

## BUSINESS CONTINUITY PLAN

In accordance with FINRA Rule 4370, each FINRA member firm must create and maintain a written business continuity plan, identifying procedures relating to an emergency or significant business disruption. Such procedures must be reasonably designed to enable the member to meet its existing obligations to customers. In addition, such procedures must address the member's existing relationships with other broker-dealers and counterparties. The business continuity plan must be made available promptly upon request to FINRA staff.

Each member must update its plan in the event of any material change to the member's operations, structure, business or location. Each member must also conduct an annual review of its business continuity plan to determine whether any modifications are necessary in light of changes to the member'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 a member. Each plan, however, must at a minimum, address:

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

If a member relies on another entity for any one of the above-listed categories or any mission critical system, the member's business continuity plan must address this relationship.

### **Disclosure Requirement**

Each member must disclose to its customers how its business continuity plan addresses the possibility of a future significant business disruption and how the member 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 member's website (if the member maintains a website), and mailed to customers upon request. KBS is a limited broker-dealer whose scope is limited to servicing the KBS non-traded REITs and wholesale activity when a KBS offering is made available. As such, the Firm does not have customers or accounts. Should the Firm become a retail broker-dealer, it will incorporate policies that would ensure that customers receive the appropriate disclosures regarding the Firm's business continuity plan.

### **Emergency Contact Information**

Each member shall report to FINRA, via such electronic or other means as FINRA may specify, prescribed emergency contact information for the member. The emergency contact information for the member includes designation of two associated persons as emergency contact persons. At least one emergency contact person shall be a member of senior management and a registered principal of the member. If a member designates a second emergency contact person who is not a registered principal, such person shall be a member of senior management who has knowledge of the member's business operations. A member with only one associated person shall designate as a second emergency contact person an individual, either registered with another firm or nonregistered, who has knowledge of the member's business operations (e.g., the member's attorney, accountant, or clearing firm contact).

## **Annual Review**

Members must designate a member of senior management to approve the plan. This individual will be responsible for conducting the required annual review. Mark Saukkola, a registered principal and the CEO for KBS, is responsible for the review and approval of the business continuity plan. An annual review of its business continuity plan shall determine whether any modifications are necessary in light of changes to the Firm's operations, structure, business and/or location.

## **Electronic Reporting Requirement**

Each member must promptly update its emergency contact information, via such electronic or other means as FINRA may specify, in the event of any material change. With respect to the designated emergency contact persons, each member must identify, review, and, if necessary, update such designations in the manner prescribed by FINRA Rule 4517.

### A. Emergency Contact Persons

The Firm's two emergency contact persons are: Mark Saukkola, (949) 698-1762, e-mail: msaukkola@kbs-cmg.com and Michael Zapata (949) 717-6281, e-mail: mzapata@kbs-cmg.com. These names will be updated in the event of a material change, and the Executive Representative will review them annually.

### B. Firm Policy

As mentioned previously, the Firm is a limited purpose broker-dealer whose scope is limited to wholesale activity. The Firm does not have customers or accounts.

The Firm's policy is to respond to a Significant Business Disruption (SBD) by safeguarding employees' lives and Firm property, protecting all of the Firm's books and records, making a financial and operational assessment and quickly recovering and resuming operations.

### C. Significant Business Disruptions (SBDs)

The Firm's business continuity plan ("BCP" or "Plan") 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 building. External SBDs prevent the operation of the securities markets or a number of firms by actions, such as a terrorist attack, a city flood, or a wide-scale regional disruption. The Firm's response to an external SBD relies more on other organizations and systems.

### D. Approval and Execution Authority

Mark Saukkola, CEO of KBS and a registered principal, is responsible for approving and executing the Plan. Michael Zapata, Chief Compliance Officer, and Michelle Peeples, Operations Manager, are responsible for conducting the required annual review.

### E. Plan Location and Access

The Firm will maintain copies of its BCP and the annual reviews, and the changes that have been made to it for inspection. The Firm has provided the FINRA Los Angeles District a copy of its Plan.

### F. Business Description

As previously indicated, the Firm is a limited purpose broker-dealer that operates to provide support and service to the KBS REITS, as well as wholesaling distribution of KBS offerings. The Firm does not perform any type of clearing

function for itself or others and does not utilize the services of a clearing firm. Furthermore, the Firm does not receive or hold customer funds or securities.

## G. Office Locations

The Firm is located at 800 Newport Center Drive, Suite 700, Newport Beach, CA 92660, and its main telephone number is (949) 717-6200. The employees may travel to that office by means of foot, personal vehicle or public transportation. The Firm does not engage in any securities order taking and entry at this location.

## H. Alternative Physical Location(s) of Employees

In the event of an SBD, the Firm's employees will work from their residence. Employees have company issued laptops and have access to work files via VPN. The transfer agent (DST/SS&C) will handle all investor inquiries.

### **Customers' Access to Funds and Securities**

KBS does not maintain custody of customers' funds or securities. Securities and funds are maintained with the customer's retail broker-dealer or directly with the transfer agent. In the event of an internal or external SBD, if telephone service is available, the associated person will take incoming telephone calls. If Internet access is available, the Firm will post current status on its website.

If SIPC determines that the Firm is unable to meet its obligations, 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. Should this situation arise, the Firm will assist SIPC and the trustee by providing its books and records, as required by SIPC regulation.

## I. Data Back-Up and Recovery (Hard Copy and Electronic)

The Firm maintains its primary hard copy books and records and its electronic records at the office location listed above. Mark Saukkola, (949) 698-1762, e-mail: msaukkola@kbs-cmg.com is responsible for the maintenance of these books and records. The Firm maintains template subscription documents, marketing material and the Firm's financial books and records.

The Firm maintains its back-up of books and records electronically. The electronic storage of this information is backed up daily with a copy maintained offsite. The Senior Network Engineer of IT is Kevin Fifield, (949) 797-0378, e-mail: kfifield@kbs.com.

All mission critical systems other than e-mail and telephone systems are outsourced to Latisys who has appropriate back-up, continuity plans and redundancies in place. E-mail is backed up daily and maintained offsite. Telephone services are managed internally and would be subject to availability provided by the telephone company. At this time there is no requirement nor are there any plans for telephones calls to be recorded. As such, no back-up of recorded calls takes place.

In the event of an internal or external SBD that causes the loss of our paper records, we will recover them from our back-up site. If our primary site is inoperable, we will continue operations from our back-up site or an alternate location. For the loss of electronic records, we will either recover the storage media or electronically recover data from our back-up site, or, if our primary site is inoperable, continue operations from our back-up site or an alternate location.

## J. Financial and Operational Assessments

### **Operational Risk**

In the event of an SBD, we will immediately identify what means will permit us to communicate with our vendors, employees, critical business constituents, critical banks, critical counterparties, and regulators. Although the effects of an SBD will determine the means of alternative communication, the communications options we will employ will include our website, telephone voicemail and secure e-mail. Data will be pulled from data centers that are strategically located for backup data center hosting.

#### **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 operations and remain in capital compliance. If it is determined that it is unable to meet its obligations to those counterparties or otherwise continue to fund operations, it will request additional financing from its banks 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 its regulators and immediately take appropriate steps to address all its fiduciary obligations

#### **K. Mission Critical Systems**

The Firm's "mission critical systems" are those that ensure prompt and accurate communications with regulators, affiliated companies, and outside broker-dealers that are supported by the Firm. More specifically, these systems include hardware and software elements, telephone and electronic communication equipment. The Firm has primary responsibility for establishing and maintaining these business relationships and managing the mission critical functions.

Recovery-time objectives provide concrete goals to plan for and test against. They are not, however, hard and fast deadlines that can 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 ability to complete all of activities after a wide-scale disruption; resumption refers to reduced capacity.

#### **Our Firm's Mission Critical Systems**

1. Order Taking

As a limited purpose broker-dealer, the Firm does not have customers or accounts. If the Firm's business model were to change, the following procedures would be followed. During an SBD, either internal or external, the Firm will continue to take orders by phone and mail. In addition, as communications permit, the Firm will inform its customers when communications become available and what alternatives are available to send purchase and sell orders. Customers will be informed of alternatives by e-mail, telephone or other means as appropriate.

2. Order Entry

In the event of an internal SBD, the Firm will enter and send records to its backup site by the fastest alternative means available. In the event of an external SBD, it will maintain the order in electronic or paper format and deliver the order to the backup site by the fastest means available when operations are resumed.

3. Other Services Currently Provided to Customers

In the event of an internal or external SBD, the Firm will continue to assist product sponsors and issuers in the marketing and distribution of various financial products and offer services, as the situation allows.

#### **Mission Critical Systems Provided by Our Clearing Firm**

Not Applicable. KBS does not use a clearing firm in the course of its business.

## **Alternate Communications between the Firm and Customers, Employees and Regulators**

### **1. Customers**

KBS has no customers. However, the Firm communicates with broker-dealers using telephone, e-mail, website, fax, U.S. mail, and in-person visits. In the event of an SBD, the Firm will assess which means of communications are available and use the means closest in speed and form (written or oral) to the means used in the past to communicate with the other party. For example, if the Firm communicated with a party by e-mail but the Firm's internet is not available, the Firm's employees will call on the telephone and follow up with paper copy in the U.S. mail should a written record be needed.

### **2. Employees**

The Firm 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 communications are still available and use the means closest in speed and form (written or oral) to the means that have been used in the past to communicate with its employees. 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 personal and office phone numbers and would be initiated by Mark Saukkola.

### **3. Regulators**

The Firm is a current member of FINRA and communicates with its regulators using the telephone, e-mail, fax, U.S. mail, and in person. In the event of an SBD, the Firm will assess which means of communications are available and use the means closest in speed and form (written or oral) to the means that have been used in the past to communicate with the regulators.

## **L. Critical Business Constituents and Counterparties**

### **Business Constituents**

The Firm has contacted its critical business constituents (businesses which have an ongoing commercial relationship in support of the Firm's operating activities, such as vendors providing us critical services and issuers/product sponsors) and determined the extent to which it can continue its business relationship in light 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 required.

### **Counterparties**

The Firm has critical counterparties, such as other broker-dealers. In the case of SBD, the Firm will reach out to its regular business counterparties to determine status and how the Firm can assist. If regular business cannot be completed, the Firm will work with or contact those counterparties directly to make alternative arrangements to complete those transactions as soon as possible.

## **M. Regulators and Regulatory Reporting**

The Firm is subject to regulation by the FINRA, SEC and various state securities regulators. The Firm files reports with its regulators using paper copies in the U.S. mail, and electronically using fax, e-mail, and the internet. In the event of an SBD, the Firm will check with the SEC, FINRA, and other regulators to determine which means of filing are still available to the Firm and use the means closest in speed and form (written or oral) to previous filing methods. In the event that it cannot contact its regulators, the Firm will continue to file required reports using the communication means available. Below is the contact information for the local FINRA and SEC office, as well as for the North American Securities Administrators Association (NASAA):

FINRA (Los Angeles)  
300 South Grand Ave, 16th Floor

Los Angeles, CA 90071  
213-229-2300  
www.finra.org

SEC (Los Angeles)  
444 South Flower Street, Suite 900  
Los Angeles, CA 90071  
323-065-3998  
www.sec.org

NASAA  
750 First Street NE, Suite 1140  
Washington, DC 20002  
202-737-0900  
www.nasaa.org

## N. Vendors

The Firm utilizes vendors to support certain functions of the Firm's business. These vendors can be critical to the continued operations of the Firm, should there be an SBD. In the event of an SBD, the Firm will reach out to its vendors to determine their operations status and how best to proceed under the complications created, if any, from the SBD. Below is the contact information for the vendors utilized by the Firm:

DST/SS&C (Transfer Agent for the Product Offerings)  
Mike Fournier, Client Relations Consultant  
210 W 10th St.  
Kansas City, MO 64105  
816-843-7191  
<https://www.ssctech.com>

Global Relay Archive (E-mail Review)  
Warren Hopwood, Account Executive  
220 Cambia Street, 2nd Floor  
Vancouver, BC V6B 2M9866-484-6630  
www.globalrelay.com

Salesforce (CRM Systems)  
Tarik Al-Alami, Account Executive  
1442 2<sup>nd</sup> St.  
Santa Monica, CA 90401  
312-523-9525  
www.salesforce.com

Concur (Expense Tracking System)  
Ann Kathrine M. Roxas, Reporting Consultant  
601 108th Ave NE, Suite 1000  
Bellevue, WA 98004  
800-401-8412  
www.concur.com

## O. Business Continuity Plan Disclosure

The KBS Business Continuity Plan is disclosed and maintained on the Firm's public website [www.kbs-cmg.com](http://www.kbs-cmg.com).