

THE LUGANO GROUP INCORPORATED  
Business Continuity Plan (BCP)

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**I. Emergency Contact Persons**

Our firm's two emergency contact persons are:

**Harold E. Doley, III, (212) 684-6808, [hdoley@luginogroup.com](mailto:hdoley@luginogroup.com)**  
**Amir Mireskandari, (713)785-5221, [amireskandari@luginogroup.com](mailto:amireskandari@luginogroup.com)**

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.

*Rule: NASD Rule 3520.*

**II. Firm 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 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.

**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. External SBDs prevent the operation of the securities markets or a number of firms, such as a terrorist attack, a city flood, or a wide-scale, regional disruption. Our response to an external SBD relies more heavily on other organizations and systems, especially on the capabilities of our clearing firm.

**B. Approval and Execution Authority**

**Amir Mireskandari**, both a General Securities Principal and Financial and Operations Principal, is responsible for approving the plan and for conducting the required annual review. **Harold E. Doley, III** has the authority to execute this BCP.

### C. Plan Location and Access

Our firm will maintain copies of its BCP plan and the annual reviews, and the changes that have been made to it for inspection. An electronic copy of our plan is located on **both The Lugano Group's and its Financial and Operations Principal's servers as Business Continuity Plan.**

### III. Business Description

Our firm conducts business in equity and fixed income securities. Our firm is an introducing firm and does not perform any type of clearing function for itself or others. Furthermore, we do not hold customer funds or securities. All transactions are sent to our clearing firm, which execute our orders, compare them, allocate them, clear and settle them. Our clearing firm also maintains our customers' accounts, can grant customers access to them, and deliver funds and securities. We do not engage in any private placements.

Our clearing firm and our contact person at that clearing firm is the following:

**Frank Santore**  
**Senior Vice President**  
**BNYConvergEx Group, LLC**  
**1633 Broadway, 48th Floor**  
**New York, NY 10019**  
**Tel. (917) 510-2980**  
**Fax (917) 510-2981**  
**E-mail: [fsantore@bnybrokerage.com](mailto:fsantore@bnybrokerage.com)**  
**Web site: [www.bnyconvergex.com](http://www.bnyconvergex.com)**

### IV. Office Location

Our Office is located at **650 Poydras Street, Suite 1400, New Orleans, LA 70130-6116**. Its main telephone number is **(504) 529-9752**. Our employees may travel to that office by means of car, streetcar, train, and bus.

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

In the event of an SBD, we will move our staff from affected offices to the closest of our unaffected office locations. If none of our other office locations is available to receive those staff, we will move them to **temporary space**.

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

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

Our firm does not maintain custody of customers' funds or securities, which are maintained at our clearing firm, **BNYConvergEx Group, LLC**. In the event of an

internal or external SBD, if telephone service is available, our registered persons will take instructions and contact our clearing firm on their behalf, and if our Web access is available, our firm will post on our Website that customers may access their funds and securities by contacting **the applicable clearing firm**. The firm will make this information available to customers through its disclosure policy.

If SIPC determines that we are 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. We will assist SIPC and the trustee by providing our books and records identifying customer accounts subject to SIPC regulation.

*Rules: NASD Rule 3510(a); Securities Exchange Act Rule 15c3-1; 15 U.S.C. 78eee (2003).*

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

Our firm maintains its primary hard copy books and records and its electronic records at **650 Poydras Street, Suite 1400, New Orleans, LA 70130-6116. Harold E. Doley, III, General Securities Principal, (504) 529-9752**, is responsible for the maintenance of these books and records.

Our firm maintains its back-up hard copy books and **records with Amir Mireskandari, Financial and Operations Principal, (504) 529-9752**. These records are in **paper and electronic forms**. Our firm backs up its paper records by copying and taking them to our back-up site. We back up our records **periodically**.

The firm backs up its electronic records **monthly**.

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

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

## **VIII. Financial and Operational Assessments**

### **A. Operational Risk**

In the event of an SBD, we will immediately identify what means will permit us to communicate with our customers, 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 we will employ will include **our Website, telephone voice mail, and secure e-mail**. In addition, we will retrieve our key activity records as described in the section above, Data Back-Up and Recovery (Hard Copy and Electronic).

*Rules: NASD Rules 3510(c)(3) & (f)(2).*

### **B. Financial and Credit Risk**

In the event of an SBD, we 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 our clearing firm, critical banks, and investors to apprise them of our financial status. If we determine that we may be unable to meet our obligations to those counter-parties 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.

*Rules: NASD Rules 3510(c)(3), (c)(8) & (f)(2).*

## **IX. Mission Critical Systems**

Our firm's "mission critical systems" are those that ensure prompt and accurate processing of securities transactions, **including the maintenance of customer accounts and access to customer accounts**.

We have primary responsibility for establishing and maintaining our business relationships with our customers. Our 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.

Our clearing firm contract provides that our clearing firm will maintain a business continuity plan and the capacity to execute that plan. Our clearing firm represents that it will advise us of any material changes to their plans that might affect our ability to maintain our business, and they presented us with an executive summary of their plan, which is attached. In the event our clearing firm executes its plans, they represent that they will notify us of such execution and provide us equal access to services as their other customers. If we reasonably determine that our clearing firms have not or cannot put their plans in place quickly enough to meet our needs, or are otherwise unable to provide access to such services, our clearing firm represents that they will assist us in seeking services from alternative sources.

Our clearing firm represents that it backs up our records at a site. Our clearing firm represents that it operates back-up operating facilities in a geographically separate area with the capabilities to conduct the same volume of business as its primary sites. Our clearing firm has also confirmed the effectiveness of its back-up arrangements to recover from a wide-scale disruption by testing.

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.

## Mission Critical Systems Provided by Our Clearing Firms

Our firm relies, by contract, on our clearing firm to provide order execution, order comparison, order allocation, and the maintenance of customer accounts, delivery of funds and securities, and access to customer accounts.

*Rules: NASD Rules 3510(c) & (f)(1).*

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

#### A. Customers

We now communicate with our customers using the telephone, e-mail, our Website, 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.

*Rule: NASD Rule 3510(c)(4).*

#### B. Employees

We now communicate with our 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. We will also employ a call tree so that senior management can reach all employees quickly during an SBD. The call tree includes all staff home and office phone numbers.

*Rule: NASD Rule 3510(c)(5).*

#### C. Regulators

We are currently members of the **Financial Industry Regulatory Authority, Inc. (FINRA)**. We communicate with our regulators using 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.

*Rule: NASD Rule 3510(c)(9).*

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

### **A. Banks**

We have contacted our banks to determine if they can continue to provide the financing that we will need in light of the internal or external SBD. The bank maintaining our operating account is: **JPMorgan Chase Bank, N.A., Mail Code La3-5901, 201 St. Charles Avenue, Suite 110, New Orleans, LA 70170; (800) 404-4111**. If our primary bank and other lenders are unable to provide the financing, we will seek alternative financing immediately from **Gulf Coast Bank & Trust Company, 200 St. Charles Avenue, New Orleans, LA 70130, (504) 581-4561**.

*Rules: NASD Rule 3510(c)(7).*

### **B. Counter-Parties**

We have 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 firms or contact those counter-parties directly to make alternative arrangements to complete those transactions as soon as possible.

*Rules: NASD Rules 3510(a) &(c)(7).*

## **XII. Regulatory Reporting**

Our firm is subject to regulation by: the **Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc., and State of Louisiana**. 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 (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.

*Rule: NASD Rule 3510(c)(8).*

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

We provide in writing a BCP disclosure statement to customers at account opening and **annually**. We also mail it to customers upon request.

*Rule: NASD Rule 3510(e).*

#### **XIV. Updates and Annual Review**

Our firm will update this plan whenever we have a material change to our operations, structure, business, or location or to those of our clearing firm. In addition, our firm will review this BCP annually, on **June 30th**, to modify it for any changes in our operations, structure, business, or location or those of our clearing firm.

*Rule: NASD Rule 3510(b).*

#### **XV. Senior Manager Approval**

*Approve the firm's BCP by signing below.*

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.

*Rule: NASD Rule 3510(d).*

Amir Mireskandari, Financial and Operations Principal

Date: August 30, 2008

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## **Business Continuity Planning for The Lugano Group Incorporated**

**The Lugano Group Incorporated** has developed a Business Continuity Plan on how we will respond to events that significantly disrupt our business. Since the timing and impact of disasters and disruptions is unpredictable, we will have to be flexible in responding to actual events as they occur. With that in mind, we are providing you with this information on our business continuity plan.

**Contacting Us** – If after a significant business disruption you cannot contact us as you usually do **at either telephone number (504) 529-9752 or e-mail address [hdoley@luganogroup.com](mailto:hdoley@luganogroup.com)**, you should call our alternative number, **(212) 684-6808 or go to our Web site at [www.luganogroup.com](http://www.luganogroup.com)**. If you cannot access us through either of those means, you should contact our clearing firm, **BNYConvergEx Group, LLC at (917) 510-2980** for instructions on how it may *provide prompt access to funds and securities, enter orders and process other trade-related, cash, and security transfer transactions.*

**Our Business Continuity Plan** – We plan to quickly recover and resume business operations after a significant business disruption and respond by safeguarding our employees and property, making a financial and operational assessment, protecting the firm's books and records, and allowing our customers to transact business. In short, our business continuity plan is designed to permit our firm to resume operations as quickly as possible, given the scope and severity of the significant business disruption.

Our business continuity plan addresses: data back up and recovery; all mission critical systems; financial and operational assessments; alternative communications with customers, employees, and regulators; alternate physical location of employees; critical supplier, contractor, bank and counter-party impact; regulatory reporting; and assuring our customers prompt access to their funds and securities if we are unable to continue our business.

Our clearing firm, **BNYConvergEx Group, LLC** backs up our important records in a geographically separate area. While every emergency situation poses unique problems based on external factors, such as time of day and the severity of the disruption, we have been advised by our clearing firm that its objective is to restore its own operations and be able to complete existing transactions and accept new transactions and payments **within one day**. Your orders and requests for funds and securities could be delayed during this period.

**Varying Disruptions** – Significant business disruptions can vary in their scope, such as only our firm, a single building housing our firm, the business district where our firm is located, the city where we are located, or the whole region. Within each of these areas, the severity of the disruption can also vary from minimal to severe. In a disruption to only our firm or a building housing our firm, we will transfer our operations to a local site when needed and expect to recover and resume business within **two business days**. In a disruption affecting our business district, city, or region, we will transfer our operations to a site outside of the affected area, and recover and resume business within **two business days**. In either situation, we plan to continue in business, transfer operations to our clearing firm if necessary, and notify you through our Website, **www.luganogroup.com**, or our customer emergency number, **(212) 684-6808**, how to contact us. If the significant business disruption is so severe that it prevents us from remaining in business, we will assure our customer’s prompt access to their funds and securities.

**For more information** – If you have questions about our business continuity planning, you can contact us by **telephone at (212) 684-6808 or at e-mail address [hdoley@luganogroup.com](mailto:hdoley@luganogroup.com)**.

## **BUSINESS CONTINUITY PLANNING**

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### **Firm Policy**

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BNY Brokerage Inc's (BNYB) 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 the firm's customers to transact business. In the event that BNYB determines it is unable to continue its business, the firm will assure customers prompt access to their funds and securities.

The organization recognizes the importance of responding quickly and effectively to unplanned events – whether a natural, man-made, or technology emergency – to maintain the safety of our employees, keep operations running smoothly, and provide mission-critical systems to our customers, partners, agencies, the media, and the public in a timely manner.

BNYB's primary concern is to ensure that the applications and information that drive critical business processes are available when they are needed, whenever they are needed. To accomplish this, BNYB has an "out of area" Disaster Recovery Data Center and an "out of area" Trading Floor which houses BNYB's infrastructure and communications that will enable the firm to continue to provide services during an emergency situation.

The firm's Disaster Recovery Sites are prepared to run the business in the event there is a disaster affecting our primary sites. All general and detailed documentation regarding Disaster Recovery is housed in the firm's "out of area" Disaster Recovery Location.

Each business has assigned seats for their employees at a Disaster Recovery location by which employees can perform their job duties during an event.

*The Bank of New York and Business management will assess the disaster to determine the appropriate action. Each of our Managing Directors (MD) has the authority to call a state of disaster and execute the plan. This plan is reviewed on a yearly basis by Management.*

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### **Books and Records Backup and Recovery (Hard Copies & Electronic)**

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The firm maintains offsite archival storage facilities for our printed and electronic records. These records are retained as prescribed by all relevant regulatory agencies. Live trade (order, execution, and allocation) and backoffice (clearing and settlement) data is replicated in real-time between our production and disaster recovery data centers. Provisions and facilities are in place to recover our business in the event of a disaster and resume operations from our DR sites. Redundant communication links tie our sites

together. DR systems tests are conducted twice per year with all departments and regular DR connectivity tests are coordinated with our clients.

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### **Mission Critical Systems**

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The firm'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 customer accounts, access to customer accounts, and the delivery of funds and securities. Each Mission Critical system is fully redundant. The firm has primary responsibility for establishing and maintaining our business relationships with our customers and has sole responsibility for our mission critical functions of order taking, entry, 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.

The firm has "Mainframe" systems, which clear BNYB trades and are maintained internally by BNYB. The physical systems are maintained by an outside firm and are housed at an alternate site, which has sufficient backup provisions and hardware is maintained and backed-up. This outside firm also represents that it backs up our records on backup hardware at a remote location. This outside firm represents 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. This outside firm has also confirmed the effectiveness of its back-up arrangements to recover from a wide scale disruption by testing, and it has confirmed that it tests its back-up arrangements.

This outside firm provides that it maintains a business continuity plan and the capacity to execute that plan. This outside firm represents that it will advise us of any material changes to its plan that might affect BNYB's ability to maintain its business and presented us with an executive summary of its plan. In the event the outside firm executes its plan, it represents that it will notify us of such execution and provide us equal access to services as its other customers.

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### **Financial and Operational Risk Assessments**

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The firm assesses all systems and applications for Financial and Operational Risk. This risk assessment is performed on a yearly basis or when additions or changes have been made.

In the event of an SBD, BNYB will immediately identify what means will permit us to communicate with our customers, 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 firm will employ will include our Web site, telephone voice mail, secure e-mail. In addition, the firm will retrieve our key activity records such as Data Back-Up and Recovery (Hard Copy and Electronic).

In the event of an SBD, the firm will determine the value and liquidity of our investments and other assets to evaluate our ability to continue to fund the firm's operations and remain in capital compliance. BNYB will contact its clients, and counter parties to apprise them of the firm's financial status.

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### **Alternate Communications Between Customer and the Firm**

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BNYB communicates with the firm's customers using the telephone, e-mail, the firm's Web site, fax, U.S. mail, and in person visits at the firm's or at the other's location. In the event of an SBD, the firm 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 the firm has used in the past to communicate with the other parties. For example, if the firm has communicated with a party by e-mail but the Internet is unavailable, the firm will call them on the telephone and follow up where a record is needed with paper copy in the U.S. mail.

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### **Alternate Communications Between Firm and its Employees**

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The firm communicates with its employees in various ways, including the telephone, e-mail, and in person. In the event of an SBD, management will assess which means of communication are still available to the firm, and use the means closest in speed and form (written or oral) to the means that the firm has used in the past to communicate with the other party. The firm will also employ a "call tree" so that senior management can reach all employees quickly during an SBD. The call tree includes all staff home and office phone numbers. The firm has identified persons, who live near each other and may reach each other in person. The call tree will be invoked in the event of a SBD.

All other personnel who are not assigned a seat in a disaster recovery site would call the Bank of New York, 866-466-6344 or BNY Brokerage, 800-828-5454. Personnel may also go onto the following websites for more information: <http://www.bankofny.com/> or <http://www.bnybrokerage.com/>. All phone numbers from our Primary location will be automatically transferred to our Disaster Recovery Site at the time of a disaster.

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### **Alternate Physical Locations of Employees**

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In the event of an SBD, the firm will move our staff from affected offices to the closest of our unaffected office locations. The firm has multiple Disaster Recovery sites located in a number of different states in the Northeastern Region of the United States. Employees will be deployed to a Disaster Recovery Site once an emergency is declared.

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### **Critical Business Constituent, Banks and Counter Parties**

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#### **Constituents**

The firm has contacted our critical business constituents (businesses with which the firm

has an ongoing commercial relationship in support of our operating activities, such as vendors providing us critical services), and determined the extent to which the firm can continue our business relationship with them in light of an internal or external SBD. The firm will quickly establish alternative arrangements if a business constituent can no longer provide the needed goods or services when the firm needs them because of a SBD to them or our firm.

### ***Banks***

The Bank of New York, the firm's parent company, will continue to provide the financing that the firm will need in light of an internal or external SBD.

### **Counter Parties**

The firm has contacted our critical counter-parties, such as other broker-dealers or institutional customers, to determine if the firm will be able to carry out our transactions with them in light of an internal or external SBD. In the event that transactions cannot be completed, the firm will work with those counter-parties directly to make alternative arrangements to complete those transactions as soon as possible.

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## **Regulatory Reporting and Contacts**

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The firm is subject to regulation by Securities and Exchange Commission (SEC), Self Regulatory Organizations (SRO's), and State regulators. The firm 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, the firm will check with the 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 the firm cannot contact our regulators, the firm will continue to file required reports using the communication means available to us.

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## **Prompt Access to Funds and Securities**

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To ensure that our Disaster Recovery site is consistently operational with our customers and vendors, all necessary BNYB data communications lines are redundant and are duplicated at our disaster recovery site. Arrangements and procedures have been implemented with our various voice communication providers to ensure contact with our customers continues in an effective business manner.

This robust communications infrastructure ensures that BNYB's customers have prompt access to their funds and securities in order to continue effectively perform business with our firm.

Plans are subject to modification. As necessary, any updates to the firm's BCP will be posted to the BNY Brokerage website.