

## IPO Risk Disclosure Statement

This Risk Disclosure Statement contains a brief summary of certain risk factors involved in investing in new issue securities. It is not meant to be all inclusive, but rather highlights some of the more significant factors and special risks relating to initial public offerings (IPOs) and other public offerings generally. For a description of the business, operations, and financial condition of an issuer, and the particular risks arising from an investment in the issuer's securities, you should obtain and carefully read the prospectus prepared by the issuer before making any investment. Prospectuses may be obtained by contacting AC Sunshine Securities. The information contained herein is not intended as a discussion of the merits of a particular offering or investment strategy and should not be construed as a recommendation by AC Sunshine Securities to purchase any specific security. You must perform your own evaluation of whether investing in new issue securities generally or purchasing securities in a particular offering is consistent with your investment objectives, risk tolerance, and financial situation.

There are a variety of risk factors typically associated with investing in new issue securities, any one of which may have a material and adverse effect on the price of the issuer's common stock. These include the following:

**Issuer's Lack of Operating History.** An issuer that engages in an IPO or other public offering may be in the early stages of development with a history of little or no revenues and may operate at a loss following the offering. Such issuers are typically subject to the difficulties, uncertainties, and risks associated with the establishment of a new business such as manufacturing capability, limited product lines, lack of marketing expertise, the existence of more experienced or better capitalized competition, and reliance on a few large suppliers or customers.

**No Prior Market for Common Stock; Determination of Offering Price; Potential Volatility.** Prior to an IPO, there is generally no public market for an issuer's common stock and there can be no assurance that an active trading market will develop or be sustained following the IPO. The offering price of securities issued in a new issue offering is typically determined by negotiation between the issuer and its underwriters based on factors such as the history of, and prospects for, the issuer's business and the industry in which it competes, an assessment of the issuer's management, past and present operations, prevailing market and economic conditions, and any other factors deemed relevant. Following the IPO, the market price for the securities may be subject to significant fluctuations in response to numerous factors such as lack of liquidity, general market volatility, and other factors unrelated to the operating performance of the issuer.

**Additional Financing.** An issuer that operates at a loss or with limited cash flow following an IPO will generally be required to secure additional financing in order to fund its operation. If the issuer decides to issue additional equity securities, it is possible that their issuance will result in dilution of the interests of existing shareholders, including those who purchased in the IPO. To the extent that the issuer incurs indebtedness, the issuer will be subject to certain risks including interest rate fluctuations and inability to generate sufficient cash flow to make scheduled payments. In addition, indebtedness generally ranks prior to the common stock of an issuer for purposes of distributing the issuer's assets in the event of bankruptcy. There is also the possibility that the issuer will be unable to locate financing on satisfactory terms or may be required to significantly curtail its operations.

**Dependence on Key Personnel.** An issuer is often highly dependent on the services of key technical and management personnel and loss of their services could have a material adverse effect on the issuer's business or operations.

**Proprietary Rights and Licenses.** Because many issuers depend on proprietary and/or licensed technology in their operations, their success is therefore closely related to their ability to obtain and enforce intellectual property protection for such technology. There exists the possibility that certain patents would not be sufficiently broad to protect key aspects of the issuer's or its licensor's technology, so that competitors would be able to duplicate the issuer's products or that patent laws would not provide effective legal or injunctive remedies to prevent infringement. Patents are also frequently challenged, invalidated, or circumvented by competitors; litigation of patent or infringement claims may result in substantial cost and diversion of resources.

**Business Expansion.** Rapid and substantial demand for products may lead to delays in filling orders and meeting delivery schedules. Such delays, if recurring, can increase the risk that customers will cancel orders and seek to meet all or a portion of their needs from the issuer's competitors. To the extent that the issuer seeks to expand to meet demand, the costs of doing so may be underestimated.

**Dependence on Key Suppliers.** Some issuers rely significantly on a limited group of suppliers to obtain product components or materials. If an issuer is unable to obtain sufficient quantities or such components or materials fail to meet specifications, delays or reductions in shipments may result.

**Dependence on Limited Number of Customers.** An issuer's primary customer base may be limited to a small number of customers, loss of any one of which could have a material adverse effect on the issuer's business and financial condition.

**Competition.** Most issuers experience significant competition in their product lines from other companies, including larger companies which have access to greater financial, technical, and other resources. It may be difficult for an issuer to continue to make investments necessary to maintain its competitive position.

**Rapid Technological Change.** Issuers which produce products or engage in manufacturing techniques are subject to technological changes and are susceptible to the risk that future technologies will render those products or technologies obsolete. Such issuers may be unable to develop or introduce new products or enhancements to existing products and processes in a timely manner to achieve market acceptance or satisfy customer needs.



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Please note that . By their nature, IPOs can be risky and speculative investments. Following the IPO, the market price for the securities may be subject to significant fluctuations in response to numerous factors such as lack of liquidity, general market volatility, and other factors unrelated to the operating performance of the issuer.

Please check if IPO investment meets your investment objectives:

☐ YES

☐ NO

**Annual Income from All Sources in U.S. Dollars:**

- |   |  |
|---|--|
| <input type="checkbox"/> Below \$25,000       | <input type="checkbox"/> \$200,000 - \$499,999 |
| <input type="checkbox"/> \$25,000 - \$74,999  | <input type="checkbox"/> \$500,000 - \$999,999 |
| <input type="checkbox"/> \$75,000 - \$199,999 | <input type="checkbox"/> \$1,000,000+          |

**Total Net Worth of All Assets in U.S. Dollars:** Total assets minus total liabilities:

- |  |  |
|--|--|
| <input type="checkbox"/> Below \$50,000        | <input type="checkbox"/> \$500,000 - \$999,999     |
| <input type="checkbox"/> \$50,000 - \$149,999  | <input type="checkbox"/> \$1,000,000 - \$4,999,999 |
| <input type="checkbox"/> \$150,000 - \$499,999 | <input type="checkbox"/> \$5,000,000+              |

**Liquid Net Worth in US Dollars**

- |  |  |
|--|--|
| <input type="checkbox"/> Below \$50,000        | <input type="checkbox"/> \$500,000 - \$999,999     |
| <input type="checkbox"/> \$50,000 - \$149,999  | <input type="checkbox"/> \$1,000,000 - \$4,999,999 |
| <input type="checkbox"/> \$150,000 - \$499,999 | <input type="checkbox"/> \$5,000,000+              |

**Are you accredited Investor:**

☐ YES

☐ NO

**Financial Criteria:**

Net worth over \$1 million, excluding primary residence (individually or with spouse or partner)

Income over \$200,000 (individually) or \$300,000 (with spouse or partner) in each of the prior two years, and reasonably expects the same for the current year

**Professional Criteria:**

Investment professionals in good standing holding the general securities representative license (Series 7), the investment adviser representative license (Series 65), or the private securities offerings representative license (Series 82)

Directors, executive officers, or general partners (GP) of the company selling the securities (or of a GP of that company)

Any "family client" of a "family office" that qualifies as an accredited investor

For investments in a private fund, "knowledgeable employees" of the fund



## IPO CERTIFICATION

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

Pursuant to FINRA Rules 5130 & 5131 (the Rules), **AC Sunshine Securities** may not sell or cause to be sold a new issue (as defined in the Rules; generally, initial public offerings of equity securities) to any account in which a **restricted person** (all bolded terms are defined in the attached) holds a **beneficial interest** unless the account qualifies for a **general exemption** under the Rule. In addition, there is a restriction that applies to sales to executive officers or directors of a public company or covered non-public company. **AC Sunshine Securities** requires that you sign and return this Certificate indicating whether or not your account is eligible to purchase IPO shares in accordance with the Rule. In addition, in connection with any new issue, you hereby represent that you will not act as a **finder** (i.e., a person who receives compensation for identifying potential investors in an offering) or in a fiduciary capacity to any managing underwriter of any new issue and that you shall notify **AC Sunshine Securities** immediately in the event that such representation ceases to be true and correct.

#### PLEASE CHECK ONE BOX AND COMPLETE THE ACCOUNT INFORMATION BELOW.

The undersigned hereby certifies that with respect to each **AC Sunshine Securities** account in which it has the opportunity to purchase and/or allocate new issues:

- ☐ The account is eligible to purchase new issues either because no restricted person (which includes those accounts that meet a general exemption and, by definition, are not restricted persons) holds a beneficial interest in the account, or because the account has implemented procedures to reduce the beneficial interests of all restricted persons with respect to new issues to in the aggregate below 10%, and the undersigned hereby represents that it will follow such procedures in connection with the purchase by the account of all new issues; **or**
- ☐ The undersigned is a conduit (such as a bank, foreign bank, broker/dealer, or investment adviser) and all purchases of new issues are, and will be, in compliance with the Rule. If the beneficial interests of all restricted persons in any one account exceeds in the aggregate 10% of the account but the account has implemented procedures to reduce the beneficial interest of all restricted persons with respect to new issues to in the aggregate below 10%, the undersigned hereby represents that it will follow such procedures in connection with the purchase by the account of all new issues; **or**
- ☐ The account is a restricted person and is not eligible to purchase new issues.
- ☐ The account is for an executive officer or director of a public company or a covered non-public company or a person materially supported by such executive officer or director, has a beneficial interest\* (if this section is checked refer to the additional box below):
- if the company is currently an investment banking services client of the member or the member has received compensation from the company for investment banking services in the past 12 months;
  - if the person responsible for making the allocation decision knows or has reason to know that the member intends to provide, or expects to be retained by the company for, investment banking services within the next 3 months; or
  - on the express or implied condition that such executive officer or director, on behalf of the company, will retain the member for the performance of future investment banking services.

\*The "beneficial interest" does not exceed 25% of the account.

- ☐ The account is an "unaffiliated private fund" meeting the conditions under "general exemptions" on the reverse side of this form.

The undersigned hereby certifies that the undersigned is authorized to provide this Certification and that the undersigned or an authorized representative of the account will promptly notify **AC Sunshine Securities** in the event this Certification ceases to be true and correct.

Print Client Name	Account Number
Signature of Authorized Signatory <b>X</b>	Date
Print Name of Authorized Signatory	
Print Title of Authorized Signatory	

THE SIGNED CERTIFICATE SHOULD BE RETURNED TO: [info@acsunshine.com](mailto:info@acsunshine.com)

### **General Exemptions:**

1. An investment company registered under the Investment Company Act of 1940.
2. A common trust fund or similar fund as described in Section 3(a)(12)(A)(iii) of the Securities Exchange Act of 1934, provided that: (i) the fund has investments from 1,000 or more accounts, **and** (ii) the fund does not limit beneficial interests in the fund principally to trust accounts of restricted persons.
3. An insurance company general, separate or investment account, provided: (i) the account is funded by premiums from 1,000 or more policyholders or, if a general account, the insurance company has 1,000 or more policyholders, **and** (ii) the insurance company does not limit the policyholders whose premiums are used to fund the account principally to restricted persons, or if a general account, the insurance company does not limit its policyholders principally to restricted persons.
4. An account, including a fund, limited partnership, joint back office broker-dealer or other entity, if the beneficial interests of restricted persons do not exceed in the aggregate 10% of the account.
5. A publicly traded entity (other than a broker-dealer authorized to engage in the public offering of new issues either as a selling group member or underwriter, or an affiliate of such a broker-dealer) that is: (i) listed on a U.S. national securities exchange, (ii) traded on the Nasdaq National Market, or (iii) a non-U.S. issuer whose securities meet the quantitative designation criteria for listing on a national securities exchange or trading on the Nasdaq National Market.
6. An investment company organized under the laws of a non-U.S. jurisdiction, provided that: (i) the investment company is listed on a non-U.S. exchange or authorized for sale to the public by a non-U.S. regulatory authority, **and** (ii) no person owning 5% or more of the shares of the investment company is a restricted person.
7. An ERISA benefits plan that is qualified under Section 401(a) of the Internal Revenue Code; provided that the plan is not sponsored solely by a broker-dealer.
8. A state or municipal government benefits plan that is subject to state or municipal regulation.
9. A tax-exempt charitable organization under Section 501(c)(3) of the Internal Revenue Code.
10. A church plan under Section 414(e) of the Internal Revenue Code.
11. Unaffiliated private fund (except for beneficial owners that are control persons of the investment adviser to the private fund) that meets the following conditions:
  - a. is managed by an investment adviser;
  - b. has assets greater than \$50 million;
  - c. owns less than 25% of the account and is not a fund in which a single investor has a beneficial interest of 25% or more; and
  - d. was not formed for the specific purpose of investing in the account.

### **Restricted Persons/Entities:**

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

Market: (i) 10% or more of a public reporting company listed, or required to be listed, on Schedule A; or (ii) 25% or more of a public reporting company listed, or required to be listed, on Schedule B.

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

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

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

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

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

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

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

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

#### **FINRA Rule 5131 definitions:**

**Covered non-public company** means any non-public company satisfying the following criteria: (i) income of at least \$1 million in the last fiscal year or in two of the last three fiscal years and shareholders' equity of at least \$15 million; (ii) shareholders' equity of at least \$30 million and a two-year operating history; or (iii) total assets and total revenue of at least \$75 million in the latest fiscal year or in two of the last three fiscal years.

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

#### **Investment Advisers Act of 1940 definition:**

**Unaffiliated private fund** is a private fund defined in Section 202(a)(29) of the Investment Advisers Act whose investment adviser does not have a control person in common with the investment adviser to the account. Section 202(a)(29):

*The term "private fund" means an issuer that would be an investment company, as defined in section 3 of the Investment Company Act of 1940 (15 U.S.C. 80a-3), but for section 3(c)(1) or 3(c)(7) of that Act.*