

# Cato Capital, LLC

## Business Continuity Plan (BCP)

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

Our firm's two emergency contact persons are: Harold Lindenthal, (860) 548-0814 [harold@catocapital.com](mailto:harold@catocapital.com) and Karen Z Fischer, 561-483-6335, [kzfischer@aol.com](mailto:kzfischer@aol.com). Karen is the Fin Op of the firm and works from her home office. These names will be updated in the event of a material change, and our Executive Representative will review them within 17 business days of the end of each quarter.

*Rule: FINRA Rule 3520.*

### **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, which are held at our clearing firm, Computer Clearing Services.

#### **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**

Harold Lindenthal, President and a registered principal, is responsible for approving the plan and for conducting the required annual review. Harold Lindenthal and/or Karen Z Fischer, Financial and Operations Principal, have 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. We have given *FINRA, Boston* a copy of our plan. An electronic copy of our plan is located on both Harold Lindenthal and Karen Z Fischer's hard drives and in the office file cabinet under BCP. Cato Capital is in the process of contracting an outside service for the BCP repository function, (storing the electronic data), We will update this plan to included that information when finalized.

*For more information on FINRA's secure online location for firms to back up their business continuity plans, e-mail [continuityrepository@FINRA.com](mailto:continuityrepository@FINRA.com). This service is optional and offered to members for a reasonable fee.*

### **III. Business Description**

Our firm conducts business in private placement securities. We do not utilize a clearing firm, nor do we perform any type of clearing function for itself or others. Furthermore, we do not hold customer funds or securities. All transactions are sent to either the company we are helping to fund or an escrow agent. Along with the company or escrow agent, we also maintain our customers' account information. Our firm services retail and institutional customers. Our customers do not execute any trades on line.

### **IV. Office Locations**

#### **A. Office Location #1**

Our Location #1 Office is located at 31 Woodland Street, Suite 11-C, Hartford, CT 06105. Its main telephone number is (860) 548-0814. Anyone may travel to that office by means of car, train, bus, or plane. We engage in order taking of private placement products at this location.

#### **B. Office Location #2**

At this time we do not have a second location.

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

In the event of an SBD, we will move our staff from affected offices to the closest of our unaffected office locations. If none of our other office locations is available to receive those staff, we will move them to Karen Z Fischer's home office at 20869 Pinar Trail, Boca Raton Florida 33433. Its main telephone number is 561-483-6335.

Rule: FINRA Rule 3510(c)(6).

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

Our firm does not maintain custody of customers' funds or securities, which are maintained at either an escrow agent or the company itself. 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 the above on their behalf. We do not have Web access. 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 or any other requests SIPC make ask us to do. (we have not determined if this pertains to us as yet)**

Rules: FINRA Rule 3510(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 main office. Harold Lindenthal is responsible for the maintenance of these books and records. Our firm maintains the following document types and forms that are not transmitted to the companies or escrow agent. Some of these documents are: all financial records, customer complaint files, employee files, and regulatory communication. This list may not be all-inclusive.

Our firm maintains its back-up hard copy books and records at the home office of Karen Fischer. These records are paper copies and back up floppy disks and CD Rom's. Karen Fischer is responsible for the maintenance of these back-up books and records. Our firm backs up its paper records by copying and taking them to our back-up site. We back up our records every month the financial write up is completed.

Karen Fischer backs up the financial electronic records each time she updates them by saving the data to a floppy, and she backs up her entire hard drive to a CD Rom quarterly. and keeps a copy in a fire proof cabinet.

In the event of an internal or external SBD that causes the loss of our paper records, we will physically recover them 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 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 3510(c)(1).*

## **VIII. Financial and Operational Assessments**

### **A. Operational Risk**

Operational risk includes the firm's ability to maintain communications with customers and to retrieve key activity records through its mission critical systems.

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 telephone voice mail, e-mail, telephone forwarding to an alternate location. 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 3510(c)(3) & (f)(2).*

### **B. Financial and Credit Risk**

*Financial risk involves the firm's ability to fund operations and maintain adequate financing and sufficient capital. The firm also may face credit risk (where its investments may erode from the lack of liquidity in the broader market), which would also hinder the ability of the firm's counter-parties to fulfill their obligations.*

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 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 stopping all business activities. We will make every effort to obtain temporary funding until we either secure permanent funding or our credit sources are functioning again.

Rules: *FINRA Rules 3510(c)(3), (c)(8) & (f)(2).*

## **IX. Mission Critical Systems**

Our firm’s “mission critical systems” are those that ensure prompt and accurate processing of securities transactions, including order taking of private placement investments, the maintenance of customer accounts, access to customer accounts, and the delivery of funds and securities, if need be.

We have primary responsibility for establishing and maintaining our business relationships with our customers and have sole responsibility for our mission critical functions, access to customer accounts, and the delivery of funds and securities, if need be.

Our escrow agent contract or company contact provides that they will maintain a business continuity plan and the capacity to execute that plan. They represents that they 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 either 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 third parties have not or cannot put the plans in place quickly enough to meet our needs, or is otherwise unable to provide access to such services, they represent that they will assist us in seeking services from an alternative source.

Our third parties represent that they back up our records at an offsite location, both in and out of region. As we are not involved in trade executions, we only need duplicated hard copy back-up of the customers accounts at these remote locations.

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 the following SBD recovery time and resumption objectives: recovery time period is immediate and resumption time is also immediate.

## A. Our Firm’s Mission Critical Systems

### **1. Order Taking**

Currently, our firm receives orders from customers via telephone or fax, or in person visits. 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 through the use of our emergency telephone. As our business is not market trading, there is no need for an emergency contact to place or sell stock.

## Order Entry

Currently, our firm enters orders by recording them on paper sending them to either the escrow agent or the company electronically (fax) or telephonically, and through the mails.

In the event of an internal SBD, we will enter and send records by the fastest alternative means available, which include e-mail, or the use of one of our alternate offices. In the event of an external SBD, we will maintain the order in electronic or paper format, and deliver the order 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 third parties regarding any purchase or liquidation.

## **2. Order Execution**

We do not execute orders

## **3. Other Services Currently Provided to Customers**

We are strictly a retail broker dealer and do not provide any additional services other than what has been discussed above.

### B. Mission Critical Systems Provided by Our Third Parties

Our firm relies, by contract, on our third parties to provide execution of the selling agreements, order comparison, order allocation, and the maintenance of customer accounts, delivery of funds and securities, and access to customer accounts.

*Rules: FINRA Rules 3510(c) & (f)(1).*

## **X. Alternate Communications Between the Firm and Customers, Employees, and Regulators**

### A. Customers

We now communicate with our customers using the telephone, fax, U.S. mail, and occasionally an in person visit. 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 3510(c)(4).

### B. Employees

We now communicate with our employees using the telephone, or 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: [*Harold Lindenthal*]

<b>Caller</b>	<b>Call Recipients</b>
<i>Harold Lindenthal</i>	<i>Sol Lax, Karen Fischer, Alfonso Alejo</i>
<i>Karen Fischer</i>	<i>Robert Pick, Kathleen Millier</i>

Rule: FINRA Rule 3510(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 3510(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. [or we have entered into a supplemental contract with certain critical business constituents to provide such services. The alternative suppliers are disclosed below. Our major suppliers are: **White & Katzman at the Woodland House, who are the building managers where Cato Capital is located.** and **AT&T**, the telephone supplier. Our alternative supplier for **AT&T**, would be each persons' cell phone supplier. There is no alternative for **the Power company**.

Rules: *FINRA Rule 3510(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: **Bank of America, Bishop Corner Branch, West Hartford, CT.** Our contact is **Customer Service at (800) 925-6060.** If our banks and other lenders are unable to provide the financing, we will seek alternative financing immediately from our investors if possible, or another bank.

Rules: *FINRA Rule 3510(c)(7).*

## 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 third parties or contact those counter-parties directly to make alternative arrangements to complete those transactions as soon as possible.

Rules: *FINRA Rules 3510(a) &(c)(7).*

## **XII. Regulatory Reporting**

Our firm is subject to regulation by: *FINRA*, and all States that we are registered to do business in. We file reports with our regulators electronically using the *FINRA* website, fax, and e-mail. 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 regulator contact is the *FINRA* at (617) 532-3421. The firm contact to the regulators is Karen Fischer. If possible, she will continue to keep the books and records up to date at her remote location.

*Rule: FINRA Rule 3510(c)(8).*

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

We disclose in writing a summary of our BCP to customers at account opening and annually. We also mail it to customers upon request. Our summary 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 summary discloses the existence of back-up facilities and arrangements. Please see disclosure at the end of the plan.

*FINRA Rule 3510(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, in April of each year, to modify it for any changes in our operations, structure, business, or location or those of our clearing firm.

*Rule: FINRA Rule 3510(b).*

### **XV. Senior Manager Approval**

*Approve the firm's BCP by signing below.*

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 3510(d).*

Signed:       \_\_Harold Lindenthal\_\_\_\_\_

Title:         \_\_President\_\_\_\_\_

Date:         \_\_November 17, 2008\_\_\_\_\_