

# Charles River Brokerage, LLC

## Business Continuity Plan (BCP)

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### I) Emergency Contact Persons

Our firm's three emergency contact persons are:

A) Stephen L. Schardin  
President, Charles River Brokerage, LLC  
781-425-1301 (O)  
978-407-2748 (C)  
[StephenSchardin@crbrokerage.com](mailto:StephenSchardin@crbrokerage.com)

Frank Matarese  
Director of Business Operations  
781-425-1302 (O)  
203-722-7755 (C)  
[FrankMatarese@crbrokerage.com](mailto:FrankMatarese@crbrokerage.com)

John Zimmer  
Vice President of Financial Operations for Charles River Development  
781-425- 6402  
[JohnZimmer@crd.com](mailto:JohnZimmer@crd.com)

These names will be updated in the event of a material change, and Stephen L. Schardin will review them within 17 business days of the end of each quarter.

### 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 Disruption

Our plan anticipates two kinds of SBDs

- i) **Internal SBDs** affecting only our firm's ability to communicate and do business, such as a fire in our building, short duration power outages, etc.
  - (a) **Partial loss:** Charles River Development (CRD) and Charles River Brokerage, LLC (CRB) are located in two connected buildings at 24 New England Executive Park in Burlington, Massachusetts, on six different floors. Should one of these locations be destroyed or rendered unusable for an extended period of time and the other remain unaffected, the employees in the affected area would be temporarily relocated to the unaffected area, using all unused offices and doubling up where appropriate. Network resources would be shared for the first 1-2 days until additional hardware is obtained to bring the company back to full functionality. The T1 line could be moved within the buildings within 24 hours.
  - (b) **Full loss:** Charles River Development and CRB have investigated the short-notice availability of office space at a distance of approximately 10 miles from the current headquarters. Two leading providers of temporary office space have indicated that they would be able to accommodate both companies' needs within 24-48 hours.
- ii) **External SBDs** preventing the operation of the securities markets and/or a number of firms, such as a terrorist attack, 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 and Hosted Solutions.**

## B) Approval and Execution Authority

Stephen L. Schardin, a registered principal is responsible for approving the Business Continuity Plan (BCP) and for conducting the required annual review. Stephen L. Schardin, President Charles River Brokerage, LLC; Frank Matarese Director of Business Operations (DOBO) and John Zimmer, Vice President of Financial Operations, Charles River Development have the authority to execute this BCP.

### **C) Plan Location and Access**

Our firm will maintain copies of its BCP and the annual reviews, and the changes that have been made to it for inspection. We have given the District #11 FINRA Office a copy of our BCP. An electronic copy of the BCP is located at four different locations.

1. c:\documents and settings\sschardin\my documents\business continuity plan CRB Laptop of Stephen L Schardin
2. sschardin on 'nas1\home '(S:) System Backup
3. CRB Website
4. Iron Mountain Recovery site

### **III) Business Description**

Charles River Brokerage, LLC (CRB) has three lines of business. First it is a soft-dollar Broker/Dealer for financial institutions making soft-dollar payments under the Safe Harbor provision of Section 28(e) of the Securities Exchange Act of 1934, for research and brokerage services relating to, but not limited to, the Investment Management Systems (IMS) provided by applicant's parent.

Second to providing soft-dollar brokerage, CRB receives shared commissions derived under it's Interface Testing and Maintenance Agreements (ITMA) which are Executing Broker agreements between CRB and certain executing brokers for algorithmic trading, dark pool trading and crossing .

Finally, CRB, to capitalize on its parent company's technology offerings in the Order Management Systems (OMS) arena, offers Charles River Equity Crossing Network ("CReX"). CReX provides buy-side Institutional Money Managers the ability to submit committed and uncommitted orders to be crossed at the NBBO mid-point. As part of the offering traders can choose three market segments to participate in, pre-market, continuous market and/or post-market. CRB acts as an executing broker-dealer, so trades can be reported via CRB or stepped-out to a third party broker-dealer of the clients choice. CRB will be responsible for all regulatory reporting including OATS.

CRB for its CReX offering operates as an executing broker/dealer with a fully disclosed clearing arrangement with Pershing LLC.

CRB, for its soft-dollar business, has a duly executed clearing arrangement with Pershing, which provides a full complement of services for the execution and clearing of any soft dollar business conducted by CRB.

CRB will not perform any type of clearing function for itself or others. Furthermore, It does not hold customer funds or securities.

Orders for institutional soft-dollar accounts are placed directly by institutional money managers and/or mutual funds with Pershing CRB,s clearing partner.

For CReX, orders are executed on the crossing network and reported to Pershing for clearing and settlement.

As a result, all transactions are sent directly to our clearing firm; who compare, allocate, clear and settle the transactions.

For soft-dollar all commissions in excess of execution, clearing and settling cost are transferred to CRB for deposit into soft-dollar accounts and payment of research and brokerage services as provided under the Safe Harbor provision of Section 28(e) of the Securities Exchange Act of 1934.

Our firm services only Institutional Accounts. We do not engage in any private placements

Our clearing firms are:

1. **Pershing, LLC**  
One Pershing Plaza  
Jersey City, NJ 07399

**Contact Person**  
Gregory S Nolan  
617 737 1941 Ex.223  
[bmarston@pershing.com](mailto:bmarston@pershing.com)

**Alternate Contact Person**  
J Brooks Marston  
617 737 1941 Ex. 224  
[bmarston@pershing.com](mailto:bmarston@pershing.com)

#### IV) Office Locations

Our firm has one main location and one branch location

Charles River Brokerage, LLC  
24 New England Executive Park Suite 150  
Burlington, MA 01803

Charles River Brokerage, LLC  
7 New England Executive Park 2nd Floor  
Burlington, MA 01803

#### V) Alternative Physical Locations of Employees

In the event of an SBD the following actions will be taken

- (a) **Partial loss:** Charles River Development (CRD) and Charles River Brokerage, LLC (CRB) are located in two different buildings at 7 & 24 New England Executive Park in Burlington, Massachusetts. In addition 7 New England Executive Park is located on 6 different floors. Should one of these locations be destroyed or rendered unusable for an extended period of time and the others remain unaffected, the employees in the affected area would be temporarily relocated to the unaffected area, using all unused offices and doubling up where appropriate. Network resources would be shared for the first 1-2 days until additional hardware is obtained to bring the company back to full functionality. The T1 line could be moved within the buildings within 24 hours.
- (b) **Full loss:** Charles River Development and CRB have investigated the short-notice availability of office space at a distance of approximately 10 miles from the current headquarters. Two leading providers of temporary office space have indicated that they would be able to accommodate both companies' needs within 24-48 hours.

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

Our firm does not maintain custody of customers' funds or securities. All transactions executed on behalf of CRB are instituted by institutional money manager and/or mutual funds and are done Delivery Verses Payment (DVP) within the network of clearing firms having clearing arrangements with CRB. All securities and cash resulting from these transactions are kept at the respective custodian(s) of the institutional money manager and/or mutual fund. As a result, in the event of an internal or external SBD associated with CRB, our clients will have full access to all cash and securities.

All soft-dollar and/or executing broker commission are the sole assets of CRB and are kept on account in the CRB business account located at Bank of America Burlington, MA.

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

## **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 24 New England Executive Park Burlington, MA 01803. Stephen L. Schardin, President (781 425 3101) 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:

1. Third Party Soft- Dollar Contracts
2. Interface Testing and Maintenance Agreements
3. Soft-Dollar Sub Accounting ledger
4. Client Ledger
5. Vendor Payment Ledger
6. Client Soft-Dollar Statements
7. Fully Disclosed Clearing Arrangements
8. Electronic Equity Crossing System Access and Trading Agreement

Our firm maintains hard copy books and records. However for BCP electronic copies of all hard copy books and records are kept at Iron Mountain Data and Record Management facility located in Boston, MA. These records are electronic copies of all hard copy books and record. Stephen L. Schardin, President (781 425 1301).is responsible for the maintenance of these back-up books and records. Our firm backs up its electronic records by copying and having them delivered to our back-up site.

The firm backs up its electronic records weekly and monthly. These backups include, but are not limited to, logs of known customer issues as well as contracts and amendments and other information stored on shared hard drives

Backups are stored at our Iron Mountain facility in Boston, MA. They are available to be restored within 24 hours, most often within the same business day.

Ongoing tests are performed of the off-site retrieval process. Test restores are performed weekly on random files to ensure the integrity of the backups before going off site.

In the event of an internal or external SBD that causes the loss of our paper records, we will recover our backup electronic copies 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 any 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.

## **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 Web site, telephone, mobile telephone, voice mail; secure e-mail server and any other communication devices that will provide quick access to our client base. 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**

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;

- (1) Contact all clients and inform them of our inability to conduct business
- (2) Make all books, records and files available pertaining to the clients account available to the client
- (3) Assist the client in locating an alternate firm with whom they can place their account.
- (4) Assist the client in the transfer of all book, records and files to the new firm of the client.

## **IX) Mission Critical Systems**

Our firm's "mission critical systems" are those that ensure prompt and accurate processing of securities transactions, including execution, comparison, allocation, clearance and settlement; that provide client accreditation and recordkeeping of Soft-Dollar and/or shared commissions; that maintain vendor payment schedules; and that provide business accounting for CRB More specifically, these systems include:

1. Clearing Systems of CRB clearing partners
2. Soft-Dollar Accounting System
3. Great Plains - Surebridge, Inc. Financial Accounting System
4. Hosted Solutions Hosting

We have primary responsibility for establishing and maintaining our business relationships with our customers and have sole responsibility for our mission critical functions maintaining accurate recordkeeping of soft-dollar and/or executing broker commissions and timely vendor payments that qualify under Section 28(e) of the Securities Exchange Act of 1934.

Our clearing firm provides, through contract, execution, comparison, allocation, clearance and settlement of securities transactions; the delivery of funds and securities to respective custodians of CRB clients; payment of soft-dollar commissions to CRB; and reconciliation of these payments to CRB.

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 its plan that might affect our ability to maintain our business and presented us with an executive summary of its plan, which is attached.

In the event our clearing firm executes its plan, it represents that it will notify us of such execution and will provide us equal access to services as its other customers. If we reasonably determine that our clearing firm 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, our clearing firm represents that it will assist us in seeking services from an alternative source.

Our clearing firm represents that it backs up our records at a remote site. Our clearing 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.

Our clearing 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 twice a 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. Our clearing firm has indicated that SBD recovery time and resumption objectives: recovery time period of eight hours and resumption time of within the next business day (see attached document)

## **A) Our Firm's Mission Critical Systems**

### **1. Order Execution Soft-Dollar**

We currently execute orders through contractual arrangement with CRB clearing partners. All orders attributed to CRB are directly placed by institutional money managers and/or mutual funds with a clearing firm who is member of the CRB network of clearing partners.

In the event of an internal SBD, it is anticipated that order execution would continue uninterrupted. As a result order execution would be conducted as above.

In the event of an external SBD, it is anticipated that order execution would continue uninterrupted. As a result order execution would be conducted as above.

### **2. Other Services Currently Provided to Customers Soft-Dollar**

In addition to Order Execution CRB provides comprehensive recordkeeping of soft-dollar commissions; and vendor payments that qualify under Section 28(e) of the Securities Exchange Act of 1934.

In the event of an internal SBD, we would continue to provides services as promptly as possible as outlined above in **Alternative Physical Locations of Employees and Data Back-Up and Recovery (Hard Copy and Electronic)**.

In the event of an external SBD, it is anticipated that we would be able to provide services from an alternative site within 24 to 48 hours as outlined in **Alternative Physical Locations of Employees and Data Back-Up and Recovery (Hard Copy and Electronic)**.

### **3. CRB Crossing Engine**

The crossing engine and its infrastructure will be deployed in a manner that provides both fault tolerance (High Availability) and disaster recovery (DR) capabilities.

CRB is partnering with Hosted Solutions to provide the hosting environment for the application. Hosted Solutions responsibilities include but are not limited to: fault tolerant network connectivity, continuous power via UPS back up, hardware and operating system level monitoring, data backups and archiving, network and physical security, etc.

Hosted Solutions will provide the required footprint in two different data centers in an active/passive configuration to provide continuity in the advent of a complete site failure, with a maximum of a one hour outage to activate the passive footprint.

Log shipping will be employed to keep the passive database in sync the active cluster. The crossing engine itself provides insulation from server/hardware failure by deploying all service groups in a clustered environment to provide three 9's of uptime.

## **X) Alternate Communications between the Firm and Customers**

### **A) Customers**

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

### **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. We have identified persons, noted below, who live near each other and may reach each other in person:

The person to invoke use of the call tree is: Stephen L Schardin

Caller	Call Recipients
<i>Stephen L Schardin</i>	<i>John Zimmer,</i>
<i>John Zimmer</i>	<i>Jared Baker</i>
<i>Jared Baker</i>	<i>Frank Matarese</i>
<i>Frank Matarese</i>	<i>JR Morris</i>

**C) Regulators**

We are currently members of the following SROs: SEC, FINRA and BIDS. 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.

**XI) Critical Business Constituents, Banks, and Counter-Parties**

**A) 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. Our major suppliers are

**Clearing:** Pershing LLC; One Pershing Plaza, Jersey City, NJ 07399,  
Gregory S Nolan 617-737-1941

**Soft- Dollar processing:** TSI Inc. – Branchburg Commons 3322 Route  
22W Suite 1506 Branchburg, NJ 08876 – Kevin J Devine 908-236-0008

**Business Accounting System** Great Plains - Surebridge, Inc.; 10 Maguire  
Road Suite 332 Lexington, MA 02421 Vitale Caturano and Company –  
Support Line 617 241 4646

**B) Banks**

We have contacted our banks and lenders 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:

**Bank of America**  
30 Mall Road  
Burlington, MA 01803  
T Clark Hayes  
781 564 4996

The bank maintaining our Proprietary Account of Introducing Brokers/Dealers (PAIB account) is

**Pershing LLC**  
One Pershing Plaza  
Jersey City, NJ 07399  
Gina Jurecki  
201 413 4806

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

**Charles River Systems Inc.**  
7 New England Executive Park  
Burlington, MA 01803  
John Zimmer  
781 425 6402

**C) 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.

**XII) Regulatory Reporting**

Our firm is subject to regulation by:

**Federal Regulator**  
Securities and Exchange Commission  
Financial Industry Regulatory Authority (FINRA)

**State Regulators**  
California, Connecticut, Georgia, Illinois, Massachusetts, New Jersey,  
New York, Pennsylvania, Texas, and Utah State Securities Commissions

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.

**Disclosure of Business Continuity Plan**

**We post the CRB BCP, through hot button access, on our Web site for access by all clients and non clients; In addition we will mail it to customers upon request.**

Our BCP 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 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 BCP discloses the existence of back-up facilities and arrangements.

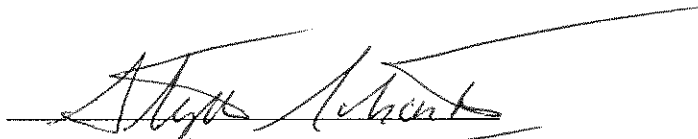
### **XIII) Updates and Annual Review**

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 or before June of each year, to modify it for any changes in our operations, structure, business, or location or those of our clearing firm.

### **XIV) 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

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

12/13/2011