

#### DISCLOSURE OF (BCP)

We disclose in writing a summary of our BCP to customers at account opening by reference to our website. Our summary addresses the possibility of a future SBD and how we plan to respond to events of varying scope. In addressing these events of varying scope, our 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) provides general information on our intended response. Our summary discloses the existence of back-up facilities and arrangements.

#### 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 12/31, to modify it for any changes in our operations, structure, business, or location or those of our clearing firm.

#### 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.

Bill R. Carty  
Chief Executive Officer  
April 1, 2008



## Carty & Company, Inc.

6263 Poplar, Suite 800  
Memphis, TN 38119  
Phone (901) 767 8940  
Fax (901) 766 6240

<http://www.cartyco.com>

# Carty & Company, Inc.

## Business Continuity Plan

### A Tradition in Business

#### A LEGACY OF TRUST

Phone: (901) 767 8940

#### EMERGENCY CONTACTS

Carty & Company, Inc. (Carty) has established two emergency contact persons, Bill R. Carty, CEO and John C. Dallosta, Jr., Executive Vice President, who are also principals of the firm. They can be contacted via e-mail at, [bcarty@cartyco.com](mailto:bcarty@cartyco.com) and [jdallosta@cartyco.com](mailto:jdallosta@cartyco.com) or by calling our toll free number (1-800-767-8940). In the event of any change in contact persons, our compliance officer will update this document within 17 calendar days of the end of each quarter.

#### FIRM POLICY

Carty'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 (SBD)

Carty's plan anticipates two kinds of SBD's, internal and external. Internal SBD's affect only our firm's ability to communicate and do business, such as a fire in our building, power outages, major water leaks, severe weather or any other event that may cause business interruption.

External SBD's prevent the operation of the securities markets or a number of firms, such as a terrorist attack, health pandemics 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.

#### APPROVAL AND EXECUTION AUTHORITY

Bill R. Carty, CEO and a registered principal of our firm, is responsible for approving the plan and for conducting the required annual review and has the authority to execute this BCP. We will update our contingency plan on an annual basis to support our company's business needs. This annual plan will include management procedures, employee communications, alternate site requirements, and procedures for notifying our customers.

#### PLAN LOCATION AND ACCESS

Carty will maintain copies of its BCP plan and the annual reviews, and the changes that have been made to it for inspection. The FINRA District office has also been provided a copy of our plan. A summary of our plan is located on [www.cartyco.com](http://www.cartyco.com) in the link: BCP.htm.

#### BUSINESS DESCRIPTIONS

Carty conducts business in equity, fixed income, and options. Our firm clears its fixed income products and clears all Equities and Options through Pershing, LLC (A Bank of New York Company). Furthermore, we do not hold customer funds or securities. We accept and enter orders. All equity and options transactions are sent to our clearing firm, which, executes our orders, compares them, allocates them, clears and settles them. Our clearing firm also maintains our equity customers' accounts, can grant customers access to them, and delivers funds and securities. Our firm services retail and institutional customers.

#### OFFICE LOCATIONS

Carty is located at 6263 Poplar Ave., Memphis, TN. Its main telephone number is 901-767-8940. Our employees may travel to that office by means of foot, car, bus, and elevator. We engage in order taking and entry at this location only. We do not have any branch offices.

#### ALTERNATIVE PHYSICAL LOCATION(S) OF EMPLOYEES

In the event of an SBD, we will ask our staff to remain at home. They will then access the significant tools of our business through their home telephones, mobile telephones, and home Internet access, using Pershing NetxChange application. We have prepared an off-site facility with Crews And Associates.

#### CUSTOMER ACCESS TO FUNDS AND SECURITIES

In the event of a SBD we will transact our fixed income business through our clearing firm, Pershing. In the event of an internal or external SBD, if telephone service is available, our registered persons will take customer orders or instructions and contact our clearing firm on their behalf, and if our Web access is available, our firm will post on our Web site that customers may access their funds and securities by contacting Pershing. The firm will make this information available to customers through its disclosure policy.

#### DATA BACKUP AND RECOVERY

Our firm maintains its primary hard copy books and records and its electronic records at its main location. A principal of the firm is responsible for the maintenance of these books and records. Our firm maintains the following document types and forms that are not transmitted to our clearing firm: New Account applications and supporting documents, tax forms and Government issued ID's.

Our firm maintains its back-up hard copy books and records at a remote location. These records are paper copies and optical disk storage. A principal is responsible for the maintenance of these back-up books and records. Our firm backs up its records by on-site backup a taking tem to an alternate site for storage. Our records are also backed up nightly to a remote location where they are stored.

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.

#### FINANCIAL AND OPERATIONAL ASSESSMENT

Operational Risk - In the event of an SBD, Carty will immediately identify what means will permit us to communicate with our customers, employees, critical business constituents, critical banks, critical counterparties, and regulators. Although the effects of an SBD will determine the means of alternative communication, the communications options we will employ will include our Web site, telephone, e-mail, etc. In addition, we will retrieve our 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, 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, including the publication of our intention to cease operations.

#### MISSION CRITICAL SYSTEMS

Our 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. More specifically, these systems include: Pershing, and our As/400 application.

We have primary responsibility for establishing and maintaining our business relationships with our customers and have sole responsibility for our mission critical functions of order taking, entry and execution. Pershing 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.

Pershing's contract provides that they will maintain a business continuity plan and the capacity to execute that plan. Pershing represents that it will advise us of any material changes to its plan that might affect our ability to maintain our business. In the event Pershing executes its plan, it represents that it will notify us of such execution and provide us equal access to services as its other customers. If we reasonably determine that Pershing has not or cannot put its plan in place quickly enough to meet our needs, or is otherwise unable to provide access to such services, Pershing represents that it will assist us in seeking services from an alternative source.

Pershing represents that it backs up our records at a remote, out of region, site. Pershing 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. Pershing 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 every year.

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: recovery time period of within 4 hours; and resumption time of 8 hours.

#### OUR FIRM'S MISSION CRITICAL SYSTEMS

**Order Taking** -Currently, our firm receives orders from customers via telephone. During an SBD, either internal or external, we will continue to take orders through any of these methods that are available and reliable, and in addition, as communications permit, we will inform our customers when communications become available to tell them what alternatives they have to send their orders to us. Customers will be informed of alternatives by telephone, employee cell phones and by website.

**Order Entry** - Currently, our firm enters orders by entering them directly and electronically and sending them to our clearing firm electronically. We also place customer orders through Pershing NetxChange system and through our in house main frame. We have contacted Streetscape and were told that, under its BCP, we can expect all services within 48 hours.

In the event of an internal SBD, we will enter and send records to our clearing firm by the fastest alternative means available, which include telephone and Internet Web access. In the event of an external SBD, we 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. In addition, during an internal SBD, we may need to refer our customers to deal directly with our clearing firm for order entry.

**Order Execution** - We currently execute orders by sending Pershing. In the event of an internal SBD, we

would search for the best available channel to send orders to those two venues. In the event of an external SBD, we would do the same.

#### Other Services Currently Provided to Customers

In addition to those services listed above in this section we also provide investment information to clients. In the event of an internal SBD, we would tell them that we are busy and that they should get investment information somewhere else. In the event of an external SBD, we would suggest that they have patience.

#### MISSION CRITICAL SYSTEMS PROVIDED BY OUR CLEARING FIRM

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. Our fixed income department relies on Pershing for order entry and transmission. In the event of an SBD we would rely on telephone communication between Pershing and ourselves.

#### ALTERNATE COMMUNICATIONS BETWEEN THE FIRM AND CUSTOMERS, EMPLOYEES, AND REGULATORS

**Customers** - We now communicate with our customers using the telephone, Web site, fax, U.S. mail, and in personal visits at our firm. 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 telephone but the telephone is unavailable, we will try to send an email and follow up where a record is needed with paper copy in the U.S. mail.

**Employees** -We now communicate with our employees face to face. 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. We have identified persons who live near each other and may reach each other in person. We will continue to promote employee awareness with regards to emergency communications, evacuation procedures and communication with other employees and identify each employee's role in a contingency event. Clear communications are vital during an outage and employees who have key functions have cell phones or pagers.

**Regulators** - We are currently members of the following

SRO's: FINRA. We communicate with our regulators using the telephone, 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.

#### CRITICAL BUSINESS CONSTITUENTS, BANKS, AND COUNTER-PARTIES

**Business constituents** - We have contacted our critical business constituents (businesses with which we have an ongoing commercial relationship in support of our operating activities, such as vendors providing us critical services), and determined the extent to which we can continue our business relationship with them in light of the 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 a SBD to them or our firm.

**Banks** - If our banks and other lenders are unable to provide the financing, we will seek alternative financing immediately from pre-established parties.

**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 firm or contact those counter-parties directly to make alternative arrangements to complete those transactions as soon as possible.

#### REGULATORY REPORTING

Our firm is subject to regulation by: FINRA, SEC, and various states. We now file reports with our regulators using paper copies in the U.S. mail, and electronically using fax, 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. FINRA contact: Anthony Savarese: 212 858-5000.