

<b>RISK MANAGEMENT / BUSINESS CONTINUITY / PANDEMIC PREPAREDNESS</b>
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***Business Continuity / Pandemic Preparedness Plan***

FINRA Rule 4370 (previously NASD Rule 3510) requires all FINRA broker/dealers to create and maintain a Business continuity / Pandemic Preparedness Plan and FINRA Rule 4370 (previously NASD Rule 3520) requires that emergency contact information regarding the Plan be provided to the FINRA (through the FINRA Contact System at [www.FINRA.org/ncs.asp](http://www.FINRA.org/ncs.asp)).

Our CCO is responsible for ensuring that all requirements under Rule 4370 are adhered to and will retain all related books and records, including those indicating the required reviews, along with any amendments made at any time.

Pacific American Securities, LLC is committed to devoting adequate time and resources to assess risk management procedures and controls and our Compliance Department in cooperation with Senior Management is responsible for assessing the adequacy of our internal controls, minimally on an annual basis. Constance L. Gibbs is responsible for determining; based on our specific product mix and the attached risk to Pacific American Securities, LLC (and therefore to our clients) what should be included in our risk management practices. The following are the major areas that should be looked into:

- Adequate monitoring of trading risk in terms of supervisory structure, use of data and measurement tools
- Adequate monitoring of the consistency of information contained in our trade processing and financial reporting, so as not to omit certain accounts and/or activities from our risk monitoring functions

- Sufficient staff, both in terms of experience and numbers, to undertake internal audits and oversee the development of Pacific American Securities, LLC's internal audit plans
- A review as to the individuals required to play an active role in risk management assessment activities
- An annual (or more frequent, if required due to external events) review as to the applicability of our procedures and controls based on current market conditions
- Information is posted in the employee rest area regarding health advocate suggestions for prevention of influenza and vaccination services in the area are posted when available.
- Self adhesive or glue is used in the office for sealing envelopes.
- Anti-bacterial soap is used in our kitchen
- Management encourages employees to remain at home when not feeling well.
- Anti-bacterial wipes are provided to clean the working surfaces.
- We provide disposable cups and plates for employees.

Constance L. Gibbs is responsible for coordinating all risk management efforts with senior management.

### **DISASTER RECOVERY**

The following addresses the communications and/or operational systems Pacific American Securities, LLC employs to conduct business with customers or other FINRA member firms and the plans and procedures in place to ensure business continuity in case of services disruption of any sort (from minor power outages to major disasters).

#### **Existing Communications and/or Operating System/s**

Pacific American Securities, LLC is a fully disclosed (non clearing non carrying introducing) broker dealer. We communicate with our clearing brokers via computer or telephone. Market information is received via television, direct tie lines and computer. Vendors used vary but are large and well established firms. All customer funds, trade

history and current trade activity data is housed at the vendor. Pacific American Securities, LLC stores paper copies of trade activity and customer account documents within its offices and subsequently at an off site secure location.

The firm's accounting system and other documentation contained within individual PC's is stored on the main server for which there is a secondary back-up. The main server backs up all daily activity to the back-up server nightly.

The firm uses the services of an outside vendor to capture and store all data contained on the main server nightly. This information is sent to two separate secure locations within the country.

#### Contingency Plans

All brokers have cell phones to prevent loss of communication capabilities during a power outage, telephone service disruption or illness.

An independent back-up system is in place and capable of restoring lost data due to failure of in-house PC's.

#### On-Site System "Redundancies"

All data housed on individual PC's within the firm is captured nightly on the main server. This server is backed-up by a secondary server that captures all data housed on the main server.

Quotes and market tracking systems include, Bloomberg, NYSE, NASDAQ, NYFIX, and television.

All Registered Representatives have a cell phone.

### Off-Site Back-Up Systems

The firm uses the services of an outside vendor to capture and store all data contained on the main server nightly. This information is sent to two separate secure locations within the country.

### Disaster Recovery Plans

If circumstances restrict access to our offices, vital systems fail or a majority of our employees are infected with influenza or another communicable illness, Pacific American Securities, LLC is capable of downloading all data to any chosen location from the previous night's data capture. The home of the President/CEO, located approximately 25 miles from the primary offices of the firm is equipped with a PC capable of collecting this downloaded data. The address of the home is 16013 S. Woodson Drive, Ramona, CA 92065. The telephone number is (760) 787-9649.

Should a "disaster" occur all employees are instructed to contact their immediate supervisor at home to obtain instructions for the business day.

### **Alternate Customer / Member Communications**

#### **Order Taking**

Currently, our firm receives orders from customers via telephone, mail, computer, or in person visits by the customer. In an emergency situation 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 what their alternatives are to send their orders to us.

Having offices in both California and New York provides us with an effective alternative should there be an emergency or pandemic. Our clients can be directed to our facility that is most able to handle their requests. Our main California contact numbers are (858) 320-2850 and (858) 320-2800. Our Main New York contact numbers are (718) 477-1500 and (800) 445-3432. If forwarding is available, calls coming into a stricken location will be forwarded to the alternate location. If both locations are unavailable, customers are directed to call our clearing house, Pershing LLC, directly to access their accounts their contact number is (888) 367-2563. In the event that Pershing LLC needs to execute its business continuity strategy, the contact number is (888) 367-2563.

### **Order Entry**

In the event of an internal emergency, we will enter and send records to our clearing firm by the fastest alternative means available, which may include but will not be limited to sending orders to one of our branch offices for submission to our clearing broker. In the event of an external emergency we will maintain the orders in electronic or paper format, and deliver the order to our clearing firm by the fastest means available when it resumes operations. In certain circumstances we may refer our customers directly to our clearing firm for order entry.

### **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 maintenance of customer accounts, delivery of funds and securities, and access to customer accounts.

### **Critical Systems Provided by Our Banking Institution**

We have received certification from our banking institution that they have in place a plan ensuring the safety, security and privacy of our accounts. Our banking institution's computer connectivity is designed to maximize both security and high availability. Redundant communication paths are established to both primary and back-up data

centers. The Corporate Incident Response Team, comprised of key management personnel leads the corporate-wide preparedness efforts and coordinates the response and recovery across the organization.

Pacific American Securities, LLC keeps no funds or securities on site.

### **Regulatory Reporting**

Pacific American Securities, LLC is subject to regulation by FINRA, SEC and State Regulatory bodies. Currently we file reports with our regulators using paper copies in the U.S. mail, electronically, using fax, e-mail and the internet. In the event of an emergency we will check with the appropriate regulatory body to determine which means of filing are still available to us and use the means closest in speed and form to our previous filing method. In the event that we cannot contact our regulators, we will continue to file required reports using the communication means available to us.

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

Pacific American Securities, LLC has developed a Business Continuity Plan describing 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 (800) 320-2800 or (858) 320-2850, you should call our alternative number in New York (718) 477-1500. If you cannot access us through either of those means, you should contact our clearing firm, Pershing LLC, at (888) 878-3142 for instructions on how to access funds and securities, enter orders and process other trade-related, cash, and security transfer transactions for your account.

## **Our business continuity Plan**

We plan to quickly recover and resume business operations after a significant business disruption or pandemic 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 business disruption or illness.

Our business continuity plan addresses: data backup and recovery; all mission critical systems; financial and operational assessments; alternative communications with customers, employees and regulators; alternative physical location of employees; critical supplier, bank and regulatory reporting.

Our clearing firm, Pershing 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 as soon as reasonable. 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 one of our other branch offices when needed and expect to recover and resume business as soon as possible. In any case, we plan to continue in business, transfer operations to our clearing firm if necessary, and notify you through our emergency numbers (our New York Branch (718)

477-1500). 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.

Our customers are notified on customer statements, on our web site and in our new account welcome package as follows:

Pacific American Securities, LLC will forward a copy of our Business Continuity/Disaster Recovery Plan to our clients upon written request. Please forward your request to:

**Pacific American Securities, LLC**  
**9191 Towne Centre Drive, Suite 406**  
**San Diego, CA 92122**

**Attention: Compliance Department**