

# Paradigm Equities, Inc.

## Business Continuity Plan

10/30/2009

### I. Emergency Contact Persons

Paradigm Equities' primary emergency contact person is Paul H. Gonzalez, President (office) 517-337-5501, (cell) 517-242-4739, (office e-mail) [pgonzalez@mea.org](mailto:pgonzalez@mea.org). Danielle Winkler, Chief Compliance Officer is the secondary emergency contact. (office) 517-337-5435, (cell) 517-231-2576, (office e-mail) [dwinkler@mea.org](mailto:dwinkler@mea.org). Tammie Church, Chief Operations Officer should be contacted in the event that neither Paul H. Gonzalez nor Danielle Winkler are available; (office) 517-337-5486, (cell) 517-231-2576, (office e-mail) [tchurch@mea.org](mailto:tchurch@mea.org).

*These names will be updated in the event of a material change and our Executive Representative will review them within 17 business days of the end of each quarter.*

*Lists of other key personnel in Appendix C.*

### II. Firm Policy

It is the goal of the firm's management to maintain Paradigm Equities as a continuing business in the face of significant business disruptions. It is the policy of the firm's management to respond to a Significant Business Disruption (SBD) by first safeguarding employees' lives and firm property, securing mission critical systems protecting the firm's books and records, making a financial and operational assessment and quickly recovering and resuming operations to allow our customers the ability to transact business and for the firm to provide client services. In the event that we determine we are unable to continue our business, we will notify our customers and advise them of alternative procedures to access to their funds.

Each principal of Paradigm will maintain a copy of the Business Continuity Plan. A copy of the plan will be maintained on the Paradigm website under security password protection and a copy of this plan will be maintained offsite at 1350 Kendale Blvd., East Lansing, Michigan, in the Human Resources Department's fire-protected safe. The combination is known to key personnel in the Finance and Human Resources Departments. Updating and maintaining this plan on the website is the responsibility of Rene'e Carpenter.

#### A. Significant Business Disruptions (SBDs)

Our plan anticipates two kinds of SBDs, internal and external. Internal SBDs affect only our firm's ability to communicate and do business, such as a fire in our building, loss of power or local labor disputes. External SBDs are more serious in nature and affect wider physical areas or disrupt entire operational segments such as preventing the operation of the securities markets or the operation of a number of our vendor partners, a terrorist attack, a city flood, or a wide-scale, regional disruption. Our response to an external SBD relies principally on other emergency organizations and systems and on the capabilities of our business partners located in diverse geographic localities; however, in these instances where major external SBD impart our ability to perform our normal business activities we will follow the procedures as outlined in this plan with respect to communications and client notification as if the firm suffered a similar circumstance.

#### B. Local Labor Dispute – Work Stoppage

In the event of a local labor dispute resulting in a partial or full work stoppage, management will assume and maintain those company functions considered critical to the continued operation and performance of the company. Specific responsibilities, situational activities and operational priorities are not detailed in this document but are maintained separately by the President. In the event that such a SBD/ Labor Dispute might occur, the President shall initiate the specific remedies delineated in the company plan.

#### C. Pandemic Influenza

In the event of a pandemic influenza outbreak, it is the Firm's intention to maintain normal operations that is consistent with the overall health conditions of the general area, the firm itself and any emergency directive issued by governmental agencies. A primary concern and responsibility of the firm is the health and well being of the firm's employees, clients and associated vendor personnel.

While respecting an individual's rights, the firm encourages each employee to take practical and proactive measures to protect their individual health by taking advantage of firm sponsored or individual elected immunization treatments, vaccines or medications as a precaution against the effects of any influenza outbreak. The firm provides employee health insurance covering the individual and their family members. The firm also allows paid sick time absence.

Should a pandemic emergency be declared, the firm will take the following actions to minimize the potential of spreading germs and viruses:

- 1.) Limit employee meetings, gatherings or conferences. If meetings are required, limit the participation to “key attendees” Maintain an open conference area to reduce close contact and provide proper ventilation.
- 2.) Limit client contact to the degree possible
- 3.) Activate and advise all employees the communication fan-out procedures are now in effect
- 4.) Notify key vendors and suppliers of any changes in work schedules or procedures affecting normal operations
- 5.) Make available personal hand sanitizers
- 6.) Sponsor or reimburse employees for immunization vaccines not covered by health insurance
- 7.) If necessary institute flexible work schedules
- 8.) Post in employee areas public health notices and recommendations for hygiene practices that will slow or stop the spread of germs and viruses

Should conditions become critical which would require the closing of the office, client notification procedures will be followed.

#### D. Approval and Execution Authority

Paul H. Gonzalez, President of Paradigm Equities and registered principal, is responsible for approving the Plan and for conducting the required annual review. Primary responsibility for executing this Plan rests with the President. Should the President of Paradigm be unavailable and unable to be contacted, Tammie Church, Chief Operations Officer will make a situation assessment with the authority to execute the Plan. Should both the President and Chief Operations Officer be unavailable and unable to be contacted, the senior principal of Paradigm, based upon registration date, has the authority to execute the Plan. *See Appendix F for Seniority List.*

#### E. Plan Location and Access

Paradigm will maintain copies of the Business Continuity Plan (BCP), the annual reviews, and the changes that have been made to it for inspection. An electronic copy of our Plan is on the Paradigm website server located in the MESSA building, 1475 Kendale Blvd., East Lansing, under file name “Paradigm Equities Business Continuity Plan” located on the secure website connection [www.meafs.com/agents](http://www.meafs.com/agents) under subtitle “compliance”. Responsibility for maintenance of the Business Continuity on this system is with Rene’e Carpenter.

Responsibility for the operational maintenance of the system rests with MESSA IT.

### **III. Business Description**

Paradigm Equities is registered as a limited Broker Dealer with the FINRA and MSRB conducting sales of mutual funds, group variable annuities, fixed and variable non-group annuities and service of 529 Plans. Our clientele are active and retired public education employees of the State of Michigan. As a number of our clients are now retired and living in other states, Paradigm Equities is registered and licensed in multiple states other than Michigan. *See Appendix G for full listing of states.*

**Paradigm Equities does not hold customer funds or customer accounts.** Sales of mutual funds and annuities are executed on an application way basis with all funds and account enrollment information sent directly to the sponsoring vendor company. All client account information and account balance information is maintained by the individual vendor companies at their respective and separate locations. Security for this client information and the attendant Business Continuity Procedures is the responsibility of the respective vendor company. For client servicing purposes, client account information is accessible by Paradigm Equities by agreement with the vendor companies through separate/dedicated electronic access via internet or unique electronic connection. Paradigm Equities does maintain individual client files regarding suitability, client profile, investment objective, privacy mailing and general correspondence. These files are maintained in standard file cabinet storage files. All client file cabinets are secured and locked at the end of the business day. Upon opening new accounts, copies of client files are sent to the client and the servicing sales representative at their respective location. If necessary and secondary to contacting the vendor company, in the restoration of our client files these copies may be retrieved from the servicing representatives.

Individual client investment statements detailing account balance information are sent directly to the client by the participating vendor company on a quarterly basis and are also available on the specific vendor company's website subject to secure access protocols of the vendor. Where available, duplicate copies are sent to Paradigm Equities and distributed to the specific servicing representative. In the event of damage or loss to our client files, our primary source of recreating our files is by the respective vendor company.

Our clients have independent access to their account investment information via the specific vendor website and telephone connection subject to secure access protocols of the vendor. Such access permits account verification, funds transfer and withdrawal processing by the client independent of this Broker Dealer. All fund

withdrawals are sent directly to the client per their specific instructions. **Paradigm Equities does not have authority to affect any withdrawal of client funds.** *A listing of all vendor companies, their telephone numbers and key contact personnel (if available) is found in Appendix A.*

#### **IV. Office Locations**

Paradigm Equities' main home office location is 1480 Kendale Blvd. in East Lansing, Michigan 48823. All client information, client application processing and review, the firm's books and records and all mission critical systems are housed at this location. Our employees travel to this office by means of automobile of which there are several alternate routes to this office. This office is located within one mile of police and fire department facility locations.

#### **V. Alternative Physical Location(s)**

In the event of an SBD, we will move our staff to the closest of our unaffected alternate office locations. The priority of these alternate locations is as follows:

1. 1350 Kendale Blvd., East Lansing, Michigan.
2. 1216 Kendale Blvd., East Lansing, Michigan.

If neither of these alternate office locations is available or if the SBD affects the region, we will relocate our client service staff to the MEA Office location at 5095 Exchange Drive, Flint, Michigan 48057. Upon notification to our telephone communications provider (SBC Communications), key phone line connections may be redirected to the alternate location for continuation of client service/inquiries. Mail service would be maintained with daily pick-up and transport to the alternate location.

Since access to client records through our vendors are now conveyed via secured password-protected protocols on the Internet, service connections with our vendors would be established through alternate portable personal computer links into the vendors' system databases. Auxiliary and/or peripheral equipment such as printers, computer screens, telephone communication sets, general office supplies and stationary would be shipped to the alternate location or purchased locally. Key suppliers would be notified as to the alternate location. *A listing of key suppliers, contact names, addresses and phone numbers are included in Appendix B.*

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

Paradigm Equities does not maintain custody of customers' funds nor does Paradigm Equities produce or distribute individual client statements. All client investment data is the responsibility of our program vendors who are the custodian and record keeper of our clients' investments. Client statements on investment performance and account balance information are sent to the client quarterly by each respective vendor partner. Client access for purposes of investment re-allocation changes, loan processing, fund withdrawal requests and minimum distribution arrangements are direct to the vendor through the U.S. Mail, telephone processing or website internet access. Any SBD affecting Paradigm Equities will not have any direct affect on this transaction communication procedure.

In the event of any SBD, immediate client notification as to the event and alternate communication arrangements will be posted to Paradigm's website and the external and internal websites of our affiliate associations. Rene'e Carpenter is responsible for posting this emergency message to the company's website and contacting the website coordinators of the affiliate companies. If Rene'e is unavailable, Shannon Thelen will perform these duties. The Firm's Emergency Communications Calling Tree for both Home Office and Field Sales Staff will be activated by the President. Program Vendor partner staff will likewise be notified. A "status" information message will be established on our recorded phone line message system detailing the nature of the event and directing clients to an alternate phone number if necessary or an alternate location if necessary. Instructions on how to make these changes are contained in Appendix H. The Chief Operations Officer is responsible for activating the telephone message system. Special transaction instructions may also be recorded on our public lines.

In those SBD situations requiring notification of regulators, it will be the President's responsibility to insure such notifications are promptly conducted. In the absence of the President, the Chief Compliance Officer will assume responsibility for insuring such contacts are made.

In the event of a serious SBD, the aforementioned procedures will be supplemented with general radio announcements and if necessary, newspaper announcements. *All vendor entities that maintain our client records, funds and account balances are identified in Appendix A. Emergency Communications Calling Tree names of staff (both Home Office and Field) are identified in Appendix C.*

If telephone service is available, our registered persons will take customer service requests and instructions and contact our vendor firm on their behalf. If our web

access is available, our firm will post a message on our website that customers may access their funds and securities by contacting the vendor through normal procedures. The firm will make this information available to customers through its disclosure policy sent annually to our clients.

## **VII. Securities Investor Protection Corporation (SIPC)**

Paradigm Equities is a member of the Securities Investor Protection Corporation (SIPC). Paradigm Equities does not hold client funds or client securities so the likelihood of a default requiring SIPC intervention is remote. However, should a determination be made that our firm is unable to meet our obligations to our customers or if our liabilities exceed our assets in violation of Securities Exchange Act Rule 15c3-1, SIPC may seek to appoint a trustee to disburse our assets to customers. Should such action be necessary, we will assist SIPC and the trustee by providing our books and records identifying customer accounts subject to SIPC regulation and notifying our vendor partners of the situation to facilitate cooperation.

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

Paradigm Equities maintains its primary hard copy of our client files and the firm's corporate books and records at our office location in East Lansing. The same office site houses the firm's electronic files contained in a secure area of the office building. Gary Fisher, Director of IT Operations, 517-337-5427 is responsible for the maintenance of the firm's computer systems and programming applications. Maintenance of client files is the responsibility of Tammie Church, Chief Operations Officer of the firm. Security for the financial records, regulatory filing records, company contracts and transaction files for the remittance system are the responsibility of Michelle Shipman, Chief Financial Principal. Security for licensing records, compliance files and advertising files is the responsibility of Danielle Winkler, Chief Compliance Officer. Our firm maintains the following document types and forms that are not transmitted to our program vendors.

1. Confidential Customer Account Form. Used for client suitability indicating income level, net worth, risk tolerance, investment objectives and employment information.
2. Client Acknowledgement and Investment Products Replacement Forms. Used in the processing of a mutual fund or group annuity program replacement.
3. Annuity Disclosure Form. Used to explain the unique features, charges and fees associated with an annuity product.
4. Mutual Fund Breakpoint Disclosure and Qualification Worksheet. Used to disclose breakpoint availability, letters of intent and rights of accumulation.

All above listed forms are maintained in the individual client files, with copies supplied to the individual client and the respective registered representative of the account. All client files are maintained in standard file cabinet storage files. All client file cabinets are locked at the end of the business day.

Paradigm's normal transaction processing is on a "check and application way" basis sent directly to the vendor sponsor. Therefore originals of client applications, supporting beneficiary forms and investment elections are located at the respective offices of the specific vendor. Should a significant SBD occur resulting in partial or total destruction of our client records, duplicate copies of specific non-proprietary records can be obtained from our vendor partners. Identification of client files may be obtained through the CIS system of the firm.

John Kazenko of our IT Department backs up the electronic records daily to magnetic tape and transports them daily to an off-site location. A second off-site location also daily downloads all electronic records via an offsite internet connection. Specific offsite location information is not provided in this document due to security considerations. Specific site locations are known to key corporate personnel. (Gary Fisher, Paul H. Gonzalez, Danielle Winkler)

In the event of an internal or external SBD that causes the loss of our paper records, we may physically recover them from our business vendor partners. 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 physically 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.

## **IX. Financial and Operational Assessment**

### **A. Operational Risk**

In the event of an SBD, the CEO, COO, CFO, IT, Net Master and Compliance Principals will meet to identify what means will permit the firm to communicate with our customers, employees, critical business constituents, critical banks, critical vendor suppliers, and regulators. Although the effects of an SBD will determine the means of alternative communication, the communications options we employ will include our website, the websites of affiliate organizations, telephone voice mail, secure e-mail, and if need requires, general public announcements through commercial radio stations or for a long duration, SBD newspaper notices. In addition, we will retrieve our key activity records as described in the section above, Data Back-Up and Recovery (Hard Copy and Electronic).

## B. Financial and Credit Risk

The capital funding of Paradigm Equities is primarily through cash and cash-like financial instruments with de-minimums reliance on the capital markets. Therefore the risk associated with capital market fluxions which could impede the liquidity of the firm are considered remote. Investment holdings in securities are minimal. However, in the event of an SBD, the CEO and CFO will determine the value and liquidity of our investments and other assets to evaluate our ability to continue to fund our operations and remain in capital compliance. We will contact critical banks and key board members to apprise them of our financial status. If we determine that we may be unable to meet our obligations or otherwise continue to fund our operations, we will request additional financing from our bank or other credit sources to fulfill our obligations to our customers and clients. If we cannot remedy a capital deficiency, we will file appropriate notices with our regulators and immediately take appropriate steps to protect the investment contributions of our clients.

## X. Mission Critical Systems

Management has primary responsibility for establishing and maintaining our business relationships with our customers and has sole responsibility for our mission critical functions for order processing and remittance processing, client service and internal control. Our business vendor partners provide, by agreement, the maintenance of customer accounts, access to customer accounts, and the distribution of funds.

We have contacted our business vendor suppliers to require the existence of a business continuity plan, the maintenance of such a plan and the capacity to execute that plan. Our business vendor partner firms represent that they will advise us of any material changes to their plan that might affect our ability to maintain our business. In the event any of our business vendor partner firms execute their plan, they represent that they will notify us of such execution and provide us equal access to services and instructions as to alternate arrangements for business processing.

Our vendor partner firms represent that there is back-up for our records at a remote site and they represent that they operate a back-up operating facility in a geographically separate area with the capability to conduct the same volume of business as its primary site. Our vendor partner firms have also confirmed the effectiveness of their back-up arrangements and periodic testing of their arrangements are conducted. It is firm practice to confirm this arrangement periodically.

**We have targeted as a goal, a recovery-time objective of five hours.** 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. Resumption recovery refers to the restoration of normal processing routines, schedules and communications after a wide-scale disruption.

A. Our Firm's Mission Critical Systems

**1. Paradigm Remittance System**

Our firm receives the majority of our member client contributions and member roster listings from participating school districts via the U.S. mail sent to a separately designated post office box. The firm also receives member contributions by some school districts via wire transfer with roster information received by fax. During an SBD, either internal or external, we will continue to accept member contributions through any method that is available and reliable. In addition, as communications permit, we will inform our participating school districts to advise them what alternatives are available to transmit their contributions to us. *A listing of our participating school districts is contained in Appendix E.*

**2. PRP Procedures when Computer is Inoperable Due to SBD**

If the computer system is not available, immediately notify the Financial Principal and the Director of IT (In the absence of the Financial Principal, notify another Principal and in the absence of the Director of IT, notify available IT staff). If the problem is not resolved within the first hour, immediate notification to the President, Compliance Officer and the Chief Operations Manager should be made by the Financial Principal or in the absence of the Financial Principal, the most senior staff member. In addition, the following procedures will be implemented by the Data Transaction Specialists:

- a. Notify the finance department that our systems are not available and give them an estimated completion time to pick up the checks and to contact via telephone with wire transfer confirmations.
- b. Date stamp, open and copy checks and run two tape totals as usual.
- c. Obtain most recent paperwork for each school from the filing cabinets. Make a copy of the instruction letters, balancing report and the PRP roster at the end of the school's packet.
- d. Compare latest roster to the roster that was sent in and make any adjustments. If there is a contribution listed for a client not on the latest roster, check their file for an application to

- determine which fund company to send their money to. If we have an application, but they're not on the most recent roster, have an investment division employee verify that the account is still open and active. If there are any problems with the check or roster (i.e. check amount doesn't match roster total or questions about employee or employer money), contact the payroll department from that school.
- e. Change the dates on all instruction letters, balancing reports and rosters to today's date.
  - f. Make sure the instruction letters and balancing reports prove to the check and roster that were sent in. Adjustments might need to be made. You may need to add or delete a participant from the list.
  - g. Make two copies of all instruction letters. Sort each set of copies by fund company. One set will go with your close day paperwork and the other set will be sent to the fund companies via finance.
  - h. When complete, your close day report will consist of the instruction letters that you sent to each fund company, the check register and "internet cash" page from finance.
  - i. For the fund companies that normally receive files via e-mail or diskette (American Funds, Prudential, ING 457, Met and Putnam), a hard copy will have to be overnighted via the mail clerk. The fund company will be notified by phone of this change in procedure.

### **3. CIS System**

The Client Information System is the firm's central data base containing individual client profile, product, and account suitability information. Due to the confidential and highly sensitive nature of the information, this system is restricted as to both access and permitted activities of authorized individuals. The IT Director is responsible for this system and the task hierarchy security assignments. All system information and daily system transactions are backed up each working day between 11:00 AM and 2:00 PM. In addition, redundant system files are created daily and assigned to a designated disk pool as well as a magnetic tape which is taken off site. An additional download is performed daily by the IT Director at an off site location. Should a business disruption occur, loss of transactional information would be kept to a minimum of the day's activity. Should the business disruption event be significant, recovery of the system data would be from anyone of the three redundant system sources.

4. **Website** - MEA Financial Services, Inc./Paradigm Equities, Inc. Websites at <http://www.meafs.com> (includes: Public Site, MEA FS Agent's Site & the MEA FS Employer's Site)

Site or sites are down

- A. In the event a site or sites are down, contact the web master, Rene'e Carpenter.

**MEA FS Email:**

[rcarpenter@mea.org](mailto:rcarpenter@mea.org)

**Local Phone:**

517-337-5428

**Toll Free Phone:**

1-800-292-1950, ext. 5428

- B. If Rene'e is not available in the office you may first try her at her home phone. Some issues may be able to be resolved via her connection from her home PC. *Home phone, cell phone and personal e-mail address are listed in Appendix C.*

- C. If you do not reach Rene'e personally then contact Gary Fisher who will contact Wes Ford at MESSA IT.

**MEA FS Email:**

[gfisher@mea.org](mailto:gfisher@mea.org)

**Local Phone:**

517-337-5427

**Toll Free Phone:**

1-800-292-1950, ext. 5427

- D. Should Gary Fisher not be available, then go to MESSA IT directly by contacting Wes Ford. If contacting by email, flag the message as important and cc Catherine Fields ([cfields@messa.org](mailto:cfields@messa.org)).

**Contact:**

Wes Ford, ITSS Product Development Manager at MESSA IT

**Email Address:**

[wford@messa.org](mailto:wford@messa.org)

**Local Phone:**

517-332-2581, ext. 5420

**Toll-Free Phone:**

1-800-292-4910, ext. 5420

**Address:**  
1475 Kendale Blvd  
East Lansing, MI 48823

**MESSA IT maintains the server that the website resides on and has the access and ability to create a message on the site and the ability to fix most problems.**

Posting a Message on the Public Website

- A.** In the event of an emergency that will affect service to our clients, the web master, Rene'e Carpenter will publish a message on the above public website.

**Email Address:**  
[rcarpenter@mea.org](mailto:rcarpenter@mea.org)

**Local Phone:**  
517-337-5428

**Toll Free Phone:**  
1-800-292-1950, ext. 5428

**Note:** The individual posting the message must have access to the server where the above website resides, appropriate software and html knowledge.

- B.** In the event that there is not access at the home office to initiate a message this can be done from Rene'e Carpenter's home computer. *Home phone, cell phone and personal e-mail address are listed in Appendix C.*

- C.** In the event Rene'e Carpenter is not available:

**Contact:**

Wes Ford, ITSS Product Development Manager at MESSA IT

**Email Address:**  
[wford@messa.org](mailto:wford@messa.org)

**Local Phone:**  
517-332-2581, ext. 5420

**Toll-Free Phone:**  
1-800-292-4910, ext. 5420

**Address:**  
1475 Kendale Blvd  
East Lansing, MI 48823

**MESSA IT maintains the server that the website resides on and so the access and ability to create a message on the site and the ability to fix most problems.**

**4(a). Application Processing**

Paradigm Equities receives client investment applications primarily through the U.S. Mail sent to a specific post office box and delivered to the firm daily. The firm may occasionally receive client investment applications directly on a walk-in basis. Paradigm Equities as a limited Broker Dealer processes client investments on a “check and application way” basis with all applications sent via overnight mail services to the respective business vendor partner.

In the event of an internal SBD, and depending on the nature of the internal SBD, we will continue to receive and process client investment applications, enter the necessary internal information and transmit to our business vendor partners by the fastest alternative means available, including alternate overnight mailing services or the U.S. Postal Service. In the event of an external SBD, we will maintain the order at our location, inform our business vendor partners as necessary by alternate means (telephone, fax or internet link) and deliver the application to the respective business vendor partner by the fastest means available when it resumes operations. In addition, during an internal SBD, we will notify all our sales personnel of the situation and the estimated recovery time by the fastest and most reliable means available.

**4(b). Application Execution**

Paradigm Equities does not execute orders.

**5. Paradigm Equities, Inc. Electronic File Retention and Recovery Procedures**

Email Retention / Recovery:

The Firm has retained the services of an independent third party for the purposes of capturing and archiving the Firm’s electronic communications. Those communications are randomly reviewed by the CCO on a regular basis. The independent third party provides, on a quarterly basis, copies of all electronic communications on CD-R or DVD-R in WORM format. Both the independent third party and the Firm retain these records for a period of three years.

Maintenance and archiving for the Paradigm account is performed by the Technical Specialist and or the IT Director in a locked secure computer room. The complete message store is archived monthly and two copies of the emails are burned to CD. The archive can be identified by its unique name that uses the naming schema first six characters of the month with the last two digits of the year. (i.e. December 2005 file name is Decemb05.pst) One copy remains onsite in the same locked secure computer room and the other is being taken offsite by the IT Director. Both copies of the archives are kept for no less than 3 years. Due to the number and size of the captured emails each month, they are deleted from the Paradigm account after verification of a proper archive.

Archives that have aged older than the 3 year time frame will be destroyed on a monthly basis by the same designated Technical Specialist or IT Director.

Electronic File Access / Retention / Recovery:

The home office of Paradigm Equities, Inc. utilizes a Cisco based Gigabit Ethernet network running on an IBM ESeries Server with a Microsoft 2003 operating system. Besides supporting Paradigm's Internet and Email access, the network also supports file and print services for support staff, access to various insurance and mutual fund companies, and supports our applications and databases that house the electronic form of our client information.

Electronic client data as well as all network applications are backed up daily to a designated disk pool and then secondly to magnetic tape for redundancy and disaster recovery. IBM's Tivoli Storage Manager or TSM is the application that manages these daily backups. TSM keeps three different revisions and two deleted copies of each file and they are retained for one year. These TSM rules refer only to backups of the client data to magnetic tape. Electronic client data for history and tracking purposes is never purged. The magnetic tapes are then taken offsite by the Technical Specialist or in his absence, by the IT Director.

Finally, a download is done daily to a secure offsite location via an internet connection by the IT Director. The specific offsite location is not provided in this document due to security considerations but is known to key corporate personnel. These personnel include the IT Director and Technical Specialist, the Compliance Manager, and the President of Paradigm Equities.

In the event of an internal or external SBD that causes the loss of our paper records, we will physically recover them from our business vendor partners. If our primary site is inoperable, we will continue operations from our secure offsite or alternate location. For the loss of electronic records, we will either physically restore the records from magnetic tape or from the daily copy downloaded to our secure offsite location.

**6. Other Services Currently Provided to Customers**

In addition to those services listed above, Paradigm Equities provides direct client services (primarily by telephone communication) to answer client inquiries regarding account information, account balances, distribution processes and required minimum distribution calculations. **Paradigm Equities does not transact distribution of client funds.** In the event of an internal SBD, we would inform our clients of the nature and severity of the SBD, the steps Paradigm Equities is taking to remedy the situation and an estimate of our anticipated recovery time. This information would be placed on our firm's telephone recording equipment and on the firm's website as well as affiliate websites. Should the SBD be of a severe nature, additional information will be provided instructing the client to contact the specific business vendor partner's client service personnel. In the event of an external SBD, we would follow the same information processes as described above but might supplement the information by general commercial radio announcements and mass distribution newspaper announcements. Should the SBD be of a severe nature with an anticipated longer duration, we will correspond directly with our clients by mail and supplement this notification with scheduled client meetings, periodic correspondence updates and information "hot line" notices.

**B. Mission Critical Systems Provided by Our Business Vendors**

Our firm relies, by agreement, on our vendor partner firms to provide order execution, the maintenance of customer accounts, delivery of funds and access to customer accounts.

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

**A. Customers**

Communication with our customers is through telephone, our website, fax, U.S. Mail and occasionally in person visits at our firm'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. Depending on the nature of the SBD, other procedures may be followed as noted above.

#### B. Employees

Communication with our employees is by telephone, cell phone, internet e-mail, and in person. In the event of an SBD, we will assess which means of communication is still available to us, and use the means closest in speed and form to the means that we have used in the past to communicate with the other party. We will also employ a call-tree notification system so that senior management can reach all employees quickly during an SBD. The emergency call-tree communications includes all staff telephone numbers, both home residence and cell. We have identified the calling hierarchy of staff in Appendix C, and the calling path so persons may contact each other. Paul H. Gonzalez is the person authorized to invoke the use of the emergency calling tree.

#### C. Regulators

We are currently members of the following SRO's: the Financial Industry Regulatory Authority (FINRA) and the Municipal Securities Rulemaking Board (MSRB). We communicate with our regulators using the telephone, e-mail, fax, U.S. 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.

### **XII. Critical Business Suppliers, Banks and Business Vendor Partners**

#### A. Business Suppliers

We have contacted our critical business suppliers and determined the extent to which we can continue our business relationship with them in light of any internal or external SBD. We will quickly establish alternative arrangements if a business constituent can no longer provide the needed goods or services when we need them because of an SBD to them or our firm. *Our major suppliers are listed in Appendix B.*

## B. Banks

We have contacted our banks and lenders to determine if they can continue to provide the financing that we might require as a result of any internal or external SBD. The bank maintaining both our operating account as well as our Paradigm Remittance Remittance account is: Comerica Bank, Frandor Banking Center, 223 Clippert Street, Lansing, Michigan 48912, 517-337-7422, contact Tammy Wilson, Frandor Banking Center Manager and Assistant Vice President. Tonda White of Treasury Management Relationship Services may be reached at 734-632-5565. Tonda is our contact regarding ACH and incoming wires. If our bank and other lenders are unable to provide the financing, we will seek alternative financing services immediately from other banking relationships established with our other affiliate organizations.

## C. Key Business Vendor Partners/Third Party Administrators

We have contacted our critical business vendor partners/TPA's to determine if we will be able to carry out our transactions with them in light of any internal or external SBD. Where the transactions cannot be completed, we will work with our business vendor partners/TPA's directly to make alternative arrangements to complete those transactions as soon as possible. *A listing of our Business Vendor Partners/TPA's is attached in Appendix A.*

## **XIII. Regulatory Reporting**

Paradigm Equities is subject to regulation by the Financial Industry Regulatory Authority, the U.S Securities and Exchange Commission, the Municipal Securities Rulemaking Board, the State of Michigan and other state regulatory departments as required. Reports are filed 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, MSRB and the State of Michigan and any 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. *Regulator contact information is listed in Appendix D.*

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

We disclose in writing a summary of our BCP to customers at account opening and annually in our required privacy mailing. We also post the BCP summary on our Website and mail it to customers upon request. Our BCP 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, our BCP summary (1) provides specific scenarios of varying severity (e.g., a firm-only business disruption, a disruption to our business district, and a regional disruption); (2) states whether we plan to continue business during that scenario and, if so, our planned recovery time; and (3) provides general information on our intended response. Our summary discloses the existence of back-up facilities and arrangements.

**XV. Updates and Annual Review**

Paradigm Equities will update this plan and supplemental appendices whenever we have a material change to our operations, structure, business or location or to those of our vendor partners upon our receiving notification of such changes. In addition, Paradigm Equities will review this BCP annually, on or before October 31<sup>st</sup> of each year to modify it for any changes in our operations, structure, business or location or those of our vendor partners.

**XVI. Senior Manager Approval**

I have approved this Business Continuity Plan as reasonably designed to enable our firm to meet its obligations to customers in the event of an SBD.

Signed: \_\_\_\_\_

Title: President, Paradigm Equities, Inc.

Date: October 30, 2009

- Appendix A – Vendor Product Firms i.e. Prudential, MetLife, American Funds
- Appendix B – Company Suppliers i.e. Ben Graham, Telephone, MESSA, MEA
- Appendix C – Home Office Staff, Field Staff and Board Members
- Appendix D – Regulatory and Governmental Reporting Agencies
- Appendix E – Participating School Districts
- Appendix F – Execution Authority
- Appendix G – States in Which Paradigm Equities is Licensed
- Appendix H – Telephone Shutdown