

**Taglich Brothers, Inc.**  
**Business Continuity Plan**  
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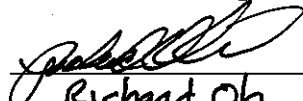
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This "Business Continuity Plan" has been created to meet the requirements described in FINRA Rules 3510 and 3520. This Business Continuity Plan is reasonably designed to enable our firm to meet its obligations to customers in the event of a Significant Business Disruption.

Authorized Approval Signature: \_\_\_\_\_

Printed Name & Title: \_\_\_\_\_

Date: \_\_\_\_\_

  
Richard Oh  
4-30-2010

This Plan is effective from the date approved until the date of its authorized revision, update or replacement (see below).

Date this Plan was no longer effective (date of revision, update or replacement): \_\_\_\_\_

Recordkeeping: Discard after \_\_\_\_\_ (date three years from termination of use).

## Introduction

On April 7, 2004, the Securities and Exchange Commission approved FINRA Rule Series 3500 dealing with emergency preparedness. Rule 3510 requires each member to create and maintain a business continuity plan that identifies procedures relating to an emergency or significant business interruption that are "reasonable designed to enable the member to meet its existing obligations to its customers." In addition, the plan must address the firm's existing relationships with other members and counter-parties. This plan must be promptly made available to the FINRA staff upon request.

Rules 3510(b) requires that each member review its plan at least annually to determine if any changes are needed and update its plan more frequently in the event of any material change to its operations, structure, business or location.

The plan should reflect the firm's business and operations. Therefore, the requirements of the plan, as identified in Rule 3510, are flexible and should be tailored to the firm's size and needs.

However, at a minimum, Taglich Brothers, Inc.'s plan must address the following areas:

- 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 constituents, banks, 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.

Each firm is required to only address the elements applicable to its business, but the plan must contain an explanation if any element above is not included.

Rule 3520 requires each member to designate two individuals as emergency contacts that the FINRA may contact in the event of a significant business disruption. Each contact must be a registered principal or member of senior management. However,

- If the member has only one principal but has other employee, the second contact should be another firm employee, or
- If the firm has only one principal and no other employees, the second contact may be someone who has knowledge of the firm's business, such as an accountant, attorney, etc.

Rule 3520 also requires that each member enter this information into the FINRA's Contact System (NCS) at [www.FINRA.com](http://www.FINRA.com) and that required changes are made promptly.

## **1. Emergency Contact Persons**

Taglich Brothers, Inc. has designated the following individuals to act as contact persons for the firm as required under Rule 3520:

### **Primary Contact**

Name, Title: Richard Oh, Vice President  
Address: 790 New York Avenue, Suite 209, Huntington, NY 11743  
Telephone Number: (631) 757-1500  
Fax Number: (631) 757-2100  
E-mail Address: ohr@taglichbrothers.com

### **Secondary Contact:**

Name, Title: Michael Taglich, President  
Address: 98 Bay Street, Sag Harbor, NY  
Telephone Number: (631) 725-3569  
Fax Number: (646) 415-2828  
E-mail Address:

These contacts will be reported through FINRA's Contact System at [www.FINRA.com](http://www.FINRA.com) and must be updated in the event of a material change. In addition, Taglich Brothers, Inc.'s Executive Representative or his written designee must review and update this information, if necessary, within 17 business days of the end of each quarter.

### **Executive Representative:**

Taglich Brothers, Inc.'s Executive Representative is Richard Oh.

### **Disaster Recovery Coordinator/Team:**

The Company has designated Richard Oh, Vice President, as the "Disaster Recovery Coordinator". The Company has appointed an Emergency Management Team, "EMT", that will be responsible for administering and executing various sections of this plan. The EMT will follow the direction of the "Disaster Recovery Coordinator" or his designee in carrying out assigned duties. The EMT is made up of the following persons: Richard Oh, Michael Brunone and Vincent Palmieri.

The "Disaster Recovery Coordinator" has the responsibility to make an immediate preliminary assessment of the nature and extent of the disruption by assessing the following: electricity supply; condition of computer network/phones; damage to the building; HVAC in extreme weather; and other hazards.

If the Coordinator determines that personnel should evacuate the affected location(s), he must make an announcement to all personnel as appropriate procedures. The announcement may given via personal contact, e-mail, intercom or other methods as appropriate given the systems available and size of staff and building. This announcement should be short and concise, should calmly identify the situation and should provide instructions to employees on how to respond. This announcement should be repeated as often as necessary to avoid confusion and to ensure all employees are aware of the situation. After ensuring the physical safety of Company personnel, the Coordinator and the EMT must then implement this BCP.

If the situation does not merit evacuation, steps should be taken to alert the EMT of necessary actions to facilitate ongoing operations in the face of limited disruption. In this case, the Coordinator will determine which, if any, procedures in this BCP should be implemented.

In the event, the SBD has directly affected other areas of the building but has not directly impacted the Company's office, the Coordinator will contact building security or emergency personnel for instructions on how the Company should respond and proceed accordingly.

## **2. Firm Policy**

Taglich Brothers, Inc.'s policy is to respond to a Significant Business Disruption (SBD) by safeguarding employees' lives and firm property, making a financial and operational assessment, quickly recovering and resuming operations, protecting all of the firm's books and records, and allowing our customers to transact business. In the event that we determine we are unable to continue our business, we will assure customers prompt access to their funds and securities.

### **Significant Business Disruptions (SBDs):**

Taglich Brothers, Inc.'s plan anticipates two kinds of SBDs, internal and external. Internal SBDs affect only the Company's ability to communicate and do business, such as a fire or loss electrical power in the office or building.

External SBDs prevent the operation of the securities markets or a number of firms, such as a terrorist attack, a natural disaster, or another event that causes a wide-scale, regional disruption in essential services. The Company's response to an external SBD will rely more heavily on other organizations and systems, especially on the capabilities of the clearing firm, federal emergency authorities, local officials and utility companies.

### **Approval and Execution Authority:**

Richard Oh, Vice President, a registered principal, is responsible for approving the plan and for conducting the required annual review.

Richard Oh, Vice President has the authority to execute this BCP.

### **Plan Location and Access:**

Taglich Brothers, Inc. will maintain copies of its BCP plan, a record of the firm's annual reviews, and the changes that have been made to the BCP for inspection by regulators. A hard copy of the Company's Plan is located in its main business location and may be accessed by

contacting Richard Oh at (631) 757-1500 or ohr@taglichbrothers.com. An electronic copy of the Company's plan is located internally on Tag\_File in the file name "Business Continuity Plan." In addition, a copy of our BCP will be maintained at Broker Dealer Compliance, 12 Parmenter Road, Unit C-1, Londonderry, NH.

A copy of the BCP will be provided to FINRA District Office 10 located at Two Jericho Plaza, 2nd Floor, Jericho, NY 11753 upon request.

### 3. Business Description

Taglich Brothers, Inc. conducts business in equity securities. The Company is an introducing firm and does not perform any type of clearing function for itself or others. Furthermore, the Company does not hold customer funds or securities. Taglich Brothers, Inc. accepts and enters orders. All transactions are sent to the clearing firm, which executes our orders, compares them, allocates them, clears and settles them. The Company's clearing firm also maintains our customers' accounts, can grant customers access to them, and delivers funds and securities. The Company services retail and institutional customers and engages in any private placements.

The Company's clearing firm is Pershing LLC, One Pershing Plaza, 5<sup>th</sup> floor, Jersey City, NJ 07399, (201) 413-3091, [www.pershing.com](http://www.pershing.com) and our contact person at that clearing firm is Jon Feinstein, [jfeinstein@pershing.com](mailto:jfeinstein@pershing.com), (201) 413-2533. Pershing has given us the following alternative contacts in the event the primary contact cannot be reached: Carmen Rivera at 201-413-4393 or at [cdrivera@pershing.com](mailto:cdrivera@pershing.com), or Mary Curran at 201-413-2635 or at [mcurran@pershing.com](mailto:mcurran@pershing.com)

### 4. Office Locations

The Company or its registered personnel currently operate from the following locations:

Type of Location, Registered or Unregistered	Address and Main Phone Number	Located in a Personal Residence? (Y or N)	Means of Transportation Employees Use to Reach Office	Mission Critical Systems Taking Place at Office
Main - Registered	790 New York Avenue, Suite 209, Huntington, NY 11743 (631) 757-1500	No	Car	Order Taking, Entry, Comparison, Maintenance of Customer accounts, Access to Customer Accounts
Branch -- Registered	405 Lexington Avenue, 51 <sup>st</sup> Floor, New York, NY 10174 (212) 661-6886	No	Subway, Foot	Access to Customer Accounts

**Alternative Physical Location(s) of Employees:**

In accordance with Rule 3510(c)(6) requires that each member designate a location at which business will be conducted in the event the primary office of the Company must be evacuated. In accordance with this requirement, Taglich Brothers, Inc. will move critical members of its staff from affected offices to the Company's closest unaffected office locations.

If none of the Company's other office locations is available to receive staff, they will relocate to 98 Bay Street, Sag Harbor, NY (631) 725-4731 (personal residence) or 29 Glades Way, Huntington, NY (631) 673-0613 (personal residence).

**5. Customers' Access to Funds and Securities**

Taglich Brothers, Inc. does not maintain custody of customers' funds or securities. Customer accounts are maintained at our clearing firm, Pershing.

In the event of a SBD:

1. If telephone service is available, our registered persons will take customer orders or instructions and contact our clearing firm on their behalf, and
2. If our Web access is available, our firm will post on our Web site that customers may access their funds and securities by contacting Jeff Bega, Pershing, (201) 413-3091.

The Company will make this and additional information regarding accessing funds and/or securities available to customers through our disclosure policy (below).

If SIPC determines that the Company is unable to meet its obligations to its customers or if the Company's liabilities exceed its assets in violation of Securities Exchange Act Rule 15c3-1, SIPC may seek to appoint a trustee to disburse the Company's assets to its customers. Taglich Brothers, Inc. will assist SIPC and the trustee by providing applicable books and records identifying customer accounts subject to SIPC regulation.

**6. Data Back-Up and Recovery (Hard Copy and Electronic)**

Taglich Brothers, Inc. maintains its primary books and records in hard copy and electronic copy at 700 New York Avenue, Huntington, NY 11743. Richard Oh, Vice President, (631) 757-1500, is responsible for the maintenance of these books and records.

Taglich Brothers, Inc. maintains the following document types and forms that are not transmitted to the clearing firm: New account forms, investor questionnaires and account Statements.

**Back-up of Paper Records:**

Taglich Brothers, Inc does not keep a back up copy of its hard copy books and records. All back-up copies of paper books and records are kept with company's clearing firm, Pershing.

While the Company may lose access to some or all FINRA- or SEC-required records in an external SBD, or may permanently lose some or all such records in an internal SBD (such as a fire), we believe our customers would not suffer as a result since Pershing maintains all pertinent records relative to their accounts.

**Back-up of electronic records:**

The firm backs up its electronic records monthly by copying all files to a CD, and by keeping a copy of this back-up at 700 New York Avenue, Huntington, NY 11743.

In the event of an internal or external SBD that causes the loss of the Taglich Brothers, Inc.'s paper records, the Company will physically recover them from its back-up site. If the Company's primary site is inoperable, it will continue operations from its back-up site or an alternate location.

In the event that electronic records are lost, the Company will either physically recover the storage media or electronically recover data from its back-up site, or, if the Company's primary site is inoperable, continue operations from its back-up site or an alternate location.

**7. Financial and Operational Assessments**

**Operational Risk:**

In the event of an SBD, Taglich Brothers, Inc. will immediately identify any methods available that will permit personnel to communicate with customers, other 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 Company may employ will include telephone voice mail and secure e-mail. In addition, Taglich Brothers, Inc. will retrieve key activity records as described in the section above, Data Back-Up and Recovery (Hard Copy and Electronic).

**Financial and Credit Risk:**

In the event of an SBD, Taglich Brothers, Inc.'s FINOP will determine the value and liquidity of its investments and other assets to evaluate the Company's ability to continue to fund its operations and remain in capital compliance.

Taglich Brothers, Inc. will contact its clearing firm, critical banks, and investors to apprise them of the Company's financial status. If the Company determines that it may be unable to meet its obligations to those counter-parties or otherwise continue to fund its operations, Taglich Brothers, Inc. will request additional financing from our bank or other credit sources to fulfill its obligations to our customers and clients. If Taglich Brothers, Inc. cannot remedy a capital deficiency, the FINOP will file appropriate notices with applicable regulators and immediately take appropriate steps, including the suspension of non-essential business activities, contacting the SIPC, and the temporary lay-off of non-essential personnel.

In the event there is suspension or termination of the Company's business, the Company will attempt to notify customers regarding the situation and provide them with instructions for accessing their funds or securities, if applicable, for verifying transactions in process or for conducting future business. Notification will be a form allowed based on the circumstances permitted by regulatory authorities and may include telephone calls, letters or a posting on the Company's website.

## **8. Mission Critical Systems**

### **Internal Mission Critical Systems**

The Company has primary responsibility for establishing and maintaining business relationships with customers and has sole responsibility for the Company's mission critical functions prompt and accurate processing of securities transactions, including order taking, access to customer accounts, and the delivery of funds and securities.

#### **Order Taking**

Currently, the Company receives orders from customers via telephone and in person. During an SBD, we will continue to take orders through any of these methods that are available and reliable.

The Company will inform our customers what alternatives they have to send their orders to us in the event traditional methods are interrupted. Customers will be informed of alternatives by disclosure information provided when a new business relationship is established and by calls from personal cell phones, if phone services are affected, through messages via email, by fax, in person or by other means available. If necessary, we will advise our customers to place orders directly with our clearing firm at (201) 413-3091.

#### **Order Entry/Submission**

Currently, Taglich Brothers, Inc. enters orders by recording them on paper and/or electronically and sending them to our clearing firm electronically, by telephone

In the event of an internal SBD, the Company will send orders to its clearing firm by the fastest alternative means available, which may include alternative telephone facilities, including cell phones, fax and external e-mail connections.

In addition, during an internal SBD, the Company may refer customers directly to the clearing firm for placing orders.

In the event of an external SBD, the Company will maintain the order in electronic or paper format, and deliver the order to the clearing firm by the fastest means available when it resumes operations.



## **Order Execution**

The Company does not execute orders. All orders are executed through the Company's clearing firm. See below for information on the clearing firm's mission critical systems.

## **Other Services Currently Provided to Customers**

In addition to those services listed above the Company also provides investment banking.

In the event of an internal or external SBD, the Company will attempt to continue to offer these services provided that doing so does not place our employees or customers in harm's way. These services may be temporarily suspended if the Company determines that safety cannot be assured or if critical systems necessary for offering these services, such as telephone or Internet system, are disrupted.

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

The Company's clearing firm provides, through contract, the execution comparison, allocation, clearance and settlement of securities transactions, the maintenance of customer accounts, access to customer accounts, and the delivery of funds and securities.

Taglich Brothers, Inc.'s clearing agreement, or addendum thereto, provides that the clearing firm will maintain a business continuity plan and the capacity to execute that plan.

Pershing represents the following:

1. It will advise the Company of any material changes to its plan that might affect Taglich Brothers, Inc.'s ability to maintain its business and present the Company with an executive summary of its plan, which is attached.
2. In the event the Company's clearing firm executes its plan, it represents that it will notify the Company of such execution and provides the Company equal access to services as its other customers.
3. If, Pershing determines that it has not or cannot put its plan in place quickly enough to meet Taglich Brothers, Inc.'s needs, or is otherwise unable to provide access to such services represents that it will assist the Company in seeking services from an alternative source.
4. It backs up the Company's records at a remote site and that it operates a back-up operating facility in a geographically separate area with the capability to conduct the same volume of business as its primary site.

In addition, the Company's clearing firm has also confirmed the effectiveness of its back-up arrangements to recover from a wide scale disruption by testing its disaster recovery systems at least quarterly.

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; resumption refers to the capacity to accept and process new transactions and payments after a wide-scale disruption. Pershing has the following SBD recovery time and resumption objectives: mainframe systems will be restarted and operational in less than 4 hours with less than five minutes of data loss.

Pershing maintains two business resumption sites for the relocation of personnel. The Morris County site provides for up to 700 associates to resume processing operations and the Hudson County site can accommodate up to 250 traders. Testing at both of these facilities occurs at least twice per year to ensure systems and hardware are ready for immediate activation if needed.

## **9. Alternate Communications Between the Firm and Customers, Employees, and Regulators**

### **Customers**

The Company currently communicates with our customers using the telephone, e-mail, fax, U.S. mail, and in person visits at our firm or at the other's location.

In the event of an SBD, we will assess which means of communication are still available to us, and use the means closest in speed and form (written or oral) to the means that we have used in the past to communicate with the other party. For example, if we have communicated with a party by e-mail but the Internet is unavailable, we will call them on the telephone and follow up where a record is needed with paper copy in the U.S. mail.

### **Employees**

The Company currently communicates with its employees using the telephone, e-mail, and in person.

In the event of an SBD, we will assess which means of communication are still available to us, and use the means closest in speed and form (written or oral) to the means that we have used in the past to communicate with the other party.

The Company employs only 14 employees who are located within close proximity to each other within two offices. Employees will be notified directly by the Disaster Recover Coordinator, or his designee, as to events and the manner in which they should proceed.

### **Regulators**

The Company is currently a member of the FINRA and is registered with the SEC.

The Company is registered to conduct business in all 50 State and the District of Columbia.

Taglich Brothers, Inc. communicates with applicable regulators using the telephone, fax, and U.S. mail.

In the event of an SBD, we will assess which means of communication are still available to us, and use the means closest in speed and form (written or oral) to the means that we have used in the past to communicate with the other party.

## **10. Critical Business Constituents, Banks, and Counter-Parties**

### **Business constituents**

Taglich Brothers, Inc. has contacted our critical business constituents (businesses with which the Company has an ongoing commercial relationship in support of its operating activities, such as vendors providing critical services), and determined the extent to which the Company can continue its business relationship with these businesses in light of the internal or external SBD.

The Company has entered into a supplemental contract with certain critical business constituents to provide such services. The alternative suppliers are disclosed below.

Our major suppliers are:

<b>Business Constituent</b>	<b>Address, Phone Number</b>	<b>Alternative Supplier</b>	<b>Address, Phone Number</b>
Cohere Communications, LLC - Telephone - Internet	509 Madison Avenue, Suite 604 New York, NY10022 212-404-6900		
Cablevision Telephone and Internet	<b>1-866-575-8000</b>		
Reuters Market Data	1700 Broadway, New York, NY 10019 (866) 822-5908		

### **Banks**

Taglich Brothers, Inc. has contacted its banks and lenders to determine if they can continue to provide the financing that the Company may need in light of the internal or external SBD. The Company's accounts are currently with the following institutions:

Types of account (i.e. checking, savings, PAIB, escrow)	Name of Financial Institution	Address of Financial Institution	Telephone Number	Contact Name
Checking	Chase Bank	One Chase Plaza, New York, NY	(212) 552-3898	Customer service
PAIB	Pershing	One Pershing Plaza, Jersey City, NJ 07399	(201) 413-2533	Jon Feinstein

If our banks and other lenders are unable to provide the financing, we will seek alternative financing immediately.

### **Counter-Parties**

Taglich Brothers, Inc. has contacted our critical counter-parties, such as other broker-dealers or institutional customers, to determine if we will be able to carry out our transactions with them in light of the internal or external SBD. Where the transactions cannot be completed, we will work with our clearing firm or contact those counter-parties directly to make alternative arrangements to complete those transactions as soon as possible.

## **11. Regulatory Reporting**

Taglich Brothers, Inc. is subject to regulation by the FINRA and SEC, as well as various State and other securities regulators (see list of States in Part 10 – Regulators)

The Company currently files reports with our regulators using paper copies in the U.S. mail, and electronically using fax, e-mail, 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. In the event that we cannot contact our regulators, we will continue to file required reports using the communication means available to us.

The Company's current regulators can be reached as follows:

FINRA District Number 10  
Address: Two Jericho Plaza, 2nd Floor, Jericho, NY 11753  
Phone: (516) 949-4200

SEC Northeast Region  
Address: 233 Broadway, New York, NY 10279  
Phone: (646) 428-1500  
E-mail (if known): [newyork@sec.gov](mailto:newyork@sec.gov)

A list of addresses and telephone numbers follows as an addendum to this "Plan."

## **12. Disclosure of Business Continuity Plan**

The Company will disclose in writing a summary of our BCP to customers at account opening or at the time a business relationship is established. The Company will notify customers in writing when material changes are made to the Plan than may affect their business relationship with the Company. The Company will also mail it to customers upon request.

The summary addresses the possibility of a future SBD and how we plan to respond to events of varying scope. In addressing the events of varying scope, the summary:

1. Provides specific scenarios of varying severity (e.g., a firm-only business disruption, a disruption to a single building, a disruption to a business district, a city-wide business disruption, and a regional disruption);
2. States whether we plan to continue business during that scenario and, if so, our planned recovery time; and
3. Provide general information on our intended response.

Our summary also discloses the existence of back-up facilities and arrangements. A copy of the Company's disclosure Statement is included at the back of this Plan.

## **13. Updates and Annual Review**

The Company will update this plan whenever there is a material change to its operations, structure, business or location or to those of the clearing firm.

The Company's BCP will be reviewed and modified, if necessary, at least annually, but no later than within 12 months of the date on which this Plan was put into effect or previously reviewed, to take into account any changes in the Company's operations, structure, business, or location or those of our clearing firm.

**All Taglich Brothers' facilities are equipped for resumption of business and are tested several times per year. Our recovery time objective for business resumption, including those involving a relocation of personnel or technology, is six (6) hours. This recovery objective may be negatively affected by the unavailability of external resources and circumstances beyond our control.**

**In the event Taglich Brothers experiences a significant business interruption, Pershing may be contacted directly to process limited trade-related transactions, cash disbursements, and security transfers. Instructions to Pershing must be in writing and transmitted via facsimile or postal service as follows:**

**Pershing LLC,  
PO Box 2065  
Jersey City, New Jersey 07303-2065  
Fax: (201) 413-5368**

## **Customer Disclosure Statement Taglich Brothers, Inc.**

The Company's plan takes into account two kinds Significant Business Disruptions (SBDs), internal and external. Internal SBDs affect only the Company's ability to communicate and do business, such as a fire or loss electrical power in the office or building.

External SBDs prevent the operation of the securities markets or a number of firms, such as a terrorist attack, a natural disaster, or another event that causes a wide-scale, regional disruption in essential services.

**Contact information:** Any questions regarding the Company's Business Continuity Plans should be addressed to: Richard Oh, 790 New York Avenue, Suite 209, Huntington, NY 11743, (631) 757-1500.

**Internal SBDs:** In the event of a disruption in the Company's business operations due an internal SBD, the Company will attempt to continue to conduct business as usual by utilizing alternative communication methods (if available), such as the Internet, cell phones, etc., or by moving its operations to an alternative location.

**External SBDs:** In the event of a disruption in the Company's business operations due to an external SBD, the Company will attempt to continue to conduct business as usual by moving its operations to an alternative location outside the effected area, if possible, or by providing customers with alternative arrangements.

The Company will resume normal business operations as soon as it is able to do so based on the type and the extent of the disrupting event.

**Communications:** In the event you are unable to reach the Company, customers should proceed as follows:

1. Attempt to contact the Company at the following alternate telephone number: (212) 661-6886.
2. Contact the clearing firm directly at the following telephone number: (201) 413-3091.
3. Contact the product sponsor directly at the number listed on your most recent Statement.

All critical records related to the Company's business operations are backed-up monthly and stored in a secure offsite location. These back-up files can be used to restore Company systems to ensure that business can be back to normal as quickly as possible after the disruption.

## **Contact Information for States Regulators**

### **Alaska**

Address: 150 Third Street, Room 217, Juneau, AK 99811

Phone: (907) 465-2521

### **Alabama**

Address: RSA Plaza, 770 Washington Ave., Ste. 570, Montgomery, AL 36130-4700

Phone: (334) 242-2984 or (800) 2221253

### **Arizona**

Address: 1300 West Washington Street, 3<sup>rd</sup> Floor, Phoenix, AZ 85007

Phone: (602) 542-4242

### **Arkansas**

Address: Heritage West Building, 201 East Markham, Room 300, Little Rock, AR 72201

Phone: (501) 324-9260

### **California**

Address: 320 West 4<sup>th</sup> Street, Ste. 750, Los Angeles, CA 90013-1105

Phone: (213) 576-7643

### **Colorado**

Address: 1580 Lincoln Street, Ste. 420, Denver, CO 80203-1506

Phone: (303) 894-2320

### **Connecticut**

Address: 260 Constitution Plazas, Hartford, CT 06103-1800

Phone: (860) 240-8230 or (800)831-7225

### **District of Columbia**

Address: 810 First Street NE, Suite 701, Washington DC 20002

Phone: (202) 727-8000

### **Delaware**

Address: 820 North French Street, 5<sup>th</sup> Floor, Wilmington, DE 19801

Phone: (302) 577-8424

### **Florida**

Address: 101 East Gaines Street, Plaza Level, The Capital, Tallahassee, FL 32399-0350

Phone: (850) 410-9805

### **Georgia**

Address: Two Martin Luther King Jr. Dr., SE, 802 W. Tower, Atlanta, GA 30334

Phone: (404) 656-3920

**Hawaii**

Address: 1010 Richards Street, 2<sup>nd</sup> Floor, Honolulu, HI 96813  
Phone: (808) 586-2744

**Iowa**

Address: 330 Maple Street, Des Moines, IA 50319-0065  
Phone: (515) 281-5705

**Idaho**

Address: 700 West State Street, 2<sup>nd</sup> Floor, Boise, ID 83720-0031  
Phone: (208) 3328004

**Illinois**

Address: 17 North State St, Ste. 1100, Chicago, IL 60601  
Phone: (312) 793-3384

**Indiana**

Address: 302 west Washington Street, Room E-111, Indianapolis, IN 46204  
Phone: (317) 232-6681 or (800) 223-8791

**Kansas**

Address: 618 S. Kansas Avenue, 2<sup>nd</sup> Floor, Topeka, KS 66603-3804  
Phone: (785) 296-3307 or (800) 232-9580

**Kentucky**

Address: 1025 Capital Center Drive, Suite 200, Frankfort, KY 40601  
Phone: (502) 573-8787

**Louisiana**

Address: 3445 North Causeway Boulevard, Suite 509, Metairie, LA 70002  
Phone: (504)846-6970

**Massachusetts**

Address: One Ashburton Place, 17<sup>th</sup> Floor, Boston, MA 02108  
Phone: (617) 727-3584 or (800) 269-5428

**Maryland**

Address: 200 St. Paul Place, 20<sup>th</sup> Floor, Baltimore, MD 21202-2020  
Phone: (410) 576-6360

**Maine**

Address: 121 State House Station, Augusta, ME 04333-0121  
Phone: (207) 624-8551



**Michigan**

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# **Contingency Planning**

Introducing Broker - Dealer Summary

Version 3.0

March 2004

**FOR PERSHING INTRODUCING BROKER/DEALER USE ONLY.**

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**CONFIDENTIAL**

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## **Purpose**

The purpose of this document is to provide our customers with an overview of our business continuity and disaster recovery plans, including a high-level definition of the policies and procedures that we will employ in the event of a business interruption.

## **Mission**

Pershing's mission for contingency planning is to ensure the continuous, reliable delivery of service to Pershing's customers while maintaining regulatory compliance.

## **Planning Structure and Basic Assumptions**

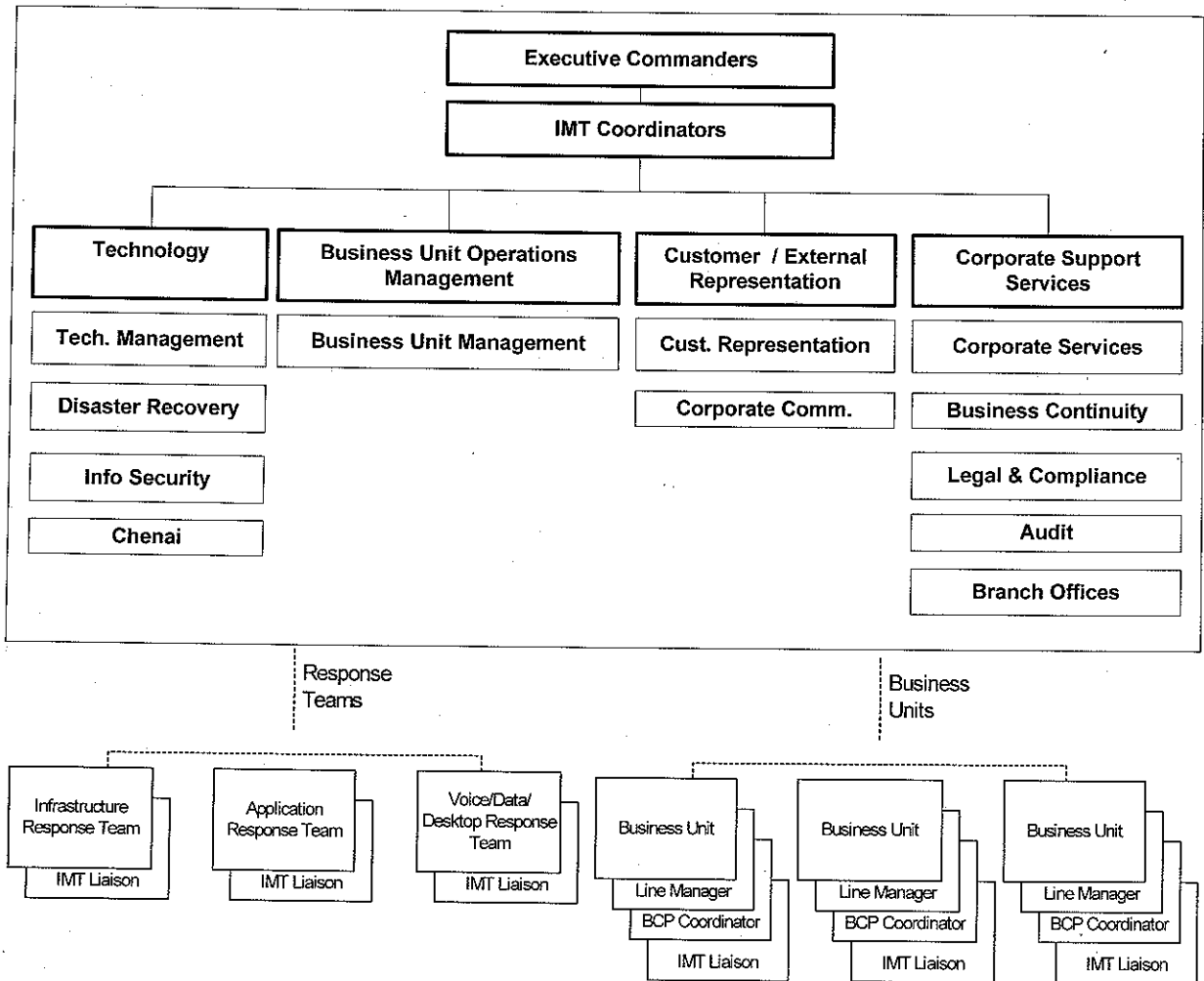
The basic planning assumptions for the contingency plan are the following:

1. Pershing assumes that not more than one of its critical facilities will be affected at one time. All other facilities will remain accessible and operational.
2. Pershing assumes that its critical infrastructure (such as electric, water, heat, ventilation, air conditioning, etc.) will remain operational as long as the facility is accessible. This assumption is based on the amount of effort that Pershing has undertaken to fortify these facilities (for instance, Pershing maintains redundant generators, chillers, etc.).
  - If an event causes the evacuation of our operations center in Hudson County, New Jersey, Pershing will declare a business continuity event, and activate the business continuity plan. This will result in a four-hour processing outage to enable switching of data and voice communications and relocation of associates to our data center in Morris County, New Jersey.
  - If an event causes the closing of our data center in Morris County, New Jersey, Pershing will declare a disaster recovery event, and activate the Disaster Recovery plan. This will result in a four-hour outage while our mainframe processing is transferred to our Hudson County back-up site.
3. Pershing assumes that all customer sites and facilities (such as electricity, water, heat, ventilation, air conditioning, etc.) are accessible and operational.
4. Pershing assumes that it will have adequate staffing available during the event.

## Event Management Structure

Pershing has established an event management structure to respond effectively to business emergencies. This structure will be activated during any business continuity or disaster recovery event. At the center of the event management structure is Pershing's Command and Control Center, which is occupied by the Incident Management Team (IMT).

The following diagram illustrates Pershing's event management structure:



## **Incident Management Team (IMT)**

IMT members and their alternates are proxy representatives whose extensive experience at Pershing allows them to understand the implications of individual business unit issues while maintaining a corporate perspective. Their responsibilities include the following:

- Ensure departments comply with requests for status or directives from IMT.
- Obtain the operational status of the departments or customer groups they represent.
- Assess incident and determine the firm-level response, including invocation of business continuity or disaster recovery plans.
- Ensure responses are implemented correctly.
- Coordinate with essential business personnel, for instance managers and business continuity coordinators.

### **Executive Commander**

- Focal point for decision-making and execution of strategies for the IMT.
- Acts as a liaison to the Executive Committee
- Coordinates activities at the corporate and business unit levels

### **IMT Coordinator**

- Coordinates the flow of information into the IMT, structures meetings, etc.

### **Technology**

- Ensure appropriate information is collected and presented to IMT
- Coordinate allocation of PTG resources
- Ensure that IMT directives are implemented
- Act as liaison with technical vendors/service providers

### **Business Unit Management**

- Ensure that appropriate information collected about incident and wellness status of business unit
- Make decisions on contingency actions
- Ensure contingency actions undertaken are implemented.

### **Customer / External Representation**

- Represent the customer's interest in the decision making process
- Ensure that communications and/or messages from IMT are delivered consistently
- Compose, review and manage all communications with external entities (correspondents, media, etc.)
- Manage "hotline" and other internal communications

### **Corporate Support Services**

- Provide information on impact of incident
- Support and facilitate firm's contingency actions
- Ensure contingency actions undertaken are compliant with laws, rules and regulations and provide sufficient controls.
- Act as liaison with regulatory agencies



## **Response Teams**

The Pershing Technology Group has dedicated teams of technologists to advise and respond to events, as directed by the IMT. These teams are organized by area of expertise and relevant skill sets.

## **Business Units**

Each of Pershing's business units has dedicated teams of associates to perform the specific functions identified below:

### **Line Managers**

The line managers are responsible for enacting their business continuity plans, as instructed by the Incident Commander.

### **Business Continuity Team Captains**

The business continuity team captains support the line managers with their knowledge of the business unit's contingency plans and assist in the activation of those plans.

### **IMT Liaison**

The IMT liaison is responsible for communicating the status of the business units to the IMT and providing the line managers with current IMT decisions.

## **Communications with Customers**

### **Outbound Communications**

#### **Account Managers and Customer Service Associates**

Pershing Account Managers and Customer Service Associates will contact customers with information or instructions.

### **Inbound Communications**

#### **Problem Notification**

It is the expectation that customers continue to use existing communication channels with Pershing. Customers who wish to notify Pershing of problems will continue to call Pershing's Technology Customer Service at (201) 413-2001, as they would normally.

## Security Policies

### Data Security

Pershing produces and stores paper and/or magnetic copies of all relevant access data and programs so that in the event that the security access files or programs are destroyed or corrupted due to an event, they can be quickly reconstructed in accordance with Securities and Exchange Commission regulations.

### Physical Security Access

If there is a security system failure at Pershing's facilities due to an event, we will implement the following guidelines:

- Only Pershing associates and authorized vendor support personnel will be allowed access. All access will be monitored. ALL associates will be required to show Security a valid Pershing Identification Card and to sign in with Lobby Security at the start of the business day and each time thereafter upon entering the facility
- Access to restricted areas (such as the data center) will only be authorized after an access validity verification by Security. This access will be granted only after verification by Security of access validity. Security will maintain an up-to-date listing of all associates with current card or sign-in authorization to access these areas
- Any access required by associates, vendors, and consultants must be approved by the senior management of the restricted areas involved
- Vendors that must be on-site in order to perform any required maintenance or repairs must be accompanied by a Pershing associate

## **Business Continuity**

Business continuity at Pershing is defined as the orderly return to normal business operations after events that have affected Pershing Plaza. Integral to the success of Pershing's business continuity program is our ability to relocate associates and resume business functions at our Morris County and alternate Hudson County facilities.

### **Business Continuity Plans and Risk Assessments**

Pershing maintains over 50 written business resumption plans that cover all aspects of the resumption of business processes for each department. These plans are updated semi-annually with consultants from Sungard Planning Solutions and their PreCoverly software package. Current copies of these plans are maintained in several off-site locations. Risk assessments are also performed every time the BC plans are updated. The impact of any changes in Pershing's processes, products, or business environment are evaluated, which may result in modifications to the configuration of the recovery sites as described below.

### **Recovery Sites**

Pershing maintains two business resumption sites for personnel: The Morris County facility provides for the relocation of over 700 associates to resume processing operations, and the alternate facility in Hudson County provide for the relocation of 250 traders. Each operations desktop or trading position used in business continuity is loaded with all software, as well as all telecommunication requirements needed for the associate to continue in their role. Centralized fax and wire printer rooms are maintained where all communications to Pershing are centrally located and controlled.

Business continuity "partitions" on the hard drives of the recovery workstations are used in business continuity to hold client server, market data, and desktop applications separately from the day-to-day uses of the machine.

Pershing also maintains a telephone rollover scheme whereby inbound Pershing Plaza calls and faxes are routed to Morris County or the alternate facility in Hudson County by the local telephone company.

### **Testing**

Each seat in both facilities is tested at least twice a year. These Saturday tests involve 700 associates at Morris County and 250 traders at the alternate facility in Hudson County logging into the business continuity machines and testing accessibility to all applications.

## **Disaster Recovery**

The focus of disaster recovery is the re-establishment of the data processing infrastructure such as technology platforms, applications, network infrastructure, and systems access. It also includes the recovery of the technology personnel responsible for data center operations; system software and operating environments; and network, communications, and applications support. These are multi-platform-interconnected systems that support the business of Pershing and our customers. Services include the planning, coordination, and execution of periodic disaster recovery exercises; the development and maintenance of Pershing's disaster recovery plans; and implementation of new and leading-edge technology solutions. Plans have been developed and are maintained for the mainframe, distributed systems, and network environments. Additional services we provide to our customers include assistance in the design and testing of their disaster recovery capabilities with respect to Pershing.

### **Mainframe**

Pershing has implemented a state-of-the-art internal mainframe disaster recovery capability based on IBM Geographically Dispersed Parallel Sysplex/eXtended Remote Copy (GDPS/XRC). GDPS/XRC provides replication of data between the primary Morris County data center and the secondary data center in Hudson County. XRC is the disk-mirroring component and GDPS is the automation component. The mirrored data center automatically copies more than 20 terabytes (7,300 direct access storage device volumes) of information - equivalent to the text content of 20 million 400-page books. The mainframe systems are restarted and operational in less than four hours with less than five minutes data loss. Pershing is the world's largest mirrored data center using IBM mainframes and storage devices.

### **Distributed Systems**

Front-end client/server, web, and interactive voice recognition (IVR) systems are engineered to provide load balancing between the data centers in Morris County, New Jersey and Hudson County, New Jersey. In the event of an outage in Hudson County, the Morris County servers will assume the entire workload. Conversely, if there is an outage in Morris County, the Hudson County servers will assume the entire workload. In both cases, the transition requires little or no manual intervention.

For back-end processing systems, Pershing has implemented an EMC Symmertrix Remote Data Facility (SRDF) disk-mirroring technology solution to augment the current Tivoli Storage Manager based (restore from backup) internal capability

### **Network**

Internal redundancy is inherent within the network design with production network traffic supported from two geographically dispersed facilities, Morris County and Hudson County. Both facilities are designed to support the network in the event of a disaster at either location.

### **Testing**

The disaster recovery capabilities are aggressively tested on a quarterly basis. After each test, a written critique is prepared documenting any problems encountered during the test or areas where improvement may be necessary. If you would like to participate in one of our tests please contact your Account or Relationship Manager. Client participation is welcomed, but due to the complexity involved it is limited to a first come/first serve basis and no more than 10 clients per test.