

# **Nestlerode & Loy, Inc.**

## **Business Continuity Plan (BCP)**

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August 15,2011

In the event of a disaster or dislocation, Nestlerode & Loy, Inc. has reviewed the capabilities of our office to continue to serve our clients.

### **1. Emergency Contact Persons**

Our firm's three emergency contact persons are:

- i. Judy L. Loy (CEO): work phone (814) 238-6249, home phone (814) 692-4882, cell phone (814) 574-5384, work email [jloy@nestlerode.com](mailto:jloy@nestlerode.com) and home email [jloy@comcast.net](mailto:jloy@comcast.net)
- ii. Jody M. Sharer (CCO): work phone (814)238-6249, cell phone (814)574-4096, work email [jsharer@nestlerode.com](mailto:jsharer@nestlerode.com) .
- iii. Daniel J. Nestlerode: work phone (814) 238-7800, home phone (814) 689-1870, cell phone (814) 880-1001, camp phone (570) 753-8223, work email [danielj@nestlerode.com](mailto:danielj@nestlerode.com), home email [dnestlerode@comcast.net](mailto:dnestlerode@comcast.net), and camp email, [dnestlerode@gmail.com](mailto:dnestlerode@gmail.com)

These names will be updated in the event of a material change, and our Executive Representative, Judy Loy, or Jody Sharer, CCO will review them within 17 business days of the end of each quarter.

### **2. 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 via our clearing firm, RBC CS (RBC) and the mutual fund families.

### **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, RBC CS.

### Approval and Execution Authority

Judy Loy, CEO, is responsible for approving and executing the plan, and she has the authority to execute this BCP. In the event Judy Loy is unavailable, Daniel J. Nestlerode, a registered principal, will have the authority to execute this BCP. The plan will be **reviewed annually**, typically in June, for possible changes by Judy Loy and Jody Sharer. An owner of the firm will sign the present document or sign a subsequent BCP update denoting the review.

### 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 Judy Loy's laptop that is resident in her home and also on the laptop computer of Daniel J. Nestlerode. An extra hard copy is in the WSP manual in the office as well as at the home residences of Judy Loy and Jody Sharer.

## **3. Business Description**

Our firm conducts business in equity, limited fixed income, closed end funds, Exchange Traded Funds and Mutual Funds. Nestlerode & Loy, Inc. is an introducing firm and does not perform any type of clearing function for itself or others. Furthermore, we do not hold customer funds or securities. We accept and enter orders. All transactions are sent to our clearing firm, RBC CS, 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. Our firm services only retail customers, non-profits and small businesses. We do not engage in any private placements.

Our clearing firm is RBC CS, 510 Marquette Avenue South, Minneapolis, MN 54402-1106 and our contact person at that clearing firm is Nicholas DiGidio, 866-506-8594, or [nicholas.degidio@rbc.com](mailto:nicholas.degidio@rbc.com))

## **4. Office Locations**

Our firm has one main office located at 430 West Irvin Avenue, State College, PA 16801. Its main phone number is (814) 238-6249. Our employees may travel to this office by means of foot, car or bus depending on their locations within the community. We do engage in order taking at this location.

At the current business address, 430 West Irvin Avenue, we have prepared for several emergency situations. The building is equipped with a security system, which includes detectors for fire, smoke, and Carbon Monoxide. We also have a backup generator on propane in the event the electricity fails.

Nestlerode & Loy, Inc. does not hold securities or cash. In the rare instance that certificates are in our possession, because of late receipt from a client, they are held in our fireproof vault for remittance the next business day.

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

In the event the building at 430 West Irvin is uninhabitable, the backup locations would be Daniel J. Nestlerode's home address, 633 West Hillside Avenue in State College, Daniel J. Nestlerode's cabin at Elder Lane, Waterville, PA 17776 and/or Judy L. Loy's home address, 290 Winesap Drive in Port Matilda, PA 16870.

In the event the main office address was unavailable, a principal of Nestlerode & Loy, Inc. would contact our SROs, FINRA and the SEC, to notify them of the situation. We would take direction from them of additional steps required.

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

Nestlerode & Loy, Inc. does not maintain custody of customers' funds or securities, which are maintained at our clearing firm, RBC CS (RBC). 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 Judy Loy at (814) 574-5384 or Daniel J. Nestlerode at (814) 880-1001. If Judy and Dan are unavailable, clients are instructed to contact Nick DiGidio at RBC CS. The firm will make this information available to customers through its disclosure policy.

### Communications

- 1) **Internet**-We regularly use a T1 line to gain access to the internet, which provides our quotes and access to RBC's BetaLink, our client account data. Our backup is a cable modem system. In the even the internet went down completely, we would call orders into RBC CS in Minneapolis, MN.
- 2) **Computers**-At the two backup sites, a computer is available that will be equipped with certificates to access our client information via RBC over the internet.
- 3) **Phone**-We have two corporate cell phones, whose phone numbers have been distributed as emergency contact numbers in statement stuffers to clients (this will be done annually). We also have the option through our phone service, Windstream Communications, formerly D&E Communications, to request our calls be forwarded to a number of our choice. If we set up business at one of our alternate locations, we could forward our 814-238-6249 and 814-238-8100 to the phone numbers there or the cell phones.

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.

## **7. Data Back-Up and Recovery (Hard Copy and Electronic)**

Nestlerode & Loy, Inc. maintains its primary hard copy books and records and its electronic records at 430 West Irvin Avenue. Judy L. Loy, at (814) 238-6249 is responsible for the maintenance of these books and records.

Most client information and client holdings (cash & securities) are held directly with RBC or directly with the mutual fund companies. We also have internet access to mutual fund information (via Vision or other websites) and RBC information via their website.

Backups are made of proprietary, irreplaceable computer information. Brian Anderson will backup weekly the server computer data, this includes, but is not limited to, our QuickBooks data (payroll and billing accounts), Power Advisor (our IM software system), Advisor's Ally (our client database), our RBC downloads and other vital information. Three Maxtor portable hard drives are used for the server backup. The latest week's data on Maxtor is kept offsite at Judy Loy's home residence, 290 Winesap Drive in Port Matilda. The data from the week before is held in the fireproof vault at Nestlerode & Loy, Inc. The Maxtor with second week back's data is set in place to perform the next backup.

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.

## **8. Financial and Operational Assessments**

### Employees

For a firm of our size, we have back-ups for any prominent position available.

- 1) **CEO**-Judy is CEO, but in the event of her inability to assume the role, Daniel Nestlerode would be acting CEO.
- 2) **CFO**-Brian is CFO, but in the event of his inability to assume the role, Judy is a registered Fin OP and will act as CFO.
- 3) **Compliance**-Jody is CCO- as one of three registered principals out of eight employees at Nestlerode & Loy, Inc.(Daniel J. Nestlerode& Judy L. Loy)
- 4) **Head Trader**-Kelly Walker is our head trader, but in the event of her inability to assume the role, Jody Sharer can handle order entry duties and does so on a daily basis.
- 5) All employees, except Tiffany Smarsh, are registered representatives and two employees, Dan Nestlerode and Judy Loy work in investment management as Registered Investment Advisors.

A majority of our Net Capital is held in liquid, FDIC insured bank accounts at Northwest Savings Bank, which in the event of a disaster would be as secure as is possible. The remainder is in an insured money market at SPE Federal Credit Union. Brown & Associates, Inc. provides monthly financial statements to us and could provide copies of those in the event of their loss from damage to 430 West Irvin building.

### Operational Risk

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 our Web site, telephone, cell phones and email. In addition, we will retrieve our key activity records as described in the section above, Data Back-Up and Recovery.

## 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 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 notifying the FINRA, SEC and SIPC.

## **9. Mission Critical Systems**

Our firm's "mission critical systems" are those that ensure prompt and accurate processing of securities transactions, including order taking and entry, and access to customer accounts. 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 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. A copy of their Business Continuity Plan Summary is attached. In the event our clearing firm executes its plan, it represents that it will notify us of such execution and provides 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 weekly. 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 and it has confirmed that it tests its back-up arrangements.

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 within minutes or hours.

## A. Our Firm's Mission Critical Systems

### **i. Order Taking**

Currently, our firm receives orders from customers via telephone, 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 phone, email and/or our website, depending on what is available at that time. If necessary, we will advise our customers to place orders directly with our clearing firm at RBC CS execution services, (866) 861-3564.

**Phone-**We have two corporate cell phones, whose phone numbers have been distributed as emergency contact numbers in statement stuffers to clients (this will be done annually). We also have the option through our phone service, Windstream Communication, to request Nestlerode's calls be forwarded to numbers of our choice. If we set up business at one of our alternate locations, we could forward our 814-238-6249 and 814-238-8100 to the phone numbers there or the cell phones to allow us to receive orders from customers.

### **ii. Order Entry**

Currently, our firm enters orders by recording them on paper and electronically and sending them to our clearing firm electronically or telephonically. We place customer orders electronically through RBC's BetaLink System.

In the event of an internal SBD, we will enter and send records to our clearing firm by the fastest alternative means available, which include phone, fax, and/or email. 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.

**Computers-**At the two backup sites, a computer is available that will be equipped with certificate software to access our order entry via the RBC site over the internet.

### **iii. Order Execution**

We currently **do not** execute orders.

## Mission Critical Systems Provided by Our Clearing Firm

Our firm relies, by contract, on our clearing firm, RBC CS and the Mutual Fund Companies to provide order execution, order comparison, order allocation, and the maintenance of customer accounts, delivery of funds and securities, and access to customer accounts.

## 10. 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.

## 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 phone numbers (All staff office phones can be reached at (814) 238-6249). We have identified persons, noted below, who live near each other (as much as is possible) and may reach each other in person:

The person to invoke use of the call tree is: Judy L. Loy:

<b>Caller</b>	<b>Call Recipients</b>
<i>Judy L. Loy</i>	<i>Brian Anderson h: 814-684-1212</i>
	<i>c: 814-931-0213</i>
	<i>Daniel J. Nestlerode h: 814-689-1870</i>
	<i>c: 814-880-1001</i>
	<i>Camp: 570-753-8223</i>
<i>Daniel J. Nestlerode</i>	<i>Kelly Walker h: 814-867-5510</i>
	<i>c: 814-571-6906</i>
	<i>Tiffany Smarsh: h: 814-577-8617</i>
<i>Kelly Walker</i>	<i>Jody Sharer c: 814-574-4096</i>
	<i>Danan Sharer c: 814-574-8284</i>

## C. Regulators

In the event the main office address was unavailable, a principal of Nestlerode & Loy, Inc. would contact our SROs, FINRA and the SEC, to notify them of the situation. 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. We would take direction from them of additional steps required.

## **11.Critical Business Constituents, Banks, and Counter-Parties**

### **Business constituents**

We do not have critical business constituents at this time.

### **Banks**

We have contacted our banks 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: NWSB located at 611 University Drive, State College, PA 16801. Our point of contact, Carrie Swartz can be reached at 814-234-4234. RBC CS maintains our Proprietary Account of Introducing Brokers/Dealers (PAIB account).

## **12.Regulatory Reporting**

Our firm is subject to regulation by: SEC and FINRA. We now 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 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.

Main contact at FINRA:

Jean Yao  
Senior Compliance Examiner  
Phone: (215) 963-1978  
Email: [jean.yao@finra.org](mailto:jean.yao@finra.org)

General Phone at District Office 9A (Philadelphia):  
(215) 665-1180

FINRA Main Call Center:  
(301) 590-6500

Pennsylvania Securities Commission (PSEC)  
*Harrisburg Office*  
Phone: (717) 787-8061  
Fax: (717) 783-5122

SEC Information Line:  
(202) 942-8088

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

We post the BCP on our Web site and mail it to customers upon request. Our disclosure statement is attached. Disclosure statements will be provided to each account as part of every new account welcome packet.

### **14. 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, usually each June, to modify it for any changes in our operations, structure, business, or location or those of our clearing firm.

### **15. 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.

Signed: \_\_\_\_\_

Title:     Judy L. Loy, CEO    

Date: \_\_\_\_\_

Signed: \_\_\_\_\_

Title:     Daniel J. Nestlerode    

Date: \_\_\_\_\_

## **Nestlerode & Loy, Inc.'s Business Continuity Planning**

Nestlerode & Loy, Inc. 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 (814) 238-6249, (800) 922-7492 or [jloy@nestlerode.com](mailto:jloy@nestlerode.com), you should call our alternative number (814) 574-5384, (814) 880-1001 or go to our web site at [www.nestlerode.com](http://www.nestlerode.com). If you cannot access us through either of those means, you should contact our clearing firm, RBC, at (866) 861-3356 or their website, <http://www.rbccorrespondentservices.com/index.htm> for instructions on how it may provide prompt access to funds and securities, enter orders and process other trade-related, cash, and security transfer transactions for our customers.

**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 back up and recovery; mission critical systems; financial and operational assessments; alternative communications with customers, employees, and regulators; alternate physical location of employees; bank 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, RBC CS, 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 minutes or hours. 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, 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 no later than 24-48 hours. 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 24-48 hours or allow servicing by our clearing firm so that your needs are met as soon as is humanly possible. In either situation, we plan to continue in business, transfer operations to our clearing firm if necessary, and notify you through our web site, [www.nestlerode.com](http://www.nestlerode.com) or our customer emergency numbers, (814) 574-5384 or (814) 880-1001. 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 (814) 238-6249, toll free at (800) 922-7492 or [jloy@nestlerode.com](mailto:jloy@nestlerode.com).