

Business Continuity Statement

August 2004

As you may know, your broker/dealer and National Financial Services LLC (NFS) have an agreement in which NFS may provide trade execution, clearing, and other related services for your brokerage account. In connection with these services, NFS is required to communicate its position on business continuity practices.

At NFS, we recognize how heavily you and your broker/dealer rely on our systems and services. We also recognize that the unexpected can and does occur—from simple situations to major outages. NFS has successfully supported critical business activities during disruptions of normal business processes resulting from hurricanes, tornados, blizzards, and other natural and man-made disasters. NFS wants you to know that we have an extensive plan in place to safeguard your assets and protect vital account information in the event of a business disruption.

NFS departments have pre-established contingency and disaster recovery plans. Components of these plans are tested periodically to ensure effectiveness. NFS and its affiliated companies consider contingency planning to be an iterative process, requiring ongoing review to assess various risks and appropriate responses. As a result, this plan may change as necessary. Please feel free to contact your broker/dealer at any time to receive the most recent version of our Business Continuity Statement.

NFS Continuity Planning Guidelines

NFS has developed plans that include the ability to recover from situations including, but not limited to, unplanned evacuations, power outages, major water leaks, fire, loss of water, severe weather, and any facilities failures that may cause business interruptions. Plans are designed to account for business interruptions of various lengths and scope and require that NFS is able to recover critical functions according to their time criticality. Key features of NFS's corporate disaster recovery planning include annual reviews of the following:

- Identification of all mission critical systems (and system backup and recovery for such systems)
- A review of financial and operational risks
- Alternate communications between NFS and your broker/dealer
- Employee safety strategies and communications
- Systems and telecommunications accessibility
- Alternate physical site location and preparedness

A corporate business continuity division articulates planning guidelines and coordinates response and event management across all NFS departments. Each NFS department has dedicated business contingency planners to prepare and test its specific plan. Each NFS department also follows enterprise-wide guidelines for contingency planning and disaster recovery from various scenarios.

NFS Contingency Planning and Business Recovery

NFS mitigates risks to reduce potential issues and impact. In the event of an outage, NFS has tested plans to support recovery of its critical business functions. In addition to following the guidelines stated above, NFS's recovery plans also include the following:

- **Employee Safety** – NFS companies place an emphasis on employee safety. We conduct regular evacuation drills which are led by trained floor wardens and supervised by on-site security personnel.
- **Backup Power** – Sites that support trading and operations are located in buildings with Uninterrupted Power Supply (UPS) and backup generators.
- **Separate Sites** – NFS is located in two primary locations in separate cities. NFS also has additional offices for certain trading and relationship support functions. These separate sites provide backup for certain critical functions.
- **Contingencies for Inclement Weather** – If there is a forecasted weather emergency, hotel rooms are obtained for essential personnel. If the weather emergency could result in an inability to access the primary site, the alternate site would be prepared for use and personnel would be sent there prior to the event. A number of personnel have remote access so they can work from home. Employees can access phone mail and e-mail messages remotely.
- **Designated Contingency Site** – There are pre-established, tested processes for rerouting of critical hotline numbers. In the event of a site outage, customers should experience minimal downtime in their ability to contact NFS.
- **Alternate Site Tests** – NFS conducts alternate site tests for its critical functions at least twice per year. Tests include verification of desktops, records, and re-routing of key hotlines.
- **Notification to Clients** – Procedures for notifying your broker/dealer have been established for NFS associates to follow in the event of an outage. Notification will include information regarding length of outage, instructions for contacting NFS, and support information (e.g., where to send faxes, issues pertaining to data transmissions and communications).
- **Regulatory Reporting** – NFS's business contingency plans are designed to ensure that, regardless of the length of an outage at a primary location, NFS's ability to continue to meet regulatory requirements, as mandated by the Securities and Exchange Commission, NYSE, and NASD, would not be impacted.
- **Communications With Regulators** – NFS will communicate with its regulatory authorities regarding the nature and extent of any significant outage at a primary location, as required by applicable law and regulation.
- **Access to Your Funds** – A site outage at NFS would not impact your ability to have access to your available funds, as NFS's business continuity plans are designed to ensure sustained service. However, your ability to trade your available funds may be impacted by market events outside of NFS's control, such as when the market was closed following the September 11 tragedy. Our tested business continuity plans result in necessary personnel being available to approve transactions that result in the disbursement of available funds. In the event that your broker/dealer ceases operations, customers can call the NFS Customer Service Line at 617-563-5977.

If you have any questions, please contact your broker/dealer.