

**PREFERRED CAPITAL SECURITIES, LLC (the “Firm”)**

**BUSINESS CONTINUITY PLAN (the “BCP”)**

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**ARTICLE I  
EMERGENCY CONTACT PERSONS**

1.01. **Designation of Emergency Contact Persons.** The Firm’s two emergency contact persons are:

- James Curtis  
(205) 834-2636  
(470) 639-8383  
[jcurtis@prefcapitalsecurities.com](mailto:jcurtis@prefcapitalsecurities.com)
- Greg Mausz  
(470) 639-8302  
[gmausz@prefcapitalsecurities.com](mailto:gmausz@prefcapitalsecurities.com)

Each emergency contact person must be a member of senior management and a registered principal.

1.02. **Updating Information.** The names of the Firm’s emergency contact persons will be updated in the event of a material change, and the Firm’s Executive Representative will review them within 17 business days of the end of the calendar year. FINRA Rule 3520.

1.03. **Reporting to FINRA.** The names of the Firm’s emergency contact persons must be reported to FINRA through FINRA’s Contact System (formerly known as the FINRA Member Firm Contact Questionnaire or NMFCQ) at [https://regfiling.finra.org/contacts/ncs\\_contacts.aspx](https://regfiling.finra.org/contacts/ncs_contacts.aspx).

**ARTICLE II  
FIRM POLICY**

2.01. **General Policy.** The Firm’s policy is to respond to a Significant Business Disruption by:

- safeguarding employees’ lives and the Firm’s property;
- making a financial and operational assessment;
- quickly recovering and resuming operations;
- protecting all of the Firm’s books and records; and
- allowing its customers to transact business.

If the Firm determines that it is unable to continue business, then it will so advise the Firm’s customers.

2.02. **Significant Business Disruptions (SBDs).** The Firm’s BCP anticipates two kinds of SBDs, internal and external. Internal SBDs affect only the Firm’s ability to communicate and do business, such as a fire in the Firm’s building. External SBDs prevent the operation of the securities markets or the ability of a number of broker/dealer firms to transact business, such as:

- a terrorist attack;
- a city flood; or
- a wide-scale, regional disruption of some other kind, such as a power outage.

The Firm's response to an external SBD relies more heavily on other organizations and systems which it does not control, than its response to an internal SBD.

**2.03. Approval and Execution Authority.** James Curtis, Chief Compliance Officer and a registered principal, is responsible for approving the Firm's BCP and for conducting the required annual review of the BCP. Mr. Curtis has the authority to execute this BCP.

**2.04. Plan Location and Access.** The Firm will maintain for inspection:

- copies of the BCP;
- annual reviews of the BCP; and
- amendments to the BCP.

An electronic copy of the BCP is located on servers housed at 3284 Northside Parkway NW, Suite 150, Atlanta, Georgia 30327.

Information on FINRA's secure online location for its members to back-up their business continuity plans available at [www.finra.org/RulesRegulation/ComplianceTools/EVaultBCP/index.htm](http://www.finra.org/RulesRegulation/ComplianceTools/EVaultBCP/index.htm)

## ARTICLE III

### BUSINESS DESCRIPTION

**3.01. General Description of Business.** The Firm is engaged in the following activities:

- the underwriting of direct participation programs on an "all or none," "part or none," and/or "best efforts" basis through:
  - wholesaling through third-party broker/dealers the direct participation programs and REITs; and/or
  - retail sales of the direct participation programs and REITs to public customers.

The Firm does not maintain custody of its customers' accounts.

When the Firm engages in wholesaling direct participation programs or REITs with third-party broker/dealers, the subscriber is a customer of the third-party broker/dealer making the direct sale.

When the Firm engages in direct sales of direct participation programs or REITs, the individual or entity subscriber will complete a new account form and will be a customer of the Firm.

The interests in the direct participation programs or REITs sold by the Firm are generally illiquid and are not traded.

3.02. **Limitations on Firm Activities.** The Firm does not perform any type of clearing function for itself or others. Furthermore, the Firm does not hold customer funds or securities.

3.03. **Use of Escrow Accounts.** All subscriptions from the Firm and any selling group members for direct participation programs and REITs are sent to the escrow agent or the transfer agent for review and immediately delivered to the issuer of the direct participation program or REIT for acceptance or rejection and all payments for subscriptions in either “all or none” or “part or none” best efforts offerings must be in the form of checks or wires made payable to:

- an escrow agent; or
- the direct participation program or REIT after the subscription funds are released to the issuer from the escrow account.

If a check or wire does not conform to this requirement, then it must be returned to the subscriber no later than the end of the next business day following its receipt. A check or wire payable to an escrow agent as described above must be transmitted and deposited in the escrow account for the offering no later than the end of the next business day following its receipt.

The Firm and third-party broker/dealers who are selling group members utilize Direct Registration Services, an automated subscription processing service or DTC syndicate services offered by DTCC. Thus, even if the Firm suffers from an internal SBD, the processing of customer funds will not be disrupted.

Subscriptions for a direct participation program or REIT that is not offered on either an “all or none” or “part or none” basis, but on a “best efforts” basis, will be made payable to the direct participation program or REIT and delivered to the direct participation program or REIT no later than the end of the next business day following its receipt. A check not conforming to this requirement must be returned to the subscriber no later than the end of the next business day following its receipt.

## ARTICLE IV

### OFFICE LOCATIONS

4.01. **In General.** The Firm has its main office at 3284 Northside Parkway NW, Suite 150, Atlanta, Georgia 30327 and a branch office at 3205 Burning Tree Drive, Hoover, Alabama 35326.

4.01(a). **Main Office Location.** The Firm’s main office is located at 3284 Northside Parkway NW, Suite 150, Atlanta, Georgia 30327. Its main telephone number is (470) 639-8300. The firm’s employees may travel to that office by means of foot, car, bus, boat or plane.

4.01(b). **Branch Office Locations.** The Firm has a branch business location at 3205 Burning Tree Drive, Hoover, Alabama 35226. Its main telephone number is (205) 834-2636. The Firm’s employees may travel to that office by means of foot, car, train, or bus.

Each non-branch business location is a residence of a specific registered representative which is not considered a branch office pursuant to FINRA Rule 3010(g)(2)(A)(ii).

## ARTICLE V

### ALTERNATIVE PHYSICAL LOCATION(S) OF EMPLOYEES

**5.01. Alternate Location.** In the event of an SBD, the Firm will move its staff from the affected offices to its closest unaffected office location. If none of the Firm's other office locations is available to receive its displaced staff, the Firm will move them to the Atlanta Marriott Northwest Hotel, Atlanta, Georgia.

## ARTICLE VI

### CUSTOMERS' ACCESS TO FUNDS AND SECURITIES

**6.01. Access to Funds and Securities.** As described in Article III above, the Firm does not maintain custody of customers' funds or securities. In the event of an internal or external SBD, if telephone service is available, the Firm's registered persons will assist customers in accessing information regarding their funds and securities from the direct participation programs or REITs which are being or were sold by the Firm. The Firm has an arrangement (or will upon effectiveness of its membership) such that all non-listed securities of its REIT affiliates are held in custody at DTCC. The Firm will be able to assist its customers in communications with DTCC about these securities. If the Firm has a website, this information will also be made available on the website.

If SIPC determines that the Firm is unable to meet its obligations to its customers, or if its liabilities exceed its assets in violation of Securities Exchange Act Rule 15c3-1, SIPC may seek to appoint a trustee to disburse its assets to customers. The Firm will assist SIPC and the trustee by providing its books and records. See FINRA Rule 3510(a); Securities Exchange Act Rule 15c3-1; 15 U.S.C. 78eee (2003).

## ARTICLE VII

### DATA BACK-UP AND RECOVERY (HARD COPY AND ELECTRONIC)

**7.01. Hard Copy Records.** The Firm maintains its primary hard copy books and records at 3284 Northside Parkway NW, Suite 150, Atlanta, Georgia 30327. Greg Mausz, Executive Vice President Operations and Due Diligence, (470) 639-8302, is responsible for maintaining these books and records. The Firm maintains all of the documents which are described in detail in Article VI of the Firm's Written Supervisory Procedures. These documents include, but are not limited to, the following:

- new account forms, if applicable, as described in Section 3.01;
- investor suitability documents;
- copies of subscription checks;
- due diligence files for each offering; and
- all financial records, including blotters.

The Firm's client-related records are backed-up every time subscription agreements or applications are submitted to the issuer in that the issuer maintains all purchase/subscription documents and due diligence files for each offering. Financial-related records are backed-up daily by Greg Mausz or his designee.

The Firm maintains its back up hard copy books and records at 3205 Burning Tree Drive, Hoover, Alabama 35226. James P. Curtis, CCO, (205) 834-2636 is responsible for maintaining these back-up hard copy books and records.

**7.02. Electronic Records.** The Firm maintains its electronic records at 3284 Northside Parkway NW, Suite 150, Atlanta, Georgia 30327. Greg Mausz, Executive Vice President Operations and Due Diligence, (470)639-8302, is responsible for maintaining these books and records.

The Firm backs up its electronic records daily at the end of the day by Greg Mausz or his designee. All data is transferred and stored on a backup hard drive on the server. These records include but are not limited to electronic communication.

The Firm maintains its back up electronic books and records at 3205 Burning Tree Drive, Hoover, Alabama 35226. James P. Curtis, CCO, (205) 834-2636 is responsible for maintaining these back-up electronic books and records.

**7.03. Loss of Records.** In the event of an internal or external SBD that causes the loss of the Firm's hard copy books and records, the Firm will physically recover the back-up copies of those hard copy books and records from its off-site location set forth in Section 7.01.

If the internal or external SBD makes the Firm's primary site inoperable, the Firm will continue operations from its first back-up site at 3205 Burning Tree Drive, Hoover, Alabama 35226. The back up hard copy books and records will be brought to the site which is operable. See FINRA Rule 3510(c)(1).

For the loss of electronic records, the Firm will either physically recover the storage media or electronically recover data from the back-up site, or, if the Firm's primary site is inoperable, continue operations from the Firm's alternate location as described above.

## **ARTICLE VIII**

### **FINANCIAL AND OPERATIONAL ASSESSMENTS**

**8.01. Operational Risk.** In the event of an SBD, the Firm will immediately identify the means that will permit it to communicate with its customers, employees, critical business constituents, critical banks, critical counter-parties, and regulators. Although the effects of an SBD will determine the means of alternative communication, the communications options the Firm will employ will include telephone, secure e-mail, etc.

In addition, the Firm will retrieve any key activity books and records which are lost as described in Article VII, Data Back-Up and Recovery (Hard Copy and Electronic), above. See FINRA Rules 3510(c)(3) and (f)(2).

**8.02. Financial and Credit Risk.** In the event of an SBD, the Firm will determine the value and liquidity of its investments and other assets to evaluate its ability to continue to fund its operations and remain in capital compliance. The Firm will contact its critical banks and investors to apprise them of its financial status.

If the Firm determines that it may be unable to meet its obligations to those counter-parties or otherwise continue to fund its operations, it will request additional financing from its bank or other credit sources to fulfill its obligations to its customers and clients.

If the Firm cannot remedy a capital deficiency, it will file appropriate notices with the Firm's regulators and immediately take appropriate steps. See FINRA Rules 3510(c)(3), (c)(8) and (f)(2).

## ARTICLE IX

### MISSION CRITICAL SYSTEMS

9.01. **In General.** The Firm's "mission critical systems" are those that ensure prompt and accurate processing of securities transactions for the direct participation programs or REITs it offers and sells either directly or as dealer-manager of a group of selling broker/dealers, including:

- reviewing subscription documents;
- promptly transmitting the subscription documents (in most cases utilizing DRS to automate portions of the subscription process) to the direct participation program or REIT; and
- promptly delivering subscription funds to an escrow agent or the direct participation program or REIT.

The Firm has primary responsibility for establishing and maintaining its business relationships with its customers and has sole responsibility for its mission critical functions of reviewing subscription documents, promptly transmitting the subscription documents to the direct participation program or REIT and promptly delivering subscription funds to an escrow agent or the direct participation program or REIT.

The securities held by the Firm's customers are generally illiquid interests in direct participation programs or REITs and are not traded. Thus, once the investment is made in the direct participation program or REIT the investor has only the right to receive cash distributions associated with the investment, which may be made over many years. The payments are made directly from the direct participation program or REIT to the investor.

Recovery-time objectives provide concrete goals to plan for and test against. They are not, however, hard and fast deadlines that must be met in every emergency situation, and various external factors surrounding a disruption, such as time of day, scope of disruption, and status of critical infrastructure—particularly telecommunications—can affect actual recovery times. Recovery refers to the restoration of clearing and settlement activities after a wide-scale disruption; and resumption refers to the capacity to accept and process new transactions and payments after a wide-scale disruption. Because of the scope of the Firm's business, SBD recovery objectives are not applicable. The Firm's resumption time is within seven (7) business days of the SBD.

#### 9.02. **The Firm's Mission Critical Systems.**

9.02(a). **Order Taking ("Subscriptions").** Currently, the escrow agent or the transfer agent receives subscriptions and checks from prospective investors and broker/dealers via fax, e-mail, overnight courier service and mail or via DTCC DRS Settlement or DTCC Syndicate Services. During an SBD, either internal or external, the escrow agent or the transfer agent will continue to receive subscriptions and checks through any of those methods that are available and reliable.

As communications permit, the Firm also will inform prospective investors and broker/dealers if the Firm is the dealer-manager of the offering and the broker/dealer is a member of the selling group, what options

they have to send their subscriptions and checks to the escrow agent or the transfer agent. Prospective investors and broker/dealers will be informed of those options by whatever means is available.

For example, the prospective investor and broker/dealer may be directed to send the subscriptions and checks directly to the escrow agent and/or direct participation program or REIT if the minimum subscriptions have been received. The escrow agent or direct participation program sponsor or REIT Advisor will then enter the subscription information into DRS and make it available to the Firm, by whatever means is available, for a suitability determination and processing.

9.02(b). **Entry.** Currently, the escrow agent or the transfer agent receives subscriptions from the members of the selling group, copies them, and sends the original subscriptions to the direct participation program or REIT and/or the escrow agent as described in Section 3.03 above, by the end of the next business day after they are received.

In the event of an SBD, either internal or external, the escrow agent or the transfer agent will copy the subscription documents and send the originals to the direct participation program or REIT by the fastest alternative means available, which include hand delivery. With respect to the checks received for payment of subscriptions, the escrow agent or the transfer agent will copy the checks and send the original checks to the escrow agent and/or the issuer as described in Section 3.03, above, by the fastest alternative means available, which include hand delivery.

Notwithstanding the above, during an SBD the prospective investor, and the broker/dealer if the Firm is the dealer-manager of the offering and the broker/dealer is a member of the selling group, may be directed to send their subscriptions and checks directly to the escrow agent and/or the direct participation program or REIT if the minimum subscriptions have been received. The escrow agent or issuer will then copy the subscription information and the check and send the copies to the Firm, by whatever means is available, for a suitability determination and processing.

9.03. **Mission Critical Systems Provided by the Issuer of the Direct Participation Program or REIT.** The Firm relies on the direct participation program or REIT that it sold to deliver cash distributions from the investment to the Firm's customers. Because the direct participation programs or REITs usually do not issue certificates to their investors, there usually are no certificates to deliver. If certificates are issued by the direct participation program or REIT, then the Firm will rely on the direct participation program or REIT to deliver the certificate to the Firm's customers. See FINRA Rules 3510(c) and (f)(1).

## ARTICLE X

### ALTERNATE COMMUNICATIONS BETWEEN THE FIRM AND CUSTOMERS, EMPLOYEES, AND REGULATORS

10.01. **Customers.** The Firm now communicates with its customers using the telephone, e-mail, overnight courier service, fax, and U.S. mail. In the event of an SBD, the Firm will assess which means of communication are still available to it, and use the means closest in speed and form (written or oral) to the means that it has used in the past to communicate with the other party.

For example, if the Firm has communicated with a party by e-mail but the Internet is unavailable, the Firm will call them on the telephone and follow-up, where a record is needed, with a paper statement of the telephone conversation in the U.S. mail. FINRA Rule 3510(c)(4).

10.02. **Employees.** The Firm now communicates with its employees using the telephone, e-mail, and in person. In the event of an SBD, the Firm will assess which means of communication are still available to

it, and use the means closest in speed and form (written or oral) to the means that it has used in the past to communicate with the other party. The Firm will also employ a call tree so that senior management can reach all employees quickly during an SBD. The call tree includes all staff home and office phone numbers.

The Firm does not have any employees who live near each other and can reach each other in person.

The person to invoke use of the call tree is Mr. James Curtis. FINRA Rule 3510(c)(5).

Attached hereto as Exhibit B is the Firm's call tree.

10.03. **Regulators.** The Firm is currently a member of FINRA. It communicates with the regulators using the telephone, e-mail, fax, overnight courier service and U.S. mail. In the event of an SBD, the Firm will assess which means of communication are still available to it, and use the means closest in speed and form (written or oral) to the means that it has used in the past to communicate with the other party. FINRA Rule 3510(c) (9).

## ARTICLE XI

### CRITICAL BUSINESS CONSTITUENTS, BANKS, AND COUNTER-PARTIES

11.01. **Business constituents.** The Firm has contacted its critical business constituents (businesses with which it has an ongoing commercial relationship in support of its operating activities, such as vendors providing it critical services), and determined the extent to which it can continue its business relationship with them in the event of an internal or external SBD. The Firm will quickly establish alternative arrangements if a business constituent can no longer provide the needed goods or services when the Firm needs them because of a SBD to the business constituent or the Firm.

The Firm's major supplier is Windstream Communications, which supplies its telephone and internet services. FINRA Rule 3510(c)(7).

11.02. **Banks.** The Firm has contacted its banks and lenders to determine if they can continue to provide the financing that it will need in the event of an internal or external SBD.

- The bank maintaining the Firm's operating account is:

Northern Trust  
Account Name: Preferred Capital Securities Operating Account  
Bank Contact: Connie Roberts  
3282 Northside Parkway NW, Suite 100  
Atlanta, GA 30327  
(404) 279-5204

- The bank maintaining the escrow accounts for various direct participation programs or REITs which are sold by the Firm is UMB Bank, N.A.

If the Firm's banks and other lenders are unable to provide those services, the Firm will seek alternative financing and escrow accounts immediately from HSBC. FINRA Rule 3510(c)(7).

11.03. **Counter-Parties.** The Firm has contacted its critical counter-parties, such as other broker/dealers or institutional customers, to determine if they will be able to carry out their transactions with the Firm in the event of an internal or external SBD. Where the transactions cannot be completed, the Firm will work



with those counter-parties directly to make alternative arrangements to complete those transactions as soon as possible. FINRA Rules 3510(a) and (c)(7).

For example, if the Firm is the dealer-manager of a direct participation program or REIT being offered at the time of the SBD, the dealer-manager may inform the broker/dealers which are members of the selling group to send their customers' subscriptions and checks directly to the escrow agent, clearing firm and/or the issuer if the minimum subscriptions have been received. The escrow agent or the direct participation program or REIT will then copy the subscription agreement and check and send the copies to the Firm or transfer agent, by whatever means is available, for a suitability determination and processing.

## **ARTICLE XII REGULATORY REPORTING**

12.01. **Regulators.** The Firm is subject to regulation by the SEC, FINRA and the various states in which the Firm is licensed. The Firm now files reports with its regulators using paper copies by overnight courier services and the U.S. mail, and electronically using fax and e-mail. In the event of an SBD, the Firm will contact the SEC, FINRA, and other regulators to determine which means of filing are still available to it, and it will use the means closest in speed and form (written or oral) to its previous filing method.

In the event that the Firm cannot contact its regulators, it will continue to file required reports using the communication means available to it.

FINRA contact information is David Ogle - Regulatory Coordinator in Atlanta, Georgia. FINRA Rule 3510(c)(8).

## **ARTICLE XIII DISCLOSURE OF BUSINESS CONTINUITY PLAN**

13.01. **Disclosure Statement to Customers.** The Firm will provide a written BCP disclosure statement to its customers. The Firm's customers are those individuals or entities which have completed a new account form and to which the Firm has made a direct sale. It will also mail the disclosure statement to its customers on request. The Firm's disclosure statement is attached as hereto Exhibit "A." FINRA Rule 3510(e).

## **ARTICLE XIV UPDATES AND ANNUAL REVIEW**

14.01. **Updates.** The Firm will update this BCP whenever it has a material change to its operations, structure, emergency contact persons, business or location.

In addition, the Firm will review this BCP annually, on March 1, to modify it for any changes in the Firm's operations, structure, emergency contact persons, business, or location. FINRA Rule 3510(b).

**ARTICLE XV  
APPROVAL**

I have approved this Business Continuity Plan as being reasonably designed to enable the Firm to meet its obligations to customers in the event of an SBD. FINRA Rule 3510(d).

Signed: /s/ James Curtis  
James Curtis

Title: Chief Compliance Officer

Date: August 15, 2016