

# MBS Capital Markets, LLC

## Business Continuity Plan (BCP)

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### **I. Emergency Contact Persons**

Our firm's two emergency contact persons are: Edwin M. Bulleit, (813) 805-9664, [ebulleit@mbscapitalmarkets.com](mailto:ebulleit@mbscapitalmarkets.com) and Kevin P. Mulshine, (303) 652-0205, [kmulshine@mbscapitalmarkets.com](mailto:kmulshine@mbscapitalmarkets.com).

We will provide FINRA with the contact information for the two emergency contact persons: (1) name; (2) title; (3) mailing address; (4) email address; (5) telephone number; and (6) facsimile number through the FINRA Contact System (FCS). These names will be updated promptly in the event of a material change through FCS (but no later than 30 days following the change), and our Executive Representative will review them, and update if necessary, within 17 business days of the end of each calendar year.

*Rule: FINRA Rule 4370(f); NASD Rule 1160.*

### **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 promptly contact our clients.

#### **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**

Edwin M. Bulleit, Managing Director and a registered principal, is responsible for approving the plan and for conducting the required annual review. Mr. Bulleit 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 the tampafs in the C drive.

*Rule: FINRA Rule 4370(b), (d) and (e).*

### III. Business Description

Our firm is applying as a fully disclosed introducing FINRA member broker/dealer and does not perform any type of clearing function for itself or others. Furthermore, we do not receive or hold customer funds or securities. We accept and enter orders. All 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 customers' accounts, can grant customers access to them, and delivers funds and securities.

We will operate pursuant to the (k)(2)(ii) exemptive provisions of SEC Rule 15c3-3 and will register according to the \$100,000 net capital provisions of SEC Rule 15c3-1, in order to trade for its own account and participate in firm commitment underwritings. Our firm services only institutional and high net worth individuals.

Primarily, our line of business consists of securities transactions in land secured municipal bonds, such as Community Development District ("CDD") bonds.

CDD bonds are issued by Community Development Districts created and governed by State Statutes, or other improvement or special districts created and governed by either State Statutes or a Special Act of the applicable State Legislature. CDD bonds are secured by special assessments on the lands within the CDD. The special assessments securing typical CDD Bonds are paid by the landowners residing within the CDD, with each landowner therein being responsible for the payment of its respective annual special assessment. The vast majority of CDDs contain primarily residential developments; however, CDDs may also contain portions of, or consist entirely of, commercial and/or industrial developments or CDDs may be districts created for special purposes such as water management districts.

We want the flexibility to trade for our own account and take positions in certain CDD bonds that it finds undervalued due to macroeconomic events (interest rates, property values, etc.) and hold those positions until external events become more favorable. Although we do not intend to actively trade for our own accounts, we would like to take advantage of perceived inequities in the CDD Bond market. We intend to provide investment banking services to local municipalities of which a portion of these services will include the private placement of debt. In addition, we may participate in selling groups (including as lead underwriter), and may be engaged by local municipalities to advise them on the issuance and structure of CDD Bonds or traditional municipal bonds,

for which we will typically receive a fixed fee. As an accommodation, we will also offer our clients equity options, US government, government agency, and corporate obligations.

Our clearing firm is Sterne Agee Clearing, Inc. (“Sterne”), 1489 W. Palmetto Park Road, Suite 355, Boca Raton, FL 33486, (800) 264-4863, [dferguson@sterneagee.com](mailto:dferguson@sterneagee.com), [www.sterneagee.com](http://www.sterneagee.com) and our contact person at that clearing firm is W. Dennis Ferguson, President, (800) 264-4863, [dferguson@sterneagee.com](mailto:dferguson@sterneagee.com).

#### **IV. Office Locations**

Our Firm only has an office located in Tampa, FL. Our Florida office is located at 4890 W. Kennedy Blvd., Suite 288, Tampa, FL 33609. Its main telephone number is (813) 805-9664. Our employees may travel to that office by means of foot, car, train or bus.

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

In the event of an SBD, each staff member will move from the affected office to each staff member’s home, where each has access to the server and can fully operate at their alternative location. See the call tree under Section X (B) below for each staff member’s home telephone number.

*Rule: FINRA Rule 4370(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, Sterne. 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 [www.sterneagee.com](http://www.sterneagee.com), Telephone: Sterne (800) 264-4863, [dferguson@sterneagee.com](mailto:dferguson@sterneagee.com). 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: FINRA Rule 4370(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 the home office at 4890 W. Kennedy Blvd., Suite 288, Tampa, FL 33609. Edwin M. Bulleit, Managing Director and registered principal, (813) 805-9664, ([ebulleit@mbscapitalmarkets.com](mailto:ebulleit@mbscapitalmarkets.com)), 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: (please refer to the firm's Written Supervisory Procedure's for a list of documents maintained).

Most of the firm's records are kept in electronic format. The firm backs up its electronic records weekly and a copy of the removable hard drive is stored at the home of Edwin M. Bulleit/to a remote offsite server.

In the event of an internal or external SBD that causes the loss of our paper records, we will physically recover them from either our electronic records or from our clients. 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: FINRA Rule 4370(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 clients, 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 voice mail, secure e-mail and cell phones. 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: FINRA Rules 4370(c)(3), (c)(4), (c)(5), (c)(7), (c)(9) & (g)(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 client 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: FINRA Rules 4370(c)(3), (c)(8) & (g)(2).*

## **IX. Mission Critical Systems**

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.

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 and entry. 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 its plan that might affect our ability to maintain our business and presented us with an executive summary of its plan. In the event our clearing 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. 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.

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.

Mr. Bulleit will periodically review our clearing firm's capabilities to perform the mission critical functions the clearing firm has contracted to perform for our firm.

## A. Our Firm's Mission Critical Systems

### 1. Order Taking

Currently, our firm receives orders from customers via telephone, fax, e-mail and in person visits by the customer. 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. If necessary, we will advise our customers to place orders directly with our clearing firm at (800) 264-4863.

### 2. Order Entry

Currently, our firm enters orders by recording them on paper and electronically and sending them to our clearing firm electronically or telephonically. Alternatively, we place customer orders through Sterne's order entry system.

In the event of an internal SBD, we will enter and send records to our clearing firm by the fastest alternative means available. 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.

### 3. Order Execution

Due to the nature of our business, we do not execute orders.

## B. 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.

Rules: *FINRA Rules 4370(c) & (g)(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 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.

*Rule: FINRA Rule 4370(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. 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: Edwin M. Bulleit

<b>Caller</b>	<b>Call Recipients</b>
Edwin M. Bulleit (813) 805-9664	Kevin P. Mulshine (303) 652-0205
Home #: (813) 281-2339	Home #: (303) 652-1399

*Rule: FINRA Rule 4370(c)(5).*

**C. Regulators**

We are currently members of the following SROs: FINRA. 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.

*Rule: FINRA Rule 4370(c)(9).*

## **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: Smarsh, Inc., 921 SW Washington Street, Suite 540, Portland, OR 97205, 866-SMARSH-1.

*Rules: FINRA Rule 4370(c)(7).*

### **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: American Momentum Bank located at Urban Center 1, 4830 West Kennedy Blvd., Suite 155, Tampa, FL 33609, Tray Ashmore, (813) 549-4717. If our banks and other lenders are unable to provide the financing, we will seek alternative financing through our personal resources.

*Rules: FINRA Rule 4370(c)(7).*

### **C. Counter-Parties**

We have contacted our critical counter-parties, such as our clients, to determine if we will be able to carry out our advisory services with them in light of the internal or external SBD. Where the advisory services cannot be completed, we will work with our clearing firm or contact those counter-parties directly to make alternative arrangements to complete or continue those advisory services as soon as possible.

*Rules: FINRA Rule 4370(c)(7).*

## **XII. Regulatory Reporting**

Our firm is subject to regulation by: the SEC, FINRA and the Florida state regulator. 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. Our SRO regulator contact information is FINRA, District 7 located at Crystal Corporate Center, 2500 N. Military Trail, Suite 302, Boca Raton, FL 33431-6324.

*Rule: FINRA Rule 4370(c)(8).*

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

We provide in writing a BCP disclosure statement to customers at the time a contract or agreement is entered into with our client. We also post the disclosure statement on our Web site and mail it to customers upon request. Our disclosure statement is attached.

*Rule: FINRA Rule 4370(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 to modify it for any changes in our operations, structure, business or location or those of our clearing firm.

*Rule: FINRA Rule 4370(b).*

### **XV. 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.

*Rule: FINRA Rule 4370(d).*

Signed: 

Title: Managing Director

Date: 9/17/10

**MBS Capital Markets, LLC's Business Continuity Planning**

MBS Capital Markets, LLC 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 (813) 805-9664/[ebulleit@mbscapitalmarkets.com](mailto:ebulleit@mbscapitalmarkets.com), you should call our alternative number (813) 784 2945 [or go to our website at [mbscapitalmarkets.com](http://mbscapitalmarkets.com)]. If you cannot access us through either of those means, you should contact our clearing firm, Sterne Agee Clearing, Inc. at 800.264.4863 and [www.sterneagee.com](http://www.sterneagee.com) for instructions on how you may have prompt access to your funds and securities, enter orders and process other trade-related, cash and security transfer transaction.

**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 backup 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, Sterne Agee Clearing, Inc., 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 3 days. 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 1 day. 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 3 days. In either situation, we plan to continue in business, transfer operations to our clearing firm if necessary, and notify you through our website [[mbscapitalmarkets.com](http://mbscapitalmarkets.com)] or our customer emergency number, (813) 784 2945 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 at 813.805.9664.