FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2020068830202

TO: Department of Enforcement
Financial Industry Regulatory Authority (FINRA)

RE: Kingswood Capital Partners, LLC (Respondent)
Member Firm
CRD No. 288898

Pursuant to FINRA Rule 9216, Respondent Kingswood Capital Partners, LLC submits this Letter of Acceptance, Waiver, and Consent (AWC) for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against Respondent alleging violations based on the same factual findings described in this AWC.

I.

ACCEPTANCE AND CONSENT

A. Respondent accepts and consents to the following findings by FINRA without admitting or denying them:

BACKGROUND

Kingswood has been a FINRA member since 2018 and is headquartered in San Diego, California. Kingswood conducts a general securities business with approximately 200 registered representatives at 67 branches.[1]

OVERVIEW

From March 2019 through June 2019, Kingswood failed to reasonably supervise a former registered representative's recommendations of illiquid alternative investments to three senior customers. Kingswood also failed to establish and maintain written procedures reasonably designed to achieve compliance with suitability requirements with respect to those alternative investments. Kingswood therefore violated FINRA Rules 3110 and 2010.

For these violations, Kingswood is censured and fined $150,000.

[1] For more information about the firm, visit BrokerCheck® at www.finra.org/brokercheck.

FACTS AND VIOLATIVE CONDUCT

1. Legal framework

FINRA Rule 3110(a) requires that FINRA members establish and maintain a system to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules. FINRA Rule 3110(b) requires a member firm to establish, maintain, and enforce written procedures to supervise the types of business in which it engages and the activities of its associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules. The duty to supervise under Rule 3110 also includes the responsibility to reasonably investigate red flags that suggest that misconduct may be occurring and to act upon the results of such investigation. A violation of FINRA Rule 3110 also is a violation of FINRA Rule 2010, which requires FINRA member firms, in the conduct of their business, to observe high standards of commercial honor and just and equitable principles of trade.

Prior to June 30, 2020, FINRA Rule 2111 required member firms and their associated persons to have a reasonable basis to believe that a recommended transaction or investment strategy involving a security or securities is suitable for the customer based on the customer's investment profile.[2] A 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 to the member or associated person in connection with a recommendation. A recommended transaction or investment strategy may be unsuitable if it results in a concentration in a particular security or category of securities that creates a risk of loss inconsistent with the customer's investment profile.

2. GWG Holdings, Inc.

GWG is a publicly traded financial services company. Prior to 2018, GWG purchased life insurance policies through its subsidiaries on the secondary market. GWG continued to pay the premiums for each policy that it purchased and collected the policy benefits upon the insured's death. Following a series of transactions in 2018 and 2019 with Beneficient Company Group, L.P., GWG reoriented its business, stopped acquiring life insurance policies, and focused instead on developing a business model of providing liquidity to holders of illiquid investments and alternative assets.

GWG had a history of net losses and had not generated sufficient operating and investing cash flows to fund its operations. To finance its operations, GWG offered corporate bonds (known as L Bonds) to investors with varying maturity periods and interest rates. L

[2] FINRA Rule 2111 is still in effect, but as of June 30, 2020, it no longer applies to recommendations that are subject to Rule 15*l*-1 of the Securities Exchange Act of 1934 (Regulation Best Interest).

Bonds were not directly secured by GWG's life insurance portfolio and were not rated by any bond rating agency.

GWG sold L Bonds to retail investors in four separate offerings and made those sales through a network of broker-dealers, including Kingswood, which entered into an agreement with GWG to sell L Bonds in April 2018 and approved the product for sale by its registered representatives. The offering documents for the third L Bond offering, which commenced in December 2017, stated that the bonds could be considered speculative, involved a high degree of risk, were illiquid, and were only suitable for persons with substantial financial resources and with no need for liquidity.

In January 2022, after Kingswood customers made investments in the L Bonds, GWG defaulted on its obligations to L Bond investors and suspended further sales of L Bonds. In April 2022, GWG filed for bankruptcy.

3. **Kingswood failed to establish and maintain written procedures reasonably designed to achieve compliance with suitability requirements with respect to alternative investments, including GWG L Bonds, and failed to reasonably supervise a former representative's recommendations of alternative investments.**

From March 2019 through June 2019, Kingswood offered GWG L Bonds and other illiquid alternative investments for sale. Kingswood's written supervisory procedures (WSPs) in effect during this period required supervisors to review proposed transactions for suitability. However, Kingswood's WSPs were not reasonably designed with respect to the supervision of illiquid products. The firm's WSPs did not describe what factors supervisors should consider in order to assess concentration in such products, how that determination should be made, or provide any direction as to what would constitute a potentially overconcentrated position. Nor did the WSPs describe what steps should be taken if a supervisor found a potentially overconcentrated position, or how that review should be documented.

Additionally, during the same period, Kingswood failed to reasonably supervise a registered representative's recommendations[3] of alternative investments to three senior customers where the sales were not suitable given the customers' investment profiles, as set forth below:[4]

Customer A

In March 2019, the representative recommended that Customer A invest $96,000 in GWG L Bonds. Kingswood approved the sale notwithstanding the presence of red flags in the application documents suggesting that the sale was unsuitable. Specifically,

[3] Pursuant to the terms of an AWC, the representative consented to sanctions of a five-month suspension in all capacities, a fine, and disgorgement of commissions for his unsuitable recommendations of alternative investments.

[4] The three customers (or their beneficiaries) brought and settled arbitration claims against Kingswood related to the alternative investments at issue in this AWC.

according to the customer's new account documents, Customer A was 81 years old, had a moderate risk tolerance, an investment objective of balanced growth, an annual income of less than $50,000, and a net worth, not including primary residence, of less than $100,000. Kingswood nevertheless approved the sale, which resulted in Customer A having at least 96% of her net worth, not including her primary residence, concentrated in L Bonds.

Customer B

In March 2019, the representative recommended that Customer B invest $88,000 in GWG L Bonds. Kingswood approved the sale notwithstanding the presence of red flags in the application documents suggesting that the sale was unsuitable. Specifically, Customer B was 66 years old, had a moderate risk tolerance, an investment objective of balanced growth, an annual income of less than $100,000, and a net worth, not including primary residence, of no more than $250,000. Kingswood nevertheless approved the sale, which resulted in Customer B having at least 35% of his net worth, not including his primary residence, concentrated in L Bonds.

Customer C

In June 2019, the representative recommended two sales of illiquid, non-traded alternative investments totaling $100,000 to Customer C. Kingswood approved the sales notwithstanding the presence of red flags in the application documents suggesting that the sales were unsuitable. Specifically, Customer C was 80 years old, had a moderate risk tolerance, an investment objective of balanced growth, an annual income of approximately $100,000, and a net worth, not including primary residence, of approximately $1.2 million. Customer C had also purchased $200,000 in other illiquid, non-traded alternative investments through Kingswood earlier that year. Kingswood nevertheless approved the additional $100,000 in sales, which resulted in Customer C having 25% of her net worth, not including her primary residence, concentrated in alternative investments.

*   *   *

Despite red flags that the representative's recommendations were unsuitable for the three customers in light of their investment profiles, Kingswood failed to conduct a reasonable supervisory review before approving the transactions. A Kingswood supervisor flagged that Customer A's proposed L Bond purchase could result in a potentially overconcentrated position. However, Kingswood failed to take further follow-up steps and allowed the transaction to proceed. Kingswood likewise failed to take reasonable supervisory steps with respect to the alternative investment purchases of Customers B and C, including failing to evaluate whether the sales would result in the customers becoming overconcentrated in light of their investment profiles.

Therefore, Kingswood violated FINRA Rules 3110 and 2010.

B. Respondent also consents to the imposition of the following sanctions:

- a censure and
- a $150,000 fine.

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Respondent has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

Respondent specifically and voluntarily waives any right to claim an inability to pay, now or at any time after the execution of this AWC, the monetary sanction imposed in this matter.

The sanctions imposed in this AWC shall be effective on a date set by FINRA.

II.

WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

A. To have a complaint issued specifying the allegations against it;

B. To be notified of the complaint and have the opportunity to answer the allegations in writing;

C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made, and to have a written decision issued; and

D. To appeal any such decision to the National Adjudicatory Council (NAC) and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Respondent specifically and voluntarily waives any right to claim bias or prejudgment of the Chief Legal Officer, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

Respondent further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

Respondent understands that:

A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA), pursuant to FINRA Rule 9216;

B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Respondent; and

C. If accepted:

1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future action brought by FINRA or any other regulator against Respondent;

2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;

3. FINRA may make a public announcement concerning this agreement and its subject matter in accordance with FINRA Rule 8313; and

4. Respondent may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. Respondent may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects Respondent's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party. Nothing in this provision affects Respondent's testimonial obligations in any litigation or other legal proceedings.

D. Respondent may attach a corrective action statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this statement. This statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA.

The undersigned, on behalf of Respondent, certifies that a person duly authorized to act on Respondent's behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that Respondent has agreed to the AWC's provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce Respondent to submit this AWC.

10/29/2025
Date

Kingswood Capital Partners, LLC
Respondent

Print Name: Mike Alsoraimi

Title: CCO

Reviewed by:

Alan Wolper
Counsel for Respondent
UB Greensfelder LLP
200 W. Madison Street
Suite 3300
Chicago, IL 60606

Accepted by FINRA:

Signed on behalf of the
Director of ODA, by delegated authority

12/12/2025
Date

Jamie Stinson
Senior Counsel
FINRA
Department of Enforcement
200 Liberty Street, 11th Floor
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