



**FALCON  
SQUARE  
CAPITAL**

Business Continuity  
Client Disclosure Document

The purpose of this letter is to provide you with very important information about our Business Continuity Plan (“BCP”) so that you are aware of what you need to do to in the event that our Firm experiences a significant business disruption (“SBD”). As a result of our ever-changing and evolving world, it has become necessary for firms in the financial services industry to take steps to ensure their preparedness to meet customer needs and resume regular business operations in a timely manner in the event of an SBD.

There are several types of SBDs varying in severity and scope that may occur on an internal or external level. An internal SBD, such as a fire in our building, would only affect the firm’s ability to conduct its normal business. An external SBD, such as an earthquake, regional power outage, or terrorist attack, would affect the operations of several firms or the financial markets as a whole.

On April 7, 2004, the Securities and Exchange Commission (“SEC”) approved the new FINRA Rule, which requires members to establish emergency preparedness plans and procedures. Rule 4370 requires each member to create and maintain a BCP and enumerates certain requirements that each plan must address. The Rule further requires members to update their BCPs upon any material change and, at a minimum, to conduct an annual review of their BCP. Each member also must disclose to its customers how its BCP addresses the possibility of a future SBDs and how the member plans to respond to events of varying scope.

### **Firm Policy**

Our policy is to respond to an SBD in a manner that prioritizes the immediate safety of our employees, preservation of the Firm’s property, and a quick recovery in order to meet the business needs of our clients.

FINRA requires two emergency contact persons. Falcon Square Capital’s are:

Ms. Melissa Pendergrass Hoots, CEO, office: 919-825-1534, mpendergrass@falconsquarecapital.com; Cell: (919) 448-5611; melissa.j.pendergrass@gmail.com

Mr. Braxton Wall, office 919-825-1534, bwall@falconsquarecapital.com; cell: (919) 381-7845; braxtonwall@gmail.com

### **Center of Operations**

Falcon Square Capital, LLC  
3701 Lake Boone Trail, Suite 100  
Raleigh, NC 27607  
919-825-1536

### **Alternate Office Location**

In the event that the main office becomes inoperable, the Firm will shift its operations to its designated back-up facility which is reasonably distant from the main office so as to reduce the chance that it will be affected by the same SBD, yet close enough to relocate to quickly if necessary. All of the Firm’s employees are familiar with the back-up facility and have been provided with driving directions.

Falcon Square Capital, LLC  
3704 Stonecrest Court  
Raleigh, NC 27612  
(919) 448-5611

### **For Additional Information About Our BCP**

Should you have any questions in relation to our BCP or this notice, please don't hesitate to contact us at (919) 825-1534.

### **Summary**

At Falcon Square Capital we deeply value the relationships we have built with our clients and we strive to meet their changing needs in any business climate. It is not the intent of this document to assure our clients that there will be no impact on them whatsoever in the event that FSC is affected by an SBD. Rather, we wish to convey the fact that we have developed procedures for varying types of possible SBDs which will allow us to address the effects on our Firm on a variety of levels, manage those effects, and utilize our alternate arrangements in a manner that we expect will minimize client impact. In our procedures, we stress the importance of maintaining communications with our clients through as many media as possible so that we may continue to meet their needs and transact business in as smooth a fashion as is possible under whatever circumstances may have arisen.

### **Emergency Contact List**

Falcon Square has established an Emergency Contact List that includes the names, phone numbers (cell and landlines), e-mail addresses, and other contact information for individuals critical to Falcon Square Capital's business including key employees, key vendors or services providers, regulators, insurance carriers, banks, attorneys, and other key contacts. A copy of the List is provided to each member of the Response Team and other key personnel. This list will be reviewed and updated on at least an annual basis.

### **Business Description**

Falcon Square Capital is a broker dealer specializing in fixed income and structured finance products for institutional clients. The firm is a non-positioning broker dealer and does not provide any clearing services for itself or on behalf of its clients. As mentioned above, Falcon Square Capital does not hold any customer funds or securities.

We execute riskless principal transactions with various institutional counterparties in order to service our client's financial objectives. These transactions are communicated with our clearing firm, which will then clear and settle them.

Our clearing firm, Wedbush Morgan Securities, is located at 1000 Wilshire Boulevard, Los Angeles, California, 90017.

### **Alternative Business Locations**

In the event employees can no longer conduct business at one of Falcon Square Capital's office locations, the following actions may be taken:

- Transfer employees to their home or other location depending on situation.
- Transfer business operations to a different broker-dealer or other entity

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

Falcon Square Capital does not retain custody of customer funds or securities. This information is maintained by our clearing firm, Wedbush Morgan Securities. During an internal or external SBD and loss of telephone service, our registered employees will take customer orders or instructions and contact our clearing firm on their behalf. If our Web access is available during this time, we will post instructions on our website guiding our customers how to access their funds and securities. Most likely, the clients will be able to contact a registered employee as Falcon Square Capital has an alternative location as mentioned above.

Our contract with our clearing firm states that they will maintain a business continuity plan and have the abilities to execute that plan. Our clearing firm must direct us on any material changes to its plan that might affect our day-to-day business operations with them. In the event that our clearing firm decides to execute its' continuity plan, they will contact us of such execution and will provide us with normal business access. Our clearing firm also states that they back up our records at a remote site. This site is in a geographically separate area and has the capabilities to conduct the same volume of business as its primary site.

### **Data Back-Up and Recovery**

Falcon Square Capital maintains its books and records in electronic and hard copy.

In the event of an internal or external significant business disruption that causes the loss of Falcon Square Capital's records, records will be reconstituted from the alternative office location.

### **Operational Risk**

In the event of a significant business disruption, alternative systems will be implemented to communicate with customers, employees, critical business constituents (banks, counter-parties, etc.), regulators, and other key parties depending on the nature and impact of the disruption. Communication systems are described in the section "Alternative Communications."

## **Financial and Credit Risk**

In the event of a significant business disruption, Falcon Square Capital's financial status will be evaluated to determine the need for additional financing or identify capital deficiencies including the following:

- Review the impact of the disruption on Falcon Square Capital's ability to conduct business
- Identify inability to satisfy obligations with counter-parties
- Contact banks or other counter-parties to secure needed additional financing
- Notify regulators of capital deficiencies
- Reduce or cease business as may be required due to capital deficiencies or inability to conduct business
- Transfer business to other financial institutions until Falcon Square Capital may resume conducting business

## **Regulatory Reporting**

Our firm is subject to regulation by the SEC, FINRA, MSRB, and various states. We now file reports with our regulators using paper copies in the U.S. mail, and electronically using fax, email and the Internet. In the event of an SBD, we will check with the SEC, FINRA and other 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. If we cannot contact our regulators, we will continue to file required reports using the communication means available to us.

## **Alternative Communications**

Falcon Square Capital may use a wide range of communication systems to communicate with its customers, employees, counter-parties, and regulators including telephone; mail; fax; e-mail; vendor systems (such as Bloomberg, if any); and personal meetings. Procedures for instituting alternative communications in the event of a significant business disruption include the following, depending on the nature of the disruption:

- Identify the most expedient remaining means of communication
- Notify employees if an off-site command center has been activated
- Notify employees of alternative communication systems to be used

Determination of what communication system will be used depends on the nature of the disruption and which communication systems (electronic mail, telephone calls, etc.) are functional and the availability of personnel in the event telephone contact is necessary.

## **Between Customers and Falcon Square Capital**

In the event of a significant business disruption that disables communications systems, alternative system procedures will be implemented, including the following:

- Identify the most expedient remaining means of communication
- Notify employees regarding how to contact customers

## **Business Constituent, Bank, and Counter-Party Impact**

This section describes business continuity procedures regarding third parties that are critical to the conduct of Falcon Square Capital's business. In most instances, contracts with critical third parties will include assurance regarding the third party's disaster recovery plans. A disruption impacting Falcon Square Capital's ability to conduct business may occur either at Falcon Square Capital itself or at the third party.

### **Business Constituents**

- Determine whether the third party is able to continue providing critical services.
- If not, identify and contact an alternate third party to provide services.

### **Banks and Other Financial Institutions**

- Determine whether the bank/financial institution is able to continue providing financing.
- If not, identify and secure alternative financing.

### **Disclosure of Business Continuity Plan (FINRA rule 4370)**

- Information about Falcon Square Capital's web site
- Upon request, by mail

### **Business Constituent, Bank, and other Critical Counter-Parties**

- Business Constituents

We have contacted our critical business constituents and discussed the extent to which we can continue our business relationships during an SBD. We will provide other alternative business arrangements in the event that a business constituent can no longer provide their essential business responsibilities. Our main business constituents are listed below.

The bank responsible for our operational account is:

#### **Paragon Bank**

3535 Glenwood Ave  
Raleigh, NC, 27612  
Phone: 919-534-7375  
Contact: Bryan C. Pennington

The bank responsible for Proprietary Account of Introducing Brokers/Dealers (PAIB) is:

#### **Wedbush Morgan Securities**

1000 Wilshire Boulevard  
Los Angeles, California, 90017

Falcon Square Capital does not engage in proprietary trading and therefore, will not need to seek alternative financing methods.

- Counterparties

We have contacted our critical counterparties and discussed the extent to which we can continue our business relationships during an SBD. If a critical counterparty cannot continue business during an SBD, we will work with our clearing firm and contact those counterparties and arrange other alternatives in order to complete business as usual.

**Disclosure of Business Continuity Plan**

Our disclosure statement is provided on our website and can be mailed to customers upon request.

**Updates and Annual Review**

The Plan will be reviewed on at least an annual basis and revised as needed. Each revision will be approved by the designated senior manager and copies of the revised Plan distributed to the Emergency Response Team and key employees. Some material events require updating the Plan when they occur, including:

- Material changes to Falcon Square Capital's business
- A change in Falcon Square Capital's main office location
- Added office locations
- A change in a major service provider

**Senior Management Approval**

I have approved this Business Continuity Plan as a reliable and effectively designed plan in order to meet its obligations to a customer during an SBD.

**Falcon Square Capital**

Signed Melissa Pendergrass Hoots, Melissa Pendergrass Hoots  
CEO/CCO

Date: 10/30/17