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## Southwest Securities, Inc. Business Continuity Planning Disclosure

Southwest Securities, Inc., ("SWST"), provides services using computer systems and financial relationships. The events of September 11, 2001 emphasized the importance of the capital markets to our economy. As a result, we have been working to improve our responses to various situations that have the potential to impact our ability to serve you. This disclosure document is designed to provide you with information on how we have approached and/or plan to approach various situations that we may encounter.

### Overview of Southwest Securities Inc.

Southwest Securities Inc., a Member Firm of the New York Stock Exchange, is a full-service brokerage firm providing customers with execution services on all major exchanges and access to all major markets. In addition, SWST performs, as agent, certain execution and clearing functions for independent brokerage firms. These functions are provided primarily in Dallas, Texas with various broker, trading, stock-loan and investment banking offices located in other locations in the United States.

SWST uses various mission critical systems to provide these services to our customers. These systems are housed at one of our data centers, one of our offices, or at a third party service provider, exchange or utility.

Our business continuity planning ("BCP") first insures the safety and security of our employees. The events of 9/11 emphasized the unique skill sets of personnel who work in our industry and the need to put their safety first so that after an interruption they are available to continue serving our customers. In addition to protecting our personnel, our BCP and daily operations are focused on preserving our critical firm and customer data through regular backups which are moved offsite either via media and/or real time and near real time electronic copies of our data at remote locations. In 1996 we added a second data center in one of the suburbs of Dallas which houses our backup hardware/software, real time data copies and back office recovery space. We have constructed high bandwidth networks between our two data centers allowing us to utilize the resources of both centers during normal production, as well as facilitating the real time movement of data from the primary data servers to the backup data servers. Finally, our industry is heavily interconnected with data connections ranging from dial-up modem communication, dedicated private lines, frame relay technology and, in many cases, the Internet through encrypted sessions. Where mission critical systems are involved, we have installed, where possible, redundant connections to the exchanges, utilities and counterparties involved.

### Business Continuity Planning Response Scenarios

The details of our BCP are proprietary and contain information which is confidential and in many cases potentially harmful to SWST and our customers if publicly available. The following series of event scenarios are presented to disclose to you our planned approach for dealing with a variety of hypothetical Significant Business Disruptions (SBD's), but based on the number of variables present in each situation, SWST can't guarantee we will follow these plans.

Scenario: An event occurs that, like 9/11, causes the complete shutdown of securities trading, clearance/ settlement or other banking services nationwide. (nationwide) SWST plans to continue business during this type of event and will await the reopening of the affected institutions. Unless a securities industry holiday is declared, we plan to be open each business day until full functionality is restored. The recovery time in this scenario will be dependent on the timing specified by the impacted organizations. We plan to be ready to open when they reopen.

Scenario: A specific exchange is unable to trade. (nationwide) SWST plans to continue business during this type of event and will route its order flow away from that exchange to alternative exchanges for the securities that exchange trades. Our recovery time objective for this scenario is less than one hour. Scenario: One of our major telecommunications vendors loses a key central office or service offering. (nationwide and/or firm only) SWST plans to continue business during this type of event and will use alternative dialing plans (e.g. placing/receiving local calls through a long distance vendor different from the failed vendor), backup lines from a different vendor for mission critical data applications (e.g. use the Sprint backup connection to an exchange when AT&T is down). Our planned recovery time objective is less than four hours.

Scenario: The power grid (ERCOT) that serves the majority of our Texas locations is down. (regional) SWST plans to continue business during this type of event and will utilize the backup generators that are located at both the primary data center location and the backup data center location to power our operations during the outage. Where necessary, we will relocate personnel among our facilities to compensate for any workspace outages. Our planned recovery time objective for power to our data centers from the backup generators is less than fifteen minutes. If we are required to activate our business resumption space for operations recovery, the planned recovery time objective is four hours for mission critical functions.

Scenario: Our headquarters location is closed. (single building, city wide, business district) SWST plans to continue business

during this type of event and will transfer its mission critical activities to the backup data center and our other offices and affiliate offices. Assuming no access to and no power to the building, the planned recovery time objective for mission critical activities is four hours. Our planned recovery times for business resumption may be negatively impacted by the unavailability of external resources and other circumstances beyond our control. In the event of a significant business disruption, Southwest Securities, Inc. will supply additional information at 866-SWS-5BCP (866-797-5227).

Scenario: Your Broker/Dealer firm which clears through Southwest Securities, Inc. experiences a significant business disruption and cannot be contacted. SWST has set up operational procedures to assist the clients of Broker/Dealers for which we clear. [Click here](#) to access more information.

**Updates to this disclosure** As we continue to test our plans and as conditions in our firm and the industry change, we will continuously revise the plans as considered necessary. Whenever we update this disclosure document we will promptly place a copy of it on our website. You may request a hard copy of this disclosure in its current revision be sent to you at any time by mail.

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