

# **CUSO Partners Investments Business Continuity Plan**

## **Purpose of the Business Continuity Plan**

The Business Recovery Plan at CUSO Partners Investments, Inc. ("CPI") is intended to provide a framework for developing plans to ensure the safety of employees and the resumption of operations and services in the event of an emergency. The plan should provide for the continuing operation of the business unit and accelerated recovery in the event of a disruption.

## **Objectives of the Business Continuity Plan**

- To reduce confusion by giving a clearly defined course of action, and thus providing for an orderly and timely recovery.
- To identify personnel, resources, and the functions necessary for continued operation in the event of disruption, and provide appropriate client communications.
- To minimize the impact to CUSO's public and industry image.
- To define alternate procedures for ongoing operation of critical functions.
- To identify the locations to be used to continue operations in the event of a disruption.
- To use an established plan to resume normal operation, within redefined limits, after a disruption.

## **CPI Policy**

Our Firm'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 clients to transact business. In the event that we determine that we are unable to continue our business, we will assure clients prompt access to their funds and securities.

## **Significant Business Disruptions**

Our plan anticipates two types of SBD's: internal and external. Internal SBD's are interruptions that deny access to our facilities or resources such as a fire, flood, power outage or hazardous material incident. External SBD's prevent the operation of the securities markets or a number of firms, such as a terrorist attack or a wide-scale, regional disruption. With either type of disruption, if our critical Information Technology systems are disrupted, we will have to rely on our key third party processors, vendors, suppliers and financial institutions. Whether the disruption is internal or external, CPI's plan is designed to recover our business functionality within four (4) hours.

## **Approval and Execution Authority**

Charles White, a registered principal, is responsible for approving the plan and for conducting the required annual review. Mr. White can be reached at 205.949.9537 or [cwhite@sternagee.com](mailto:cwhite@sternagee.com). Kimberly Key, who has the authority to execute this BCP, can be reached at 205.380.1708 or at [kkey@sterneagee.com](mailto:kkey@sterneagee.com).

## **Business Description**

CUSO Partners Investments is a credit union-owned securities broker/dealer providing real market access for current investment requirements. Those credit unions with ownership in CPI create additional income for their investment portfolios by sharing in the revenue generated by the investment transactions.

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

CPI has entered into a management agreement with Sterne Agee Clearing, Inc. ("SACI"). Under the management agreement SACI (or its affiliate, Sterne Agee) is responsible for CPI's books and records. SACI maintains storage of all books and records including reports, statements and confirms at the Firm's operations site at 813 Shades Creek Parkway, Birmingham, Alabama. Under Sterne Agee's plan, the Firm has contracted with Regions Bank to provide off-site storage of the company's electronic data back-up files. Data from our server platforms are copied to tape and transported offsite to Regions Bank the following day by our mailroom couriers. We retain five (5)

daily sets of backups offsite. In addition, we store twelve (12) month end tapes (rolling 12 months) and each year-end tape locally in a fireproof safe in the computer room. Duplicate platters and backup tapes from Spyview, our books and records system, are also stored at Regions Bank. The facility stores the platters in fireproof vaults. The facility is located in the basement of the Regions - Harbert Plaza building, located at 1901 6th Avenue North, Birmingham, AL 35203; providing an acceptable geographic distance from the Firm's Operations center.

Back up for trade documentation is available through the service bureau utilized by Sterne Agee.

*Rule: NASD Rule 3510(c)(1)*

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

CPI has adopted Sterne Agee's plan in this area as follows:

Sterne Agee has multiple locations in many states and depending on the severity and duration of a SBD, the Firm has plans to either transfer employees to other branches to continue business or relocate trading functions to alternative branch offices. We have determined that in the event of a significant business disruption, we must initially resume business by having Initial Response Teams from the Operations, Equity and Fixed Income departments functioning within the first four (4) hours after the event to conclude trading and clear and settle that day's business.

### **IT Alternative Processing Site**

The IT department has developed and equipped a disaster recovery processing center on the 5th floor of the 800 Shades Creek Parkway headquarters building. This location will house equipment allowing the following backup capabilities:

- Circuits connected to DTCC, BONY, ILX, Thomson and the Internet
- Servers to run BETA and backup e-mail
- A 3005 concentrator which allows VPN capabilities with 3rd party vendors, i.e. SunGard's
- Advent systems.
- Potential to backup MPLS circuits in the future.

The IT department will also be utilizing the Birmingham headquarters 5th floor training room by setting up work stations designed to mirror the functionality of designated personnel from the Operations, Equity trading, SAAM and SAL Trust Company. This room will serve as a Disaster Recovery site if functionality is impaired at the 813 Shades Creek Parkway office. Should the severity of the disruption dictate that the 813 building be inoperable for an extended period of time, the IT department is prepared to take the open room on the Headquarters 5th floor and setup workstations to accommodate critical Operations personnel.

*Rule: NASD Rule 3510(c)(6)*

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

The majority of transactions are cleared on a DVP/RVP basis through NSCC. Should NSCC be unavailable for clearance, trades will either be extended until NSCC can clear the transactions or CPI and the customer/owner will agree to clear the transaction(s) "ex-clearing".

Customer/owners, on rare occasions, will keep securities in the Firms accounts for safekeeping, and the securities are available on request.

*Rule: NASD Rule 3510(a); Securities Exchange Act Rule 15c3-1; 15 U.S.C. 78eee*

## **Financial and Operational Assessments**

### **Operational, Financial and Credit Risk**

CPI, through its management agreement with SACI, relies on SACI for FINOP responsibilities and therefore has adopted its Business Continuity Plan in this area as follows:

Operational risk focuses on the Firm's ability to maintain communications with clients and to retrieve key activity records through its "mission critical systems." Sterne Agee has fully documented our communication capabilities and has procedures in place to notify our clients of all available means of communication.

The Firm has acquired multiple lines of credit that are well in excess of the needs our daily operations require. These lines of credit are with such institutions as Regions Bank, Bank of New York and Wachovia and these lines have both secured and unsecured elements. These lines of credit allow us to finance fails to deliver with our counterparties, which can be a potential risk in the event of a significant business disruption.

*Rule: NASD Rule 3510(c)(3) & (c)(8) & (f)(2)*

### **Mission Critical Systems**

CPI also relies on Sterne Agee's operating systems and therefore adopted Sterne Agee's Business Continuity Plan with regard to "Mission Critical Systems" as outlined below:

Sterne Agee's "mission critical systems" are those that ensure prompt and accurate processing of securities transactions, including order taking, entry, execution, comparison, allocation, clearance and settlement of securities transactions, the maintenance of client accounts, access to client accounts, and the delivery of funds and securities. We have identified the following functions as critical to our daily business and will be supported during a SBD.

- Order Taking/Order Entry - Beta provides the mechanism for order entry from our branch locations.
- Trading - Equity - the Firm currently operates multiple trading sites geographically dispersed. Depending on the nature of the SBD, Equity trading will operate in Birmingham, Boca Raton or New York. All Equity trading can operate at any or all of these sites.
- Trading - Fixed Income - the Firm currently operates Fixed Income trading sites geographically dispersed. Depending on the nature of the SBD, Fixed Income trading will operate in Birmingham, New York or New Jersey; with certain functions to be performed in Chicago or Philadelphia.
- Execution - order acceptance and routing of orders to an executing agent will be virtually uninterrupted by use of Internet access, telephone and fax transmission between branch, clients and executing agents. The Firm's BCP envisions remote switching of incoming communication lines to any alternate location where Equity and Fixed Income trading personnel will be domiciled in the event of an interruption at their present location.
- Comparison - If the SBD created inaccessibility to the AS400 report printing, our P & S staff would be required to relocate to our service bureau in Brookfield, WI. At that site Beta systems could print the necessary street side comparisons and break reports and also provide the Firm phone, fax and Beta back office capabilities that would allow us to compare our street side business. If the outage is less than 24 hours, we will hold the comparison and break reconciliations process until the next business day when we had re-established full access to AS400 reports and our operations center. In both, we would update the trading group and correspondents with the new site location, telephone numbers and fax numbers and when we would be available at that site.
- Allocation - allocation of bunched or average priced trade executions is assigned to the respective accounts by trading desk personnel in lieu of electronic allocation performed by Beta systems or other order management systems pending restoration of the Beta system outage.

- Clearance and Settlement - the Firm has direct connections to DTCC, NSCC, SIAC, BONY and Regions to clear and settle all trades on a daily basis. In case of a SBD, the Firm has the ability to communicate to all of these institutions via landline, cell phone or Internet utilizing secure passwords and settle all trades on a timely basis.
- Access to Client Accounts - the Firm maintains all client accounts and records on the Beta system in Brookfield, Wisconsin and alternate sites in New York and California. This information resides on duplicate AS400 computers in our offices in Birmingham. Our branch locations have access to this information through the Firm's WAN and through thin-client terminals at other locations. In addition, our system can allow access to Beta through the Internet by reconfiguring the router with Beta. If communication is lost to our AS400 or backup AS400, then direct Internet access with Beta from any or all of our branch locations can be effected.
- Delivery of Funds and Securities - The Firm maintains custody of client securities in book-entry form at DTCC and Bank of New York, various mutual fund companies, insurance companies and physical securities in its vault in Birmingham. In the case of a SBD, the Firm can access client securities through its direct link to DTCC and/or Bank of New York. If this communication access is not available then communication to DTCC and BONY can be accomplished through wireless communication utilizing ID's and passwords to effect delivery in and out of securities. These securities can be transmitted through book entry or in the case of physical securities can be shipped to the appropriate office.

*Rule: NASD Rule3510(c) & (f)(1)*

### **Alternate Communications Between CPI and Clients, Employees, and Regulators**

CPI has adopted Sterne Agee's plan in this area as follows:

#### **Clients**

The Firm maintains the home office and operations center in Birmingham. If a SBD occurs in one or more branch locations, all calls into that location, or locations, will be re-routed to Birmingham or such branch as to best serve the client's needs. If all telecommunications to a branch or branches are inoperative, then clients can call 1.800.240.9220 or 1.800.240.1438 for service. Information will be posted on Sterne Agee's website to keep our clients informed of all available means to communicate with the Firm and alternate phone numbers to transact business.

#### **Employees**

Sterne Agee has signed a contract with a national emergency contact system provider and has set up a database of all employees to allow management immediate capabilities in communicating quickly, accurately and efficiently with all employees to disseminate information and to determine their immediate well being.

#### **Regulators**

The Compliance area of the firm has the responsibility to notify and communicate with the Regulators upon the occurrence of a SBD. This communication would be by telephone, cell phone, fax or through the Internet. The Chief Compliance Officer will continue to keep the Regulators apprised of our SBD.

*Rule: NASD Rule3510(c)(9)*

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

CPI has adopted Sterne Agee's plan in this area as follows:

We have contacted our critical business constituents and determined the extent to which we can continue our business relationships with them in the event of a significant business disruption. We will quickly establish alternative arrangements if one of these entities can no longer provide the needed goods or services when we need them because of a SBD to them or our Firm. The Firm will

continue to evaluate our business partners to ensure that we have the flexibility, in the event of a SBD, to service our client's needs.

*Rules: NASD Rule3510(a) & (c)(7)*

### **Regulatory Reporting**

CPI is subject to regulation by multiple regulatory bodies. We now file 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 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.

*Rule: NASD Rule3510(c)(8)*

### **Disclosure of Business Continuity Plan**

CUSO Partners Investments provides in writing a BCP disclosure statement to clients at account opening. We also post the disclosure statement on our web site, [www.cusopartners.com](http://www.cusopartners.com) and mail the statement to clients upon request. If additional copies are needed or if clients have questions regarding CPI's BCP, they should contact Business Continuity Officer Woody Woodward at 205.414.3376 or at [nwoodward@sterneagee.com](mailto:nwoodward@sterneagee.com).

*Rule: NASD Rule3510(e)*

### **Updates and Annual Review**

The CPI Partners Business Continuity Plan will be updated whenever we have a material change to our operations, structure, business or locations. The Business Continuity Officer (BCO) will conduct a review of the plan within 17 days following the end of each quarter; with findings presented to Charles White, Plan Administrator. The review will be conducted by having various departmental business leaders review sections for accuracy and feasibility. All changes made to the plan will be communicated to the affected parties, and any changes in the Plan Administration reporting structure will be communicated to the Compliance department to be reported to the appropriate regulatory bodies.

*Rule: NASD Rule3510(b)*

Updated 04/30/2009