day of pricing

In addition, the person may not have effected a short sale that is a reported transaction within 30 minutes before the close of regular trading hours on the business day prior to the day of pricing.

2. Separate accounts: A purchase of the offered security may be made in an account that sold short during the Rule 105 restricted period in a separate account if decisions regarding transactions for the account are made separately and without coordination of trading or cooperation among or between accounts.

3. Investment companies: An individual fund within a fund complex, or a series of a fund, will not be prohibited from purchasing the offered security if another fund within the same complex or a different series of fund sold short during the Rule 105 restricted period.

There are conditions that apply to these exceptions; Compliance should be consulted for further guidance regarding covering short sales in securities subject to a public offering.

Market Order Prohibition

[FINRA Rule 5131(d)(4); FINRA Regulatory Notice 11-29]

Market orders accepted in both NMS stocks and OTC equity securities are prohibited when purchasing shares of a new issue in the secondary market prior to commencement of trading of the shares in the secondary market.

The market order prohibition applies whether the order is from a customer of Kingswood Capital Partners, LLC, a customer of another broker-dealer, or another broker-dealer. Priced orders such as limit orders are not subject to the prohibition.

"Commencement of trading" in the secondary market is evidenced by the first trade on the listing national securities exchange as indicated by dissemination of an opening transaction in the security by that exchange. For OTC equity securities, commencement is evidenced by the first regular way, disseminated trade reported to the OTC Reporting Facility during normal market hours.

"Not held" orders are not considered "market orders" under this rule. The prohibition applies to "acceptance" of any market order. In the case of a proprietary order, if it is sent directly to an exchange, the prohibition does not apply. If the proprietary order is routed to a member firm, the order is "accepted" by the firm and therefore the restriction applies.

Kingswood Capital Partners, LLC may reject a market order for a new issue at any point within its order management system prior to executing or routing the order. If Kingswood Capital Partners, LLC rejects a previously accepted customer order that is OATS reportable, Kingswood Capital Partners, LLC must indicate on the OATS report that Kingswood Capital Partners, LLC, not the customer, cancelled the order.

Prohibited Conduct

[SEC Release No. 34-51500; SEC Guidance Regarding Prohibited Conduct in Connection with IPO Allocations]

Underwriters often engage in "book building" which involves seeking information from potential investors regarding their interest in the prospective issue including number of shares and price. Book building helps the pricing and success of the new issue.

There are related practices that are prohibited because they constitute attempts to induce aftermarket bids and purchases, which negatively affect the integrity of the distribution process. The following practices are prohibited, per the SEC:

1. Agreements to purchase shares in the aftermarket in exchange for an IPO allocation, prior to completion of the distribution. This includes agreements to purchase shares in another less desirable stock to obtain an IPO allocation.
2. Communicating to customers that expressing an interest in or buying shares in the immediate aftermarket would help them obtain allocations of over-subscribed ("hot") IPOs.
3. Soliciting customers before the completion of the distribution about whether and at what price and in what quantity the customer intends to place immediate aftermarket orders for IPO stock where the clear expectation and understanding is that the customer will submit aftermarket orders at the prices and quantities discussed if the customer receives an allocation of shares.
4. Proposing aftermarket prices to customers or encouraging customers who express aftermarket interest to increase the prices at which they are willing to place orders in the immediate aftermarket.
5. Soliciting interest from customers in purchasing aftermarket shares in some fixed proportion to the customer's IPO allocation.
6. Soliciting aftermarket orders from customers before all IPO shares are distributed or rewarding customers for aftermarket orders by allocating additional IPO shares to such customers.
7. Communicating to customers in connection with one offering that expressing an interest or buying in the aftermarket would help them obtain IPO allocations of other over-subscribed IPOs.

Supervisory Review Procedures and Documentation

Designated supervisor will review transaction reports or available exception reports during restriction period of a security. Supervisor will contact registered rep and transaction will be cancelled if needed.

13 CORPORATE FIXED INCOME SALES AND TRADING

11.1 Fair Prices

[NASD Rule 2440; FINRA Rule 2121]

Traders are responsible for making a reasonable effort to obtain a price for the customer that is fair and reasonable in relation to prevailing market conditions.

13.2 Best Execution

[FINRA Rule 5310.03;

The concept of "best execution" is somewhat different in the fixed income market vs. the equity market. Fixed income securities have a more fragmented market with fewer participants, no central market, and limited published quotations. Traders still have an obligation to determine a fair price by considering the following factors when pricing a debt transaction.

- Accessibility of quotations (either dollar [or other currency] pricing or yield pricing). Quotations may be "indicative" quotes only, indicating a quote relevant for only a short time or interest in buying or selling a particular issue to solicit bids or offers
- The availability of pricing of recent sales in the same, similar, or Kingswood Capital Partners, LLC securities (i.e., TRACE for corporate bonds)
- Review of multiple market venues if they are available
- Contact with other dealers
- The liquidity of the bonds
- Size of the transaction
- Reasonable mark-ups/mark-downs as discussed in the next section
- The customer's instructions and expectations

Supervisory Review Procedures and Documentation

Our firm will direct all orders to our clearing firm (RBC) for order entry and execution. On a monthly basis, our clearing firm provides reports regarding its execution quality. Such reports include posting with respect to the requirements of 11ac1-5 and 11ac1-6. Our firm will review the material provided by our clearing firm. Where the clearing firm appears to be significantly lagging the market in execution quality, our firm will make an inquiry into the situation. Records regarding the inquiry will be maintained by the CCO

13.3 Mark-Ups and Mark-Downs

[NASD Rule 2440; NASD IM 2440-1 and 2440-2; FINRA Regulatory Notice 07-28]

FINRA has established a Mark-Up Policy for transactions between broker-dealers and customers in debt securities (excluding municipal securities). This section describes the requirements for determining whether a mark-up or mark-down is fair. Following is a summary of the interpretation's requirements.

- Mark-ups or mark-downs must be calculated from the prevailing market price of the security. The prevailing market price is commonly obtained from one of the following sources: (1) TRACE; (2) the dealer's contemporaneous cost; or (3) inter-dealer transactions.
- There are three events which, if anyone occurs, may pre-empt the use of the BD's contemporaneous cost:
- Interest rate change

- Significant change in the credit quality of the debt security
- News that has an effect on the value of the debt security
- Where there is no contemporaneous transaction and the three outside factors do not apply, pricing alternatives (in order of priority) include:
    - Hierarchy pricing factors including contemporaneous inter-dealer transactions; qualifying contemporaneous institutional account-dealer transactions; or qualifying contemporaneous quotations.
    - Pricing information from "similar" securities.
    - Transactions with qualified institutional buyers (QIBs) are exempt from the requirements of the rule and interpretation.

Contemporaneous Cost (Or Sale Proceeds) and Overriding Events

The Mark-Up Policy states that the "prevailing price" is the price to be used when determining a fair mark-up or mark-down. For debt securities, the broker-dealer's contemporaneous cost is considered the prevailing price. Contemporaneous cost is the price at which the BD buys or sells the security in close proximity to the transaction subject to the Mark-Up Policy.

FINRA recognizes that contemporaneous cost (proceeds) may not be indicative of the prevailing market price if one of the following three events occurs:

- interest rates changed after the BD's contemporaneous transaction to a degree that such change would reasonably cause a change in debt securities pricing;
- the credit quality of the debt security changed significantly after the BD's contemporaneous transaction; or
- news was issued or otherwise distributed and known to the marketplace that had an effect on the perceived value of the debt security after the BD's contemporaneous transaction.

Hierarchy Pricing Factors

Three factors must be considered, in the order listed, to price the security on a hierarchy basis:

- contemporaneous inter-dealer transactions in the same security;
- qualifying contemporaneous institutional account-dealer trades in the same security; or
- qualifying contemporaneous quotations.

Each hierarchy pricing factor must be considered, in order, before proceeding to any consideration of the next factor ("similar" securities).

Pricing Information from Similar Securities

Pricing may be based on similar securities; the Interpretation includes the following possible considerations (which are in no particular order): credit quality of both securities, ratings, collateralization, spreads (over U.S. Treasury securities of similar duration) at which the securities usually traded, general structural similarities (calls, maturity, embedded options), size of the issue, float, recent turnover, estimate of market yield, and transferability or restrictions on the securities. A "similar" security should be sufficiently equivalent to the subject security that it would serve as a reasonably fungible alternative investment.

Qualified Institutional Buyer (QIB) Exemption

[SEC Securities Act of 1933 Rule 144A; NASD IM 2440-2]

Transactions with institutional customers that qualify as QIBs are not subject to the Mark-Up Policy. All three of the following elements must be satisfied to apply the exemption:

- The customer is a QIB as defined in Rule 144A under the Securities Act;
- the security the QIB wishes to buy or sell if a non-investment grade debt security as defined for purposes of IM-2440-2; and
- a determination that after considering factors in IM-2310-3 (institutional suitability factors), the QIB has the capacity to independently evaluate the investment risk and is exercising independent judgment in deciding whether to enter into the transaction.

Supervisory Review Procedures and Documentation

Supervisors who review daily transactions should consider the suitability of recommended purchases, especially for the high yield debt securities in relation to the client's investment objectives and other investments, among other considerations. Supervisor should ensure mark-ups and mark-downs are within acceptable guidelines and take corrective action if necessary.

13.4 Commissions on Agency Transactions

The designated supervisor is responsible for reviewing the reasonableness of commissions on agency transactions. Relevant factors in determining the reasonableness of commissions may include:

- the expense of executing and filling the customer's order
- the value of the services rendered by Kingswood Capital Partners, LLC
- the amount of any other compensation received by Kingswood Capital Partners, LLC in connection with the transaction
- factors considered in principal transactions
- any other relevant factors at the time of execution

Supervisory Review Procedures and Documentation

Supervisors who review daily transactions should consider the suitability of recommended purchases, especially for the high yield debt securities in relation to the client's investment objectives and other investments, among other considerations. Supervisor should ensure commission are within acceptable guidelines and take corrective action if necessary.

13.5 Crossing OTC Bonds

When crossing OTC bonds, the following must be considered:

- Crossing transactions must represent a change in ownership, i.e., bonds may not be crossed between accounts for the same beneficial owner ("wash transaction").
- Determining a fair crossing price involves one or more of the following, **which must be documented on the order record:**
  - The price relates to the current quoted market price for the bonds.
  - The price is determined from a recent transaction in the security.
  - The price relates to a recent transaction in a similar bond (maturity, rating, coupon). Indicate the related transaction including description of the bond, when the transaction took place, and the price.
  - Other documentation for determining a fair price to cross the bonds.

Supervisory Review Procedures and Documentation

Supervisors who review daily transactions should consider the suitability of recommended purchases, objectives, and other investments, among other considerations. Supervisor should review transaction form both sides of the cross for price as well as overall spread.

13.6 Errors

All errors in customer orders must be resolved immediately when discovered. No overnight positions should be maintained in the error account. If a position must be held overnight (due to late day discovery, market center closed, etc.), compliance or operations must be notified. Errors in customer accounts are documented by correction communications or form.

13.7 Extended Settlements; Delayed Deliveries

[FINRA Rule 11320]

Extended settlements or delayed deliveries are transactions that should be reviewed by the designated trading supervisor. Variances from normal settlement or delivery should be available only to those customers where the supervisor is reasonably confident regarding the customer's ability and willingness to pay or deliver securities on a timely basis.

Any pattern of extended settlements or delayed deliveries with a particular RR or client could indicate a credit problem, potential unauthorized trading or other improper activity and should be investigated.

13.8 TRACE

[FINRA Rule 6700 series; FINRA Regulatory Notice 13-15 and 12-56; FINRA TRACE web site: http://www.finra.org/RegulatorySystems/TRACE/index.htm; TRACE FAQS Reporting Notice /1/13: http://www.finra.org/web/groups/industry/@ip/@reg/@notice/documents/notices/p314034.pdf]

FINRA requires the reporting of OTC transactions in eligible corporate debt securities to its Trade Reporting and Compliance Engine (TRACE). This section summarizes TRACE reporting requirements. FINRA rules should be consulted for more detailed information, including the information to be reported and timeframes for reporting.

TRACE Eligible Securities and Reportable Transactions

[FINRA Rule 6710; FINRA Regulatory Notice 14-23 and 08-75] "TRACE-eligible securities" include securities that are:

- U.S. dollar denominated debt securities issued by a U.S. or foreign private issuer (and, if a restricted security, sold under Rule 144A);
- A debt security that is U.S. dollar-denominated and issued or guaranteed by an Agency or a
- Government-Sponsored Enterprise (as defined in Rule 6710);
- FDIC-guaranteed debt securities under the federal "Temporary Liquidity Guarantee Program;" and
- Asset- and mortgage-backed securities (as broadly defined in FINRA Rules including CMOs, CDOs, CBOs, and other asset-backed securities) [FINRA Rule 6730(a)(3)].

TRACE eligible securities include unlisted convertible debt, unlisted equity-linked notes, and similar securities (those that are listed on a national securities exchange must be reported to the appropriate equity trade reporting facility).

Reporting obligations include primary market transactions in TRACE eligible securities.

Securities Excluded

"TRACE-eligible securities" (governed by definitions within the Rule) exclude:

- debt issued by a foreign sovereign
- a U.S. Treasury Security (defined as issued by the U.S. Department of Treasury to fund the operations of the federal government or to retire such outstanding securities)
- money market instruments

Who Reports

When the buyer and seller are both FINRA members, both members must report to TRACE. For transactions between a member and a non-member, including a customer, the member must report.

Transactions Exempt from Reporting

[FINRA Rule 6730(e) and 6732]

The following transactions are not reportable:

- Transactions in TRACE-Eligible Securities that are listed on a national securities exchange when such transactions are executed on and reported to the exchange and the transaction information is disseminated publicly.
- Transactions where the buyer and the seller have agreed to trade at a price substantially unrelated to the current market for the TRACE-Eligible Security (e.g., to allow the seller to make a gift).
- Provided that a data sharing agreement between FINRA and NYSE related to transactions covered by this Rule remains in effect, transactions in TRACE-Eligible Securities that are executed on a facility of NYSE in accordance with NYSE Rules 1400, 1401 and 86 and reported to NYSE in accordance with NYSE's applicable trade reporting rules and disseminated publicly by NYSE.
- Transactions resulting from the exercise or settlement of an option or a similar instrument, or the termination or settlement of a credit default swap, other type of swap, or a similar instrument.
- Transfers of securities made pursuant to an asset purchase agreement (APA) that is subject to the jurisdiction and approval of a court of competent jurisdiction in insolvency matters, provided that the purchase price under the APA is not based on, and cannot be adjusted to reflect, the current market prices of the securities on or following the effective date of the APA.
- Transfers of TRACE eligible securities to create or redeem instruments such as ETFs.
- A sale from an issuer to an underwriter(s) or initial purchaser(s) as part of an offering, except a sale of an Agency Pass-Through Mortgage-Backed Security.
- Alternative Trading System (ATS) transactions exempted by FINRA (FINRA Rules 6731 and 6732).

System Outages

System outages involving fixed income transactions and TRACE reporting will be reported to FINRA by e-mail to *bondreporting@finra.org*. The trading supervisor is responsible for determining whether to report outages and will retain copies of e-mail communications sent to FINRA.

Information that will be reported includes the following:

- the date(s) the system problem occurred;
- the specific systems that were affected (e.g., internal systems, third-party vendor system);
- the exact nature of the problem (e.g., complete outage, slow transmission times);
- the time the problem began;
- the time the problem was first detected;

- the time the problem was resolved and a brief description of the resolution;
- the level of activity impacted (e.g., the approximate number of trades not reported) and a description of how the impact will be addressed (e.g., trade reports to be submitted on an "as of" basis the next business day);
- contact name and telephone number; and,
- any additional information deemed relevant.

Independent Contractors

If an independent contractor immediately transmits orders to the trading department, either electronically or manually, the independent contractor is not required to maintain a separate synchronized clock. If there is any delay in transmitting the order, however, the contractor must maintain a synchronized clock.

Supervisory Review Procedures and Documentation

The firm relies on its clearing firm to execute and report transactions to trace. The firm contracts its clearing firm or other third-party vendors to report to trace on its behalf. The firm will review available trace reports periodically for accuracy and timeliness in reporting for firm orders.

13.9 FINRA Rule 2232 Customer Confirmations

The Firm does not normally hold positions or trade on behalf of its inventory account. All fixed income transactional are either new issues, riskless principal, or transactions. Therefore, all transactions are executed at the Prevailing Market Price. The firm will review confirms annually for accuracy with relation to prices and commissions or markup/markdown on an as needed basis. Although the trades execute through a firm account to facilitate accurate reporting and confirms, the firm generally only executes on a riskless principal or agency basis. The firm has contracted its clearing firm to report on its behalf as well as send out accurate confirms and statements.

14 INVESTMENT COMPANY PRODUCTS

14.1 Mutual Funds

Advertising

Our Advertising Principal is responsible for ensuring that all mutual fund marketing materials utilized by this firm are appropriately pre-approved, are submitted to FINRA when required, and are in compliance with all related rules and regulations.

Supervisory Reviews Procedures and Documentation

The designated supervising principal is responsible for ensuring that Rule 2210(c)1 is adhered to. Rule 2210(c)1 requires that "advertisements and sales literature concerning registered investment companies (including mutual funds, variable contracts and unit investment trusts) be filed with FINRA's Advertising/Investment Companies Regulation Department within ten (10) days of first use or publication" by us. At the time of such filing with FINRA, we must provide the actual or anticipated date of first use. Files will be maintained for all advertising materials sent to FINRA, indicating name and date of principal approval, date of submission, FINRA response and any changes made according to such response.

Files will also be maintained for advertisements we use which were initially drafted by the underwriter, including either a written verification from the underwriter that the specific piece has been filed with FINRA, or proof that it was filed. Without such documentation, the materials will not be permitted to be used by us.

Where we receive written verification instead of proof, and the reviewing principal has questions concerning the material, such material will not be implemented until we have received hard-copy proof of FINRA filing.

Furthermore, all selling agreements into which we enter will be reviewed (evidenced by initials and dates) to ensure they contain language stating that all advertisements offered by the underwriter have been filed with FINRA and are accompanied by either the underwriter's certification of filing or actual filing proof.

The designated principal is responsible for undertaking a review (evidenced by initials and dates) to ensure that any rankings or comparisons utilized are current (to the most recent quarter).

SEC Securities Act Rule 482: Sales material utilized (created by us or by a mutual fund or a fund distributor) are not deemed to have received appropriate approval if such accompanying approval is dated prior to March 31, 2004. Rule 482 has requirements not in place prior to that date (i.e., enhanced disclosures concerning, among other things, investment objectives, investment risks, performance measurements, as well as fund charges and expenses).

The designated principal is responsible for ensuring that no fund advertising materials are disseminated which reflect, in any manner, an approval date prior to March 31, 2004. All fund- related marketing materials must evidence approval based on a resubmission under Rule 482. All internal and off-site audits and reviews will ensure that this matter is covered and that any inappropriate advertising material is removed and no longer available for distribution. (Branch and internal audit / review reports will evidence any such findings, including corrective measures taken.)

SEC Securities Act Rule 142: Rule 142 does not apply to a notice, circular, advertisement, letter, or other communication relating to an investment company registered under the Investment Company Act of 1940 or a business development company as defined in section 2(a)(48) of the Investment Company Act and therefore need not be taken into account when dealing with mutual fund advertising issues.

Mutual Fund Performance Sales Materials

Our CCO will ensure that all "Performance Sales Materials" comply with the following FINRA and SEC Rules, per Notice to Members 06-48), and will also ensure that any performance sales materials already in use modified to conform to new requirements are re-filed with FINRA's Advertising Regulation Department.

Certain disclosures and standardized performance presentation is required (as mandated by SEC Rules 482 and 34b-1) for all communications with the public (other than institutional sales materials and public appearances) regarding performance data for mutual funds (other than money market funds), including:

- Legends indicating quoted performance information reflect past performance and do not guarantee future results;
- Investment return and principal value will fluctuate such that when shares are redeemed, they may be worth more or less than their original cost;
- Current performance may be lower or higher than the quoted performance data, and
- information about the mutual fund may be obtained by calling a toll-free number or accessing a publicly available website where an investor may obtain performance data current to the most recent month-end (unless the sales material includes quotations of average annual total return for 1, 4 and 10-year periods current to the most recent month ended seven business days prior to the date of use).
- Maximum amount of front-end and back-end sales charges: and
- Whether performance information reflects the deduction of such sales charges and, not, a statement indicating that fact and that inclusion of sales charges would reduce the quoted performance.

In addition, performance sales material MUST include the "total annual fund operating expense ratio, gross of fee waivers or expense reimbursements.

Mutual Fund Performance Sales Materials Disclosure Presentation ("TEXT BOX") Requirements

Prominent "text box" disclosure (as outlined above) presentation must be used in print advertisements (print newspaper, magazine, other periodical) but is not required in printed sales literature, such as fund fact sheets, brochures, or form letters. Neither does it apply to websites, television, ratio, or other electronic communications.

Annual Review

In Notice to Members 02-85, the NASD required that all broker-dealers engaged in mutual fund transactions involving front-end sales loads immediately review the adequacy of their policies and procedures "to ensure that they are designed and implemented so that investors are charged the correct sales loads on mutual fund transactions," particularly for mutual fund transactions involving letters of intent and rights of accumulation.

Designated Supervising Principal

Our CCO is responsible for ensuring that on an annual basis a review of the adequacy of our policies and procedures regarding breakpoints, letters of intent and rights of accumulation is undertaken.

Supervisory Review Procedures and Documentation

In addition to continually monitoring our policies and procedures to ensure that our customers are charged correct sales loads on all mutual fund transactions, the designated principal will ensure that an annual review of our mutual fund sales practices for front-end sales load funds is conducted.

The annual review will include an assessment of whether this broker-dealer has been charging the correct sales loads.

Documentation of this annual review, and any other reviews conducted in this area, will be maintained in the files, indicating what the review entailed, the dates of such review, the names and titles of the individuals who conducted the review and any findings. We will promptly adopt and implement any changes to our policies and procedures deemed necessary by the annual review results to ensure that investors are charged correct sales loads in the future, if it is determined that there have been instances where this has not been the case in the past.

As customers can only incur the most beneficial (e.g., lowest) front-end sales charge percentage if complete information relating to the customer and certain related accounts is known, policies and procedures concerning the requirement to know the following will be reviewed (and it will be determined if such policies and procedures have been followed):

1. Customer's account and related and/or linked accounts
2. The dollar size of pending transactions
3. The dollar size of anticipated transactions
4. The amounts previously invested in the specific fund and other related funds (valued as specified in the prospectus)

Our CCO is responsible for ensuring that a record of this review (indicating what was reviewed, how it was reviewed, who undertook the review, dates, etc.) is maintained for examination by FINRA. In addition, records must be maintained of all remedial actions taken as a result of the review.

Anti-Reciprocal Rule

Execution of Investment Company Portfolio Transactions: Rule 2830(k) prohibits any sort of reciprocal or quid pro quo arrangements regarding the sale of mutual funds. No particular investment company or family of funds may be favored or disfavored on the basis of brokerage commissions received or expected to be received by this firm. We may not offer or promise to another broker-dealer any brokerage commissions from any source as a condition to the sale or distribution of shares of a mutual fund, and we may not request or arrange for the direction to any other broker-dealer of a specific amount or percentage of commissions conditioned upon that broker-dealer's sales or promise of sales of shares of an investment company. We may not circulate information regarding the amount of level of commissions received by us from any investment company or covered account to other than management personnel. As underwriters, broker-dealers may not suggest, encourage, or sponsor any incentive campaign or special sales effort of another broker-dealer which incentive or sales efforts is, to the underwriter's knowledge, to be based upon, or financed by commissions directed or arranged by the underwriter. In order to make a determination as to whether or not a certain activity is appropriate, Rule 2830(k) will be reviewed carefully by the designated principal with regard to our retail sales or distribution of investment company shares.

We may not:

- Offer incentive or additional compensation for the sales of shares of specific investment companies based on the amount of brokerage commissions received or expected from any source (including bonuses, preferred compensation lists, sales incentive campaigns or contests, or any other method of compensation which provided an incentive to favor or disfavor any one investment company or family of funds);
- Create recommended, selected, or preferred lists of investment companies if such companies are selected on the basis of brokerage commissions received or expected to be received;

- Grant to any affiliated persons any participation in brokerage commissions received by us from portfolio transactions of a mutual fund whose shares are sold by us, or from any covered amount, if such commissions are directed by, or identified with, such investment company or any covered account; and
- Use sales of shares of a mutual fund in negotiating the price of, or the amount of commissions to be paid on, a portfolio transaction of an investment company or of any covered account, whether the transaction is executed in an OTC market or elsewhere.

So long as no provisions of Rule 2830(k) are violated, there are no prohibitions against:

1. The execution of portfolio transactions of any investment company or covered account by BDs who also sell shares of the investment company;
2. This firm selling shares of, or acting as underwriter for, an investment company which follows a policy, disclosed in its prospectus, of considering sales of shares as a factor in the selection of broker-dealers to execute portfolio transactions, subject to the requirements of best execution; or
3. Compensating our personnel based on total sales of investment company shares attributable to such personnel, provided that such compensation (overrides, accounting credits, other compensation methods) is not designed to favor or disfavor sales of shares of particular investment companies on a basis prohibited under Rule 2830(k).

Our CCO is responsible for ensuring that we do not enter into any inappropriate arrangements regarding the sale of mutual funds.

Breakpoints / Rights of Accumulation, Letters of Intent / Splitting / Linking

A breakpoint is defined simply as “a reduction in the sales charge commensurate with the size and nature of the transaction.”

The terms for breakpoints vary from fund to fund and it is our responsibility to ensure that all registered representatives and their supervising principals are given sufficient training so as to be aware of the fact that they are required to know the terms set by each fund. For example, a fund might charge a front-end sales load of 5.75% for all purchases under $50,000 and reduce that to 4.50% for purchases aggregating at least $50,000 but remaining under $100,000. After $100,000, the fund may further reduce the sales charge, or eliminate it altogether.

In addition to “single transaction” breakpoints, investors may become entitled to receive breakpoints by using a “letter of intent” (a statement signed by the investor indicating an intent to purchase a certain amount of fund shares over a stated period of time) or through the “right of accumulation” (the discount or breakpoint received in a current mutual fund transaction based on the cumulative value of previous transactions).

Registered personnel are required to alert clients close to a breakpoint that they can receive a reduced sales charge by either purchasing some additional shares or availing themselves of the benefits found under a “Letter of Intent” or “Rights of Accumulation.”

Splitting: Clients may miss mutual fund breakpoints and, therefore, not receive discounts that they would have received if their entire investment were placed in only one mutual fund family when a representative recommends, they purchase more than one mutual fund and the client's investment is split among the funds.

Linking: The most frequent causes for not providing breakpoint discounts are the failure to link the following:

- Customer’s ownership of different funds in the same mutual fund family;
- Shares owned in a fund or fund family in all of a customer’s accounts at the broker-dealer;
- Failure to link shares owned in the same fund or fund family by persons related to the customer (e.g., spouse, children).

In its December 2002 Special Notice to Members 02-85, the NASD indicated that whether or not the terms of a dealer agreement with a mutual fund company or complex imposes the obligation on the broker-dealer to assure that the broker-dealer provides the appropriate breakpoint in a given transaction or transactions, the broker- dealer must:

1. ensure that its registered personnel engaged in processing mutual fund transactions (and those designated to oversee their activities) understand the terms of offerings and reinstatements;
2. ascertain the information that should be recorded on the books and records of it (and if applicable it’s clearing firm) which is necessary in determining the availability and appropriate level of breakpoints;
3. apprise the customer of the breakpoint opportunity and inquire whether the customer has positions or transactions away from the BD which should be considered in connection with a pending transaction;
4. ensure that all personnel processing or reviewing these transactions are appropriately trained in order to ensure that the information pertaining to all aspects of a mutual fund order, including any applicable breakpoint, is accurately transmitted in a manner retrievable by the fund
5. company; and
6. have in place appropriate and sufficient procedures including supervisory procedures with respect to breakpoint calculations.

In closing, “Special” Notice to Members 02-85 states, "Determining the correct sales charge is an obligation held by BDs and requires a high degree of vigilance to ensure that customers receive the full benefit of available price discounts to which they are entitled. Such vigilance includes extensive product and customer knowledge on the part of registered personnel and requires appropriate training, policies and supervisory procedures."

Our CCO is responsible for ensuring that all registered personnel are fully trained to understand the importance of appropriately dealing with all breakpoint disclosure and documentation matters, and for undertaking an annual review of mutual fund transactions.

In addition, on an ongoing basis, all designated supervising principals are responsible for monitoring any mutual fund transactions undertaken by individuals under their direct supervision to ensure that all appropriate information is obtained, all appropriate disclosures are made and all appropriate documentation is prepared and retained.

Supervisory Reviews Procedures and Documentation

See “Mutual Funds, Suitability and Training” Section in these WSPs indicating that training in breakpoint and breakpoint related issues is part of our overall mutual fund training, as this is an inherent part of our supervisory activities relating to mutual fund breakpoint and matters relating to breakpoints.

We will determine the level of additional training required for our associated persons on an annual basis, by review overseen by our CCO based on the following potential considerations:

1. Issues which have arisen during our breakpoint reviews whether,
2. Regulatory findings,

3. Customer complaints and/or
4. Recommendations received from supervising principals regarding certain registered personnel whether or not a greater level of training is required for all or some of our registered personnel.

Documentation of items reviewed annually and the rationale utilized to determine if further training is or is not required, including who made such determination, will be retained in the files.

Supervising principals are responsible for ensuring that all registered personnel under their direct supervision are obtaining sufficient information and making all appropriate disclosures by reviewing each mutual fund transaction and by evidencing such review by initials and dates.

Any registered representative who does not appropriately advise clients or who knowingly recommends an investment amount just under the breakpoint in order to receive a higher commission will be subject to appropriate disciplinary action for failing to act in accordance with just and equitable trade principles, and may face termination. Documentation of any such instances will be retained in the files, indicating the specific situation warranting the action, the name and CRD number of the registered personnel involved and internal actions taken.

If the client insists on making the purchase below a breakpoint level, approval must be obtained from a supervising principal prior to order entry.

In instances where a client wishes to “split” a sum of money between two or more families of funds, registered representatives are required to inform their clients of the missed breakpoint before proceeding with a "split" transaction. Should the client wish to proceed with such a transaction, approval must be obtained from a supervising principal prior to order entry.

For clients to take advantage of the commission discounts available under a Letter of Intent or Rights of Accumulation, it is the obligation of registered personnel to systematically link the related accounts. Accounts of an individual are not to be automatically linked to those of their spouse, minor children, and/or IRAs unless the Fund Prospectus specifically allows such linking.

Procedures (and appropriate training) must also be in place to ensure that all appropriate individuals understand the proper steps for inputting correct information into automated processing and settlement systems (e.g., Fund/SERV).

Such systems may not disclose to the fund company the identity of our customer and we cannot therefore rely on the fund company to allocate the correct breakpoint to a transaction or to override our failure to do so.

Our CCO is responsible for ensuring that:

1. All registered and non-registered personnel engaged in processing these transactions understand the terms of offerings and reinstatements;
2. The information which must be recorded on our books and records (or on the books and records of our clearing firm) is available to determine the availability and appropriate level of breakpoints;
3. The customer is being apprised of breakpoint opportunities and is being asked about positions or transactions away from this firm which should be considered in connection with a pending transaction;
4. The personnel processing these transactions are appropriately trained;
5. The information is transmitted in an accurate manner, retrievable by the mutual fund company;

6. There are appropriate and sufficient procedures in place, including supervisory procedures, with respect to breakpoint calculations.

Regardless of services offered by a clearing firm, other systems utilized to effect mutual fund transactions, or a combination of both, we must have the capacity and capability to ensure that customers receive the benefit of all applicable discounts.

Backdated LOIs or ROAs - Should reviews (as indicated above) or review of the exception report for all front end loaded A share transaction over $20,000 determine that an LOI or ROA should have been obtained from a client but was not, our CCO will immediately ensure that the client is contacted and that we obtain the appropriate document.

Documentation of all such client contact will be maintained indicating who contacted the client, the date, notes regarding the discussion and resulting actions undertaken.

Cash and Non-Cash Compensation

Rule 2830(l), "Investment Company Securities," notes that in connection with the sale and distribution of investment company securities, except as described below, no associated person shall accept any compensation from anyone other than the broker-dealer with which they are registered

The rule does not prohibit arrangements where a non-FINRA member firm pays compensation directly to our associated personnel, provided that:

1. We have agreed to the arrangement;
2. We rely on an appropriate rule, regulation, interpretive release, interpretive letter, or "no- action" letter issued by the SEC that applies to the specific fact situation of the arrangement;
3. The receipt by associated personnel of such compensation is treated as compensation received by us for purposes of FINRA Rules;
4. The recordkeeping requirement (under Rule 2830) is satisfied.

Prospectus Disclosure Requirements: This broker-dealer may accept no cash compensation from an offeror unless such compensation is described in a current prospectus of the investment company. When special cash compensation arrangements are made available by an offeror to a BD, which arrangements are not made available on the same terms to all BD firms who distribute the investment company securities of the offeror, we shall not enter into such arrangements unless the name of our firm and the details of the arrangements are disclosed in the prospectus. Such disclosure requirements do not apply to cash compensation arrangements between:

- principal underwriters of the same securities; and
- the principal underwriter of a security and the sponsor of a unit investment trust which utilizes such security as its underlying investment.

Permitted are:

- Gifts that do not exceed an annual amount per person fixed periodically by FINRA (currently $100) and are not preconditioned on achievement of a sales target;
- An occasional meal, ticket to a sporting event/theatre, or comparable entertainment which is neither so frequent nor so extensive as to raise any question of propriety and is not preconditioned on achievement of a sales target;

- Payment or reimbursement by offerors in connection with meetings held by an offeror or by this firm for the purpose of training or education provided that the requirements of FINRA 2830(l) are satisfied;
- Non-cash compensation arrangements between this firm and its associated persons or a non-member company and its sales personnel who are associated persons or an affiliated BD, provided that the requirements of Rule 2830(l)(5)(D) are complied with.

Our CCO is responsible for ensuring that appropriate individuals are trained to understand what is prohibited in terms of cash or non-cash compensation and to undertake appropriate reviews to ensure these prohibitions are being adhered to.

Our designated supervising principals have the day-to-day responsibility for deterring and detecting violations of Rule 2830. As part of their ongoing oversight and supervisory responsibilities, our designated supervising principals are responsible for ensuring that the individuals under their direct supervision are (a) aware of the prohibitions and (b) not accepting any prohibited compensation.

Supervisory Reviews Procedures and Documentation

Sufficient training is given (as appropriate, through our Annual Compliance Meetings, Continuing Education Firm Element Training, internal memorandums, face to face discussions, etc.), with documentation retained on all such training and/ or communications, including names and CRD numbers of those who received such training, copies of any handout materials utilized, agenda items, etc., as to cash and non-cash compensation prohibitions;

Copies of all required formal requests for receipt of cash or non-cash compensation, with the written response, will be maintained either in the individual's personnel / U-4 file or in another appropriate file);

Documentation of any permitted cash and non-cash compensation paid to our registered Associated Persons is maintained and routinely monitored, minimally on a quarterly basis. Evidence of such maintenance and review will be maintained indicating the date of any list updates, with the initials of the individual who updated the list, and with notes concerning any findings during the review which required follow-up actions. Such follow-up actions will also be documented, indicating the outcome of any investigation, who undertook the investigation, the dates of such investigation and what steps were taken (by whom);

Prospectus reviews will be undertaken to ensure appropriate disclosures (such review to be evidenced by initials and dates);

We will maintain records of all compensation received by it or its associated persons from offerors. Such records shall include the names of the offerors, the names of the associated individuals, the amount of cash, the nature, and, if known, the value of non- cash compensation received.

Dealer-Use-Only Materials

Our designated supervising principals are responsible for ensuring that the individuals under their immediate supervision appropriately handle all “dealer-use-only” mutual fund materials.

Supervising principals are responsible for ensuring that the individuals under their direct supervision understand the prohibition against distributing dealer-use-only material to the public and that they are in full compliance.

Correspondence review by designated principals will expressly include looking for inclusion of restricted materials.

Supervising principals will also ensure that areas accessible to the public are free of any dealer- use-only material and advise all individuals under their supervision not to have any such materials on their desks when speaking with a customer or potential customer.

Each supervising principal will maintain copies of all dealer-use-only materials, indicating to whom the material was distributed. In addition, our Advertising Principal will also maintain copies of all dealer-use-only materials distributed throughout the firm (indicating to whom it was distributed and the dates).

Deferred Sales Charge / Redemptions

The existence of deferred sales charges must be disclosed on the front of a customer's purchase confirmation. It is a violation (see Notices to Members 89-35 and 91-40) to state or imply to an investor that an investment company with a contingent deferred sales charge is a "no load fund."

Investors purchasing a "no load" or "no initial load" fund must be made aware of the existence of any redemption sales charges.

It is an unfair sales practice and an omission of material information to state that there is "no initial load" without giving a complete explanation of the nature of any contingent deferred sales load (a sales load that is charged on redemption on a declining-percentage basis annually, usually reduced to zero percent by the sixth or seventh year of share ownership).

It is our obligation to ensure the client's understanding of the nature of all various charges made by mutual funds to defray sales and sales-promotion expenses, regardless of whether they are deducted from the investor's initial purchase payment, charged upon redemption, or levied against the net assets of the fund.

Rule 2830(n), "Disclosure of Deferred Sales Charges," requires that if the transaction involves the purchase of shares of an investment company that imposes a deferred sales charge on redemption; such written confirmation shall also include the following legend:

"On selling your shares, you may pay a sales charge. For the charge and other fees, see the Prospectus".

This legend must appear on the front of the confirmation and must be in, at least, 8-point type.

Designated Supervising Principal

The individual designated as our Mutual Funds Principal is responsible for ensuring that all registered personnel are fully aware of their obligation to appropriately disclose all deferred sales charges when undertaking mutual fund transactions.

On an ongoing basis, however, our designated supervisory principals are responsible for overseeing all mutual fund transactions engaged in by the individuals under their direct supervision and for ensuring that all appropriate compliance and disclosure requirements are adhered to.

Supervisory Reviews Procedures and Documentation

Supervising principals are responsible for ensuring that the individuals under their direct supervision will receive training making it very clear what disclosures are required to be made concerning deferred sales charges on redemptions and that failure to make such disclosures are in violation of FINRA rules and policies of this firm.

Documentation of all such training efforts will be retained in the files, including dates, copies of training materials utilized, indication as to how training was delivered (annual compliance meeting, on-line training,

dissemination of materials, etc.) and lists of individuals (names and CRD numbers) of those who received the training.

In situations where it is suspected that appropriate disclosures have not been made, an appropriate principal will contact the client to ensure they were not given any misleading information. All such follow up activities will be documented, including who called the client, what the results of the call were, and any corrective measures taken, if applicable, based on the results of the call.

Should it be found that the required disclosures are not being made, steps will be taken to immediately contact the mutual fund(s) asking them to take corrective action (documenting all such efforts, the dates, the individual undertaking the follow up and the results).

One of the red flags which will be looked for during the above reviews is any registered individual's involvement in a greater than usual number of redemptions. Such redemptions may be being recommended by an individual who is then engaging in "selling away" activities with the customer's redeemed funds.

It is our policy that no redemptions will be handled on a firm repurchase basis; we will only assist customers with their redemption requests.

Full-Disclosure (Point of Sale)

Our designated supervising principals are responsible for ensuring that all individuals under their direct supervision are making appropriate point of sale disclosures including a complete, comprehensive description of share-class characteristics to allow the investor to be sufficiently educated to choose the class that is most suited to their investment needs.

Supervisory Reviews Procedures and Documentation

Where it is determined that proper point of sale disclosure was not made, or was not documented for the file, a supervising principal will be required to contact the customer to ensure a full understanding of the investment. Documentation as to all such client contact will be made for the file, including date of contact, name of the individual who spoke to the client, notes as to what was discussed, and the rationale for any conclusion made based on the conversation.

Late Trading / Market Making

After-Close Mutual Fund Purchase or Redemption ("Late Trading"): Investment Company Act Rule 22c-1(a) generally requires that redeemable securities of investment companies be sold and redeemed at a price based on the New Asset Value (NAV) of the fund computed after the receipt of orders to purchase.

As found in Notice to Members 03-50 and restated in FINRA 2010, "It is a violation of Rule 2010 and may be a violation of the federal securities laws and Rule 2020 for any affiliated individual of a broker-dealer to knowingly or recklessly effect mutual fund transactions that are priced based on NAV that is computed PRIOR to the time the order to purchase or redeem was given by the customer. Furthermore, it may be a violation of Rule 2010 and the federal securities laws to knowingly or recklessly facilitate certain mutual fund transactions, such as market timing transactions, in conjunction with, or with the acquiescence of, a mutual fund sponsor, fund administrator, investment adviser, underwriter, or any other affiliated person where those other parties acted contrary to a representation made in the prospectus or statement of additional information pursuant to which the mutual fund shares are offered."

In plain English, any affiliated individual of this firm is expressly prohibited from circumventing any stated mutual fund prospectus / statement of additional information ("SIFMA") prohibition.

Designated Supervising Principal

The designated Supervising Principal is responsible for ensuring that all mutual fund orders are executed in such a manner as to ensure they receive the appropriate day's net asset value ("NAV").

Supervisory Reviews Procedures and Documentation

The designated principal will work with operations and trading to ensure that a plan is in place to ensure that mutual fund orders are executed in such a manner as to ensure they receive the appropriate day's NAV.

To detect and prevent occurrences of late trading, the designated principal, or another qualified designated individual, will compare, on a monthly basis, the time of order receipt against the time of execution for a material sample (no less than 30%) of mutual fund transactions executed through our clearing firm or via wire orders with the mutual fund. In conducting this review, we must pay particular attention to the following problematic scenarios:

1. Instances regarding the entry of trade's time stamped before or at the close but entered or executed after the close. Such transactions should receive the closing NAV on that trade date, not the next day's (T+1) closing NAV;
2. Occurrences regarding the entry of trade's time stamped after the close but entered or executed at that same day's NAV. Such transactions should receive the next day's closing NAV, not the current day's NAV.

For any above findings, or others which raise concerns, found during the monthly reviews, further investigation will be undertaken. Documentation concerning such investigations will be retained in the files indicating the reason for undertaking the investigation, details about what the investigation entailed, who conducted the investigation, dates, findings, and appropriate corrective measures taken, where applicable.

The designated principal is also responsible for ensuring that the firm has taken steps reasonably designed to ensure that our systems to correct errors after the close cannot be subverted for the purposes of effecting late trading. Documentation indicating what procedures is in place, how often they are reviewed, who is responsible, etc. will be maintained in the files. As many late trading abuses uncovered by the regulators have typically involved the following types of accounts / activity, when conducting "late trading" reviews, we will focus on these areas:

1. Institutional clients (hedge funds, in particular)
2. Mutual fund transactions exceeding $10,000
3. Spikes in transaction volume caused by "in & out" trading patterns (investors engaged in mutual fund trading are also likely to be those undertaking other prohibited activities). Mutual funds often, upon their discovery of in and out trading patterns, make notification that such practices are prohibited and indicate that a specific rep number, or account number, or other indicator will no longer be acceptable to the Fund. Unfortunately, often such notification is made by e-mail directly to the offending registered person. Annual compliance and CE training will advise all personnel of the seriousness of keeping such notification from his or her supervising principal and/or from simply changing account or rep numbers to continue such patterns. Such activity will warrant severe sanctions, including possible termination. All individuals responsible for monitoring rep e-mail will also be given instructions to look for any such e- mails received by our personnel from a fund company.

The designated principal is responsible for ensuring that all registered personnel (managers, supervisors, reps, etc.) given sufficient training so as to understand that they must be aware of any polices that mutual

fund companies represent in their prospectuses or Statements of Additional Information (“SAI”) concerning fund practices designed to detect, prevent or control market timing transactions, delivery methods and names and CRD numbers of all individuals who received such training will be maintained.

Our designated principal is responsible for ensuring, by undertaking an annual review:

1. Maintenance for examination by the regulators, a record of all “late trading’ reviews (indicating what was reviewed, how it was reviewed, etc.) and the results of all such reviews;
2. Maintenance of records documenting all remedial actions taken as a result of the reviews;
3. Supervising principals and registered reps (as well as any other personnel engaged in receiving and/or processing these transactions) have received sufficient training to understand the potential abuses and to identify suspect transactions. Such training will be given either through our CE, Annual Compliance Meeting, Compliance “alerts,” one on one meetings with supervising principals, or any combination of the foregoing;
4. Appropriate and sufficient procedures in place, including supervisory procedures, with respect to processing all trade corrections;
5. That it has been made clear, company-wide, that compliance and senior management requires all associated personnel to be fully aware of the policies that mutual fund companies represent in their prospectuses or SAIs concerning practices designed to detect, prevent, or control market timing transactions, and that such policies are fully adhered to.

Documentation and evidence of this annual review will be maintained in the files, indicating who undertook the review, the finding for each issue raised, the dates of all such review activities and all findings, including corrective measures taken, where deemed necessary or appropriate.

Multi-class Mutual Funds

Suitability Issues for Multi-Class Mutual Funds: Investors often have the option of choosing from different classes of shares. In a multi-class structure, each class of shares invests in the same portfolio of securities, but may be sold through different distribution arrangements and may entail different expense levels. Likewise, different classes of shares may result in different sales compensation being paid to broker-dealers and their registered representatives.

Although the purchase of certain fund classes may allow an investor to avoid paying a front-end sales load, the cost imposed by a class's higher expenses may outweigh this benefit, particularly with respect to large dollar purchases.

The impact on an investor's long-term results that breakpoints, rights of accumulation, and letters of intent may have when they reduce the sales charges paid on purchases of share classes that impose front-end sales charges must be taken into account whenever higher-expense classes of mutual fund shares are being discussed with a client.

- Class A Shares: Broker-sold mutual funds often offer three classes of shares. One class (generally designated "Class A" shares) may impose a front-end sales load, but may impose no (or a low) ongoing fee to pay for sales and marketing expenses (referred to as a Rule 12b-1 fee). Often, breakpoints in the sales load structure will cause the front- end load percentage to decrease as the investment amount increases. Additionally, investors may take advantage of other methods to decrease the sales load paid on subsequent purchases, such as through rights of accumulation and letters of intent.
- Class B Shares: A second class (often designated "Class B" shares) may not impose a front- end sales charge. This may tend to make B shares more attractive to investors (and therefore easier to

sell). However, B shares may impose a Contingent Deferred Sales Charge (CDSC) on share redemptions and a relatively high 12b-1 fee (an asset-based fee). The amount of the CDSC normally declines the longer the shares are held. Furthermore, Class B shares often automatically convert to Class A shares (and thus pay lower 12b-1 fees) after a period of time, which is usually after the CDSC declines to zero.

- Class C Shares: A third class (often designated as "Class C" shares) may impose neither a front-end nor a back-end sales load, but may impose a relatively high 12b-1 fee. Additionally, some mutual funds offer classes that impose no front-end or back-end sales charges and a relatively low 12b-1 fee, but only offer such classes to retirement plans or institutional investors.

Additional Class Designations: Fund sponsors also may choose class designations and expense structures other than those described above.

Various Classes and Their Impact on Breakpoints, Rights of Accumulation or Letters of Intent: All personnel engaged in mutual fund transactions are also trained, and supervised, not to recommend Class B or C shares to investors who seek to purchase in large amounts and who would incur significantly lower sales charges for Class A share purchases due to the availability of breakpoints, rights of accumulation, or letters of intent (see appropriate separate section within these WSPs).

As a best practice In addition, our registered personnel are trained on the utilization of FINRA's Mutual Fund Expense Analyzer and share results with their customers.

Regulatory Concerns: Notices to Members 94-16 (March 1994) and 95-80 (September 1995) provide further guidance with respect to mutual fund sales practices. These Notices remind BDs that, in determining whether a fund is suitable for an investor, a BD should consider the fund's expense ratio and sales charges as well as its investment objectives.

Additionally, Rule 2342 generally prohibits BDs from selling mutual fund shares in dollar amounts just below the sales charge breakpoint (see appropriate section within these WSPs) in order to increase a BD's compensation. These principles apply equally to recommending a particular fund share class to an investor.

The CCO is responsible for ensuring that all registered personnel are fully aware of the importance of appropriately dealing with multi-class mutual funds and for ensuring that all such transactions have been appropriately handled.

In addition, on an ongoing basis, our designated supervising principals are responsible for monitoring any mutual fund transactions undertaken by individuals under their direct supervision to ensure that all appropriate disclosures are made and all appropriate documentation is prepared and retained.

The designated principal is responsible for ensuring that all registered personnel engaged directly in mutual fund transactions (or involved due to an oversight responsibility) are sufficiently trained to consider the suitability of recommending certain higher-expense classes of mutual fund shares, particularly when an investor is seeking a long-term investment. Documentation of such training will be retained in the files indicating dates, copies of training materials utilized, the training delivery method and lists of individuals (and CRD numbers) of all who received such training. Our training will utilize the SEC's administrative decision finding that two broker-dealer sales representatives sold Class B shares in violation of federal securities laws for failing to make certain disclosures to customers regarding Class B shares [In the Matter of Michael Flanagan, et al., SEC Initial Decision Release No. 160. Jan. 31, 2000 (available on www.sec.gov).

Day to day supervision will ensure that sufficient information as to an investor's investment goals and objectives, including the investor's time horizon, are being received. Investors seeking to avoid front-end loads must be informed of the potential long-term effect of the higher ongoing sales charges associated with Class B shares (and Class C shares, if applicable).

Supervising principals will ensure that we meet our responsibility of giving all potential mutual fund investors a complete, comprehensive description of share-class characteristics to allow them to be sufficiently educated to choose the class that is most suited to their investment needs.

When such disclosure is made in writing, proof of such written disclosure (with client signature) will be maintained in client files. When such disclosure is made orally, written records of these discussions are required to be maintained in the client files, with an indication as to who made the oral disclosure and the supervising principal's approval of such disclosure.

NAV Transactions / NAV Transfer Programs

Our designated supervising principals are responsible for ensuring that all individuals under their direct supervision are ensuring that NAV transactions are appropriately handled on a consistent basis.

NAV Transfer Programs - While many mutual funds have discontinued their NAV Transfer privileges, our CCO is responsible for knowing which of the funds offered by this broker-dealer do permit such privileges. NAV transfers enable client dollars to be switched from one load-fund group to another at NAV, thereby avoiding an additional round of sales charges.

This matter is only of concern when we have undertaken a transaction in a front-end loaded "A" share for which we have not waived the commission. Such a transaction would require a "switch" letter. All switch letters will be reviewed to ensure that if the fund into which the money is being invested has NAV Transfer Program the customer does in fact receive NAV purchase price.

For any "A" share transaction for which we have received a commission, we will ensure that, should a determination be made to transfer a client's funds via NAV Transfer Program, the purchase is in fact made at NAV. This will be done by reviewing next-day transaction information received from our clearing firm or by reviewing commissions received from the mutual fund (for direct business) to determine that no commissions were paid on the transaction. Documentation of all reviews undertaken regarding NAV transfer programs will be documented by our CCO, including date of reviews, names of individuals who conducted the reviews, scope of the review and an indication of any findings and appropriate remedial actions taken.

Negative Response Letters

Our CCO is responsible for ensuring that all registered associates are aware of the appropriate use of negative response letters to automatically exchange mutual fund shares, guided by Notice to Members 04-72, http://www.finra.org/web/groups/industry/@ip/@reg/@notice/documents/notices/p011634.pdf.

In addition, on an ongoing basis, our designated supervising principals are responsible for monitoring any mutual fund transactions undertaken by individuals under their direct supervision to ensure that all appropriate information is obtained, all appropriate disclosures are made and all appropriate documentation is prepared and retained.

Supervisory Reviews Procedures and Documentation

The lack of response to a negative response letter does not permit us to automatically exchange shares unless we have on file prior written authorization from the customer permitting us to exercise discretion in

the account. No associated personnel are permitted to send out such negative response letters without receiving prior approval from a supervising principal or our CCO. Individuals found to have violated this prohibition will be subject to internal disciplinary measures, at the discretion of the CCO. Documentation will be retained in the files indicating the name and CRD number of the individual in violation, notes as to the events which took place, and the rationale for any decision whether or not disciplinary action was taken, including what such action is, if taken, and by whom.

Associated persons will be trained regarding the use of negative response letters, with evidence of such training maintained in the files, including dates, copies of training materials utilized, method of delivery (e.g., annual compliance meeting, CE, on-line training, etc.), and a list of names and CRD numbers of those who received such training.

Principal Protected Funds - Guaranteed Principal

Most principal-protected funds guarantee the initial investment MINUS any front-end sales charge even if the stock market falls. In many cases, the guarantee is backed by an insurance policy.

Lock-Up Period

Should the investor sell any shares in the fund prior to the end of the "guarantee period" (a period of anywhere from 5 to 10 years), the investor loses the guarantee on those shares and could lose money if the share price has fallen since the initial investment.

A Mixture of Bonds and Stocks

Most principal-protected funds invest a portion of the fund in zero-coupon bonds and other debt securities, and a portion in stocks and other equity investments during the guarantee period. To ensure being able to guarantee the fund, many may be almost entirely invested in zero-coupon bonds or other debt securities when interest rates are low and equity markets are volatile. As this allocation provides less exposure to the markets, it may eliminate or greatly reduce any potential gains the fund can achieve from subsequent gains in the market, and may also increase the risk to the fund of rising interest rates, which generally cause bond prices to fall.

Higher Fees

Total annual fees deducted from the investor's holdings (expense ratio) are typically higher than that of non- protected funds, ranging from 1.5% to as high as 2%, of which .33% to .75% typically pays for the principal guarantee. In addition, many also impose sales charges, plus redemption/penalty fees for early withdrawals, which may be significant.

Designated Supervising Principal

The individual designated as our Mutual Fund Principal, working with our CCO, is responsible for ensuring that all registered personnel understand the importance of appropriately dealing with principal-protected fund transactions (otherwise known as "principal protection," "capital preservation," or "guaranteed" funds) and for ensuring they are fully aware of how such funds work, and what potential costs or risks the investor may face. In addition, on an ongoing basis, our designated supervisory principals are responsible for overseeing all mutual fund transactions engaged in by the individuals under their direct supervision and for ensuring that all appropriate compliance and disclosure requirements are adhered to.

Supervisory Reviews Procedures and Documentation

Before permitting any such transactions, all appropriate registered personnel will be given sufficient training (utilizing, among other materials, the "Investor Alert" titled Principal - Protected Funds – Security Has a Price, dated March 27, 2003). All training efforts will be documented in our files, including dates, copies of

training materials utilized, description of the training delivery method (e.g., Annual Compliance Meeting, on-line training, dissemination of written materials, etc.) and a list (names and CRD numbers) of all individuals who received the training.

All principal-protected fund transactions will be reviewed (with such reviews evidenced by initials and dates) to ensure that appropriate disclosures were made to the investor and to ensure suitability. Issues which will be reviewed for will include, but will not necessarily be limited to:

1. Is there a chance the investor will need the invested funds in the next 5 to 10 years? This could lead to loss of the principal guarantee, the imposition of a fee for an early withdrawal penalty and a loss of money due to a fallen share price;
2. Does the investor require income from the investment? The guarantee is based on taking no redemptions during the guarantee period and reinvesting all dividends and distributions. While reinvested dividends and distributions will not add to the amount that is guaranteed, an investor's election to make redemptions or receive dividends or distributions in cash can reduce the guaranteed amount;
3. For funds not held in a tax-deferred retirement account, was the investor made aware of the fact that annual income tax must be paid on the imputed interest from the fund's zero-coupon bond holdings as it accrues?
4. Is the investor aware that in certain market conditions the fund may be invested entirely in zero-coupon bonds and other debt securities, which could lead to a forfeiture of all potential gains should stock prices rise;
5. Is the investor aware that there may be no gains beyond the initial investment, in which case the performance would trail that of Treasury bonds, which could have been purchased with no annual fees?
6. Does the investor understand that they will only receive the benefit of the guarantee on the maturity date? Selling shares before or after maturity date can lead to a loss of capital if the share price has fallen;
7. Has the investor been advised that the guarantee is only as good as the company that offers it? Registered representatives should stand ready to advise the client how they can rate a company's financial strength.

Copies of documents indicating that the above have been disclosed to or discussed with investors will be retained in the files. Where there is no hard-copy evidence of such disclosures, the designated principal will determine if the transaction can be approved or if client contact is required prior to proceeding. Documentation indicating what decision was made, and why, will be retained in the files, indicating the name of the individual who made the decision.

Prompt Payment for Investment Company Shares

Our CCO is responsible for ensuring that we have appropriate policies and procedures in place to ensure compliance with Rule 2830(m).

Our CCO will review our checks received and forwarded logs to ensure that we have transmitted payments received from customers for mutual fund sales to the appropriate payee (i.e., underwriter, investment company, transfer agent) no later than the end of the third business day following a receipt of a customer's order to purchase such shares or by the end of one business day following receipt of a customer's payment for such shares, whichever is the later date.

Prospectus Delivery

Our designated supervising principals are responsible for ensuring that the individuals under their direct supervision comply with the requirements regarding prospectus delivery. Our CCO is responsible for reviewing, minimally on an annual basis, that we have appropriate policies and procedures in place for ensuring that our prospectus delivery requirements are met.

Point of Sale - A prospectus must be delivered to each customer buying shares of a mutual fund. The prospectus delivery (required to be accomplished before the transaction settles) is handled either directly by the registered individual dealing with the customer or by our clearing firm. Our CCO is responsible for ensuring, minimally on an annual basis, that prospectus delivery is in fact being made to all customers in a timely manner. Documentation as to all such reviews undertaken will be maintained indicating the date of the review, the name of the individual who conducted the review, the scope of the review, and any findings and remedial actions taken.

Under SEC Rule 154 (Securities Exchange Act of 1933), prospectus delivery requirements are satisfied, with respect to two or more investors sharing the same address, by sending a single prospectus, subject to certain conditions, including investor consent to the delivery of one prospectus.

Our CCO is responsible for ensuring that Rule 154 requirements are adhered to when utilizing the “house holding” method of prospectus deliveries. In instances where the fund prospectuses are sent to investors by the fund directly, it is our CCO’s responsibility (on a surveillance basis) to ensure that this is, indeed, happening.

While the fund may be sending out the prospectus, prospectus delivery is our responsibility, and we must undertake sufficient due diligence to ensure that our responsibility is being met, regardless of who is actually undertaking the action.

For all mutual fund transactions individual RRs are required to submit to his or her direct supervising principal a copy of the client new account form, transaction application, and prospectus receipt, for purposes of review.

Initials and dates on each document, which will be maintained in the files, will evidence such review.

Where there is an issue prohibiting the principal from approving the transaction, follow up investigations will be undertaken with notations as to any findings maintained with the appropriate client file. Notations concerning any corrective measures taken, when applicable, will also be made in the file.

Mutual Fund Re-instatements

Many mutual funds have a reinstatement policy that allows investors to reinvest proceeds from sales in shares of the fund without paying a front-end sales charge. Generally, the reinstatement must occur within a specified period of time (e.g., 90 days) and must be in the same share class of that fund or another fund within the same fund family.

Our designated supervising principals are responsible for ensuring that all individuals under their direct supervision are fully educated on handling mutual fund reinstatements and that our clients are made aware of fund reinstatement policies.

Supervisory Reviews Procedures and Documentation

Our CCO is responsible for ensuring that in our mutual fund training, CE and annual compliance meeting discussions, associated persons are made aware of the fact that they should disclose to mutual fund

investors the reinstatement policies of the fund they have purchased. Documentation of all such training will be maintained by our CCO, including dates, names of individuals receiving the training, materials utilized, method of delivery, etc. Supervising principals are specifically trained to ensure that upon a client sale of any or all of a mutual fund holding, they are again advised of the fund's re-instatement policy, maintaining documentation as to how such information was given and details as to what the discussion between the associated person and the client entailed.

Selling on Dividends

FINRA's Conduct Rules prohibit the selling dividends (i.e., the practice whereby representation is made to the client that an advantage would be gained in purchasing a mutual fund in anticipation of a dividend distribution.)

Our CCO is responsible for ensuring that all registered personnel understand the prohibition against the "selling on dividends." In addition, on an ongoing basis, our designated supervisory principals are responsible for overseeing all mutual fund transactions engaged in by the individuals under their direct supervision and for ensuring that all appropriate compliance and disclosure requirements are adhered to.

All registered personnel engaged in mutual fund transactions or responsible for overseeing such activities undertaken by others will receive training making it very clear that such sales techniques are prohibited both by the regulators and by this firm. Documentation of all such training efforts will be retained in the files, including dates, copies of training materials utilized, indication as to how training was delivered (annual compliance meeting, on-line training, dissemination of materials, etc.) and lists of individuals (names and CRD numbers) of those who received the training. In situations where it is suspected that such selling on dividends sales tactics may have been utilized, an appropriate principal will contact the client to ensure they were not given any misleading information. All such follow up activities will be documented, including who called the client, what the results of the call were, and any corrective measures taken, if applicable, based on the results of the call.

Suitability and Training Overview

Our CCO is responsible for ensuring that all registered personnel fully understand all the issues surrounding mutual fund suitability determinations. In addition, on an ongoing basis, our designated supervisory principals are responsible for overseeing all mutual fund transactions engaged in by the individuals under their direct supervision and for ensuring that all appropriate suitability issues are appropriately dealt with.

Training and Training Documentation

Our CCO will ensure that all registered personnel engaged in mutual fund transactions as well as those individuals charged with supervising such activities receive appropriate suitability training to include, but not necessarily be limited to the following:

- When recommending mutual funds, registered personnel must ensure that investors understand the concept of total return;
- When explaining total return, it must be made clear that total return measures overall performance of a mutual fund, whereas current yield is based only on interest or dividend income received by the fund;
- A clear explanation must be made on the difference between "return of principal" and "return on principal." When presenting information to customers regarding distribution rates, the difference between distribution rate and current yield must also be made clear;
- The starting point for any recommendation of a mutual fund to a customer is to clearly define the investor's objectives and financial situation. Attention should be given to funds having multiple fee

structures to determine that not only is the type of fund being matched to the investor's objective, but to also determine that the appropriate fee structure has been recommended;
- Prospectuses and approved materials are to be shared with the public;
- Conversations regarding performance, portfolio structure, etc. should be held;
- Suitability must be the final determination as to what investment vehicles are appropriate for a particular client.

Key Points Regarding Mutual Funds: All registered personnel engaged in mutual fund transactions or responsible for overseeing individuals engaged in such activities must ensure that:

- A complete and balanced disclosure has been made to investors regarding the distinctions among classes of a multi-class fund or feeders of a master-feeder fund;
- Where an expense ratio is represented as an advantage of a particular fund, the ratio is explained to customer in the context of, and compared with, other mutual fund expense ratios;
- It is prohibited to represent, either orally or in writing, an investment company as being "no load" or having "no sales charges" if the investment company has a front-end or deferred sales charge or whose total charges against net assets to provide for sales- related expenses and/or service fees exceed .25 of 1% of average net assets per annum.

No offer or sale of securities of an investment company with an asset-based sales charge may be made UNLESS the prospectus discloses that long-term shareholders may pay more than the economic equivalent of the maximum front-end sales charges permitted (see Conduct Rule 2830). Such disclosure shall be adjacent to the fee table in the front section where a fund portfolio may include financial derivatives, all potential risks have been fully disclosed and clearly explained;

When performance information is presented, the concepts of total return, yield, and distribution rates are explained to and understood by the investor. All suitability training will also include the following which may or may not be directly tied to suitability, but which are important matters surrounding mutual fund transactions:

- Breakpoints
- Letters of intent
- Rights of accumulation
- Linking”
- Switch letters
- Unauthorized switching
- Issues surrounding various mutual fund classes
- Selling on dividends
- Gifts and gratuities
- Prospectus delivery requirements
- Maintaining current prospectus
- Awareness of all discount scenarios offered by each fund
- Prohibitions against representing, either orally or in writing, an investment company as being "no load" or having "no sales charges" if the investment company has a front-end or deferred sales charge or whose total charges against net assets to provide for sales- related expenses and/or service fees exceed .25 of 1% of average net assets per annum
- Materials designed for internal or "dealer only" use is not distributed in any manner to the public, either orally or in writing.

- When reviewing mutual fund transactions, supervising principals must be sensitive to the patterns of purchases and solicitations, which may be indicative of potential suitability problems. We have a responsibility (fulfilled by appropriate, documented, training, supervisory and review procedures) to ensure that all personnel understand that suitability, to a large extent, is a concept that must be considered within the context of the characteristics of each individual customer.

Review procedures of mutual fund transactions are evidenced in the files, with initials and dates indicating approval.

As part of our training efforts, we will utilize, to the extent deemed appropriate by our CCO, senior management and other appropriate individuals, the March 2003 "Joint SEC / FINRA /NYSE Report on Examinations of Broker- dealers Regarding Discounts on Front-End Sales Charges on Mutual Funds" available at http://www.sec.gov/news/studies/breakpointrep.htm.

All training regarding suitability and other important areas surrounding mutual fund transactions will be documented in our files. Such documentation will include dates, copies of training materials utilized, dates, method of training delivery (e.g., Annual Compliance Meeting, online training, dissemination of written materials, etc.), dates and lists (names and CRD numbers) of all individuals receiving the training.

Switching (Fund Exchanges)

A mutual fund “switch” is the sale and subsequent purchase of a mutual fund within a specified time period. Generally speaking, mutual funds are designed as long-term investments. Short-term, in-and-out trading, or switching between families of funds (many funds under a single management company) which results in, or could result in additional commission charges, or which could establish new required holding periods is strictly prohibited, both under this firm’s internal policies and under regulatory standards.

Our CCO is responsible for ensuring that all registered personnel are fully trained in terms of understanding switching suitability and prohibitions, and the documentation required when switching is appropriate. Each mutual fund exchange or “switch” requires a firm “switch letter” completed and signed by the customer, registered representative, and approved by the RR’s supervising principal.

In addition, on an ongoing basis, our designated supervising principals are responsible for monitoring any mutual fund transactions undertaken by individuals under their direct supervision to ensure that all appropriate information is obtained, all appropriate disclosures are made and all appropriate documentation is prepared and retained.

Supervisory Review Procedures and Documentation

All appropriate registered personnel will receive training on mutual fund switches and, attendant prohibitions and requirements. Documentation as to all such training will be retained in the files, including dates, copies of training material utilized, method of delivery (annual compliance meeting, CE, on-line training, etc.), and a list (names and CRD numbers) of all who received such training.

Whereas switching is unsuitable for most investors, under certain circumstances, a switch may be reasonable and justifiable. This determination should be discussed with and approved by the representative's supervising principal PRIOR to executing any transaction involving switching. If a switch is approved, a “switch letter” must be obtained from the customer and kept on file. The supervising principal will review the switch letter, with such review evidenced by initials and dates.

Supervising principals must also determine whether sufficient information has been obtained identifying the original source of funds used for the purchase of a mutual fund in switching situations. If such information

has been obtained and is found to be an acceptable switching from one source of funds to the mutual fund investment, initials and dates will evidence the review. Where the information has either not been obtained or does not seem appropriate, the principal will not approve the transaction and will instead undertake a more in- depth review. Regardless of whether or not the transaction is ultimately approved, notes will be made to the file as to the details of such further review.

The supervising principal must also make a determination as to whether or not, at the time of the transaction, the client was made aware of any additional charge to the client as a result of the switch, or the imposition of a new required holding period.

All completed switch letters will be kept in the individual client file evidencing review and approval by the appropriate supervising firm principal.

Communication with the Public: Money Market Funds

SEC Securities Act Rule 482 requires that any advertisements for an investment company holding itself out to be a money market fund include the following statement:

“An investment in the Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Fund seeks to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in the Fund.”

The second sentence of the above may be omitted if the fund does not hold itself out as maintaining a stable net asset value.

Designated Supervising Principal

Our CCO is responsible for ensuring that all advertising and marketing materials utilized in respect to money market funds contain the appropriate disclosure.

Supervisory Reviews Procedures and Documentation

The designated principal will ensure that all advertising materials utilized by this firm regarding money market funds are reviewed to ensure that required disclosure is appropriately made. Where such disclosure is not found, use of the material is prohibited and will not be approved. Copies of all money market mutual funds advertisements utilized by this broker-dealer will be maintained in the files, with evidence of review indicated by initials and dates, as well as an indication as to where the disclosure was located, or a note that it did not appear as required and therefore the material was not useable.

Our CCO is responsible for ensuring that all policies and procedures regarding investment company transactions are adhered to and that all registered representatives are fully trained to understand their importance. On an annual basis a review of the adequacy of our policies and procedures regarding all investment company transactions will be reviewed. Included in this review will be the requirement of filing Investment Company advertising with FINRA prior to use, performance review procedures and the adequacy of our policies and procedures regarding breakpoint disclosure, letters of intent and rights of accumulation.

Our CCO or qualified designee will undertake appropriate reviews to ensure prohibitions against inappropriate arrangements regarding the sale of mutual funds are adhered to, the requirements regarding prospectus delivery are being done and the obligation to appropriately disclose all deferred sales charges when undertaking mutual fund transactions.

On a daily basis the supervising principals are responsible for ensuring that all registered personnel under their direct supervision are obtaining sufficient information and making all appropriate disclosures evidenced by completing the required documentation. The supervising principals will document their review of each mutual fund transaction by initialing and dating all appropriate documentation and retaining such in the customer's file.

Submission of New Business – Direct Business

All broker-dealer and Investment Company documents pertaining to securities transactions must be submitted to Kingswood Capital Partners, LLC's home office for supervisory review and approval before the transaction takes place.

The following summary lists the procedures for processing all new Kingswood Capital Partners, LLC direct business:

1. The RR collects all necessary and completed documentation pertaining to the transaction (with client and RR signatures).
2. This includes the current Kingswood Capital Partners, LLC. New Account Form, copies of customer(s) identification, investment company application, applicable disclosures, etc.
3. The transaction is entered on the RR blotter and, if applicable, the check (made payable to the investment company) is logged on the RR checks received log.
4. All paperwork is sent promptly or delivered to the attention of Our CCO at the home office address.
5. The transaction will be reviewed for suitability by the home office and either forwarded to the investment company for processing or returned to the RR with missing items noted and/or instructions necessary for re-submission to the home office for future approval.
6. In addition, on a general "oversight" basis, our CCO is responsible for ensuring appropriate review (through exception reports, audits, on-site visits, training, etc.) and training to ensure that all investment recommendations are suitable (based on documented evidence in the files).

Supervisory Review Procedures and Documentation

Through our Continuing Education Firm Element Training Plan, our Annual Compliance Meeting, compliance alerts, discussions with supervising principals and other means as deemed appropriate, all registered personnel are advised of what is deemed to be a recommended (solicited) transactions and that the client's investment objectives, risk tolerance, financial resources and level of sophistication and knowledge about financial matters and securities markets must be clearly understood by the registered representative servicing the account.

Income, age, employment status, occupation, and dependents should all be considered and discussed with the client when determining investment objectives and making appropriate recommendations.

Furthermore, they are advised that If at any time a customer wishes to undertake a transaction which the registered individual considers unsuitable, the representative should discuss the trade with his/her Supervising Principal PRIOR TO EXECUTING THE TRADE.

Supervising Principals and those other principals responsible for approving new accounts and daily transactions are also given appropriate training, and instructions on when it is not appropriate to approve either a new account or a specific transaction without going back to the representative for further information or clarification.

All training efforts in this area, including dates, method of delivery (i.e., annual compliance meeting, CE, on-line training, etc.), copies of training materials utilized, and lists (names and CRD#s) of all individuals receiving such training will be maintained in the files.

Exception reports will be utilized to indicate when a single investment represents more than an acceptable percentage of a client's investment portfolio. This percentage can vary, but any that is over 30% will warrant immediate review. All exception reports utilized will be retained in the files, with initials and dates indicating the individual who conducted the review, along with indications of any findings and follow up activities.

New Account forms are not permitted to be approved by a supervising principal (and will not, therefore, be permitted to have the first transaction undertaken) unless the principal determines the degree of investment knowledge is adequate and the type of transactions previously involved in and investment objectives have been obtained. The recommended transaction is deemed to be appropriate and approved by evidence of the supervising principal's name or initials on the new account form.

During all regular and random reviews undertaken of client accounts all transactions will be reviewed as to appropriateness and suitability.

Seemingly unsuitable trades will be questioned and the representative will be called in to discuss the trade and defend why it seemed appropriate and/or suitable. If the individual is unable to show why the trade was suitable, disciplinary action may be warranted. Documentation as to all such findings and follow-up actions will be retained in the files.

If there are any suspicions or doubts concerning a transaction, a supervising principal will contact the client directly by phone for a discussion to aid the principal in determining whether or not the transaction was indeed an appropriate recommendation. Documentation including the name and account number of the client called, the individual who made the call, the date, and all findings will be maintained in the files.

Should the firm become aware of the fact that there has been an unsuitable recommendation, the client/prospect will be contacted (if such contact has not already been made) to discuss the particular recommendation and why it is not viewed as a suitable transaction based on their investment needs. In addition, the registered individual involved will be brought in for a personal meeting in which the unsuitability of the recommendation will be discussed and the intent of the registered representative aired. Documented evidence of all such activities, including corrective measures and disciplinary actions taken, will be retained in the files.

Routine reviews (minimally annually) will determine if information maintained in client files has been made current, as necessary. Any special circumstances must be noted concerning suitability determinations on any unusual transactions. Every effort must be made to obtain the following (or similar) information on all new accounts (and on all accounts as they are routinely updated):

1. Title of Account
2. Customer's Full Name/Home Address/Home Phone
3. Customer's Employer/Customer's Occupation/Customer's Title
4. Is Employer a broker-dealer?
5. Is Customer associated with another broker-dealer?
6. Is Customer a public company officer/director/controlling stockholder?
7. Spouse's Employer/Spouse's Occupation/Spouse's Title, IF APPLICABLE
8. Customer's Employer Address/Spouse's Employer Address, IF APPLICABLE
9. Name/Address/Relationship of third-party operating account
10. Type of Account

11. Citizenship/Age
12. How the account was acquired/How long representative has known client?
13. Bank References/Other References
14. Income/Net Worth/Tax Bracket
15. Investment Objectives/Previous Investment Experience
16. Initial Transaction information
17. Social Security/Taxpayer ID Number
18. Signature of Registered Representative/Signature of Principal
19. Any standing Instructions
20. Verification of Registered Representative's Licensing/Registration in Customer's State of Residence
21. Other brokerage accounts held by customer
22. Is Customer related to/associated with an Associated Person of this firm? Supporting documentation to be obtained includes:
    a. Tax returns
    b. Power of Attorney (if applicable)
    c. If Associated Person Benefit Plan is client
        i. Copy of plan document
        ii. Written authorization executed by plan trustee.

All client files and records are subject to surprise inspections and or review (under the direction of our CCO), and documentation of any such inspections or reviews will be maintained in the files (including date, scope of review, name of individual or individuals who conducted the review, findings, etc.).

Supervising principals found to be approving new account forms or transactions which are found not to contain sufficient information to make a suitability determination will be required to meet with their supervising principal or with Compliance. Additional training may be deemed necessary and sanctions may be considered.

Documentation as to all such instances will be made to the file.

Liquefied Home Equity Recommendations: No recommendations may be made to an existing or potential customer to liquefy their home equity in order to purchase securities without the transaction being approved by an appropriate supervising principal PRIOR to the transaction. Immediately, upon the transaction being approved, information is to be given to Compliance for further suitability review. Upon a determination that both the liquidation of equity and the initial transaction were appropriate, no further transactions may be undertaken in the account without the prior written (i.e., initials and date) approval of an appropriate supervising principal.

Our CCO is responsible for ensuring that all registered personnel are sufficiently trained in the basic premise of Suitability FINRA Rule 2111, which states that it is a violation of our responsibility of fair dealing to “recommend the purchase of securities or the continuing purchase of securities in amounts which are inconsistent with the reasonable expectation that the customer has the financial ability to meet such a commitment.”

In addition to other suitability requirements, our CCO will require review (as soon as possible after the initial transaction has occurred) of all transactions involving funds obtained by liquefying home equity to verify that the files contain documented evidence indicating that the following has been considered:

1. How much equity does the investor have in the home?
2. What is the level of equity being liquefied by investments?

3. How will the investor meet any increased mortgage obligations?
4. Is the mortgage or home equity loan at a fixed or variable rate?
5. What is the investor's risk tolerance with respect to the funds being invested?
6. What is the investor's overall debt burden?
7. What is the sustainability of the value of the investor's home?

There must also be documented evidence in the files that the customer has been provided with adequate risk disclosure information, including:

1. The potential loss of their home
2. The fact that unlike other potential lenders, we have an interest in having the proceeds of the loan used for investments which may generate commissions, mark-ups, or fees for this firm;
3. If applicable, the fact that this broker-dealer, or an affiliated entity, may earn fees in connection with originating the loan;
4. The impact of liquefied home equity on the homeowner's ability to refinance a home mortgage; and,
5. Depending upon the amount of home equity liquefied and any change in the value of the home, the homeowner may have negative equity is the home.

Our CCO will ensure that a review is conducted on all customer accounts which involve funds obtained by liquefying home equity to ensure that our strict policies and procedures are being adhered to. Where it is found that individual registered personnel have a higher-than-average instance of opening accounts with funds obtained through home equity liquefaction, heightened scrutiny will be given to such accounts, and a determination may be made to contact the customer to ensure that full disclosure of all related risk factors were clearly made. Documentation as to the findings of all such review and follow up contact with customers will be maintained in the files.

15 OPTIONS

[FINRA Rule 2360]

This chapter outlines requirements when offering options to customers. Key requirements include the following:

- RRs and supervisors must be registered to sell and supervise options.
- Customers must submit an option agreement, and accounts must be approved for options trading levels.
- Writing uncovered options requires a separate disclosure and approval.
- Customers will be provided with a standard options disclosure document when option trading is approved.
- Customers are subject to position limits and methods of exercise disclosed in the agreement.
- Options communications require inclusion of the special risks associated with options.
- Compliance must approve discretionary accounts that will trade options.

15.1 Option Registration

[NASD Rule 1022(f)]

RRs must be qualified to engage in the sales of options contracts. Anyone who has successfully completed the Series 7 General Securities Representative examination is qualified to sell options.

RRs engaged in the sale of options are required to be supervised by a qualified Registered Options Principal (ROP). Supervisors are qualified as ROPs by passing prerequisite supervisor exams and the Registered Options Principal examination or by passing the General Securities Sales Supervisor (Series 10) examination.

15.2 Supervision of Option Activities

[FINRA Rule 2360(b)(20)]

ROPs are responsible for approval of accounts, review of transactions and communications, and other supervision required by rule. The designated supervisor for each office that conducts options business will be qualified as an ROP.

Where secondary approval is required (discretionary accounts, accounts requesting trading levels where the customer does not meet minimum requirements, etc.), a qualified ROP in Compliance will review and approve such accounts.

15.3 Opening Option Accounts

[FINRA Rule 2360(b)(16)]

Option Agreements and Approval of Option Accounts

The ROP or Designated Options Principal will review and approve option accounts prior to or at the time of the first options transaction.

RRs are responsible for obtaining the required information on Kingswood Capital Partners, LLC's customer option agreement. The customer must sign the option agreement confirming the information included on

the form and agreeing to abide by the requirements included on Kingswood Capital Partners, LLC's agreement.

The customer's signed option agreement must be submitted to Kingswood Capital Partners, LLC within 15 days of approval. Failure to receive the customer's signed option agreement within 15 days will result in restricting the customer's account to closing option transactions until the agreement is received.

15.3.1.1 Requalifying an Account's Approved Option Levels

When a previously approved option account is to be approved for a higher level of option, a new option agreement is required. The new agreement is to be approved by a ROP or qualified sales supervisor and sent to the customer for verification of account information on the form.

Uncovered Short Options

[FINRA Rule 2360(b)(11)(A)(2) and 2360(b)(16)(E); FINRA Notice to Members 06-54]

All accounts that are approved for uncovered short options will be provided with the Special Statement for Uncovered Option Writers ("Statement") before or with the confirmation of the first uncovered short option transaction. If the Statement is revised, the revised version will be provided before or with the confirmation of the next uncovered short option transaction.

Option Disclosure Document (ODD)

[FINRA Rule 2360(b)(11)(A)]

All customers will be provided the required disclosure document at or prior to the time the account is approved for option trading. In addition, whenever the disclosure document is revised, a revised copy will be provided to customers no later than the time of delivery of a confirmation of a transaction in a category of option the subject of a revision.

15.3.3.1 Hyperlink Delivery of the ODD

[SEC Securities Exchange Act of 1934 Release No. 39356 dated November 25, 1997; FINRA Notice to Members 98-03]

- Communications that contain clear and prominent hyperlinks to the ODD are considered to have been preceded or accompanied by the ODD.
- The ODD may be delivered via hyperlink to that document if the customer has consented to receive documents electronically from Kingswood Capital Partners, LLC.

Accounts

Compliance will review trusts, pension plans, and other fiduciary accounts to determine whether options transactions are permitted in the document (trust agreement, etc.) governing the account.

15.4 Option Orders

Suitability and Best Interest of Option Transactions

[FINRA Rule 2360(b)(19)]

When recommending opening option transactions, RRs should have a reasonable basis for believing the customer has the knowledge and experience in financial matters that he/she may be reasonably expected to be capable of evaluating the risks of the recommended transaction, and financially able to bear the risks of the recommended position. Suitability or best interest (as applicable) determinations are based on the

information provided by the customer including the RR's understanding of the customer's ability to evaluate the risk and financial ability to bear the risk.

Review of Option Orders and Accounts

[FINRA Rule 2360(b)(20)(C)]

The ROP or Principal will review option transactions daily for the following:

- the compatibility of options transactions with investment objectives and with the types of transactions for which the account was approved;
- the size and frequency of options transactions;
- commission activity in the account;
- profit or loss in the account;
- undue concentration in any options class or classes, and
- compliance with the provisions of Regulation T of the Federal Reserve Board.

Principal will review blotters or any exception report available. The designated supervisor is responsible for review of option orders to identify transactions inconsistent with policy requirements including incomplete orders and transactions that appear to be unsuitable for the customer or not in a retail customer's best interest. Corrective action may include trade cancelation

Accounts Trading Outside Approved Levels

Kingswood Capital Partners, LLC has established procedures to identify accounts that trade outside approved option levels. RRs may be required to complete a new option agreement to re-qualify the customer or orders may be canceled if deemed inappropriate for the customer.

Prohibited Transactions

[FINRA Rule 2360(b)(13) and 2360(b)(14)]

The following transaction(s) is/are not permitted:

- Option rules prohibit the entering of a transaction for the sale (writing) of a call option contract for an account of any corporation which is the issuer of the underlying security.
- An opening covered short position in a call option contract may not be established if the underlying stock is restricted and not free to sell.

15.5 Option Operations Procedures

This section describes some of the operations procedures relating to options. The Operations Department is responsible for these areas.

Position Limits

[FINRA Rule 2360(b)(3)]

Customers are subject to limits on how many contracts may be accumulated in a particular option at any one time. Total positions include all accounts under "common control" by one party. An example of common control would be a registered investment adviser who manages multiple accounts and establishes option positions in accounts under the adviser's management. Position limits also include accounts "acting in concert" to accumulate a position. Kingswood Capital Partners, LLC (or its clearing firm or other firm

executing transactions on its behalf) has systems to prevent entry of orders that would violate position limits.

The designated operations supervisor or ROP is responsible for identifying positions that exceed allowable limits under SRO rules. When a position limit violation is identified, the SRO will be notified as required by rule and the customer will be notified and asked to reduce the position to within the permitted levels resources include account holdings and any available exception report

Liquidation of Positions and Restrictions on Access

[FINRA Rule 2360(b)(6)]

When FINRA determines that a person or group of persons acting in concert holds or controls, or is obligated in respect of, an aggregate position in option contracts covering any underlying security or index in excess of position limits, it may direct a member or all members carrying a position in option contracts covering such underlying security or index for such person or persons to liquidate such position or positions, or portions thereof, as expeditiously as possible and consistent with the maintenance of an orderly market, to bring such person or persons into compliance with the position limits. When directed by FINRA, Kingswood Capital Partners, LLC will liquidate positions and will not permit such person or persons to execute an opening transaction and will not accept and/or execute for any person or persons named in such directive, any order for an opening transaction in any option contract, unless in each instance express approval is given by FINRA, the directive is rescinded, or the directive specifies another restriction appropriate under the circumstances.

FINRA will notify the subject person or persons who have the right to appeal the decision.

Exercise of Options

[FINRA Rule 2360(b)(4) and 2360(b)(23)(A)(ii), (vi), and (ix)]

The exercise of options is subject to regulatory rules; the method used for exercising options is disclosed on Kingswood Capital Partners, LLC's option agreement.

The designated supervisor is responsible for ensuring the exercise of options does not exceed limitations specified in options rules. If Kingswood Capital Partners, LLC has reason to believe someone acting alone or in concert with others has exceeded or is attempting to exceed position or exercise limits, Kingswood Capital Partners, LLC will promptly contact FINRA.

The exercise cut-off is established by regulators or Kingswood Capital Partners, LLC may establish an earlier time which is communicated to customers trading options. Exercise instructions will not be accepted after the cut-off time. Submission of exercise instructions may be submitted electronically in which case the instructions will include an electronic record of the time it is submitted to comply with the cut-off time. If not submitted electronically, a manual record will be maintained of the time when the exercise instructions are submitted.

Mistakes or errors in submitted exercise instructions will be reviewed and resolved by Operations (at Kingswood Capital Partners, LLC, or its clearing firm).

Tendering Procedures

[FINRA Rule 2360(b)(A)(ii), (vi), and (ix)]

Special procedures apply to the exercise of standardized equity options on the last business day before their expiration ("expiring options"). Unless waived by The Options Clearing Corporation, expiring standardized equity options are subject to the Exercise-by-Exception ("Ex-by-Ex") procedure under The Options Clearing Corporation Rule 805. This Rule provides that, unless contrary instructions are given, standardized equity option contracts that are in-the-money by specified amounts are automatically exercised. In addition to The Options Clearing Corporation rules, the following FINRA requirements apply with respect to expiring standardized equity options. Option holders desiring to exercise or not exercise expiring standardized equity options must either:

- take no action and allow exercise determinations to be made in accordance with The Options Clearing
- Corporation's Ex-by-Ex procedure where applicable; or
- submit a "Contrary Exercise Advice" by the deadline.

Adjustments In Terms of Options

The number of shares underlying an option contract and/or the exercise price are subject to adjustments by the Options Clearing Corporation when the underlying shares are subject to dividends (other than cash dividends), distributions, stock splits, recapitalization, or reorganization. Branches are notified and RRs should advise customers who hold option positions in the affected security.

15.6 Option Complaints

[FINRA Rule 2360(b)(17)(A)]

RRs are required to notify their supervisor when a complaint is received. All written option complaints are to be forwarded to Compliance immediately upon receipt.

Supervisory Reviews Procedures and Documentation

Designated supervisor will review incoming correspondence any possible email complaint that has been escalated regarding options. Supervisor will retain original complaint, any investigations and respond to the complaint if necessary.

15.7 Option Communications with the Public

[FINRA Rule 2210 and 2220]

Requirements for options communications (including electronic communications) include the following, which are explained in more detail below:

- The rules governing retail communications, institutional communications and correspondence apply to options communications.
- Retail communications (communications distributed to more than 25 retail investors) require supervisory approval prior to distribution.
- Institutional communications (for institutions only) do not require prior approval and are subject to review consistent with correspondence reviews. Institutional communications require review by the designated supervisor.
- All options communications (other than institutional communications) must include a statement that supporting documentation for any claims (including claims on behalf of options programs or the options expertise of salespersons); comparisons; recommendations; statistics; or other technical data, will be supplied upon request.
- All advertising requires Compliance approval prior to publication.

15.7.1 Correspondence

All correspondence (written or electronic) is subject to the general requirements of truthfulness and avoidance of language that includes promises of specific results, exaggerated or unwarranted claims. Written communications should avoid hedge clauses which disclaim responsibility for the content of such literature or for opinions included or which are inconsistent with the communication. Statements suggesting the certain availability of a secondary market for options may not be made.

Written communications regarding options should include the following:

- special risks of options and the complexities of certain strategies
- a statement that options are not suitable or in the best interest of all investors
- statements referring to potential opportunities should be balanced by a statement of corresponding risks

Written communications, other than advertising that meets the requirements of SEC Rule 134, must be preceded or accompanied by the options disclosure document.

Supervisory Reviews Procedures and Documentation

Any communication that qualifies as advertising will go through the proper advertising approval channel. Emails will be reviewed by designated supervisor and escalated if necessary to ROP

15.7.2 Communications Regarding Standardized Options Prior To Delivery of the ODD

Prior to providing the ODD, communications are limited to a brief description of options including a statement that identifies the registered clearing agency for options and a brief description of the general attributes and method of operation of the option exchanges including a discussion of how an option is priced. Such pre-ODD communications must include contact information for obtaining a copy of the ODD and must not contain recommendations or past or projected performance figures including annualized rates of return or the names of specific securities. They may include statements required by state law and administrative authority and may include advertising designs and devices, providing such material is not misleading.

15.7.3 Filing Requirements

[FINRA Rule 2220(c)]

Supervisory Reviews Procedures and Documentation

Compliance wile file as required any communications. Copies of the filing and response form FINRA will be documented.

Communications that are likely to be widely disseminated such as advertisements, sales literature, and independently prepared reprints are subject to filing with FINRA at least ten calendar days prior to use. If changed or disapproved by FINRA, the originator of the communication will be notified, and the communication will be withheld from distribution until resubmitted to FINRA and approved by them.

Filing with FINRA is not required:

- if the communication is filed with another regulator with standards comparable to FINRA
- for communications which only reference that options are available from Kingswood Capital Partners, LLC
- for the ODD and prospectus

- for targeted communications (such as correspondence) used once the ODD or prospectus has been delivered

15.8 Discretionary Options Accounts

[FINRA Rule 2360(b)(18) and 4512(a)(3)]

Kingswood does not encourage discretionary accounts and would only be opened as an exception. Discretionary accounts are subject to the same requirements outlined in the chapter ACCOUNTS in the section

Discretionary Accounts. The following additional requirements apply:

- The customer must sign a written authorization specifically authorizing option trading in the customer's account.
- A record must be maintained of the manual signature of each named, natural person authorized to exercise discretion in the account.
- The account must be approved for discretion by the designated supervisor and Compliance prior to using discretion.
- All discretionary option orders must include a notation of whether discretion was exercised or not exercised.

16 MUNICIPAL SECURITIES

About Municipal Securities Regulation

Rules governing sales practices and other policies for firms offering municipal securities are made and monitored by the Municipal Securities Rulemaking Board ("MSRB"). Among these rules is the requirement that every registered branch of a broker-dealer that offers municipal securities have available a current copy of the MSRB manual. The manual is available in hard copy or online at www.msrb.org. Many of the rules promulgated by the MSRB exceed SEC and FINRA regulations, but are enforced and reviewed during regular audits of the FINRA and SEC.

Kingswood Capital Partners, LLC's Municipal Securities Principal will review all transactions and accounts related to the following activities:

- Each transaction in municipal securities;
- The handling of customer complaints involving municipal securities; and
- Correspondence pertaining to the solicitation or execution of transactions in municipal securities.

Written notice must be provided for accounts known to be employed by another broker-dealer or municipal securities dealers, since duplicate copies of confirmations and statements must be provided to the employers of these individuals.

MSRB Rules G-2 and G-3 Licensing and Registration

Kingswood Capital Partners, LLC will not affect any transaction in, or induce or attempt to induce the purchase or sale of, any municipal security unless the Firm and its registered representatives and associated persons possess all requisite licensing and qualifications.

It is the responsibility of Compliance to ensure that each registered representative who sells or solicits or otherwise engages in a municipal securities transaction is properly registered. This includes a successful completion of the General Securities Representative Examination (Series 7) and or Series 6 (municipal fund securities only).

Supervision of sales of municipal fund securities must be conducted by one of the following categories of principal: "municipal fund securities limited principal" (having passed the Series 51 exam in addition to holding the 24 or 26 license); "municipal securities principal" (Series 53); or "general securities sales supervisor" (Series 8 or Series 9/10). A principal holding the Series 24 or 26 licenses is not qualified to supervise municipal fund securities without having passed the Series 51 exam.

The MSP and the CCO shall ensure all RRs engaging in the sale of municipal securities are licensed to do so and that their licenses are current and in good standing.

MSRB Rules A-12 and A-14

MSRB Form A-12 Filing & Updating Procedures

Pursuant to **MSRB Rule A-12**, Kingswood Capital Partners, LLC is required to register with the **Municipal Securities Rulemaking Board (MSRB)** and maintain current and accurate information in **Form A-12**. This form serves as the primary registration document and must be updated in a timely manner to reflect any material changes in the firm's business activities or regulatory disclosures.

Timely Updating of MSRB Form A-12

To ensure compliance with **MSRB Rule A-12**, the following procedures will be followed regarding updates to Form A-12:

- **Material Changes:** The **Chief Compliance Officer (CCO)** or **designated Municipal Securities Principal** must promptly update Form A-12 within **30 days** of any material change in:
  - Business activities related to municipal securities
  - Contact information, including the primary compliance contact
  - Firm disciplinary disclosures
  - Other significant operational changes affecting the firm's municipal securities business
- **Annual Review:** The CCO, in coordination with the **Municipal Securities Principal**, will conduct a **formal annual review** of Form A-12 to verify the accuracy of all information on file. This review must be documented and retained in the firm's compliance records. The annual review must be completed before the January 31st due date.

Designation of Properly Licensed Municipal Securities Principal

To comply with **MSRB Rule G-3**, the firm must ensure that a qualified **Municipal Securities Principal (Series 53 license)** oversees and reviews all Form A-12 updates.

- **Principal Responsibility:** The designated Municipal Securities Principal is responsible for:
  - **Reviewing Form A-12 updates before submission** to ensure completeness and accuracy.
  - **Verifying business activity changes** related to municipal securities.
  - **Maintaining internal documentation** of updates and approvals.
  - **Ensuring timely filings** and responding to any MSRB inquiries regarding the firm's registration.
- **Escalation Process:** If any discrepancies or issues arise during the review of Form A-12, the Municipal Securities Principal must immediately escalate the matter to the CCO and senior management for resolution before submission to MSRB.

Supervisory Review & Documentation

To maintain compliance and supervisory oversight:

All Form A-12 filings and updates will be documented, including the date of filing and name of the reviewing principal. Form A-12 will be filed no later than January 31st each calendar year.

✓ **Records Retention:** All documentation related to Form A-12 filings and reviews will be retained for **at least five years**, per **SEC and MSRB recordkeeping rules**.

Summary of Compliance Actions

Compliance Requirement	Responsible Party	Timeframe
Initial MSRB Form A-12 Registration	CCO & Municipal Securities Principal	Upon firm registration with MSRB

Update Form A-12 for Material Changes	CCO & Municipal Securities Principal	Within 30 days of a change
Annual Review of Form A-12	CCO & Municipal Securities Principal	Annually
Supervisory Review & Approval	Municipal Securities Principal	Before submission
Retention of Documentation	Compliance Department	5 years

Kingswood Capital Partners, LLC has complied with the requirement to an initial fee of $1000, accompanied by a written statement setting forth the name, address and the Firm's Securities and Exchange Commission registration number. Additionally, the Firm will pay the $1000 annual fee to the MSRB no later than October 31st of each year plus any other fees prescribed by the MSRB. The CCO shall be responsible to ensure the payment of the fee annual fee to the MSRB plus any other fees prescribed by the MSRB are done no later than October 31st of each year.

New Accounts (Municipal Securities)

Regular reviews will be undertaken by the Municipal Securities Principal concerning:

- The opening of each municipal securities account;
- Each transaction in municipal securities;
- The handling of customer complaints involving municipal securities; and
- Correspondence pertaining to the solicitation or execution of transactions in municipal securities.

MSRB Rule G-30 Commission Rates

Commission rates and service charges have been established by BD that is fair and reasonable; all principal transactions with customers will be executed at fair and reasonable prices and best execution will be obtained for all agency transactions. Customer accounts will be reviewed regularly and frequently to detect irregularities and possible abuses.

The RR and his/her supervisor must review order confirmations to verify that yield and call information is disclosed (when applicable).

The MSP shall be responsible for reviewing all new municipal securities accounts to assure they have all the required documentation to open the account and will evidence review by signature. The MSP shall review all municipal securities trades to assure that commissions and/or fees charged are fair and reasonable.

Disclosure of Political Contributions

Any payments/contributions, direct or indirect, to officials of an issuer and payments, direct or indirect, made to political parties of states and political subdivisions, by any Municipal Securities Professional must be disclosed to the Municipal Principal/Compliance Department.

Municipal Securities Professionals include those RRs and Principals of the firm who conduct the principal part of their business in municipal securities. All such RRs must contact the Municipal Securities Principal for details regarding the documentation of political contributions. Disclosures must include:

- The identity of the contributors;
- The names and titles (including any city/county/state or other political subdivision) of the recipients of such contributions and payments; and
- The amounts and dates of such contributions and payments.

Any contributions, direct or indirect, to officials of an issuer made by each municipal financial professional and executive officer MUST IMMEDIATELY BE DISCLOSED to either the Municipal Securities Principal or senior management. Such disclosure must indicate:

- The names, titles, city/county, and state of residence of contributors;
- The names, titles (including any city/county/state or other political subdivision) of the recipients of such contributions; and
- The amounts and dates of such contributions.

Such disclosure need not be made to reflect any contribution made to officials of an issuer for whom the contributor is entitled to vote if the contributions by such individual, in total, are not in excess of two hundred fifty dollars ($250) to any official of an issuer, per election.

Any payments, direct or indirect, to political parties of states and political subdivisions made by any municipal finance professionals and executive officers for the current year and for each of the previous two calendar years, MUST BE DISCLOSED TO Kingswood Capital Partners, LLC's Municipal Securities Principal, or other appropriate management-level principal of the firm. Such information must indicate:

- The names, titles, city/county, and state of residence of contributors;
- The names and titles (including any city/county/state or other political subdivision) of the recipients of such payments; and
- The amounts and dates of such payments, provided, however, that such records need not reflect those payments made by any municipal finance professional or executive officer to a political party of a state or political subdivision in which such persons are entitled to vote if the payments by such person, in total, are not in excess of two hundred fifty dollars ($250) per political party, per year.

MSRB Rule G-37

Senior Management of Kingswood Capital Partners, LLC takes very seriously the requirements under MSRB Rule G-37, which generally bars municipal broker-dealers who contribute to issuer-clients from doing any negotiated business with those clients for a two (2) year period following such contribution.

Municipal finance professionals may, however, contribute up to two hundred-fifty dollars ($250) to a political candidate for whom they can vote, regardless of whether or not the candidate is affiliated with an issuer-client.

To ensure compliance with Rule G-37, Kingswood Capital Partners, LLC requires that each RR submit a report of political contributions immediately (within 2 days of the contribution). No less than quarterly, the RR will be reminded of this obligation by the CCO and/or an appropriately qualified designee. Updates to the current reporting by the RR will be made at that time.

MSRB Rule G-37 requires that Form G-37/G-38 be completed whenever any of the following actions have occurred:

1. Reportable political contributions were made during the reporting period;
2. Municipal securities business (as defined below) was engaged in during the reporting period:

A. The purchase of a primary offering [as defined in MSRB Rule A-13(d)] of municipal securities from the issuer on other than a competitive bid basis (i.e., negotiated underwriting); orT
B. he offer or sale of a primary offering of municipal securities on behalf of any issuer (i.e., private placement);
C. The provision of financial advisory or consultant services to or on behalf of an issuer with respect to a primary offering of municipal securities on other than a competitive bid basis; or
D. The provision of re-marketing agent services to or on behalf of an issuer with respect to a primary offering of municipal securities on other than a competitive bid basis.

MSRB Rule G-38

This rule requires broker-dealers to disclose information about consultant arrangements to issuers and to the public. All activities concerning Kingswood Capital Partners, LLC's municipal securities business will be carefully reviewed by its Municipal Securities Principal on an ongoing and continuous basis in order to make certain that any information required to be disclosed under Rule G-38 is promptly, completely, and correctly reported.

The use of a consultant engaging in any direct or indirect communication with an issuer on our behalf is NOT PERMITTED prior to obtaining a "Consultant Agreement," stating the name, company, role, and compensation arrangement of each such consultant. All such Consultant Agreements will be maintained and reviewed the Municipal Securities Principal to determine if they require revisions or alterations at any time.

Any questions concerning disclosures or whether or not a Consultant Agreement exists for a specific consultant are to be directed to the Municipal Securities Principal. (As a non-underwriting broker-dealer, it is unlikely that Kingswood Capital Partners, LLC will have any reporting requirement under this rule.)

Failure by any RR to abide strictly with the requirements under G-37 and G-38 will result in disciplinary actions, including the possibility of termination.

The Municipal Securities Principal is responsible for filing with the MSRB two copies of MSRB Form G-37/G-38 within 30 days of the end of each calendar quarter. The forms must be submitted by certified or registered mail, return receipt requested, or by some other equally prompt means that provides proof of receipt. Faxes are not acceptable. The Municipal Securities Principal is responsible for maintaining a file containing copies of submitted Form G-37/G-38 along with proof of submission for 6 years.

Municipal Securities Recommendations

Kingswood Capital Partners, LLC and its RRs must make reasonable efforts to obtain information concerning:

- Customer's financial status
- Customer's tax status
- Customer's investment objectives
- Other information used or considered to be reasonable and necessary in making recommendations to the customer

Kingswood Capital Partners, LLC and its RRs must have reasonable grounds for believing a recommendation is suitable based upon (1) information available from the issuer of the security or

otherwise, and (2) the facts disclosed by such customer or otherwise known about such customer for believing that the recommendation is suitable.

Minimum Denominations (Municipal Securities)

Kingswood Capital Partners, LLC will not affect customer transactions in municipal securities issued after June 1, 2002, in an amount lower than the minimum denomination of the issue. There are two exceptions to this rule:

- Kingswood Capital Partners, LLC may buy a securities position that is below the minimum denomination if the customer's position in the issue is already below the minimum denomination and the entire position would be liquidated by the transaction.
- The Firm may sell a liquidated position to another customer provided that at or before the completion of the transaction, it provides the customer a written statement informing the customer that the quantity of securities being sold is below the minimum denomination for the issue and that this may adversely affect the liquidity of the position unless the customer has other securities from the issue that can be combined to reach the minimum denomination. The written disclosure may be included on confirmations or on a separate written document. Records of providing the disclosure will be retained for a minimum of three years.

Alternative Minimum Exam

Broker-dealers approved for sales of municipal securities may be subject to the Alternative Minimum Exam, which is essentially a questionnaire sent in the mail or by e-mail, and requiring responses and documentation from the Kingswood Capital Partners, LLC. While any member of the compliance department, and/or qualified individuals may participate in the preparation of the Kingswood Capital Partners, LLC's response, the response must be reviewed for completeness and accuracy, and must be signed, by a senior ranking principal of the firm. The Municipal Principal is the mostly likely and best-qualified individual for this role.

Municipal Securities Advertising (*MSRB G-21*)

A separate Municipal Securities Advertising file will be maintained (for all advertisements and sales literature, which must be approved by Kingswood Capital Partners, LLC's Municipal Securities Principal prior to use, pursuant to MSRB Rule G-21. All advertising will be reviewed prior to use to ensure that it is free of false or misleading information. Any advertisements of new issues must properly reflect the availability of the securities.

Through the CCO, Kingswood Capital Partners, LLC ensures that all Municipal Securities investors have been sent the investor complaint brochure required by MSRB Rule G-10. When applicable, confirmations will disclose yield and call information.

The MSP shall review and approve in writing any advertising for municipal securities prior to their release. The MSP shall evidence his review by initial and date on a copy of the material or by log; all approved material shall be stored in a separate file for municipal advertising.

MSRB Rule G-10 Complaints

The CCO is responsible for delivering a copy of the investor brochure to a customer promptly upon receipt of a municipal securities complaint. A record of the date and means by which the brochure was sent to the customer will be maintained by Compliance in the Municipal Securities Complaint file.

The CCO shall be responsible for reviewing and responding to any municipal securities complaints. Copies of the complaint and any supporting documentation shall be maintained in the Firm's central files. The MSP or his designee shall ensure that the brochure is sent to municipal securities investors upon filing a complaint and documentation of sending the brochure (including name and address sent to and proof of delivery) shall be maintained with the complaint supporting documentation.

MSRB Rule G-40 – Email Contact

Kingswood Capital Partners, LLC has filed Form G-40 with the MSRB and maintains an Internet mail account to permit communication with the MSRB. A registered municipal securities principal (Series 51 or Series 53 licensed) has been designated as a primary Email Contact. The Firm may also designate an ''Optional Contact'' as a secondary electronic contact person who is not required to be registered as a municipal securities principal.

Recordkeeping Requirements

MSRB Rule G-8 requires a very specific list of items to be maintained in connection with MSRB Rule G-37. Kingswood Capital Partners, LLC Compliance Department is responsible for making certain that all records required under MSRB G-8 are maintained in a complete and current manner. The RR must willingly provide any documentation requested by the CCO.

MSRB Rule G-27 - Supervision

MSRB Rule G-27 requires each broker-dealer to supervise the conduct of its municipal securities business and the municipal securities activities of its associated persons, and to adopt, maintain and enforce written supervisory procedures reasonably designed to ensure compliance with the MSRB rules and the applicable rules and provisions of the Exchange Act. Specifically, Rule G-27 requires the following:

- Supervision of the conduct of municipal securities business and related activities to ensure compliance with MSRB rules. (The majority of MSRB supervision rules are met by our being in compliance with FINRA rules governing supervision.)
- Designation of one or more associated individuals qualified as municipal securities principals, municipal securities sales principals, financial and operations principals, or as general securities principals to be responsible for the supervision of our municipal securities business and the activities of our associated personnel. (Such designations have been made and are maintained by our Licensing and Registration Department. Our CCO and our designated MSRB Principal are responsible for ensuring that appropriate designations continue to be made as required.)
- Maintenance of written records of each supervisory designation and of the principal's responsibilities. (Such supervisory designations are maintained on internal documents, including the exact periods of time for which individuals were so designated. In addition, included in these Written Supervisory Policies and Procedures is a list of all areas of responsibility and the individual responsible for ensuring compliance of each.)
- Designation of an MSRB Principal responsible for ensuring compliance under MSRB G-27.
- Designation of a FINOP for financial reporting responsibilities.
- Adoption, maintenance and enforcement of written supervisory policies and procedures reasonably designed to ensure that the conduct of our municipal securities business and all related activities is in compliance. (Such Written Supervisory Policies & Procedures have been adopted, and are maintained and enforced by our Compliance Department, and, where appropriate, by our MSRB Principal.)
- Include in the Written Supervisory Policies & Procedures sections addressing, but not necessarily limited to:

- How specifically designated individuals will monitor for compliance
- Policies & procedures to be followed by specifically designated principals concerning customer complaints (both municipal and non-municipal related)
- How and when review activity is undertaken
- Required MSRB principal review of customer accounts
- Audit schedule for each office engaged in the securities business (including municipals)
- Books and records to be maintained, indicating whose responsibility it is to maintain which books and records
- Review of all discretionary accounts (including those with municipal securities transactions)

- Review procedures for incoming and outgoing correspondence (including those relating to municipal securities transactions)
- Revision and updating of our Written Supervisory Policies & Procedures as necessary (in response to new or altered rules and/or regulations), and also review, minimally on an annual basis, our supervisory system, and Written Supervisory Policies & Procedures. (See such specific policies & procedures throughout these Written Supervisory Policies & Procedures.)

On an annual basis, our MSP and/or CCO will review all of the above in relation to all municipal securities transactions to ensure that we are in full supervisory compliance with all MSRB (and attendant FINRA) rules.

Documentation of this review will be maintained in the files, including dates of reviews, names or initials of individuals conducting the reviews, scope of review and all findings with any corrective measures taken (if any).

MSRB Rule G-32 Municipal Fund Securities Sold in a Primary Offering

Municipal fund securities sold in a primary offering are considered new issue municipal securities, as long as the underwriting period continues. If Kingswood Capital Partners, LLC effects transactions in Municipal Fund Securities sold during a continuous underwriting period, it must deliver to the customer the official statement by settlement of each such transaction. (If the customer is a repeat purchaser of the securities, no new delivery of the official statement would be required, as long as the customer already received the official statement in connection with a previous purchase and the official statement has not been amended since the customer received it.)

The MSP or his designee shall be responsible for delivering the official statement(s) before the settlement of each such transaction. Annually, the CCO shall sample primary offering trading activity to ensure that the official statements had been delivered.

MSRB Rule G-15 – Confirmations

G-15 requires firms to provide additional transaction-related information to retail customers for certain trades in corporate, agency and municipal debt securities (other than municipal fund securities).9 This information includes the mark-up or mark-down for principal trades with retail customers that a firm offset on the same day with other principal trades in the same security. Disclosed mark-ups and mark-downs must be expressed as both a total dollar amount for the transaction and a percentage of prevailing market price (PMP).

The firm relies on the clearing firm for execution, reporting and delivering confirms The MSP or designated principal will review as needed customer confirms for accuracy. If there are any exceptions noted the firm will contact the clearing firm

Municipal Securities Manual

An MSRB ("Municipal Securities Rulemaking Board") manual is maintained by Kingswood Capital Partners, LLC's Municipal Securities Principal, Mike Alsoraimi . However, RRs may access the manual on the internet at www.msrb.org. Any questions concerning specific MSRB rules should be directed to the Municipal Securities Principal.

Section 529 College Savings Plans

Section 529 College Savings Plans are higher education savings plan trusts established under Internal Revenue Code (IRC) Section 529(b) as "qualified tuition programs." Individuals may make investments for the purpose of accumulating savings for qualifying higher education costs of beneficiaries through these plans. Individuals purchase interests in a trust established by the state or its instrumentality and trust assets are invested according to the trust's stated investment objectives. Issuers typically engage investment management firms to manage the investment of trust assets. The plans have investment features similar to mutual funds or variable annuities.

529 plans established by states or local government authorities are considered municipal fund securities subject to MSRB Rules.

Licensing Requirements

All Registered Representatives who solicit orders or sell municipal securities will be qualified as municipal securities representatives. Generally, individuals who successfully complete the Series 7, General Securities Representative, or the Series 52, Municipal Securities Representative, examinations will satisfy this requirement.

The firm's Municipal Securities Principal is responsible for reporting required information and paying assessment fees to the MSRB regarding new issues and the annual MSRB membership fee. The firm's Municipal Securities Principal will maintain evidence both of the payment and transmittal to the MSRB. Successfully completing the Series 53 examination qualifies individuals for registration status of Municipal Securities Principal, which permits the individual to supervise all aspects of the firm's municipal business.

The Designated Supervising Principal (CCO) to whom the apprentice reports (see Firm Training) is responsible for ensuring apprentices do not solicit or transact business with the public. Compensation to the apprentice will not include remuneration from transactions in municipal securities.

Municipal Securities Sales Supervisors are permitted to supervise customers' transactions in municipal securities. Individuals who complete the Series 8 General Securities Sales Supervisor examination are qualified as municipal securities sales supervisors. Supervision of municipal securities activity is limited to sales of municipal securities to customers. The firm's Municipal Securities Principal will maintain evidence both of the payment and transmittal to the MSRB.

Municipal Fund Securities Limited Principals are permitted to supervise customers' transactions in municipal fund securities (i.e., 529 Plans) only. In order to be qualified as municipal fund securities limited principal, individuals must first have been duly qualified as either a general securities principal or an investment company/variable contract limited principal, and then shall take and pass the Municipal Fund Securities Limited Principal Qualification Examination.

Firm Training

Individuals who have not previously qualified as municipal securities representatives are required to complete a 90-day apprenticeship period during which the individual is prohibited from soliciting or

transacting business with the public. This includes a prohibition against soliciting new accounts on behalf of the firm. In addition, apprentices may not be compensated from transactions in municipal securities.

Due Diligence

The representations made by the municipal's product sponsor can be relied upon to some extent, but may not be sufficient to satisfy our firm's fiduciary responsibilities and due diligence requirements. In such instances, our Municipal Securities Principal may obtain additional information about the product.

Customer Suitability

The firm is suitable for retail accounts, and will provide information to the CCO about the product and to assist the CCO with their suitability review.

Registered representatives are required to obtain information about customers in order to form a reasonable basis to believe recommendations are suitable. The registered representative populates the account form with this information. The account form is submitted to the CCO for review. The CCO will return an incomplete account form to the registered representative for proper completion. In the event a client refuses to provide the required information, the account will not be opened, in accordance with FINRA Anti-Money Laundering standard industry rules.

Disclosures

Pursuant to SEC Rule 15c2-12, a municipal issuer is required to disclose additional information regarding their company's financial status to Broker Dealers who participate in an underwriting of

$1,000,000 or more. Also, pursuant to SEC Rule 15c1-6, Broker Dealers is required to disclose to municipal investors that they are selling a municipal security in which they have participated in the primary or secondary distribution.

Our firm will not participate in underwritings, nor will we act as riskless principal or syndicate manager. Pursuant to the Rules stated in the above paragraph, no disclosures will be necessary.

Advertising and Sales Literature

All advertising and sales literature involving municipal securities must be reviewed and approved by a municipal securities principal. General requirements regarding advertising and sales literature are included in the Communications with the Public section of this Manual.

MSRB Rule G-21 delineates specific requirements that apply to the advertising of municipal securities. Some of these specific requirements are as follows:

1. Advertising that includes yield is subject to certain requirements regarding disclosing the basis of the yield.
2. Advertising regarding new issues is subject to certain disclosures regarding price or yield and must include an indication, if applicable, that securities shown may no longer be available at the time of publication or may be available from the syndicate at a price or yield different from that shown in the advertisement.
3. If bonds are subject to the alternative minimum tax, a statement to this effect must be included in the advertisement.

Trading

Mark-ups and Mark-downs

MSRB Rule G-30 states that a Broker-dealer is entitled to make a profit on the transaction. It is the policy of the firm that the maximum mark-up or mark-down will not exceed 3%, including the firm's retention. The CCO will conduct a random review of mark-ups and mark-downs on a quarterly basis. Transactions deemed excessive will be cancelled and re-billed to reflect an acceptable mark-up or mark-down. All mark-ups and mark-downs will be documented on the respective order tickets and/or confirmations and mark-downs on customer trades. Relevant factors in determining fair and equitable mark-ups and mark- downs may include the following:

1. The best judgment of the firm as to the fair market value of the securities at the time of the transaction and of any securities exchanged or traded in connection with the transaction.
2. The expense and risk involved in effecting the transaction.
3. Type of security available.
4. Total dollar amount of the transaction.
5. Availability of the security in the marketplace
6. The price or yield of the security.
7. The maturity of the security.
8. The resulting yield to the customer, as compared to the yield on other securities of comparable quality, maturity, coupon rate, and block size then available in the market.
9. Credit quality considerations.
10. Level of professional service requested by the customer in servicing both the transaction as well as the account (i.e., research, maintaining markets, maintaining information, etc.).
11. The nature of the firm's business.
12. Any other relevant facts at the time of execution.

Errors and Cancels/Re-bills

All errors with customer orders and cancels/re-bills in customer accounts must be resolved immediately upon discovery. No overnight positions should be maintained in the firm's error account. Errors and cancels/rebills in customer accounts can be documented on a letter of instruction from the account rep. The request must be reviewed and approved a Supervising Principal.

Registered Representative Prohibitions

Customer Accounts

Supervision of customer accounts will be in accordance with the applicable sections of this manual. Applicable to supervision are the following:

- Representatives and Principals are strictly prohibited from sharing in profits or losses in a customer's account
- Representatives and Principals are strictly prohibited from borrowing securities or funds from any customer account.
- Representatives and Principals are strictly prohibited from or loaning securities or funds to a customer account.

Reciprocal Dealings

- Representatives and Principals are strictly prohibited from the firm and its associated persons are prohibited from soliciting municipal transactions from accounts for investment companies in return for sales of shares in the investment company.

Churning

- It is the responsibility of the registered person soliciting an account to ensure against churning. It shall be the responsibility of the CCO of that registered person for reviewing the accounts and transactions therein to identify churning, in conjunction with his or her overall review of transactions.

Parking

- The firm's Municipal Securities Principal is responsible for reviewing transactions on a periodic basis to ensure that the true ownership of specific securities is not concealed by a sale or transfer to an accommodating counter- party or nominee who agrees to later sell or transfer the securities to (or back to) the true owner (or his or her agent) at some agreed upon time, at essentially the same terms.

Additional Mark-ups and Mark-downs

- A trader may not permit the charging of a mark-up or mark-down in addition to a commission on any transaction.

Adjusted Trading

- Our firm prohibits adjusted trading. The purpose of an adjusted trade is to assist one party in avoiding, disguising, or postponing losses. This is a practice where a broker-dealer is involved in a swap transaction with a customer at prices not reasonably related to the current market value of the securities;
- An example is a customer sale to the broker-dealer at a price below market value and the simultaneous purchase and booking of a different security at a price above the current market value.

529 College Savings Plans

Licensing Requirements

529 college savings plans are issued by municipalities and are classified as municipal fund securities. Registered representatives must hold a Series 7, Series 52, or Series 6 registration in order to solicit and transact business. CCOs must hold one of the following: a Series 53, Municipal Securities Principal, or a Series 51, Municipal Fund Securities Limited Principals, or a Series 8 (or the equivalent combined Series 9 and 10), Municipal Securities Sales Supervisor, in order to supervisor the sale of 529 college savings plans.

Our CCO is responsible for ensuring that the representative who solicits and affects a 529 plan transaction indeed holds the proper license. Additionally, the CCO is responsible for ensuring that his or her representatives have customers sign and provide the customers with a copy of the appropriate 529 College Savings Plan Disclosures, as well as the Customer Account Form.

Firm Training

Individuals who have not previously qualified as municipal securities representatives are required to complete a 90-day apprenticeship period during which the individual is prohibited from soliciting or

transacting business with the public. This includes a prohibition against soliciting new accounts on behalf of the firm. In addition, apprentices may not be compensated from transactions in municipal securities.

Sales Practices

1. Due Diligence

The representations made by the municipal's product sponsor can be relied upon to some extent, but may not be sufficient to satisfy our firm fiduciary responsibilities and due diligence requirements. In such instances, our Municipal Securities Principal will ensure that we obtain additional information about the product. If we are not able to do so, a conclusion will be made that the product is not appropriate for sale to the public through our firm.

2. Disclosures

3. Official Statement

The general literature received from the issuer is provided on the Issuer's Official Statement. All required disclosures and material information regarding the product and Issuer.

4. Tax Disclosure

Contributions to 529 plans are made with after-tax dollars and any earnings grow tax-free at the federal level. Earnings withdrawn from 529 plans to pay for qualified higher education expenses are free from federal income tax for state sponsored programs and will be tax free beginning in 2004 for programs of any eligible higher education institution. (Note: The tax-free provisions are scheduled to lapse in 2011 unless renewed by Congress.) State tax treatment of college savings plan contributions, earnings and withdrawals vary from one state to another. A number of states provide partial or full income tax deductions for contributions to their state's 529 plans. In addition, states generally provide residents with a state tax break on earnings distributions from 529 plans that are used to pay qualified college expenses. If the customer is investing in an out-of-state 529 college savings plan, the representative must also inform the customer that, depending upon the laws of the customer's home state, favorable state tax treatment for investing in a 529 college savings plan may be limited to investments made in a plan offered by the customer's home state.

Payroll Deduction Programs

529 plans may be marketed to employers and their Associated Persons through the use of payroll deduction programs. A representative makes available to employers the opportunity to initiate a payroll deduction program being offered by a plan dealer for Associated Persons who choose to enroll and contribute minimum amount of money each month under a 529 college savings plan. The representative meets with the employer's human resources/benefits representatives who then may agree to have the employer participate in the payroll deduction program utilizing its existing payroll direct deposit process for after-tax contributions by Associated Persons.

Typically, the representative provides the employer with materials for distribution to interested Associated Persons describing the particular 529 college savings plan, not limited to the program disclosure document that meets the definition of "official statement". In addition to the official statement, the disclosure regarding tax treatment must also be provided.

The MSRB has provided some very basic guidance regarding what constitutes a recommendation. If the presentation is general education as to what a 529 plan is, and stays away from comments such as "529 plans are right for everyone", the presentation would probably not be considered a recommendation.

However, whether a representative conducts an Associated Person presentation or not, and whether the presentation constitutes a recommendation or not, the representative must still provide the program disclosure document that meets the definition of “official statement” and the disclosure regarding tax treatment to all Associated Persons who wish to enroll in the 529 plan. A recommendation carries the additional regulatory requirement to determine suitability.

In order for our firm to properly account for documents and commissions by client, client information must be provided to the firm regardless of whether or not the representative made a “recommendation.” This will also provide an additional level of protection to the representative.

Sales Literature

Our CCO is responsible for ensuring that his or her representatives do not use any advertising or sales literature pertaining to municipal bonds and municipal fund securities until filed with and reviewed and approved by the firm’s Municipal Securities Principal and the Compliance Department. In addition, municipal fund securities may require filing with FINRA. The product sponsor will be required to provide FINRA letter for each advertisement or item of sales literature pertaining to products the sponsor desires to enter into a selling agreement with our firm. However, it will be the responsibility of the Registered Representative to obtain FINRA letter for each advertisement or item of sales literature submitted to the Compliance Department for approval for products not already on our firm approved product list.

Political Contributions

MSRB Rule G-37 specifies restrictions and requirements regarding political contributions to individuals who may influence the placement of municipal securities business as defined in the rule. The purpose of the rule is to sever any connection between political contributions and the awarding of municipal business. The rule does not prohibit political contributions, it does, however, prohibit the firm from engaging in municipal business for two years with any issuer where contributions subject to this rule are made. As no firm wants to be subject to a two- year restriction on its municipal securities business, associated persons of our firm are required to adhere to the requirements of the rule.

MSRB Rule G-38 requires the disclosure of consultants retained by the firm to obtain municipal securities business.

As the rules are extensive and there may be different interpretations depending on the circumstances, it is important to consult with the CCO with any questions.

Approval

Political contributions to officials of issuers must be cleared by the firm’s Municipal Securities Principal prior to making the contribution. In addition, any political activities (volunteer work, etc.) on behalf of an issuer must be cleared by the Municipal Securities Principal prior to participation.

Anyone listed on our firm’s MSRB Rule G-8 List must fill out a “Political Contribution Request Form” contained in this Manual before making a political contribution covered by Rule G-37. The form must be signed and given to the Municipal Securities Principal who will note on the form whether the request is approved or disapproved, and make any modifications that are necessary to the MSRB Rule G-8 List; The principal will also file the completed form.

Prohibitions

A dealer or any municipal finance professional may not solicit others, including Associated Persons, registered persons, family members, PACs, and any others outside the firm, to make political contributions

to an official of an issuer with whom the dealer engages or is seeking to engage in municipal securities business, or to coordinate such contributions. The firm and municipal finance professionals may not engage in fundraising activities for officials of issuers.

Summary of Key Requirements

1. The types of public finance business included in this rule are acting as a negotiated underwriter (as manager or syndicate member), financial advisor or consultant, placement agent, and negotiated remarketing agent;
2. The rule applies to contributions made by the firm, any Political Action Committee (PAC) controlled by the firm, public finance professionals, municipal traders and professionals, the firm's executive committee, salespersons whose primary (greater than 50%) income is derived from selling municipal securities, and anyone who solicits public finance business on behalf of the firm;
3. Political contributions by the firm or affected Associated Persons must be cleared through Compliance prior to making a contribution;
4. Contributions are defined by rule and the recipient of contributions ("official of the issuer") is also defined. Some minimal contributions ($250 or less) by affected Associated Persons who are contributing to officials for whom they may vote are excluded from the rule;
5. The firm and its Associated Persons are prohibited from soliciting others to make contributions to an official of an issuer;
6. The firm is required to maintain internal records of affected Associated Persons and their contributions and report quarterly to the MSRB;
7. The firm is required to have written agreements with consultants and disclose consulting arrangements directly to issuers and to the MSRB for public disclosure.

Whose Contributions are Affected

1. Covered contributions include those by the firm, any Political Action Committee (PAC) controlled by the firm, municipal finance professionals, management of the firm, and anyone who solicits public finance business for the firm. The rule does not apply to other Associated Persons, provided that contributions are not made for the purpose of inducing or influencing the obtaining or retaining of public finance business from an issuer.

At our firm, the following are subject to the restrictions under Rule G-37:

1. The firm itself.
2. All municipal finance professionals.
3. The firm's executive/management committee.
4. Municipal trading personnel.
5. Supervisors of municipal finance professionals.
6. Managers of principal business units of the firm.
7. Salespersons whose primary income (greater than 50%) is derived from the sale of municipal securities.
8. Anyone else who solicits public finance business for the firm.

Questionnaire Regarding Political Contributions

The purpose of this form is to identify potential restrictions on our firm's ability to conduct municipal financing business before a person is hired and/or registered. It must be completed by all potential Associated Persons/registered persons prior to being hired/registered. Our CCO will provide a copy of the completed form to the firm's Municipal Securities Principal prior to being hired/ registered if the form discloses any

contributions or “yes” answers. If the Municipal Securities Principal has an objection to hiring/registering this person, he or she will consult with the hiring manager and, if necessary, senior management, regarding hiring/registering this person.

The firm’s Registration Manager will ensure that the form is completed before any person receives a promotion or change of position that would cause this person to be “newly” defined as a municipal finance professional or executive officer. A copy of the completed form must be provided to the firm’s Municipal Securities Principal prior to the person actually being promoted if the form discloses any contributions or “yes” answers. If the Municipal

Securities Principal has an objection to the promotion of this person, he or she will consult with the hiring manager and, if necessary, senior management, regarding promoting this person.

Record Keeping & Reporting

Reports of Sales and Purchases

The firm’s Trading Manager or CCO is responsible for ensuring reporting of purchase and sales of municipal securities, but only when the Trading Manager knows or has reason to believe the transaction actually occurred.

If reports of purchases or sales are distributed outside the firm in writing (other than to customers for whom the orders are executed), the Trading Manager will retain a record of the report including a copy of the report, date of the report, and the person giving and receiving the report. If reports of transactions are included in firm advertising, records will be maintained in accordance with the firm’s advertising policy. The Trading Manager or CCO is responsible for reporting transactions to the MSRB or its designee in accordance with MSRB Rule G-14.

Financial and Operations Principal (FINOP)

The firm will designate a financial and operations principal as required under MSRB rules. Our FINOP, Monique Romero, will maintain books and records in conformity with SEC Rules 17a-3 and 17a-4 for all securities transactions. Such maintenance will also ensure that our firm is in compliance with MSRB Rules G-8 and G-9 for its municipal securities business.

Municipal Books and Records

The FINOP will maintain books and records in conformity with SEC Rules 17a-3 and 17a-4 for all securities transactions. Such maintenance will also ensure that our firm is in compliance with MSRB Rules G-8 and G-9 for its municipal securities business.

In addition, MSRB Rule G-36 governs the delivery of official statements and Rule G-8 requires the firm to keep a record of the deliveries of official statement or other disclosure documents provided to purchasers of new issues of municipal securities. For municipal offerings in which Kingswood Capital Partners, LLC is the underwriter or syndicate manager, the Municipal Securities Principal will ensure that a record is maintained evidencing the delivery of the final official statement received from the issuer to the MSRB or its designee.

Records of Orders

Operations will maintain a record of orders in municipal securities consistent with the requirements of MSRB Rule G-8. The firm’s Municipal Securities Principal is responsible for daily review of transactions in municipal securities.

Privacy Policy Conformity

Our firm is prohibited from using information regarding the owners of municipal securities obtained in a fiduciary capacity (i.e., as paying agent, transfer agent, registrar, indenture trustee, safekeeping agent, correspondent of another municipal dealer, etc.) for the purpose of soliciting purchases, sales, or exchanges of municipal securities. Our firm is also prohibited from using the information for financial gain except with the consent of the issuer or other broker or dealer or the person on whose behalf the information was given.

MSRB Rule G-8 List

The CCO shall maintain a "MSRB Rule G-8 List," as required by MSRB Rule G-8(a)(xvi)(A), (B), (D), (E), (F) and (G), and uses this list to help avoid violations of MSRB G-37.

1. The list shall be maintained in the form contained in this Manual (see Tab R).
2. Each time the list is amended:
   - A copy of the old list shall be filed and maintained for six years.
   - An e-mail or other reminder must be sent to each person on the list, stating in substance: "You are considered a "municipal finance professional" or an "executive officer" under MSRB Rules. As such, you must fill out a "Political Contribution Request Form" before making or soliciting any contribution to a state or local government official, candidate, or political party. Please call me with questions."

MSRB Form G-37/G-38

The Municipal Securities Principal is responsible for filing with the MSRB two copies of MSRB Form G-37/G-38 within 30 days of the end of each calendar quarter. The forms must be submitted by certified or registered mail, return receipt requested, or by some other equally prompt means that provides proof of receipt. Faxes are not acceptable. The Municipal Securities Principal is responsible for maintaining a file containing copies of submitted Form G-37/G-38 along with proof of submission for 6 years.

Municipal Securities Business

The types of business subject to the rule include acting as a negotiated underwriter (as manager or syndicate member), financial advisor or consultant (on a negotiated underwriting), placement agent, and negotiated remarketing agent. The rule does not apply to acting as a competitive underwriter or competitive remarketing agent. Note that if the firm engages a consultant to secure municipal business. The consultant's contributions may affect the firm's ability to handle municipal business on behalf of the issuer. "Seeking to engage in municipal securities business" is also included under the rule and includes responding to Requests for Proposals, making presentations of public finance capabilities, and other soliciting of business with issuer officials.

Municipal Finance Professional

Municipal finance professional is defined as an Associated Person and/or registered person primarily engaged in municipal underwriting, trading of municipal securities, sales of municipal securities (if 50% or more of a registered representative's annual compensation is derived from the sales of municipal securities), financial advisory or consultant services for issuers in connection with the issuance of municipal securities, and research or investment advice with respect to municipal securities. It also includes anyone else primarily engaged in any other activities that involve communication, directly or indirectly, with public investors in municipal securities.

The definition also includes direct supervisors of municipal finance professionals including branch managers; the CEO or similarly situated official; members of the executive or management committee; and someone who is in charge of a principal business unit, division or function or anyone who performs similar policy making functions for our firm.

Consultants

The firm will maintain written agreements with any consultants engaged on behalf of the firm as required by MSRB Rule G-38. Consultants include persons used by the firm to obtain or retain municipal securities business through direct or indirect communication by the person with an issuer on behalf of the firm where communication is undertaken by the person in exchange for, or with the understanding of receiving, payment from the firm or any other person on behalf of the firm.

The firm will also retain records regarding consultants as required by MSRB Rules G-38 and G-9. The firm will disclose to the issuer in writing the retention of consultant(s) engaged to obtain the issuer's business. This disclosure will be made prior to the firm being selected to provide services on behalf of the issuer and will include the name, company, role, and compensation arrangement with the consultant(s). In addition, consultants will be disclosed on the firm's quarterly filing of Form G-37/38.

Our CCO will ensure that all the policies and procedures pertaining to the sale of government securities are adhered to. Municipal securities have special rules regarding licensing, political contributions, and disclosures to name a few. Procedures are in place so that oversight can be accomplished on an ongoing basis.

Kingswood Capital Partners, LLC RRs will be asked to complete a political contribution questionnaire on a quarterly basis. At least annually, all procedures for training, advertising special prohibitions, licensing, and client suitability amongst other topics will be reviewed by the CCO or qualified designee. Any deficiencies found will be documented and as well as the corrective measures that were taken. The report will be signed and dated by the person(s) conducting the review and made part of the retained records of the firm.

17 GOVERNMENT SECURITIES

This chapter outlines general requirements when offering government securities to customers.

17.1 Government Securities Act Amendments of 1993

The original Government Securities Act was limited in scope. The amendments of 1993 gave authority to the SEC to oversee certain aspects of the governments markets and imposed requirements on broker-dealers selling government securities. This section summarizes key sections of the amendments.

17.1.1 Section 103 - Transaction Records

Kingswood Capital Partners, LLC is obligated to prepare and maintain records regarding its government securities transactions.

17.2 Sales

The general sales practice procedures included in the chapters sales practice apply to the sales of government securities.

The Firm has an obligation to provide customers with fair prices on government securities transactions. Considerations in determining the fairness of mark-ups and mark-downs include:

- The type of security
- The availability of the security in the market
- The price of the security
- The amount of money involved in the transaction
- Disclosure to the customer
- Pattern of mark-ups
- The nature of the Firm's business

Review of Transactions

The designated supervisor is responsible for daily review of transactions executed in government securities trading area(s). Supervisor may review blotters, transaction reports, and other available exception reports

17.3 Transaction Records

[GSA Section 103; SEC Securities Exchange Act of 1934 Section 15C(d)(3)]

Records of government securities transactions will be provided to the SEC or other appropriate regulator upon request, in a form acceptable to the regulator. A record will be retained of transaction information provided to regulators.

17.4 Large Position Reporting

[GSA Section 104; SEC Securities Exchange Act of 1934 Section 15C(f)]

Periodically, the Treasury Department asks government securities dealers to provide information on large positions in specific issues of government securities. The designated supervisor (or someone delegated by the supervisor) is responsible for compiling the information and submitting it to the Treasury Department by the date due. Records of all reports filed will be retained in the supervisor's files.

18 COLLATERALIZED MORTGAGE OBLIGATIONS (CMOs)

18.1 Introduction

CMOs are identified in this separate section because of certain special requirements under the rules. CMOs may be government, municipal, or corporate securities.

18.2 Characteristics and Risks

CMOs have characteristics that RRs must be acquainted with in order to assess the suitability or best interest (as applicable) of them for investors who also should be aware of these characteristics prior to investing. Following is a list of key characteristics, which are different among various CMO issues.

- Underlying mortgage payments may be unpredictable and variable which may cause either an earlier than anticipated return of principal or a holding period longer than anticipated.
- There is reinvestment risk associated with early prepayments and various tranches of the same issue have different risk profiles.
- There is significant risk associated with less predictable tranches which subject customers to the possibility of losing their entire principal.
- The time to maturity, as well as the amount of principal returned, will vary based on the accuracy of prepayment assumptions.
- Prepayment assumptions are estimates based on historical prepayment rates and are factored into the price, yield, and market value of a CMO.
- The more complex and esoteric the issue, the less likely it is that there will be current pricing information available or a ready market for the security.

Interest Only Securities (IOs)

Investors must be aware than an IO tranche is:

- Created deliberately to pay investors only interest;
- Sold at a deep discount to the principal amount;
- Has no face or par value and increases in value as interest rates rise and prepayment rates slow;
- Decreases in value as interest rates decline; and
- Investors may receive less cash than the original investment.

Principal Only Securities (POs)

Investors must be informed that POs:

- Are created so that investors receive only principal payments generated by underlying collateral;
- Are extremely sensitive to prepayment rate increases; and
- Sell at a deep discount from face value and investors ultimately receive the entire face value.

Floating Rate Tranches (Floaters) and Inverse Floaters

Investors should be advised that:

- Floaters carry interest rates that are tied in a fixed relationship to an interest rate index such as LIBOR or COFI and are subject to an upper limit or "cap" and sometimes to a lower limit or "floor;" and
- Performance of these investments depends on the way interest rate movements affect prepayment rates and average lives.
- Investors must be informed that inverse floaters (IFs) are:
- Structured to offset floating-rate tranches, and therefore interest rate payments on IFs vary inversely from the index selected;
- More highly leveraged than other tranches and therefore have a higher price volatility as interest rates move; and
- Only suitable or in the best interest of sophisticated investors with a high-risk profile.

Accrual Bonds or Z-Tranches

The final tranche of a CMO is often structured as a Z-tranche or accrual bond and has the following characteristics:

- Investors receive no cash for an extended period of time, instead they accrue interest which is not paid out until all other tranches are retired.
- Prices can fluctuate wildly and depend on other aspects of the offering.
- Interest is taxable when credited, even though no actual payment will occur.
- The suitability or best interest (as applicable) of an investment must be evaluated based on the combination of the Z-tranche with other investments, as well as the investor's risk profile.

18.3 Suitability and Best Interest

As for all recommendations, RRs have an obligation to determine suitability or best interest (as applicable) when recommending CMOs to individuals. The RR has the obligation to understand the features of CMOs before recommending them. Because of the wide range of features and potential complexity of some CMOs, the following must be considered:

- Customer's financial status including liquid net worth and income
- Customer's experience in investing in CMOs and his or her ability to understand the features including prepayment risk
- Customer's risk profile
- Customer's investment objectives, particularly the need for cash flow
- Features of the CMO and how they fit the customer's needs
- Disclosure of risks (see the following sections on Required Education Material and Inverse Floaters, IOs, POs Disclosure)

In addition, RRs must consider market factors affecting CMOs at the time they are recommended. For example, in a low-interest, low-yield environment there may be a considerable compression of risk premium where investors bid up prices and drive down yields while default rates remain high compared to historical norms.

18.3.1 Disclosures

Communications (including retail communications, institutional communications, and correspondence) regarding CMOs must include the following disclosures and may not include certain statements. Because

the requirements are extensive, all written (including electronic) communications about CMOs must be approved by

Compliance prior to sending to retail investors.

- Communications must include, within the name of the product, the term "Collateralized Mortgage
- Obligation;"
- CMOs must not be compared to CDs, treasury bonds, or other securities with fixed interest rates and stated maturities;
- communications must disclose, as applicable, that a government agency backing applies only to the face value of the CMO and not to any premium paid; and,
- communications must disclose that a CMO's yield and average life will fluctuate depending on the actual rate at which mortgage holders prepay the mortgages underlying the CMO and changes in current interest rates.
- There should be no assurance that the CMO will prepay principal at the current assumed rate; timing may vary significantly.

In addition to the above, FINRA has established standards for communications that promote a specific security or contain yield information. These requirements are complex and Compliance should be consulted when preparing this type of communication.

19 RESEARCH - EQUITY SECURITIES

[FINRA Rule 2241]

The Firm does not officially issue equity research reports. However, based on potential content in a client newsletter, advertisement or other communication, the content included in such communication may cross the boundaries of what is required to be considered a "research report".

This chapter outlines the requirements that apply to research analysts and the issuance of equity research reports. Requirements are based on FINRA Rule 2241 and include some NYSE references since the rules are considered "consolidated rules," and there is crossover of some requirements.

Key requirements include:

- Research analysts and their supervisors must pass a research analyst examination prior to assuming research responsibilities.
- Research activities are considered confidential until published and are subject to information barrier requirements limiting communication with persons outside the research area.
- Analysts may have no direct communication with investment bankers; all such communications must be routed through Compliance.
- Analyst public appearances must be pre-approved and may require disclosures during the appearance.
- Reports must be approved prior to issuance and include required disclosures.
- Any written or oral communication by a research analyst with a current or prospective customer or internal personnel must be fair, balanced and not misleading.

19.1 Definitions

"**Affiliate**" means a person who directly or indirectly controls, or is controlled by, or is under common control with Kingswood Capital Partners, LLC.

"**Member of the research analyst's household**" includes any individual whose principal residence is the same as the research analyst's. The term does not include an unrelated person who shares the same residence as the analyst, provided the analyst and the unrelated person are financially independent of one another.

"**Research analyst**" means an associated person who is primarily responsible for, and any associated person who reports directly or indirectly to a research analyst in connection with, the preparation of the substance of a research report, whether or not any such person has the job title of "research analyst."

"**Public Appearance**" means any participation in a conference call, seminar, forum (including an interactive electronic forum), or other public speaking activity before 15 or more persons or before once or more representatives of the media, a radio, television or print media interview, or the writing of a print media article, in which a research analyst makes a recommendation or offers an opinion concerning an equity security. This term does not include a password protected Webcast, conference call or similar event with 15 or more existing customers, provided that all of the event participants previously received the most recent current research report or other documentation that contains the required applicable disclosures, and that the research analyst appearing at the event corrects and updates during the event any disclosures in the research report that are inaccurate, misleading or no longer applicable.

"**Research report**" means any written (including electronic) communication which includes an analysis of equity securities of individual companies or industries (other than an open-end registered investment company that is not listed or traded on an exchange), and which provides information reasonably sufficient on which to base an investment decision. **This term does NOT include:**

- Communications limited to:
- discussions of broad-based indices;
- commentaries on economic, political or market conditions;
- technical analyses concerning the demand and supply for a sector, index or industry based on trading volume and price;
- statistical summaries of multiple companies' financial data, including listings of current ratings;
- recommendations regarding increasing or decreasing holdings in particular industries or
- sectors; or
- notices of ratings or price target changes, provided the reader is directed to the most recent subject company research report that includes all current applicable required disclosures and that the report does not contain materially misleading disclosure including outdated or inapplicable disclosures.

the following communications (even if they include analysis of an individual equity security and information reasonably sufficient upon which to base an investment decision):

- any communication distributed to fewer than 15 persons;
- periodic reports or other communications prepared for investment company shareholders or
- discretionary investment account clients that discuss individual securities in the context of a
- fund's or account's past performance or the basis for previously made discretionary investment decisions; or
- internal communications not given to current or prospective customers.
- communications that constitute statutory prospectuses filed as part of the registration statement.

"**Subject company**" refers to a company whose equity securities are the subject of a research report or recommendation in a public appearance.

19.2 Registration and Supervision of Research Analysts

[NASD Rule 1050; NYSE Rule 344]

The following sections explain registration requirements for research analysts and their supervisors.

Registration of Analysts

Research analysts are required to become registered through successful completion of the required examinations. This requirement applies to an associated person who is primarily responsible for the preparation of the substance of a research report or whose name appears on the research report. Qualifications must be satisfied prior to acting as a research analyst.

Prospective research analysts are required to successfully complete the following examinations:

- General Securities Registered Representative (Series 7); or Limited Registered Representative (Series 17); or the Canada Module of Series 7 (Series 37 or 38). This is a prerequisite to taking the research analyst examination.
- Research Analyst Qualification Examination (Series 86/87).

An analyst who has passed both Level I and Level II of the Chartered Financial Analyst (CFA) Examination and analysts who prepare only technical research reports and have passed both Levels I and II of the Chartered Market Technician (CMT) Examination Program may request an exemption from Part I (Series 86). To qualify for the exemption, the analyst must have either (1) functioned continuously as a research analyst since having passed Level II of the CFA exam or (2) have passed Level II within 2 years of application for registration as a research analyst.

The following provides other general guidance regarding the requirements; questions about registration requirements should be referred to Compliance.

The requirement for registration does not depend on the person's title but rather the functions he or she performs. The following activities by research personnel require registration:

- communicating directly with customers or prospective customers, including institutional customers, whether alone or accompanied by registered sales personnel authoring a research report or
- other research communication that is distributed to the public and where the author is identified by name (any employee whose name appears on the report is required to be registered, regardless of their role)
- receiving transaction-based compensation (based on the sale of securities, volume of sales, etc.) is an indicator that the recipient should be registered
- The supervisor who reviews and approves publicly distributed research must be registered as a qualified supervisor.

19.3 Supervision

FINRA Requirements

[NASD Rule 1022; FINRA Notice to Members 04-81]

FINRA requires that supervisors of equity research analysts satisfy the following requirements to qualify as a Research Principal:

- qualify as a General Securities Principal (qualification as a registered representative is a prerequisite)
- pass either the Series 87 examination (the regulatory portion of the research analyst examination) or the NYSE Series 16 Supervisory Analyst examination

Supervision Restrictions

A research analyst may not be subject to the supervision or control of any employee of Kingswood Capital Partners, LLC's Investment Banking Department.

19.4 Issuance of Research Recommendations

Research must be distributed to all accounts and other recipients at the same time, i.e., there cannot be preferential early distribution to certain recipients.

19.5 Standards for Research Reports

[FINRA Rule 2210 and 2241(c)]

Research must meet certain content requirements.

General Standards

The general guidelines that apply to communications (see COMMUNICATIONS WITH THE PUBLIC - General Standards) also apply to research reports. Projections or predictions must include the bases or assumptions upon which they are made, and research reports must indicate that more information is available about the bases and assumptions. Reasonable estimates of a company's earnings or fair stock price targets based on historic trading ranges are permitted. The report should include the basis for such estimates as well as a statement that any such estimates or forecasts may not be met.

General standards include the following:

- Sound basis for evaluating the facts
- A reasonable basis for making a recommendation
- Inclusion of material facts or qualification of facts which, if excluded, would cause the research to be misleading
- No exaggerated, unwarranted, or misleading statements or claims
- Appropriate disclosure of risks, particularly for low-priced or microcap securities

Specific Standards

All research reports must include the following:

- The name of the firm
- The date when the report is first published, circulated, or distributed
- Any comparison of Kingswood Capital Partners, LLC's service, personnel, facilities, or charges with those of other firms must be supported by fact

Research reports that include recommendations must include the following:

- If the information is not current, a statement that it is not
- Historical performance should include current information about sudden, more recent performance changes
- A statement that, upon request, further information will be provided
- The price at the time the recommendation is made
- For reports that include past recommendations, specific information must be included*
- For reports or other communications offering to furnish a list of all recommendations by Kingswood Capital Partners, LLC within the past year or more, specific information must be included*
- No reference to prior recommendations may imply comparable future performance
- Research recommendations may not include promises of specific results, exaggerated or unwarranted claims or unwarranted superlatives, opinions without a reasonable basis, or forecasts of future events which are unwarranted.

*Specific rule requirements should be consulted or contact the Research supervisor or Compliance if there are questions regarding required information.

19.6 Disclosures and Statements

[FINRA Rule 2241(c)]

Research reports are required to include certain disclosures. Disclosures will appear on the front page of the research report or the front page must refer to the page on which disclosures are found, labeled prominently with a heading such as "Important Disclosures" or "Required Disclosures." Where the front page refers the reader to disclosures elsewhere in the report, the references must be separated from the report's body text and in larger font than the body text and will include specific page numbers (or a specific section such as an appendix) where disclosures may be found. Hyperlinks may not be used to replace written disclosures in hard- copy reports.

Electronic research may use hyperlinks for disclosures; hyperlinks must appear clearly and prominently on the first screen the investor sees. When hyperlinks are not possible (as for a PDF format), the requirements for paper reports must be followed.

For reports covering 6 or more companies (a "compendium report"), the report may clearly direct the reader to where they may obtain applicable current disclosures. Electronic compendium reports may include a hyperlink to the required disclosures. Paper-based compendium reports must provide either a toll-free number to call or a postal address to write for the required disclosures and may also include a web address of the member where the disclosures can be found.

Stock symbols may not be used in the required disclosures section of the report unless the reader is directed to where in the report the subject companies represented by the symbols are identified by proper names.

The following sections list the types of disclosure required by research rules. Other requirements under SRO rules may apply depending on the type of security included in a report or public appearance. Questions should be referred to Compliance.

General Requirements

- Stock symbols may not be used in the required disclosures section of the report unless the reader is directed to where in the report the subject companies represented by the symbols are identified by proper names.
- The Firm or a research analyst is not required to make a disclosure if the disclosure would reveal material non-public information.
- Disclosures must appear on the front page of research reports or the front page must refer to the page where disclosures are found. Electronic reports may provide a hyperlink to disclosures.
- All disclosures and references to disclosures must be clear, comprehensive, and prominent.
- For a report covering 6 or more companies (a "compendium report"), the report may clearly direct the reader to where they may obtain applicable current disclosures. Electronic compendium reports may include a hyperlink to the required disclosures. Paper-based compendium reports must provide either a toll-free number to call or a postal address to

write for the required disclosures and may also include a web address of the member where the disclosures can be found.

Ownership and Material Conflicts of Interest

- Any financial interest the research analyst or a member of the research analyst's household has in the securities of the subject company, and the nature of the financial interest (whether an option, right, warrant, future, long or short position).
- Ownership by Kingswood Capital Partners, LLC, or its affiliates of 1% or more of any class of common equity securities of the subject company (based on the same standards as Section 13(d) of the Exchange Act). This ownership is as of the end of the month immediately preceding the date of publication of the research report or end of the 2nd most recent month if publication is less than 10 calendar days after the end of the most recent month
- Any other actual, material conflict of interest of the research analyst or Kingswood Capital Partners, LLC known at the time of publication of the report. (This includes only conflicts where the analyst has actual knowledge of those conflicts that should be reasonably discovered in the ordinary course of business.)

Position as Officer or Director

- The research analyst or a member of the research analyst's household serves as an officer, director, or advisory director of the subject company. The disclosure will specify what position the individual holds with the subject company.
- Another employee serves as an officer, director, or advisory director of the subject company.

Analyst Certification

[SEC Regulation AC]

Research reports will include analyst certification as follows:

- A statement by the analyst that the views in the report accurately reflect the analyst's personal views about the subject securities or issuers; and,
- A statement by the analyst whether the analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views in the report. If related compensation was received, this statement will include the source, amount, and purpose of the compensation and disclosure that the compensation may influence the recommendation in the research report.

Disclaimers and Hedge Clauses

Research may not include cautionary statements or caveats if they are misleading or are inconsistent with the content of the material. General or specific disclaimers cannot contradict or be inconsistent with SRO-required disclosures. Disclosures or disclaimers not required by SRO rules will be clearly separated and appropriately labeled such as "Other Disclosures" or "Disclaimers."

19.6 Blue Sky of Securities Recommended

"Blue sky" refers to standards imposed by states on the securities sold to state residents. When a security is "blue skied" it is qualified for sale to state residents. Selling securities that are not blue skied is a violation of state law and has civil remedies such as rescission of the customer's transaction and refunding of money.

Blue sky requirements apply to corporate securities; government and municipal securities are exempt from these requirements. Exchange-listed securities and NASDAQ National Market securities generally are automatically blue skied in most states. Purchases by certain institutional customers may also be exempt from blue sky requirements.

Before issuing a research recommendation, it is necessary to determine that the subject security is blue skied in states where the recommendation will be distributed. The designated reviewer of research reports is responsible for determining blue sky status prior to distribution. If the security is not blue skied in some states, it may be necessary to restrict distribution, include a disclosure in the report's footnotes, or limit distribution to potential institutional purchasers.

19.6.1 Approval

All research reports must be approved by the designated supervisor prior to release.

Supervisory Review Procedures and Documentation

Designated supervisor, Head of Banking or CCO will review the draft reports as needed. Supervisor will contact analyst with any required changes. All drafts and final reports will be retained with approval or denial.

19.7 Prohibitions

19.7.1 Prohibition Against Soliciting Investment Banking Business

FINRA interprets paragraph (b)(2)(L)(i) to prohibit in pitch materials any information about a member's research capacity in a manner that suggests, directly or indirectly, that the member might provide favorable research coverage

19.7.2 Front running A Research Recommendation

Employees are prohibited from acting on information about an impending new research recommendation or a change in rating or price target prior to its public distribution (including passing on such information to others). Engaging in such activity is "front running," a violation of regulatory rules, and subject to potential disciplinary action by Kingswood Capital Partners, LLC, or regulators.

19.7.3 Prohibition Against Promise of Favorable Research

[FINRA Rule 2241(b)(2)(K)]

Kingswood Capital Partners, LLC and its employees are prohibited from making explicit or implicit promises of favorable research, a particular research rating or recommendation or specific research content as inducement for the receipt of business or compensation.

19.7.4 Prohibition of Retaliation Against Research Analyst

[FINRA Rule 2241(b)(2)(H)]

Kingswood Capital Partners, LLC and its employees are prohibited from directly or indirectly retaliating against or threatening to retaliate against a research analyst employed by Kingswood Capital Partners, LLC or an affiliate of Kingswood Capital Partners, LLC because of any adverse, negative, or otherwise unfavorable research report or public appearance that may adversely affect The Firm’s present or prospective business interests.

20 DIRECT PARTICIPATION PROGRAMS AND REITS

[FINRA Rule 2310; FINRA Regulatory Notice 15-02; NASD Rule 2340]

New issue requirements apply to DPPs and REITs as well as rollup transactions, in some instances.

Responsibility	□ Designated Supervisor
Resources	□ Information about the sponsor/issuer (for underwritten issues) □ Subscription agreements □ Other purchase records
Frequency	□ As required when DPPs and REITs are offered
Action	□ For new issues where the Firm may act as underwriter: o Confirm the sponsor or general partner of the DPP or REIT will make required value disclosures o Include appropriate valuations on customer statements o Conduct due diligence o Confirm expenses and compensation are within guidelines o Make required filing with FINRA and obtain "no objections" opinion □ Review agreements for completeness □ Determine customer's proposed purchase is suitable or in their best interest considering: o Qualification for the purchase depending on issuer's suitability or best interest (as applicable) standards o The customer's income, net worth, liquid net worth, and investment objectives o The amount of the investment considering diversification in the customer's portfolio □ Approve or disapprove purchase □ Provide liquidity disclosure, if required

20.1 Introduction

FINRA defines Direct Participation Programs as any "program which provides for flow-through tax consequences regardless of the legal entity or vehicle for distribution including, but not limited to, oil and

gas programs, condominium securities, Subchapter S corporate offerings and all other programs of a similar nature, regardless of the industry represented by the program, or any combination thereof". Direct participation programs are also often called "limited partnership" investments.

This chapter outlines Kingswood Capital Partners, LLC's procedures regarding the sale of Direct Participation Programs (DPPs) and Real Estate Investment Trusts (REITs).

20.2 New Issues

[FINRA Rule 2310(b)]

20.2.1 Due Diligence

The designated supervisor will be responsible for reviewing prospectuses on any proposed DPP offerings. Prior to participating in an offering of direct participation program or REIT securities:

- Kingswood Capital Partners, LLC must have reasonable grounds to believe that all material facts are adequately and accurately disclosed and provide a basis for evaluating the program.
- To determine the adequacy of the disclosed facts, Kingswood Capital Partners, LLC will obtain information on material facts relating to (among other things) the financial stability and experience of the sponsor and the program's risk factors. This includes, for a REIT, an inquiry into the amount or composition of a real estate investment program's dividend distributions including the amount of distributions that represent a return of investors' capital and whether the amount is changing.

Per FINRA rules, the following minimum material facts should be disclosed in the prospectus:

- items of compensation
- physical properties
- tax aspects
- financial stability and experience of the sponsor
- the program's conflicts and risk factors
- appraisals and other pertinent reports

20.2.2 Suitability and Best Interest

[FINRA Rule 2310]

Each DPP will have specified suitability/best interest standards including information such as the purchaser's income and net worth. Offerings that require a subscription agreement that is signed by the purchaser will include an affirmation that the customer meets the minimum suitability standards. For offerings where a subscription agreement is not required, the RR is responsible for ensuring the purchaser meets the standards outlined in the prospectus. The RR will complete a Suitability/Best Interest Questionnaire for each purchaser of a DPP where a signed subscription agreement is not required. The designated supervisor is responsible for ensuring required Suitability/Best Interest Questionnaires have been received prior to confirming purchases and retaining the Questionnaires in a file for the offering.

20.2.3 Subscription Agreements

The designated supervisor is responsible for the following:

- Determining when subscription agreements signed by purchasers will be required for a DPP offering.
- Ensuring completed and signed agreements are on file, when required, prior to confirming purchases.
- Retaining copies of the signed subscription agreements in a file for the DPP offering.

20.2.4 Prospectuses

Prospectuses will be provided to all purchasers of DPP offerings. A prospectus will be included with the confirmation of purchase and the designated supervisor will maintain a record of to whom prospectuses were sent and the date sent, unless "prospectus enclosed" or a similar notation appears on the confirmation.

20.2.5 Liquidity Disclosure

Disclosure will be provided to prospective investors if the sponsor has offered prior DPPs for which the prospectus disclosed a date or time period when the program might be liquidated, and whether the prior programs in fact liquidated on or around that date or time period.

20.3 Secondary Market Transactions

[FINRA Notice to Members 91-69]

20.3.1 Order Records

Each secondary market transaction in a Direct Participation Program will be recorded in order records (written or electronic) that will include the time of execution, which is defined as the time the parties have agreed to the essential terms of the transaction.

20.3.2 Reporting Transactions

[FINRA Rule 6622; FINRA Regulatory Notice 10-24; FINRA Notice to Members 97-8]

Secondary market transactions in non-exchange listed direct participation program (DPP) securities must be reported to FINRA within 30 seconds of execution. The "date of execution" and the "time of execution" are defined as the date and time, respectively, when the parties to a transaction in a DPP have agreed to all of the essential terms of the transaction, including the price and number of units to be traded.

Those required to report are as follows:

- Between two members, the executing party reports
- Between a member and a customer, the member reports

The designated trader is responsible for reporting secondary DPP transactions.

20.3.3 Allocation of Compensation

Rule 2310 (and Regulatory Notice 08-35) outlines specific requirements for allocating employee compensation as underwriting compensation. The Rule and Notice should be consulted for specific guidance when considering what is included as underwriting compensation.

The designated supervisor is responsible for periodically reviewing the reports provided to advisory customers.

21 INSURANCE PRODUCTS

This chapter describes policies and procedures that apply to the sale of insurance products.

21.1 Approved Insurance Products

RRs are permitted to sell only those products approved by Kingswood Capital Partners, LLC. Kingswood Capital Partners, LLC is responsible for evaluating and selecting products which may include, among other considerations:

- the insurance company's rating by a nationally recognized rating service
- when available, material complaints against the company and existence of criminal judgments against the company or its senior management
- availability of similar products from other insurance companies
- pricing of the product, including premium rates, compared with competitors' products
- sales support provided by the insurance company

The designated supervisor is responsible for reviewing proposed products and maintaining a record of information reviewed as well as the contract executed with the insurance company.

21.2 Licenses and Appointments

Responsibility	Designated Supervisor
Resources	Requests from RRs or managers Insurance applications Inquiries from insurance companies whose products are sold
Frequency	As required
Action	Review insurance applications prior to submission to determine whether RR is licensed and appointed Obtain licenses and appointments where necessary
Record	Records of insurance licenses, appointments, and required continuing education are retained in the employee's registration file.

To offer insurance products, the RR must have a state license for the type of insurance product. The RR must also have a non-resident license for the customer's state of residence, if different from the RR's resident state. In addition, the RR must be "appointed" with the insurance company whose product is being sold.

An RR engaged in the sale of insurance products requires the following:

- Licensing with the state insurance regulator as an insurance agent for the type of insurance business (ordinary life, variable annuity, etc.). Some states require successful completion of an examination for the type of license requested.
- Licensing in the state where the RR resides as well as the state of domicile of the customer.
- Appointment with the insurance company whose product is being sold. Insurance business cannot be dated prior to the RR's insurance company appointment in certain states.
- Continuing education, depending on the state where licensed.

RRs may not engage in the sale of insurance products or receive commissions from such sales unless properly licensed and appointed.

21.2.1 Requests for Licenses

RRs should contact Kingswood Capital Partners, LLC to request insurance licensing and appointment. The RR will be notified when insurance licenses are effective. Licenses are sent to the RR's home by the state licensing agency; a copy should be forwarded to Kingswood Capital Partners, LLC as soon as possible after receipt.

21.2.2 Non-Resident Licenses

There are some states where Kingswood Capital Partners, LLC is unable to conduct insurance sales activities. In other states, RRs may obtain non-resident licenses. Kingswood Capital Partners, LLC should be contacted to clarify requirements before offering insurance products to out-of-state customers.

21.2.3 Unsolicited Insurance Transactions

If an unlicensed RR receives an unsolicited order to purchase an insurance product, the transaction must be referred to a properly licensed insurance agent. Commissions will not be transferred to an unlicensed RR.

21.2.4 Additions to Existing Annuity Policies

If a customer wishes to make an additional contribution to an existing annuity policy, the RR must be licensed in the state where the customer currently resides.

21.3 Sales Guidelines

There are differences between insurance and securities products; it is important to understand these differences when discussing insurance products with customers. The following sections discuss sales guidelines for offering insurance products.

21.3.1 General Guidelines

- All insurance product purchases and sales MUST be conducted through Kingswood Capital Partners, LLC, unless the RR has obtained specific approval from the Compliance Officer to conduct insurance sales as an outside business activity for a specific insurance company/specific client (i.e., RRs are not permitted to accept any direct commission payments from insurance companies without such approval).
- Discussion of benefits of an insurance product should include disclosure of fees and charges.
- Focus on tax advantages must be balanced with disclosure of tax consequences.
- Avoid excessive focus on gross interest rate or investment performance rate without disclosure of product expense charges that serve to effectively reduce the return rate. Life

insurance products may have significant front-end and/or back-end load structures; they are designed as long-term vehicles.

- Encourage customers to review their periodic statements received from the insurance company.
- Make a prior determination that a recommended purchase or sale of an insurance product is appropriate for the customer depending on the customer's financial circumstances and reasons for considering the insurance product.

21.3.2 Life Insurance and Other Non-Annuity Products

- Do not refer to life insurance as an "investment" or "investment product."
- One primary need satisfied by life insurance is providing death benefit protection (including income to heirs directly for day-to-day living expenses or providing funds to pay estate taxes).
- Another use of life insurance is to accumulate cash value on a tax-advantaged basis.
- The RR should ensure the customer fully understands the difference between guaranteed and non- guaranteed elements of life insurance.
- Illustrations of return are projections only and not guaranteed.
- Positioning life insurance as a way to get tax-free income through policy cash value should be carefully evaluated. Other financial products may be a better source of tax-advantaged cash flow.
- Life insurance purchased for pension or educational funding planning purposes must be disclosed as life insurance.
- Replacing an existing policy (or reducing its value to raise funds) to purchase a new policy must be considered carefully for its suitability or best interest (as applicable) and the costs that will be incurred by the customer. Refer to the section Replacements for the policies and procedures that apply to such transactions.

21.3.3 Annuities

- Some primary needs satisfied by annuities include tax deferral; providing income that cannot be outlived; and enhanced death benefit features.
- Annuities are designed for customers with long-term investment objectives, typically as a source of retirement income.
- Surrender charges and tax penalties generally make annuities unsuitable for short-term investors and not in a retail customer’s best interest. Customers should have adequate sources of liquidity apart from the money paid into the contract.
- While it may seem that most customers have a need for tax deferral, taxable investments may be more appropriate for customers in lower tax brackets, depending on the contract's mortality/expense fees and other charges.
- Guarantees on death benefits cannot be represented as applying to investment return or principal value of the account.
- Discussion of investment features and insurance features should be balanced, i.e., do not neglect either feature.
- Illustrations of return are projections only and not guaranteed.
- Once a contract is annuitized, it is generally irreversible. Accordingly, there should be an income objective and no need for access to principal.
- Replacing an existing policy (or reducing its value to raise funds) to purchase a new policy must be considered carefully for its suitability or best interest (as applicable) and the costs

that will be incurred by the customer. Refer to the section Replacements for the policies and procedures that apply to such transactions.

21.3.3.1 Equity-Indexed Annuities

[FINRA Notice to Members 05-50;]

Responsibility	□ Designated Supervisor
Resources	□ New Business Blotter □ Requests to sell EIAs
Frequency	□ Daily - review of transactions □ As required - requests
Action	□ Review transactions for suitability or best interest (as applicable) including consideration of: o Customer's investment objectives o Customer's age o Features of EIA offered □ Where the liquidation of mutual funds or variable products fund purchases of EIAs, consider appropriateness of liquidation and obtain switching or replacement letters □ Follow up with RR and/or customer regarding questioned transaction □ Take corrective action, if necessary, which may include canceling the purchase □ Compliance: review EIAs to be offered to determine registration status and any necessary restrictions on sales
Record	□ New Business Blotter, including notes of corrective action □ Records of EIAs approved for offer by Kingswood Capital Partners, LLC

Insurance companies (and sometimes others) offer equity-indexed annuities (EIAs) which are financial instruments that:

- generally, offer a combination of interest income, some protection from loss of principal, and an opportunity to earn additional interest based on the performance of a securities market index.
- may be registered securities or are unregistered.

EIAs are complex investments that require both the RR and the customer to understand the various features to determine whether the particular investment is appropriate for the customer. Requirements for offering EIAs are listed next followed by a chart that lists general features of EIAs.

The following requirements apply to the sale of EIAs before recommending a purchase to the customer:

- The RR must consider the combination of features of the EIA and the investment objectives of the customer including the customer's investment horizon (length of appropriate investments).
- The RR must explain to the customer the features of the EIA or alternative EIAs being considered.
- RRs may not offer EIAs outside those approved by Kingswood Capital Partners, LLC.
- Recommendations to liquidate or surrender a security such as a mutual fund, variable annuity, or variable life contract to fund the purchase of an EIA must be in a retail customers best interest or suitable (as applicable) and necessary switching or replacement letters obtained.
- Advertising and sales literature about EIAs are subject to review by Compliance.

The following chart summarizes features of EIAs. Not all features are offered by all EIAs and because products evolve, not all features may be listed here. Each EIA must be reviewed to determine the combination of features suitable for recommendation to the customer or in a retail customer's best interest.

Feature	Explanation
Interest rate computation	A **participation rate** determines how much of the gain in the index will be credited to the annuity. Some EIAs use a **spread, margin, or asset fee** in addition to, or instead of, a participation rate. This percentage is subtracted from any gain in the index linked to the annuity. Some EIAs include an **interest rate cap** that limits investment return. The cap rate is generally stated as a percentage which is the maximum rate of interest the annuity will earn. Some EIAs allow the insurance company to **change rates** for all of the above alternatives periodically or at the start of the next contract term. This could adversely affect investment returns. Some EIAs use **simple interest** vs. compounding, reducing earnings.
Indexing methods	**Annual reset (ratchet)** compares the change in the index from the beginning to the end of each year with declines ignored. The advantage of this method is the gain is "locked in" each year. The disadvantage is that it can be combined with other features that will limit interest earned. **High water mark** looks at the index value at various points during the contract, usually annual anniversaries. It then takes the highest of these values and compares it to the index level at the start of the term. The advantage to this method is the contract may be credited with more interest than other indexing methods and protect against declines in the index. The disadvantage is that because interest is not credited until

	the end of the term, there may be no index-link gain if the customer surrenders the EIA early. Combined with other features, interest may be limited. □ **Point-to-point** compares the change in the index at two discrete points in time, such as the beginning and ending dates of the contract term. The advantage to this feature is that combined with other features, more interest may be credited. The disadvantage is that this method relies on a single point-in-time calculation and a decline in value at the end of the term precludes participation in any prior gains. The contract may not be credited with interest if the customer surrenders the EIA early. □ **Index averaging** may be daily or monthly rather than the actual value on a specified date.
Exclusion of dividends	Most EIAs only count equity index gains from market price changes, excluding any gains from dividends. Lack of dividends means the customer will earn less than investing directly in the market.
Floor on interest	The floor is the minimum index-linked interest rate earned. The most common floor is 0% which assures that even if the index decreases in value, the index-linked interest earned will be zero and not negative.
Early withdrawal	□ **Vesting:** Some annuities credit none of the index-linked interest or only part of it. The percentage vested, or credited, generally increases as the term comes closer to its end and will be 100% at the end of the term. □ **Surrender fee:** Some EIAs assess a cost for early withdrawal, sometimes stated as a dollar amount. □ **Withdrawal charge:** Usually a percentage of the amount being withdrawn. □ **Free withdrawal:** Some EIAs have a limited "free withdrawal" provision allowing the annuity holder to make one or more withdrawals without charge each year. The size of the free withdrawal is a set percentage of the annuity's guaranteed or accumulated value. Larger withdrawals may be subject to withdrawal charges, and the annuity holder may also lose index-linked interest on amounts withdrawn. □ **Tax penalties:** If the annuity holder is younger than 59 1/2, a tax penalty of 10% will apply as well as income taxed as ordinary income tax rates. □ **Prohibition against early withdrawal:** Some annuities do not allow a partial withdrawal prior to the end of the term.
Benefits	□ Annuity income payments □ Death benefit □ Tax deferral

21.4 Purchases

The following is a summary of how insurance contracts are purchased and processed. Refer to the section

Replacements for other procedures if the value of one policy is used to purchase a new policy.

21.4.1 Life Insurance and Other Non-Annuity Products

RRs may offer insurance products available from designated wholesalers. Kingswood Capital Partners, LLC must have a sales agreement with the insurance carrier prior to effecting sales. The RR may call approved wholesalers directly for the following:

- Quote on the requested product
- Appointment of the RR with the insurance company
- Applications and forms to purchase the policy
- Brochures on products available

21.4.2 Annuities

Kingswood Capital Partners, LLC must have a signed selling agreement with the insurance company to permit sales of products of that company. Kingswood Capital Partners, LLC should be contacted to obtain a list of approved insurance companies or verify whether a particular company has an agreement with Kingswood Capital Partners, LLC.

The following are steps for purchasing annuities:

- Both the customer and the RR must sign the application and the RR sends the application to the Insurance Department.
- Kingswood Capital Partners, LLC will review for availability of funds and required licensing and appointment of the RR.

21.5 Replacements

Responsibility	Designated Supervisor
Resources	Insurance applications and order records Replacement Letters
Frequency	Daily or as required

Action	□ Review insurance transactions to identify potential replacements (simultaneous or contemporaneous purchases and surrenders) □ Require Replacement Letters where required □ Review for patterns of an RR's customers exercising "free looks" or surrenders of contracts closely timed with the initial purchase □ Identify RRs whose customers have a high rate of variable annuity replacements or rollovers and determine whether replacements or rollovers are appropriate for the customers □ Conduct suitability or best interest (as applicable) review of each 1035 exchange effected by a customer buying an annuity contract considering the customer's age, the cost of the exchange, and what benefit the exchange is to the customer □ Review proposed replacement and, if appropriate, sign Letter indicating approval □ Notify RR the replacement was not approved and cancel purchase and sale, if necessary.
Record	□ Replacement Letters are retained with records of the transaction.

The term "replacement" generally refers to the activity of a customer surrendering or altering existing insurance coverage in order to purchase a new insurance policy. Recommendation of a replacement should be in a retail customers best interest or suitable (as applicable) for the customer and justified based on the reasons for the replacement. Considerations include the age of the customer, the cost involved, and what benefit is derived from the replacement.

If the RR is aware of a replacement, certain procedures must be followed, as explained in the following sections.

21.5.1 Definition

Replacement occurs when an existing life insurance or annuity has been or is to be:

- Terminated;
- Converted to reduced paid-up insurance, continued as extended term insurance, or otherwise reduced in value by the use of non-forfeiture benefits or other policy values;
- Amended to effect either a reduction in benefits or in the term for which coverage would otherwise remain in force or for which benefits would be paid;
- Reissued with any reduction in cash value; or,
- Pledged as collateral or subjected to borrowing, whether in a single loan or under a schedule of borrowing over a period of time for amounts in the aggregate exceeding 25% of the loan value of the policy.

Common transactions that constitute replacements include Internal Revenue Code section 1035 exchanges; loans on existing life insurance policies used to fund new purchases; and note transactions involving the same insurer (commonly known as internal replacements), depending on state law.

21.5.2 Suitability and Best Interest of Replacements

The RR must have a reasonable basis for determining the suitability or best interest (as applicable) of recommending a replacement. A replacement may not be in the customer's best interest. For example, a customer may incur new fees, extended surrender charge periods, a possible higher insurance risk rating due to ill health, and new suicide and incontestability periods. There may also be unfavorable tax consequences. RRs should carefully consider whether a replacement is suitable for the customer or in the best interest of a retail customer and take into consideration the following:

- Has surrender charge period in the old annuity expired?
- What is the composition of the customer's overall portfolio? Will a new variable annuity represent a significant asset in the portfolio?
- Will the customer need the money soon? What is the length of the surrender charge period in the new annuity? To what extent does the new annuity provide access to funds without penalty?
- Is disclosure to the customer clear that all investment risk in a variable contract is borne by the customer?
- What is the customer's age? Older customers may have greater liquidity need.

If new life insurance provides a higher death benefit for truly the same or lower premium cost than under old life insurance policy consider:

- Surrender charges, if any, under old policy
- Surrender charges, and duration, in new policy
- Imposition of new contestability/suicide period. Has there been a change in the customer's health?
- Premium payment period of new policy compared to old policy
- Possible variability of future premium payments

21.5.3 Replacement Procedures

If a replacement is to be effected, the RR must:

- Be appointed with the new insurance company and licensed in the state of the customer's residence prior to effecting the replacement.
- Complete the appropriate insurance original application.
- Check with Kingswood Capital Partners, LLC to determine whether the insurance carrier requires its own surrender form or state replacement form.
- Complete a state replacement form where required (check with Kingswood Capital Partners, LLC regarding states requiring their own replacement form).
- Obtain the surrendering carrier's original policy or complete a lost policy statement, signed by the customer.
- Send all original paperwork to Kingswood Capital Partners, LLC for processing.

21.5.4 1035 Exchanges

A 1035 Exchange refers to a section of the IRS Code that allows for the non-taxable exchange of non-qualified funds from one insurance carrier to another. The tax code states that the old insurance contract

must be exchanged for a new contract; the policyholder cannot receive a check and apply the proceeds to the purchase of a new insurance or annuity contract. The tax code also states that the policyholder may make a tax-free exchange from: 1) a life insurance contract to another life insurance contract or an annuity contract, or 2) from one annuity contract to another annuity contract. 1035 exchanges are not allowed for liquidations from annuity contracts to purchase life insurance contracts.

When a customer exchanges an annuity or life insurance contract to purchase an annuity contract, in addition to the requirements listed in the prior section, a specific 1035 exchange form may be required. Kingswood Capital Partners, LLC should be contacted regarding questions on 1035 exchanges.

21.5.5 Prohibited Replacement Activities

- It is an unfair practice to persuade an insurance policyholder, through misrepresentation or improper recommendations, to cancel an existing policy and buy a new one ("twisting").
- It is inappropriate to recommend the purchase of multiple insurance contracts, resulting in higher cost to the customer, when one contract will meet the customer's needs.

21.6 Variable Products

[FINRA Rule 2320; FINRA variable annuity site:
http://www.finra.org/RulesRegulation/IssueCenter/VariableAnnuities/index.htm]

Variable products are insurance contracts with underlying investments generally in investment company (mutual fund) securities. They are a hybrid of insurance and securities products. There are different types of variable products with differing requirements. Key requirements are listed below; other requirements follow in sections on specific products.

- RRs must have necessary licensing to sell variable products, including:
    - securities licensing with an SRO (i.e., FINRA, NYSE)
    - securities licensing in the state where the customer resides (some states waive securities
    - licensing to sell variable products)
    - insurance licensing in the state where the customer resides
- Supervisors of RRs who sell variable products must have required securities supervisory licenses.
- RRs must be familiar with features of variable products before recommending them and explain the features to the customer. Features may include a death benefit, fees and expenses, subaccount choices, special features, withdrawal privileges, and tax treatment. Each product must be reviewed because features vary considerably.
- Recommendations must be suitable or in a retail customer’s best interest considering whether features of the product meet the customer's investment needs.
- If replacing one annuity with another, a "switch" letter must be submitted and the purposes for the exchange must be explained.
- Purchases of deferred variable annuities require completion of the Variable Annuity Letter of Understanding which is provided to the supervisor with a copy of the purchase contract and new account information about the customer.
- Customer signed applications must be forwarded to the designated person on the day of receipt.
- Applications for deferred variable annuities must be reviewed and approved by a principal no later than 7 business days after the OSJ receives a complete and correct application and before sending to the insurance company.
- There are specific requirements that apply to advertising and other communications about variable products, particularly regarding yield, dollar cost averaging, and other representations of return.

21.6.1 Training

[FINRA Rule 2330(e)]

Variable products are included in RR training on an ongoing basis. Product and State specific training may also be necessary. The designated supervisor or compliance manager is responsible for providing firm variable annuity training and retaining records of training.

21.6.2 General Sales Guidelines and Suitability/Best Interest Requirements

[FINRA Rule 2111]

Responsibility	□ Designated Supervisor
Resources	□ Insurance contract or other documentation of a proposed or actual purchase □ Records of customer's financial information and investment objectives □ Information about the insurance product (features, fees, *etc.*) □ Records of exchanges, reports from insurance carriers
Frequency	□ Daily or as required when variable products are sold
Action	□ Review variable contract sales for the following: o Insurance product objectives consistent with the customer's financial situation or investment objectives o Objectives of underlying securities investments consistent with the customer's financial situation and objectives o Allocation of monies to subaccounts are consistent with the customer's stated needs and objectives o Subaccount transfers are suitable or in a retail customers best interest (other than those part of an insurance company's automatic asset allocation and rebalancing program) o Contract size that is not disproportionate to the customer's overall net worth or liquid assets o Customer is retired, unemployed, or lacks investment experience o Customer is older (>70 years old) and may not be suitable for a long- term investment and it may not be in a retail customer’s best interest □ Confer with the RR to obtain more information regarding a questioned sale or regarding recommendations inconsistent with sales guidelines, Regulation Best Interest, or suitability standards and suggest alternatives where appropriate □ Rescind or block purchases where a purchase would be inappropriate
Record	□ Date and initials of the reviewer on client new account paperwork, a copy of the insurance contract or Kingswood Capital Partners, LLC's other record of insurance

	sales • Reviews of transactions, special exceptions, specific letter to a customer where standard firm approval parameters have not been met

There are a number of considerations that should be made when recommending a variable product. Suitability obligations include recommendations to transfer investments in subaccounts (other than those that are part of an insurance company's automatic asset allocation and rebalancing program) as well as Regulation Best Interest.

- The RR must obtain and document financial information about the customer and the customer's investment objectives.
- Is the proposed recommendation consistent with the customer's investment objectives, both for the insurance component and the objectives of the underlying investments?
- Are the features of the variable product consistent with the customer's objectives and needs (payout phase, periodic payments, death benefit, tax-deferral, etc.)?
- What is the customer's need for liquidity and short-term investment? Is a long-term investment suitable for the customer or in a retail customer's best interest? Older customers may not be candidates for annuity investments and recommendations to these persons must be justified.
- What is the customer's investment experience and ability to understand the variable contract and underlying investments?
- What is the customer's immediate need for retirement income?
- Is the customer willing to invest a set amount on a periodic basis?
- Discuss all relevant facts with the customer including liquidity issues; fees and charges; applicable taxes or penalties and surrender charges; and market risk. Fees and charges include surrender charges, mortality and expense risk charge, administrative fees, underlying fund expenses, and other fees and charges.
- Multiple annuities, resulting in higher cost to the customer, should not be recommended when one annuity, or annuities from a family of funds, would meet the customer's investment needs and result in less cost to the customer.

21.6.3 Requirements for Specific Products

This section explains requirements that apply to specific variable products.

Some variable annuities are "multi-class" and offer different features depending on the class of the annuity. An example of classes includes the following:

- A Shares: Up-front sales charge, typically no surrender period
- B Shares: Longer surrender period, typically lowest mortality, and expense risk (M&E) fees
- C Shares: No surrender period, higher M&E fees
- L Shares: Shorter surrender period, higher M&E fees
- O Shares: No up-front sales charge, surrender period similar to B-Shares, progressively declining M&E fees
- X Shares: "Bonus Shares" or "Premium Enhanced," longer surrender period, moderate M&E fees, up- front bonus investment credit

Different variable annuities may also offer "riders" which are optional add-ons that annuity buyers may choose, usually at extra cost which may be an annual fee. Two popular types of VA living benefit riders are guaranteed minimum withdrawal benefits (GMWBs) and guaranteed minimum income benefits (GMIBs).

Riders may or may not pay off depending on how long the customer holds the annuity, the age of the customer, and other factors that must be considered when determining the suitability or best interest (as applicable) of riders.

When recommending multi-class shares, RRs must consider the following:

- Assessing and documenting suitability or best interest (as applicable)
- Education of the customer regarding class options
- Relatively higher M&E fees (one class vs. another)
- Impact of fees on overall returns
- Benefits over other share classes
- Commissions influencing recommendations
- Suitability or best interest (as applicable) of riders and related cost, potential payback
- Assure customer awareness of fee differentials
- Explanation of rationale for recommendation

21.6.3.1 Deferred Variable Annuities

[FINRA Regulatory Notice 09-32 and 07-53]

Responsibility	Designated Supervisor Compliance
Resources	Application packages Variable Annuity Letter of Understanding and new account information Records of purchases and exchanges
Frequency	Supervisor: Review applications within 7 business days of receipt Compliance: As required
Action	Supervisor: o Note date when application is received o Review application package for completeness o Review Letter of Understanding and new account information for appropriateness of investment o Contact RR for more information if necessary and revise or stop the purchase/exchange, if appropriate o Within 7 business days of receipt, approve or disapprove the purchase noting date of action taken o For disapproved applications, notify RR o For approved applications, forward to insurance company

	□ Compliance: o Review RR activity for patterns of exchanges; review for suitability or best interest (as applicable) of exchanges if a pattern is detected o Identify potential market timing of investments in sub-accounts o Confer with RR's supervisor if necessary o Take corrective action, if necessary, which may include added training for RR, changes to customer investments, limiting RR sales of variable products, or other appropriate activity
Record	□ Supervisor: application packages, with notation of date of receipt and date of review and action taken, where appropriate, letter of understanding, switch letter (when applicable) signature indicating approval/disapproval □ Compliance: reports or other records of purchases and exchanges with notation of action taken, where appropriate; office reviews

A variable annuity is a contract between the purchaser and the insurance company whereby the insurer agrees to make periodic payments to the purchaser, beginning either immediately or at some future date. A variable annuity may be purchased by a single payment or through a series of purchase payments. The underlying investment options typically include mutual funds that invest in stocks, bonds, money market instruments, or some combination of the three.

When offering deferred variable annuities, there are specific requirements that apply to the purchase or exchange (not sale or surrender) and the initial subaccount allocations. They also apply to the use of these products to fund IRAs but not sales to certain tax-qualified employer-sponsored retirement or benefit plans unless recommendations are made to individual participants. The Variable Annuity Letter of Understanding form must be submitted to the designated supervisor with the customer's contract and a copy of the customer's new account information.

The following lists the requirements that apply when recommending these products.

- **Suitability or Best Interest must be determined, when applicable.** This includes a reasonable basis to believe the customer has been informed about material features such as surrender period and charge, potential tax penalty, mortality and expense fees, charges for and features of enhanced riders, insurance and investment components and market risk. These may be generic disclosure but the RR is also obligated to consider the material features of the specific product.
- **Determine the customer would benefit from certain features** such as tax-deferred growth, annuitization or a death or living benefit. This does not require the customer will benefit from all features.
- The particular deferred variable annuity as a whole and the underlying subaccounts must be suitable.
- **If the transaction is an exchange from one variable annuity to another, the exchange must be suitable.** Factors that must be considered include whether the customer: (1) would incur a surrender charge, be subject to a new surrender period, lose existing benefits, or be subject to increased fees or charges; (2) would benefit from product enhancements and improvements; and (3) has effected another deferred variable annuity exchange within the preceding 36 months (whether at Kingswood Capital Partners, LLC or another broker-dealer).

- **Make reasonable efforts to ascertain and obtain certain customer information.** This includes the customer's age, annual income, financial situation and needs, investment experience, investment objectives, intended use of the variable annuity, investment time horizon, existing assets (including investment and life insurance holdings), liquidity needs, liquid net worth, risk tolerance, tax status, and other information necessary to make a recommendation.
- Variable annuities generally are considered to be long-term investments not typically suitable for investors with short-term horizons and not in a retail customer's best interest. The customer should be aware that withdrawals prior to age 59.1/2 - are subject to tax penalties and many variable annuities assess surrender charges for withdrawals within a specified time period after purchase.
- Variable annuities cannot be described as "mutual funds."

21.6.3.1.1 Market Timing

RRs may not facilitate or permit customer engagement in market timing in sub-accounts. Market timing is rapid and repetitive in-and-out trading to take advantage of market movements. Variable annuities are intended for longer-term investing and most (if not all) insurance companies do not permit market timing of investments in sub-accounts.

Engaging in market timing or knowingly aiding someone in that activity in a variable annuity is prohibited.

21.6.3.1.2 Transmission, Review, and Approval of Completed Applications

The RR is responsible for promptly forwarding the completed application package to an Office of Supervisory Jurisdiction (OSJ). The completed application must be reviewed and approved by the designated supervisor within 7 business days of receipt by the OSJ. Incomplete applications will be promptly returned to the RR. If an application is not approved, the RR will be notified. Approved applications will be forwarded by the designated supervisor (or other authorized person) to the insurance company for processing.

21.6.3.2 Variable Life Insurance

Variable life insurance is a life insurance contract with an underlying investment component in securities investments. Variable life contracts include two types of policies: variable whole-life and variable universal life. Both allow the policyholder to invest part of the premium in mutual fund-like investment pools called sub- accounts which often include a broad selection of funds from major mutual fund companies. Variable whole-life policies require fixed premiums; variable universal life policies allow the policyholder to vary payments. Variable life insurance offers a death benefit, similar to traditional life insurance. The cash value generated by the investment element is not guaranteed by the insurance company and can fluctuate depending on the performance of the investments.

- Customers must be advised of the risks of variable life insurance including the risk of loss in the underlying investments which may result in a cash value of the policy that is either too low to maintain the value of the death benefit or will become too low if the policyholder does not pay higher premiums.
- Disclosure documents available for variable life products must be provided to the customer at the time of recommendation. A record should be made of provision of the disclosure document (when and to who provided).
- For variable life insurance contracts, has the customer's need for life insurance already been met?
- RRs should not recommend that customer finance a variable life insurance policy from the value of another insurance policy or annuity, such as through the use of loans or cash values, unless the transaction is otherwise suitable for the customer or in a retail customer's best interest. It may be difficult to justify such a financing arrangement and the practice is strongly discouraged.

21.6.3.3 Bonus Products

[FINRA Notice to Members 02-70; FINRA Regulatory and Compliance Alert Summer 2000]

Some insurance contracts offer a bonus credit feature where the insurance company promises to add a bonus to a variable annuity policyholder's contract value based on a specified percentage (typically 1% to 5%) of purchase payments. RRs must be aware there may be disadvantages and added costs may more than offset the benefit to the customer. For example, as compared to a variable annuity that does not have a bonus feature, there may be higher surrender charges; longer surrender periods; and higher mortality and expense risk charges or other charges. The RR is responsible for understanding the benefits and disadvantages of a bonus product before making a recommendation to a customer.

As part of the designated supervisor's suitability or best interest (as applicable) review, bonus products should be considered regarding their overall benefit to the purchasers.

21.6.4 Communications with the Public Regarding Variable Products

[FINRA Rule 2210 and 2211; FINRA Regulatory Notice 08-12]

Some public communications require the prior approval of Compliance. Communications that include dollar cost averaging, effective yield, and performance illustrations must meet regulatory guidelines for presenting such information.

21.6.4.1 Advertising and Sales Literature

Only Firm-approved vendor material may be provided to customers. Kingswood Capital Partners, LLC is responsible for reviewing vendor materials and confirming FINRA approval has been obtained, where necessary, by the vendor. Copies are retained by Kingswood Capital Partners, LLC including the date of approval and initials of the reviewer.

Firm-developed advertising or sales literature regarding insurance products requires the approval of Compliance prior to issuance. Compliance is responsible for filing such material with FINRA and retaining a record of filings.

Depending on the content, some material may require providing a prospectus prior to or with the advertising or sales literature.

21.6.4.1.1 Sales Material Provided By Third Parties

Responsibility	□	Designated Supervisor
Resources	□	Proposed sales material from third parties
Frequency	□	As required

Action	□ For third-party material previously filed with and approved by FINRA: o Obtain a copy of FINRA approval o Review the material for consistency with FINRA standards and approval □ For third-party material NOT previously filed with FINRA: o Review the material for consistency with FINRA standards o File with FINRA, if required □ Upon receipt of review letter, make changes, if necessary □ Indicate supervisor's approval including date of approval
Record	□ Copy of sales material with notations, as necessary □ Copy of FINRA review letter □ Record of date first use and (if applicable) date of last use □ Retain for three years from date of last use

When sales material (advertising, sales literature, independently prepared reprints) is provided by a third-party, the sales material may require FINRA approval prior to use depending on the subject of the sales material. Requests to use outside sales material should be submitted to Compliance for review and approval.

21.6.4.2 Sales Seminars and Public Presentations

Seminars and presentations including variable products require the prior approval of Compliance. An outline of subjects to be covered and any handouts or copies of slides or other presentation materials must be provided for review. Compliance will retain records of materials reviewed including date of review and initials of the reviewer and any changes to be made.

21.6.5 Replacements

It is inappropriate to recommend replacing an existing annuity with a new annuity when there is no reasonable basis or economic justification for making that recommendation (churning) or make misrepresentations to encourage someone to replace an existing contract ("twisting"). RRs are obligated to obtain signed replacement letters or other required disclosure forms when replacing one variable annuity contract with another.

21.6.6 Considerations for Newly-Hired RRs

[FINRA Regulatory Notice 07-36; FINRA Notice to Members 07-06]

Responsibility	□ Designated Supervisor
Resources	□ Information about transferring customers' investments in variable company products

Frequency	□ As required for proposed switching of investments
Action	□ Review existing investments against proposed substitute investments with particular review of proposed reinvestment in bonus variable annuity products □ Prepare information and provide it to customers regarding options including that the customer may have to hold the existing investment at the prior firm, the cost of switching to another investment, and other considerations before changing investments
Record	□ Records of accounts reviewed and suitability or best interest (as applicable) determination, action taken including information provided to customers

There are considerations when a newly hired RR transfers customers who hold variable company products (mutual funds, variable annuities). If Kingswood Capital Partners, LLC cannot or will not service the customer's existing investment (inability to transfer products, Kingswood Capital Partners, LLC does not have a dealer or servicing agreement), the appropriateness and suitability of recommending a new investment company product must be determined by the RR and Kingswood Capital Partners, LLC as well as whether or not it is in a retail customer’s best interest. Before liquidating existing investments and reinvestment in new products, disclosure must be made to the customer regarding the costs and benefits of any proposed change in investments and proposed replacement investments must be suitable. A change of employment is not by itself a suitable basis for recommending a switch from one product to another and it may not be in a retail customer’s best interest.

22 PRIVATE PLACEMENTS AND OFFERINGS

[FINRA Frequently Asked Questions:
http://www.finra.org/industry/compliance/regulatoryfilings/privateplacements/faq/]

22.1 Introduction

This section provides general information about private placements and the regulations that govern their offer and sale. A general understanding of private placements is helpful when considering whether to offer a specific issue to a customer. Private placements and offerings are subject to strict requirements that are imposed on the issuer and those who sell the issue.

There are several general areas of requirements and limitations that affect most private placements, except in the case of a Reg D Rule 506(c) offering.

- No general solicitation of purchasers, except in the case of a Rule 506(c) offering
- Limits as to the size of the offering
- No advertising or public meetings about specific private placements, except in the case of a Rule 506(c) offering
- Issuers must provide information to potential investors.
- Securities purchased are generally restricted as to resale.
- Number of purchasers is restricted.

Private Placement Defined

A private placement is a sale of securities that is not subject to registration under the Securities Act of 1933. While private placements are exempt from registration requirements, they are subject to the anti- fraud and civil liability provisions of various federal securities laws. The following sections describe the primary exemptions under which private placements are offered.

Section 4(2) Of the Securities Act Of 1933

Some private placements are offered under Section 4(2) which provides an exemption for "transactions by an issuer not involving any public offering." While the section does not specifically outline the requirements for establishing an exemption, the following is a summary of requirements gleaned from SEC interpretations and court decisions.

- There may be no general solicitation of purchasers, except pursuant to Rule 506(c).
- Offerees and purchasers must have access to information about the issuer and must be able to comprehend and evaluate the information.
- The issuer, broker-dealer, and others acting for the issuer must conduct due diligence to reasonably insure information given to offerees and purchasers is complete and accurate.
- Offerees must have access to meaningful information concerning the issuer and be able to comprehend and evaluate the information.
- Purchasers must acquire the securities for investment and not for resale.

Definition of Terms

The following are common terms included in this chapter:

Accredited investor - An investor who meets certain criteria that are indicative of sophistication. (see the section Accredited Investors)

Non-Disclosure Agreement - An agreement signed by the offeree stating that proprietary information learned about the issuer will not be divulged to third parties.

Offer - An attempt to sell a security to a potential purchaser.

Offeree - A prospective purchaser to whom an offer is made.

Purchaser questionnaire - A questionnaire completed by an offeree to establish the offeree's suitability or best interest (as applicable) to purchase the investment.

Purchaser representative - A person (not affiliated with the issuer or the broker-dealer selling the issue) who acts on the purchaser's behalf to evaluate the investment for the purchaser.

Subscription agreement - The document signed by the purchaser and evaluated by the issuer prior to the purchase.

22.2 Blue Sky Requirements

State securities laws ("blue sky" laws) that apply to private placements vary from state to state. Some states have differing definitions for accredited investors; some states require registration of a securities issue that is otherwise exempt under Federal securities laws.

Kingswood Capital Partners, LLC and its sales personnel are required to comply with any blue-sky requirements that apply to a specific private placement issue. Requirements may differ depending on where the issue originates and where it is sold.

22.3 Sales of Private Placements

Suitability and Best Interest

A primary objective when selling a private placement is that all securities will be placed with suitable investors and in the best interest of any retail customer. The RR recommending a private placement is responsible for determining that the recommendation is suitable or best interest (as applicable) for the offeree based on information known about the potential offeree. The RR must consider minimum investor requirements and other suitability/best interest standards for each private placement offering.

Accredited Investors

[Securities Act Rule 215; Securities Act Regulation D Rule 501]

An accredited investor meets certain financial criteria which may include minimum net worth, minimum income levels and other standards set by federal or state laws and regulations. Typically, accredited investors are not counted toward the limitation on the number of purchasers of a private placement.

Information about each private placement (and where it is sold) must be consulted to determine who qualifies as an "accredited investor" for a particular issue.

An accredited investor, in the context of a natural person, includes anyone who:

- earned income that exceeded $200,000 (or $300,000 together with a spouse) in each of the prior two years, and reasonably expects the same for the current year, or

- has a net worth over $1 million, either alone or together with a spouse (excluding the value of the person's primary residence).
- There are other categories of accredited investors, including the following, which may be relevant to certain investors:
- any trust, with total assets in excess of $5 million, not formed specifically to purchase the subject securities, whose purchase is directed by a sophisticated person, or
- any entity in which all of the equity owners are accredited investors.

In this context, a sophisticated person means the person must have, or the company or private fund offering the securities reasonably believes that this person has, sufficient knowledge and experience in financial and business matters to evaluate the merits and risks of the prospective investment.

See Rule 501 of Regulation D for more information and other accredited investor definitions.

Non-Accredited Investors

Private placements sometimes may be offered to purchasers who do not meet the criteria of accredited investors. The number of allowable non-accredited purchasers will be limited, to preserve the registration exemption and meet requirements specified under federal and state law.

Restricted Nature of Private Placement Securities

Private placement securities are considered "restricted securities," other than those purchased in Rule 504 offerings. Certificates will typically include a legend and securities cannot be resold unless registered or the securities qualify for sale under an exemption.

Purchases must be for investment purposes and not for the purpose of resale. Subscription documents typically include an affirmation that the purchaser is buying the private placement for investment purposes and understands they may not be resold.

RRs must consider the illiquidity of most private placements when making suitability or best interest (as applicable) determinations. For example, a private placement would not be a suitable investment or in a retail customers best interest if a purchaser expects to invest his funds on a short-term basis.

Purchaser Questionnaires

Where necessary, the potential investor will be requested to complete a Purchaser Questionnaire which confirms that the investor meets certain minimum requirements to participate in the private offering.

When Purchaser Questionnaires are required, the RR is responsible for obtaining the completed Questionnaire from the potential purchaser and submitting it for review and approval within the timeframe established for the offering.

Purchaser Representatives

If a purchaser is not sufficiently sophisticated to effectively evaluate the investment opportunity, he or she may have a "purchaser representative" (chosen by the investor and not an affiliate of the issuer or broker-dealer) who assists in evaluating the investment. The purchaser representative will be required to sign the offering documents attesting to his or her role acting as purchaser representative.

Offering Memorandum

An offering memorandum is prepared for each private placement, depending on the specific issue. The offering memorandum includes disclosures of information obtained from the issuer including the nature, character, and risk factors relating to the offering.

An offering memorandum must be provided to all offerees. Offering memorandums are numbered, to enable Kingswood Capital Partners, LLC to maintain a record of offerees who received them.

RRs must provide information regarding the offeree at the time the memorandum is provided to the prospective purchaser.

Oral Representations

RRs must not deviate from written private placement memorandum information or other pre-approved information when discussing private placements with potential investors. Written notes of conversations with offerees (and their purchaser representatives) should be made, dated and placed in the customer's file.

Offeree Access to Information

Most private placement memoranda state that it was prepared by counsel from information provided by the issuer. Offerees are invited to meet with representatives of the issuer to make an independent investigation and verification of information in the memorandum.

Limits on Solicitation

A key element of private placement exemptions (other than offerings under Rule 504 and Rule 506(c)) is that there may be no general solicitation of the issue. This includes the following restrictions or requirements:

- No cold calling of potential offerees.
- Advertisements, articles, notices, or any other communication cannot be published in any public media (newspapers, magazines, radio, TV, etc.). Tombstone announcements after the offering is completed are permitted.
- No seminars or meetings may be held regarding an offering unless each invitee is known and qualified in advance.
- Specific offerings or past performance may not be included in generic seminars that discuss the general concept of such investments.

Subscription Agreements

Each potential purchaser will be required to complete the necessary subscription agreement to purchase a private placement. The agreement must be accompanied by a check, bank wire of other form of payment for the purchase.

Subscription agreements are processed as follows:

- The RR obtains the signed subscription agreement (and other required offering documents) and a check, bank wire, or other form of payment from the offeree and submits them to the designated supervisor.
- Subscription agreements and checks, bank or other forms of payment received are logged into the Sales Blotter for the private placement.
- The designated supervisor reviews the agreement and form of payment for acceptability.
- The payment is forwarded to the escrow agent or the issuer, together with the purchaser's name, address, social security number, and number of shares/units, as required.
- Rejected agreements/payments are returned to the RR with an explanation for the rejection.
- Accepted agreements are signed/initialed by the supervisor, a copy retained by Kingswood Capital Partners, LLC, and the original or a copy thereof is forwarded to the issuer.

- The issuer reviews and accepts or rejects the agreement.
- Issuer may send confirmation or statement to customer after the purchase is complete.

RRs should be aware that **purchasers are not accepted until the issuer accepts them.** Final acceptance rests with the issuer who is responsible for ensuring conditions of the offering are satisfied to qualify under the operative exemption.

22.4 Regulation D

[SEC Securities Act of 1933 Regulation D; FINRA Regulatory Notice 10-22]

Regulation D is a series of six rules, Rules 501-506, that include exemptions from the registration requirements of the 1933 Act. The specific exemptions are included in Rules 504-506 and differ as to the size of the offering and conditions imposed to qualify for the exemption. The following chart summarizes the three exemptions available under Regulation D. This is only a very general summary of requirements and does not include legal definitions and technicalities that may apply to certain types of private placements.

Question	**Rule 504**	**Rule 505**	**Rule 506**
Who may invest	Anyone suitable for the investment	Accredited investors	Accredited investors
Number of investors	Unlimited	35 non-accredited, unlimited accredited investors	35 non-accredited, unlimited accredited investors
Size of offering sold in any consecutive 12 months	$1,000,000	$5,000,000	Unlimited
Restricted securities?	No	Yes	Yes
Public solicitation/advertising allowed?	Yes	No	Yes
Disclosure document required?	No	Yes*	Yes*
Opportunity to ask questions of issuer?	No	Yes	Yes

* *Under the rule, disclosure documents are not required to be given to accredited investors though a note to Rule 502(b) states that an issuer should consider providing such information to accredited investors in view of anti- fraud statutes.*

The reference to "unlimited accredited investors" in the section "Number of investors" above does not imply that a private placement will, in fact, have an unlimited number of accredited investors. The issuer and Kingswood Capital Partners, LLC will consider limitations on accredited investors, as appropriate, to preserve the exemption as a private placement and avoid the appearance of a broad solicitation of the issue, except in the case of an offering pursuant to Rule 506(c).

Due Diligence

This section includes due diligence guidelines provided by FINRA. Kingswood Capital Partners, LLC will conduct due diligence appropriate for the particular Regulation D offering and document its reviews and investigations in the deal file.

When engaging in a Regulation D offering, due diligence will include, at minimum, reasonable investigation of:

- the issuer and its management;
- the business prospects of the issuer;
- the assets held by or to be acquired by the issuer;
- the claims being made; and
- the intended use of proceeds of the offering (including whether investors' money is likely to be applied according to the stated use of proceeds, and whether the stated use of proceeds is reasonable in light of the issuer's business purpose and prospects).

The scope of investigation may depend on a number of specific factors included in FINRA guidance, described below.

BD affiliation with the issuer. If there is affiliation with the issuer, a BD must not compromise its independence in performing a thorough and independent investigation and must resolve any conflict of interests impairing that responsibility.

BD that prepares the private placement memorandum or other offering document. The BD has a duty to investigate the securities offered and representations made by the issuer. Where a BD assists with preparation of a memorandum or document, the BD is subject to FINRA communications, advertising, and sales literature rules. **Sales literature is subject to FINRA rule requirements whether or not the BD assisted in its preparation.**

"Red flags" (such as an issuer's refusal to provide information for the BD to meet its obligation to investigate or inaccurate financial statements) must be reviewed and simple reliance on representations by the issuer's management is not sufficient to meet the BD's investigatory obligations.

The use of counsel or experts to perform an investigation on the BD's behalf must be done by firms and individuals that the BD is satisfied are qualified and competent. When Kingswood Capital Partners, LLC is a member of a syndicate or selling group, it may rely upon the reasonable investigation by the syndicate manager if the BD believes the syndicate manager has the expertise and absence of conflicts to conduct the investigation. Reliance may be substantiated by meeting with the manager; obtaining a description of the manager's reasonable investigation efforts; and inquiry regarding the independence and thoroughness of the investigation.

Investigation Practices

The following are FINRA guidelines for what may be included in a reasonable investigation of a Regulation D offering. Kingswood Capital Partners, LLC will conduct investigation into the issuer as appropriate for the proposed offering.

Issuer and Management

Reasonable investigations of the issuer and its management concerning the issuer's history and management's background and qualifications to conduct the business might include:

- Examining the issuer's governing documents, including any charter, bylaws, and partnership agreement, noting particularly the amount of its authorized stock and any restriction on its activities. If the issuer is a corporation, a BD might determine whether it has perpetual existence.
- Examining historical financial statements of the issuer and its affiliates, with particular focus, if available, on financial statements that have been audited by an independent certified public accountant and auditor letters to management.
- Looking for any trends indicated by the financial statements.
- Inquiring about the business of affiliates of the issuer and the extent to which any cash needs or other expectations for the affiliate might affect the business prospects of the issuer.
- Inquiring about internal audit controls of the issuer.
- Contacting customers and suppliers regarding their dealing with the issuer.
- Reviewing the issuer's contracts, leases, mortgages, financing arrangements, contractual arrangements between the issuer and its management, employment agreements, and stock option plans.
- Inquiring about past securities offerings by the issuer and the degree of their success while keeping in mind that simply because a certain product or sponsor historically met obligations to investors, there are no guarantees that it will continue to do so, particularly if the issuer has been dependent on
- continuously raising new capital. This inquiry could be especially important for any blind pool or blank-check offering.
- Inquiring about pending litigation of the issuer or its affiliates.
- Inquiring about previous or potential regulatory or disciplinary problems of the issuer. A BD might make a credit check of the issuer.
- Making reasonable inquiries concerning the issuer's management. A BD might inquire about such issues as the expertise of management for the issuer's business and the extent to which management has changed or is expected to change. For example, a BD might inquire about any regulatory or disciplinary history on the part of management and any loans or other transactions between the issuer or its affiliates and members of management that might be inappropriate or might otherwise affect the issuer's business.
- Inquiring about the forms and amount of management compensation, who determines the compensation and the extent to which the forms of compensation could present serious conflicts of interest. A BD might make similar inquiries concerning the qualifications and integrity of any board of directors or similar body of the issuer.
- Inquiring about the length of time that the issuer has been in business and whether the focus of its business is expected to change.

Issuer's Business Prospects

Reasonable investigations of the issuer's business prospects, and the relationship of those prospects to the proposed price of the securities being offered, might include:

- Inquiring about the viability of any patent or other intellectual property rights held by the issuer.
- Inquiring about the industry in which the issuer conducts its business, the prospects for that industry, any existing or potential regulatory restrictions on that business and the competitive position of the issuer.
- Requesting any business plan, business model, or other description of the business intentions of the issuer and its management and their expectations for the business, and analyzing management's assumptions upon which any business forecast is based. A BD might test models with information from representative assets to validate projected returns, break-even points and similar information provided to investors.

- Requesting financial models used to generate projections or targeted returns.
- Maintaining in the BD's files a summary of the analysis that was performed on financial models provided by the issuer that detail the results of any stress tests performed on the issuer's assumptions and projections.

Issuer's Assets

Reasonable investigations of the quality of the assets and facilities of the issuer might include:

- Visiting and inspecting a sample of the issuer's assets and facilities to determine whether the value of assets reflected in the financial statements is reasonable and that management's assertions concerning the condition of the issuer's physical plants and the adequacy of its equipment are accurate.
- Carefully examining any geological, land use, engineering or other reports by third-party experts that may raise red flags.
- Obtaining, with respect to energy development and exploration programs, expert opinions from engineers, geologists and others are necessary as a basis for determining the suitability or best interest (as applicable) of the investment prior to recommending the security to investors.

22.5 Private Equity Funds

Private equity funds pool investments from individuals and institutions and invest in businesses. Investors are usually limited partners in a limited partnership controlled by a general partner that determines the investing of funds. There is no public market for private equity funds but there may be a secondary market for interests.

Private equity funds may offer a high rate of return with a corresponding high rate of risk of loss. In a growing economy funds may exit the earliest portfolio investments providing distributions to limited partners, but a slowing economy may restrict the fund's ability to liquidate investments. Most investors are institutions that have the ability to develop a diversified portfolio of private equity funds or that invest through a fund of funds to provide a diversified portfolio.

Features of private equity funds include the following:

- Entry requires a substantial initial investment (which may be $1,000,000 or more) allowing the fund's manager discretion over the first few years of the fund.
- Funds may provide for obligatory capital contributions throughout the life of the fund obligating the limited partners to make additional contributions. Failure to meet capital calls may result in the defaulting limited partner forfeiting interest in the fund.
- These are illiquid investments that are not publicly traded. An investor's capital is locked up in a long-term investment which may last ten years or more with no redemption rights. Distributions are made only as investments are converted to cash.
- Limited partners typically have a passive role with no say in the actions of the general partner.
- The general partner may not find suitable investments for the fund resulting in the investors' funds remaining uncommitted
- Funds are high risk; the investor may lose all of the investment.

RRs must obtain necessary partnership agreements and any suitability/best interest documents required for the investment and submit them to the appropriate supervisor for review.

23 INVESTMENT BANKING

23.1 Introduction

These policies and procedures outline requirements for Kingswood Capital Partners, LLC's Investment Banking ("IB") activities. Questions regarding the policies and procedures outlined in this chapter should be directed to Compliance.

23.2 Information Barrier and Confidentiality Issues

Information Barrier Procedures

In order to control the flow of confidential and material, non-public information, Kingswood Capital Partners, LLC has created Information Barriers to separate the public side employees (e.g., sales, trading, and research) from private side employees (e.g., advisory and investment banking).

For more detailed information regarding Kingswood Capital Partners, LLC's Insider Trading and Information Barriers policies, and the Watch and Restricted Lists policies, refer to the chapter INSIDER TRADING.

Origination Process and Information Sharing

This section provides a venue for IB and origination personnel to meet and discuss significant Firm opportunities. To that end, open dialogue and communication is crucial, however Compliance guidelines must accompany this open forum in order to address: potential conflict situations; the flow of material, non-public information ("MNPI"); and compliance with Kingswood Capital Partners, LLC's information barrier policy of sharing information only with those that have a "need to know." The following compliance guidelines address information sharing issues.

1. As communications through this process will cross industry and product lines, participants will be privy to information that they previously have not been privy to. Senior Origination participants will be held to the same higher standard as Senior Management and above-the-barrier employees. If a retail registered representative is involved in the process, conversation, or discussions it is the responsibility of the senior investment banker to promptly advise Compliance and complete the Firm's "Over the Wall" form is the non-investment banking person will be continuing to be involved in further discussions.
1. Participants should always use good judgment when discussing potential transactions or situations and should limit the content and context of the information they present. In the event that MNPI is shared during the meeting, the information should be limited only to essential information (i.e., "need to know").
2. Unlike other forums, project code names are not required. However, if information does not need to be shared or if assistance can be gained by having conversations with colleagues in a separate, smaller venue, this route should be taken.
3. Identifying and discussing common relationships and communication strategies are permissible.
4. Participants should not hand out any materials at the meeting, except for senior management and board of director lists. To the extent that contact lists are handed out or emails are distributed, the documents should:
    - have a cover sheet (as applicable),
    - be clearly marked Confidential,
    - use a project code name, if applicable, in the header or reference field (for emails), and

- be collected and shredded at the end of the meeting by the person handing the material out.

5. At a minimum, the use of project code names and limited details should be used as soon as possible, e.g., after the idea comes together and the deal team proceeds with the pitch. Generally, the group should not be updated until the transaction is announced or dead.
6. All MNPI must remain confidential outside the meeting and should be used only for the business purpose it was communicated. Sharing information outside the group should be limited to those with a "need to know."
7. When communicating MNPI outside of the group meeting, individuals should utilize project code names in written and in oral communications when appropriate, i.e., public places, meetings outside the group, e- mail, and broadly disseminated correspondence.

23.3 Watch Lists

Compliance maintains and monitors a "Watch List" as described in INSIDER TRADING. Investment Bankers have an obligation to notify Compliance of pending deals as outlined in the policy.

The Watch List is a confidential list of companies and issuers of securities maintained by Investment Banking for the purpose of monitoring the possession of confidential or material, non-public information obtained by Kingswood Capital Partners, LLC during its normal course of business, usually when it has been retained to advise a customer regarding a transaction, to underwrite an offering, or to provide debt financing. The contents of the Watch List are highly confidential and access to the Watch List is limited to Compliance and persons granted access by Compliance. No person may discuss the contents of the Watch List or any of its information with anyone outside of the immediate deal team and senior management in the respective business unit, where appropriate, without permission of Compliance

The Watch List is used to review the sales and trading activities of Kingswood Capital Partners, LLC, and the personal trading activities of employees without restricting such activities. The Watch List helps to ensure the integrity of the Information Barrier and is used to support and monitor compliance of these policies and procedures. For these reasons, Compliance is authorized to break trades in proprietary or employee accounts, restrict trading and research, and prohibit other activities relating to securities or issuers included on the Watch List.

Additions to the Watch List

Notification

The Managing Director of Investment Banking and/or the Lead Banker is responsible for PROMPTLY (within 24 hours) informing all employees when Kingswood Capital Partners, LLC is reasonably likely to be engaged by a customer or they obtain information that is substantially material to the customer and/or Kingswood Capital Partners, LLC via email. Examples include:

- M&A advisory or fairness opinion
- Underwriting or placement agent activities
- Acquisition finance involving public companies
- Conflict clearance when both the acquirer and target are customers
- Auctions
- Hostile situations

Investment Banking Commitment Committee

The Investment Banking Committee shall meet whenever the Managing Director of Investment Banking calls a meeting for the purpose of presenting a potential engagement. The meeting can be conducted via

e-mail exchange of information or in-person. A simple majority vote of the members is required. The Managing Director of Investment Banking will keep a record of the information exchanged and the vote outcome.

The Managing Director of Investment Banking and/or Lead Banker is responsible for notifying Compliance prior to going to the Investment Banking Commitment Committee when Kingswood Capital Partners, LLC is reasonably likely to be buy-side or sell-side advisor for a private or a public company, financial or general advisor, advisor in a going-private transaction, to explore strategic alternatives, to place private equity, or to provide a fairness opinion.

The Managing Director of Investment Banking will keep a record of the Watch List and provide Compliance a copy whenever changes are made so that Compliance may conduct a Firm-wide review in an attempt to identify, manage and resolve potential conflicts of interest arising from Kingswood Capital Partners, LLC's participation.

Deal Teams

At the time the Managing Director of Investment Banking and/or Lead Banker reports a project for Watch List addition, the Banker should also communicate to Compliance the proposed deal team and a project code name to control the flow of information. The deal team should include employees representing a cross-section of business units and product expertise relevant to the transaction. Those "above the barrier" are not added to a deal team. Compliance will assist with resolving situations where limited resources are available to adequately staff multiple, competing deal teams.

The deal team is required to use the project code name in all communications relating to the transaction to ensure security.

Updates to the Watch List

The Managing Director of Investment Banking and/or Lead Banker is responsible for informing Compliance of all material events regarding the transaction. Examples include:

- timing and launching of transactions
- notification prior to a public announcement for an M&A transaction or rendering a fairness opinion
- notification after a shareholder vote is complete or a tender offer expires

Deletions from the Watch List

The Managing Director of Investment Banking and/or Lead Banker who added the security or issuer to the Watch List is responsible for PROMPTLY informing all employees when a security or issuer should be removed from the Watch List. Certain offerings may remain on the Watch List for extended periods of time, which will be determined by the Investment Banking Department. Generally, the removal of a security or issuer from the Watch List is warranted when the information possessed by Kingswood Capital Partners, LLC is no longer deemed confidential, material, or non-public in nature or when it has aged to the point where it is no longer relevant. Removal of a security or issuer from the Watch List is also warranted when the project has been abandoned or when the probability of a project occurring is no longer great enough to continue to monitor the sales, trading and research activities of Kingswood Capital Partners, LLC, and the activities of employee accounts.

23.4 Restricted List

In order to comply with securities laws, to avoid the appearance of impropriety, and to supplement the Information Barrier, Kingswood Capital Partners, LLC maintains a Restricted List. The Restricted List is a confidential list of companies and issuers of securities in which certain restrictions apply in handling

customer orders, trading for proprietary accounts, trading for employee and employee-related accounts, and other activities.

The Managing Director of Investment Banking is responsible for generating, maintaining, and distributing the Restricted List by Investment Banking for the exclusive use of Kingswood Capital Partners, LLC, and its contents should be kept confidential. It is located on the Kingswood Capital Partners, LLC's Intranet site AIS.

The Managing Director of Investment Banking will determine the time frame for the commencement of the restricted period but will generally begin once an engagement agreement has been executed. Once the Firm has signed an engagement agreement letter, the restricted period becomes effective and the underlying security will be placed on the Firm's Restricted List. They will immediately notify Compliance, and the clearing firm that the underlying security is restricted and will simultaneously advise all employees via email of the particular restricted security inclusive of the effective date.

Once the security has been placed on the Restricted Securities List, all open orders must be cancelled and no solicited transactions are permitted. The Firm's Trading Department is to ensure that all open orders are cancelled immediately. Any unsolicited orders must receive Compliance review and approval prior to order entry.

Prohibitions and Effects of the Restricted List

The Restricted List is most often used in the following situations to restrict the appropriate sales, trading, and research activities in the applicable securities of an IB customer. The Managing Director of Investment Banking will determine when one of the following conditions requires addition of a security to the Restricted List.

- When Kingswood Capital Partners, LLC has been retained as a financial advisor in a material public transaction
- When Kingswood Capital Partners, LLC is a participant in a publicly announced offering of securities
- When Kingswood Capital Partners, LLC, in some cases, is a provider of debt financing
- In situations where a research analyst, salesperson, or trader is brought over-the-wall
- When appropriate, securities of an issuer that is on the opposite side of a material, public transaction with Kingswood Capital Partners, LLC's customer

The Restricted List generally will not indicate why a particular security or issuer is restricted but will identify what activities are restricted and, conversely, permitted.

The Managing Director of Investment Banking will file a Restricted Period Notification five (5) days prior to a transaction closing. When the FINRA requirement does not fit within the contemplated transaction closing timeframe, the Managing Director of Investment Banking will take a more conservative approach by filing ahead of the five (5) day closing period.

Removal from the Restricted List

The Managing Director of Investment Banking will determine when the engagement is complete and no further activities will be conducted with the underlying company. Once this determination has been completed, they will immediately advise Compliance and the clearing company via email to remove the underlying security from the Firm's Restricted List along with effective date. Once the completion confirmation has been received, the Managing Director of Investment Banking will advise employees of the removal from the list along with updating Kingswood Capital Partners, LLC's internal records found on the

AIS intranet. Representatives will also be advised to re-confirm any orders from clients prior to re- entering into the system.

23.5 Investment Banker Personal Investments

Kingswood Capital Partners, LLC's general associated persons trading policy does not permit outside accounts to be maintained outside the Firm without an exception being granted by Compliance in writing. When exceptions are granted, these individuals are required to pre-clear their securities transactions by sending an email to Compliance for approval. Additionally, copies of confirmations and statements are requested from the outside brokerage firms where accounts are held and are reviewed promptly by the Firm's Compliance Staff upon receipt. Because investment bankers (Bankers) have access to MNPI, they are subject to specific requirements affecting their personal investments to avoid conflicts of interest and rule violations. Failure to comply with this Policy may result in disciplinary actions up to and including termination of employment.

Bankers are prohibited from trading in securities:

- that they cover.
- for one (1) reporting period after a publicly announced deal is finalized (but under no circumstances for any period where there is knowledge of material, non-public information).
- in industries where the Banker is aligned.
- where the Banker has knowledge of material, non-public information (this includes a prohibition against passing on such information to others).
- when the Banker is part of a deal team (includes others supporting the deal team and having knowledge of the deal). Includes knowledge of current or proposed deals.
- that are securities of an issuer that is a customer of the Banker.
- when aware of a proposed or pending follow-on offering.
- if currently involved in an underwriting or distribution of securities for the issuer.
- if previously involved in an underwriting or distribution of securities for the issuer, less than one reporting period has elapsed since the close of the underwriting.
- if aware of an ongoing relationship with the issuer/customer of the group you are working in.
- if aware of any current or potential transactions for the issuer as a result of access to financial or other systems, write rights (the ability to view or change information) to shared folders or applications or work on specific projects.
- if aware of any pitches or other communications planned with the issuer.

Post-Transaction Review Requirements

Compliance Staff is responsible for conducting a review of any banker transactions via statements and confirmations for outside accounts that may have received an exception from the Firm's policy.

Compliance reviews various exception reports on a daily basis for potential conflicts of employee

23.6 Licensing And Registration

[NASD Rules 1022 and 1032(i), Regulatory Notice 09-41]

Bankers are required to have the Series 79 (Investment Banking Representative), and Series 63 (Uniform State Law) registrations. Supervisors are also required to complete the Series 24 General Securities Principal qualification. Employees of Kingswood Capital Partners, LLC may not solicit or otherwise engage in securities activities unless properly registered.

Registered personnel should be licensed in each state or jurisdiction (via Series 63) in which they will potentially conduct or solicit securities or investment banking business unless a specific exemption applies as determined by Compliance.

23.7 Gifts and Entertainment

[FINRA Rules 2320(g)(4)(A), 2810(c)(2)(A), 2830(l)(5)(A) and 3220]

All employees are subject to Kingswood Capital Partners, LLC's policies on gifts and entertainment (GENERAL EMPLOYEE POLICIES chapter). Additional requirements that apply to Bankers are included in this section.

Deal Closing Events

Closing dinners or similar events recognizing a successful transaction are permissible, but are considered "entertainment" for the purpose of the applicable rules and are subject to Kingswood Capital Partners, LLC's entertainment policy.

Customer Restrictions On Gifts, Gratuities, And Entertainment

Many institutions adopt policies and procedures restricting the receipt of gifts, gratuities and entertaining. Firm personnel should conduct business development activities consistent with such policies and procedures to the extent such policies and procedures are effectively communicated to Kingswood Capital Partners, LLC.

Governmental agencies, municipalities, political subdivisions, federally insured deposit institutions, public utilities, and bank holding companies typically have adopted policies and procedures or may be subject to state or federal laws and regulations that govern or limit receipt of gifts, gratuities and entertaining.

Employees who cover any such customers or sectors should become familiar with the limitations imposed on the receipt of gifts, gratuities or entertainment by the customers themselves or laws applicable to the customer.

Gifts, Gratuities, And Entertainment Provided By Related People

It is not permissible to use spouses or other family members to evade the limitations of the rules. Any gift giving or entertaining of Firm customers by a spouse or other family members of an employee will be subject to the rules' limitations except to the extent (i) it solely relates to business development by the spouse's or other family member's employer, or (ii) it is permissible personal gift giving or entertainment to family members and personal friends as provided above and such gift or entertainment is not directly or indirectly paid for by Kingswood Capital Partners, LLC.

23.8 Participation In Compliance Meetings, Continuing Education, And Internal Audits/Reviews

[FINRA Rule 1240 and 3110(a)(7); NYSE Rule 345A]

Bankers are required to attend an annual compliance meeting, as required by FINRA, at which attendance is mandatory. The meeting provides a forum for education and guidance concerning legal or regulatory requirements and Kingswood Capital Partners, LLC's internal policies, and procedures.

Bankers are also subject to continuing education requirements. Registered personnel must complete Regulatory Element continuing education (required every three years) administered by regulators and Firm Element continuing education (required annually) administered by Kingswood Capital Partners, LLC. Compliance will notify employees when they are subject to the requirements; failure to complete the

requirements within specified deadlines will result in the employee ceasing business activities until continuing education is satisfied.

IB is subject to reviews to detect and deter violations of applicable legal requirements and internal policies and procedures. Reviews typically include an assessment of the supervisory structure and internal policies and procedures. Bankers and supervisors are expected to cooperate and provide requested materials promptly to auditors.

23.9 Inquiries and Investigations

Kingswood Capital Partners, LLC is subject to supervisory oversight by multiple regulators. When a representative of any of these regulatory bodies contacts or requests information from an employee in IB, the employee must immediately contact Compliance. IB personnel should only communicate with regulators after consultation with Compliance and/or Legal.

23.10 Anti-Money Laundering (AML)

[FINRA Rule 3310 (formerly NASD Rule 3011); NYSE Rule 445]

It is the responsibility of the Senior Banker executing an engagement letter on behalf of Kingswood Capital Partners, LLC to ensure the required disclosure is incorporated in the engagement letter or other similar engagement documents executed with issuers and borrowers.

23.11 Communications

IB personnel are subject to Kingswood Capital Partners, LLC's communications policies (see the chapter COMMUNICATIONS WITH THE PUBLIC). Only Firm-sponsored communications networks and computers may be used for public communications. Kingswood Capital Partners, LLC is required to review and retain electronic communications. Electronic communications of any type should be considered the equivalent of written communications for purposes of creating a record of communications and should not be considered "conversations" or phone calls.

The following are included in the definition of communications with the public.

- Press Releases
- Single and Multiple Tombstone Advertisements
- Underwriting proposals to issuers
- Pitchbooks, marketing materials
- Research reports
- Recommendations List
- Offering sheets, fact sheets, or prospectus summaries
- Seminar texts
- Any material designed to be published in the public media
- Electronic communications such as e-mail and Bloomberg
- Communications via electronic networks such as instant messaging
- Facsimile ("Fax")

Communications that refer to Kingswood Capital Partners, LLC as a legal entity (in contracts, etc.), must state the full legal name of Kingswood Capital Partners, LLC and Kingswood Capital Partners, LLC's capacity in relation to the product or service offered. Any brand name may be used for marketing purposes, but may not be used in place of the legal entity. If a Firm affiliate is mentioned, the relationship between Kingswood Capital Partners, LLC and its affiliate must be clear. If an individual is named in a communication

containing the names of Kingswood Capital Partners, LLC and an affiliate, the nature of the relationship of the individual with Kingswood Capital Partners, LLC should be clear.

Prohibited Communications between Bankers And Customers

Prior to the effective date of a registered offering, communications mentioning the offering are prohibited including press releases, advertisements, and written communications. There should be no written communications (including email or fax) between Bankers and customers during the offering period.

Private placements, by their nature, may not be announced prior to the transaction via press releases, advertisements, and other media with broad distribution.

"Internal Use Only" material should not be disseminated externally and should be marked "Confidential" to prevent copying or forwarding.

Communication with Other Business Units

This section is intended only to provide general guidelines regarding appropriate levels of communication between IB and other Firm business units (other than Research which is discussed in the next section). **If there is any question related to whether or not something can be discussed or shared with other business units, contact Compliance.**

In the event that an employee believes that he or she may have inadvertently signaled that a confidential commitment or project is underway, or may have communicated confidential information about a project to a person not entitled to such information, the employee should immediately contact the senior business person on the transaction, who should then contact Compliance to determine what, if any, actions are advisable or necessary as a consequence of these communications.

Public Side Employees (Sales and Trading, etc.)

In the ordinary course of business, IB will possess non-public and potentially material information regarding corporations whose securities are traded by the public side of Kingswood Capital Partners, LLC, specifically Trading and Sales. It is the responsibility of Bankers to prevent such information from being shared with the public side of Kingswood Capital Partners, LLC. However, there exists a great deal of information received by IB that is public and of interest to employees on the public side of Kingswood Capital Partners, LLC. To facilitate the sharing of such information the following list of items is pre- approved by Compliance for distribution to the public side of Kingswood Capital Partners, LLC and is considered public information:

- Annual Reports, Press Releases, or other company prepared material which is made available to the public;
- Publicly registered documents, 10Ks, 10Qs, and Credit Agreements filed with the SEC;
- Information from publicly available industry media sources; and
- Publicly distributed research published by other institutions.

Written information not pre-approved in the above categories must be reviewed by Compliance before being distributed to the public side of Kingswood Capital Partners, LLC.

Interactions between Research Analysts And Investment Bankers

[FINRA Rule 2711; NYSE Rule 472]

If and when Kingswood Capital Partners, LLC has Research, Communications, and interaction between IB and Research, are restricted by regulatory rules, as such any communications between individuals in each department are subject to the Firm’s processes and controls as outlined in this section of the Firm’s WSPs.

No Research Analyst may be subject to the supervision or control of any member of Kingswood Capital Partners, LLC's IB groups. IB will have no input into company-specific coverage decisions made by the Equity Research Department (i.e., whether or not to initiate or terminate coverage of a particular company).

No Banker may, directly or indirectly, retaliate against or threaten to retaliate against any research analyst employed by Kingswood Capital Partners, LLC, or its affiliates as a result of an adverse, negative, or otherwise unfavorable research report or public appearance written or made by the research analyst that may adversely affect Kingswood Capital Partners, LLC's present or prospective IB relationship with the subject company of a research report.

Firewalls between Research and Investment Banking

Investment banking personnel may seek the views of research personnel about the merits of a proposed investment banking transaction or a potential candidate for an investment banking transaction with respect to general information such as:

- The nature of the business of the investment banking client or the potential candidate;
- Relevant scientific and competitive information pertaining to the client or potential candidate,
- and/or their respective industries; and/or
- Market or industry trends, conditions and/or developments that may affect the client, potential candidate, or their respective industries.

All such inquiries from investment banking personnel must be directed to the Director of Research, (please see the Firm's Designated Supervisory section of its WSPs) who will determine whether the information sought can be appropriately provided by the research department.

Similarly, research personnel may seek the views of investment banking personnel relating to market or industry trends, conditions, or developments, provided that such communications are consistent in nature with the types of communications that an analyst might have with investing customers. All such inquiries from research personnel must be directed to the Director of Research, who will determine whether the information can be appropriately sought from the investment banking department.

The Director of Research will not permit research or investment banking personnel to communicate regarding the solicitation of investment banking transactions, the marketing of such transactions, or research coverage regarding investment banking clients. The Director of Research will generally reject requests for communications between research and investment banking personnel that appear to fall outside the permitted general communications noted above but may seek guidance from Compliance on communications that fall outside the scope of those general communications.

Firewalls between Research and Investment Banking – Transaction Diligence

Representatives of the Firm's Business Development and/or Investment Banking Committees may request that research personnel provide their views about a proposed investment banking transaction or potential candidate for a transaction. All such requests must be made through the Director of Research. At the request of representatives of the Committee(s), investment banking personnel working on the proposed or potential transaction may participate with research personnel in these communications.

Research personnel will, however, be provided an opportunity to express their views to the Committee(s) outside the presence of such investment banking personnel. With the prior approval of the Director of Research, research personnel may assist investment banking personnel in confirming the adequacy of disclosures in offering or other similar documents for an investment banking transaction.

The Director of Research will notify Compliance of any conference attended by research personnel.

Firewalls between Research and Investment Banking – Transactions

In conjunction with on-going investment banking transactions, research personnel may, with the prior approval of the Director of Research, communicate their views on the pricing and structuring of the transaction to personnel in the Firm's equity capital markets group, which group's principal job responsibility is the pricing and structuring of transactions.

Research personnel may also, with the prior approval of both the Director of Research and Compliance:

- Participate with the equity capital markets group, or independently, in efforts to educate the Firm's sales force regarding the transaction, including assisting in the preparation of internal-use memoranda (including presentations in electronic format) and communicating with the Firm's sales force, provided that research personnel may not appear jointly with management of the issuer or investment banking personnel other than members of the equity capital markets group in such communications with the Firm's sales force, and provided that the following conditions are satisfied:
    - Such oral communications by research personnel with the Firm's sales force personnel regarding the transaction in which a recommendation or view, whether or not labeled as such, is expressed by such research personnel regarding the transaction have a reasonable basis;
    - Such oral communications are "fair and balanced," taking into consideration the overall context in which such communications are made; and
    - All internal-use memoranda regarding such transaction that are identified as being the views of research personnel ("internal use research memoranda") are fair and balanced.

Compliance will maintain a record of all presentations made by research personnel to the Firm’s sales force, including the dates of those presentations, the names of the individuals participating, and copies of any written materials used in conjunction with the presentations.

Firewalls between Research and Investment Banking – General Communications

The Director of Research, the Compliance Designated Principal and the Managing Director of Investment Banking will jointly monitor individual and Firm communications (emails and memorandums) and activities to ensure that:

- Any communications between research and investment banking personnel are not made for the purpose of having research personnel identify specific potential investment banking transactions.
- No research analyst participates in efforts to solicit investment banking business. Research analysts are prohibited from, among other things, participating in any "pitches" for investment banking business to prospective investment banking clients, or having other communications with prospective investment banking clients for the purpose of soliciting investment banking business. However, a research analyst may attend a pitch meeting in connection with an initial public offering of an Emerging Growth Company (as that term is defined under the JOBS Act) that is also attended by investment banking personnel provided that a research analyst may not engage in otherwise prohibited conduct in such meetings, including efforts to solicit investment banking business.
- No research analyst directly or indirectly participates in a road show related to an investment banking transaction or engages in any communication with a current or prospective investment banking client in the presence of investment banking personnel about an investment banking transaction.
- Investment banking personnel do not directly or indirectly direct a research analyst to engage in sales or marketing efforts related to an investment banking transaction or direct a research analyst to

engage in any communication with a current or prospective investment banking client about an investment banking transaction.

- Any written or oral communication by a research analyst with a current or prospective client or internal personnel related to an investment banking services transaction will be fair, balanced and not misleading, taking into consideration the overall context in which the communication is made.
- Research personnel who are permitted to attend or participate in a widely attended conference or other widely attended event attended by investment banking personnel (or in which investment banking personnel participate), do not participate in any otherwise prohibited activities.
- Research and investment banking personnel only communicate with each other when specifically authorized to do so, except in conjunction with widely attended firm or regional meetings at which matters of general Firm interest are discussed and meetings at which research management and investment banking management address firm management, risk, or similar matters of general Firm interest.

Evidence of these reviews will be memorialized in the audit trail for emails and copies of memorandum reviewed and principal approved.

Communications between research and investment banking personnel that are not related to investment banking or research activities may take place without restriction.

Restrictions on the Review of a Research Report by the Subject Company

As a matter of policy, the Firm prohibits research analysts from providing subject companies with copies of research reports relating to those companies before they are published.

In those instances, in which a research analyst wishes to confirm with a subject company factual information to be contained in a prospective research report, the research analyst is required to seek approval by the Director of Research. The research analyst is required to provide the Director of Research with the specific information to be confirmed with the subject company. The Director of Research will ensure any information to be provided to the subject company by the research analyst does not include the research summary, the research rating, or the price target.

If a research analyst intends to change the proposed rating or price target of a subject company after communication with that company, the analyst must first provide written justification to, and receive written authorization from the Director of Research.

A research analyst, with the prior approval of the Director of Research, may notify a subject company that the Firm intends to change the rating of the subject company's securities. The Director of Research will ensure that any such notification occurs on the business day before the Firm announces the rating change, after the close of trading in the principal market of the subject company's securities.

The Director of Research will provide the Firm’s Compliance Department with prompt notification of all such pre-publication review communications by research analysts with subject companies, including a description of the nature of those communications. Compliance will maintain all records of these communications for three years.

23.12 New Product Approval Process

New products must be presented to the Committee for review and approval prior to offering the new product. A new product or activity can be identified as one that:

- Requires a change or new system or procedure because existing systems or procedures cannot process it;
- Necessitates a new pricing or risk measurement methodology;
- Has unique regulatory, legal, reputation or credit risk characteristics.

Marketing, sales, and/or trading activities in the new product may not be commenced until the New Product Committee has given its approval. Request for review should be submitted on the New Product Review Form. Refer to the section New Products in the chapter FINANCIAL AND OPERATIONS PROCEDURES.

23.13 Pitch Materials

Definition

"Pitch materials" are defined as any written (electronic or hard copy) communication prepared in whole or in part by origination professionals that is delivered to the "public" (i.e., customers) for the solicitation of business. This includes "short form" and "follow-up" materials prepared by origination professionals that are sent to customers via hard copy and/or email.

Approval of Pitch Materials

Pitch materials that adhere to the following guidelines will be deemed APPROVED and will therefore NOT

require the supervisor's pre-review and approval (but do require post-review and approval):

- Appropriate legal entities are identified (i.e., Kingswood Capital Partners, LLC, affiliate names).
- Appropriate trade name disclaimers are utilized, if necessary.

Other pitch materials require the supervisor's pre-approval.

Other Disclosures and Guidelines

- Sources for all charts, graphs, etc. are cited (i.e., Bloomberg, FactSet, etc.).
- Information is factual and correct to the best of the preparer's ability.
- Presentation is fair and balanced.
- If research or analyst commentary is included in the pitch material, it must be approved by the Equity Research supervisor and MAY NOT include Firm research. Quotes must be complete and not out of context, and sources must be cited.
- Testimonials from customers regarding the quality of Kingswood Capital Partners, LLC's advisory/execution capabilities must adhere to the following:
    - Inclusion of the following: "This testimonial may not be representative of the experience of other customers and is not indicative of future performance or success."
    - If an amount is paid for the testimonial, the fact that it is a paid testimonial must be included.
    - If the testimonial concerns a technical aspect, the person providing the testimonial must have the experience/knowledge necessary to form a valid opinion.
    - NOTE: This provision does not pertain to case studies listing only the names and contact numbers of customers as references.
- Offers of Free Service. Reports, analyses, or other services offered as "free" must be furnished entirely free and without condition or obligation.

Pitch Materials - Non-Permissible Items

Pitch Materials may not include the following:

- Any item not adhering to the guidelines listed above.
- Kingswood Capital Partners, LLC is prohibited from using its own research commentary, or even simply including a research analyst's biography or coverage universe, in IB pitches. This aspect of the policy is designed to ensure that we do not give the appearance that we are touting Kingswood Capital Partners, LLC's research capabilities (with the expectation that it will garner us IB business).
- Claims and Opinions - Specifically defined as: "Promises of specific results, exaggerated or unwarranted claims, misleading statements, unwarranted superlatives, opinions for which there is no reasonable basis or forecasts of future events that are unwarranted or that are not clearly labeled as forecasts."
- Hedge Clauses - Specifically defined as: "Cautionary statements or caveats that are misleading or inconsistent with the content of the material."
- "Internal Use Only" Material - not permitted in full or in part.

Research analysts may not participate in pitches, assist with the preparation of specific pitch materials, or review pitch materials prior to use.

Any questions regarding whether pitch material content can be considered as "approved" or as "non-permissible" should be brought to the attention of the appropriate supervisor and Compliance**, prior to the pitch material's use.**

Document Retention

Pitch materials must be retained for three years. Retained materials must include who prepared the material; other business units/individuals who contributed to the materials; and who approved the material, and when.

23.14 Commitment Committee

The Lead Banker must submit each advisory assignment, fixed income, equity, and equity-linked products deals to be undertaken by Kingswood Capital Partners, LLC to the Committee for approval prior to entering into any engagement.

23.15 Fairness Opinions

[FINRA Rule 5150]

FINRA Rule 5150 outlines requirements when Kingswood Capital Partners, LLC issues a fairness opinion. The rule requires that investors-shareholders be informed about potential conflicts of interest between Kingswood Capital Partners, LLC and the issuer and addresses specific procedures when issuing fairness opinions. This includes fairness opinions issued to the board of directors and/or any special committee or subset or committee of the board.

Specific requirements are explained below. In summary:

- Required disclosures must be included in the fairness opinion.
- The Fairness Opinion Review/Approval form must be completed.
- The IB supervisor must approve the opinion and forward it, with the form, to the review committee.
- The review committee will review the opinion and notify the manager of approval or required
- changes.
- Revised opinions must be re-submitted to the committee for review and approval.

Disclosures

Disclosures include "significant" payment or compensation. FINRA does not assign a quantitative number to "significant" but defines it as a payment or compensation that a reasonable person who reads a fairness opinion would have an interest in knowing in order to assess whether Kingswood Capital Partners, LLC has a potential conflict of interest. The receipt of de minimis fees (such as trading fees or other small incremental fees from account assets or activity) are not required to be disclosed. Disclosures may be descriptive rather than quantitative.

The fairness opinion must disclose if Kingswood Capital Partners, LLC:

- has acted as financial advisor to any party to the transaction that is the subject of the fairness opinion.
- will receive compensation, contingent on the successful completion of the transaction, for issuing the fairness opinion and/or serving as advisor. [Includes significant payments or compensation from related transactions (e.g., stapled financings) if such transactions are contingent upon the completion of the transaction for which the fairness opinion was issued.]
- will receive any other significant payment or compensation contingent upon the successful completion of the transaction.
- has had any material relationships that existed during the past two years or that are mutually understood to be contemplated in which any compensation was received or is intended to be received as a result of the relationship between Kingswood Capital Partners, LLC and any party to the transaction that is the subject of the fairness opinion. [Includes material relationships between Kingswood Capital Partners, LLC, and all parties to the transaction, not just the party requesting the fairness opinion. A fairness opinion issued to a target's board of directors would have to include disclosure of any relationship with the acquirer.]
- has independently verified information provided by the company requesting the opinion where that information is used for a substantial basis of the fairness opinion. [If verified, must include a description of the information or categories of information verified and the process or standards for independent verification. Where no information provided by the company is verified, include a blanket statement that no independent verification took place.]
- has approved the fairness opinion through a fairness committee or whether approval is required. ["Fairness committee" is deemed by FINRA to include any committee or group that approves a fairness opinion in accordance with Rule 5150(b).]
- expresses an opinion about the fairness of the amount or nature of the compensation to any of the company's officers, directors or employees, or class of such persons, relative to the compensation to the public shareholders of the company. [Disclosure is required as to whether or not such an opinion is expressed.]

Approval

Fairness opinions must be approved prior to issuance.

- Opinions will be approved by the IB Supervisor.
- The deal team must present the complete fairness opinion, including required disclosures and an explanation of valuation analyses used in the fairness opinion, to the IB Supervisor for review. The manager is responsible for confirming that all required disclosures are included.
- The IB Supervisor is responsible for reviewing the opinion (including a determination of whether the valuation analyses used in the opinion are appropriate) and approving or disapproving the opinion. The approval or disapproval and comments regarding necessary changes or other comments will be forwarded to Corporate Finance.

- The manager is responsible for confirming that changes are made consistent with his instructions. If the fairness opinion is revised, it must be re-submitted to the IB Supervisor for review.
- The IB Supervisor will retain records of his reviews and actions.

23.16 Origination, Record Retention, Closed Deal Files

Due Diligence

The Securities Act of 1933 can impose substantial civil liability on various parties, including the issuer, the underwriters, and the accountants involved in the preparation of a registration statement or offering document. In particular, these participants are subject to potential liability if any part of the effective registration statement contains an untrue statement of material fact or omits to state a material fact.

Moreover, failure to conduct proper due diligence can result in the revocation by the SEC of a broker-dealer's registration. An underwriter may avoid liability if it can affirmatively demonstrate that it, after a reasonable investigation or "due diligence," had grounds to believe and did believe that the registration statement or offering document did not contain a material misstatement or omission.

Investment Banking's Responsibility

Although the product origination groups have the primary due diligence responsibility, Bankers should work closely with their product origination partners to help ensure a thorough due diligence review has been conducted and documented. Contact Compliance or Legal with any questions.

Required Document Retention

Because an underwriter has the burden of proving its due diligence defense under the securities laws, it is essential that the investigation conducted by Kingswood Capital Partners, LLC be documented. One central "deal file" should be maintained and controlled by the Head of Investment Banking. All other files shall be either merged into the central file or destroyed once the offering has been completed. The required documentation and deal files, including adequate due diligence should be maintained with the applicable IB related checklist. An example of one that may be used is seen below:

The central closed deal file should contain only clean, final copies of deal documents which may include, but not be limited to:

- Final closing documents (any preliminary drafts and all copies with other extraneous records such as handwritten notes should be discarded)
- Investment Committee deal package (where applicable)
- Rating Agency Presentation (where applicable)
- Computational materials provided to investors (where applicable)
- Due diligence questionnaire
- Regulatory filings
- Pitchbooks or other marketing materials
- Other pertinent correspondence

All documentation related to a securities underwriting must be maintained for a period of three years; two years in an easily accessible place.

M&A Closed Deal Files

To comply with federal securities regulations, an M&A Closing File Checklist is designed to assist in collecting and retaining important documents relating to the engagement of Kingswood Capital Partners, LLC as financial advisor to customers in connection with M&A transactions.

This list of documents is not intended to be exhaustive. Given storage space constraints, Kingswood Capital Partners, LLC wishes to keep final copies of the formal documentation that is necessary to reflect Kingswood Capital Partners, LLC's relationship with the party or parties to the engagement and our work product. Kingswood Capital Partners, LLC does not want to retain copies of documents that are readily available from other sources, are merely drafts or contain information that is available in other documents that are being retained. Space constraints and the increasing lists involved in the retention of large transaction files make it desirable to retain only those items reflected on the list below or deemed by the deal team leader to be an important record that is in keeping with Firm policies.

Promptly upon closing of a transaction or after the expiration or termination of Kingswood Capital Partners, LLC's engagement, an associate on the deal team, with the guidance of the deal team leader, will compile the documents listed below, as applicable. Upon compilation of the file, the supervisor who supervises the deal team will review the file and include in the file a signed statement signifying that the file is ready for storage. The file will consist of paper documents. Copies of the file may also be kept in "pdf" format in addition to, but not in lieu of, paper documents. Any other electronic copies of documents should be deleted or redacted to remove transaction-specific or confidential information and should be stored in the forms library.

These files will be maintained in a readily accessible central location for a period of three years, with the most recent two years readily accessible.

Compliance and the appropriate supervisor will periodically review these files to ensure that all (and only) appropriate documents are being properly maintained, and that the supervisor has reviewed the files.

Materials required to be maintained (if applicable):

- Commitment Committee Materials.
    - Memorandum
- **Fairness Opinion Materials** (presentation materials vs. engagement letters, contracts, or other exhibits).
- All board presentations during the engagement (only final).
- Contractual Agreements with Customer and other Parties.
    - Engagement Letters.
    - Confidentiality Agreements.
    - Indemnity Agreements.
    - Right of Refusal Letters.
    - Amendments or Terminations.
    - Approvals of Marketing Materials or Potential Purchasers, etc.
- **SEC Filings** that refer to Kingswood Capital Partners, LLC and include copies or descriptions of our fairness or adequacy opinions.
    - Proxy statements, information statements, Schedules 14D-9 and TO.
- Marketing Materials approved by Customer.
- Substantive Letters to SEC or Other Governmental Agencies from Kingswood Capital Partners, LLC, or its counsel.
    - Consents of Kingswood Capital Partners, LLC.
- **Financing Commitments** (related to the transaction, i.e., to either buyer or seller from Kingswood Capital Partners, LLC, or its affiliates [if shared with deal team]).
- Opinion Letters or Formal Advice from outside counsel to Kingswood Capital Partners, LLC.
- Working Group Lists.
- Other Pertinent Correspondence.

Escrow Account

Escrow accounts are currently arranged with an independent third-party bank. Kingswood Capital Partners, LLC is always a signatory to all Escrow Releases to ensure that all documentation is in place, reviewed and approved prior to the release of any escrowed funds. The Issuer, the Placement Agent and Legal Fees for both parties are the only allowable recipients of escrowed funds. IB is also seeking additional escrow agents to lessen the reliance on one escrow agent. For example, IB has recently interviewed Delaware Trust which is a qualified escrow agent.

The Finance Department, specifically the Chief Financial Officer, is always involved in the oversight of the escrow agreement and in fact has exclusive rights within the Firm to request the release of escrow funds.

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Appendix A

Role Designation	Name	Contact
Chief Executive Officer	Mike Nessim	212-404-7002
Chief Compliance Officer	Mike Alsoraimi	212-404-7002
Chief Operation Officer	Val Rayevskiy	212-404-7002
Chief Financial Officer	Monique Romero	470-607-0930
FINOP	Monique Romero	470-607-0930
Chief Technology Officer	Val Rayevskiy	212-404-7002
Registrations	Ashley Webb	917-796-9845