

**Independent Service Auditor's Report  
on Brokered Certificate of Deposit  
Program (SimpliCD)**

SOC 1 Type 2 – September 30, 2016

**Primary Financial  
Company LLC**





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## Section One

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**INDEPENDENT SERVICE AUDITOR'S REPORT**  
on a Description of a Service Organization's  
System and the Suitability of the Design  
and Operating Effectiveness of Controls



To Management of  
Primary Financial Company LLC  
Dublin, Ohio

## **Independent Service Auditor's Report**

### ***Scope***

We have examined Primary Financial Company LLC's description of its SimpliCD Brokered Certificate of Deposit Program ("SimpliCD" or "System") for processing user entities' transactions throughout the period October 1, 2015 to September 30, 2016 (description) and the suitability of design and operating effectiveness of controls to achieve the related control objectives stated in the description. The description indicates that certain control objectives specified in the description can be achieved only if complementary user entity controls contemplated in the design of Primary Financial Company LLC's controls are suitably designed and operating effectively, along with related controls at Primary Financial Company. We have not evaluated the suitability of the design and operating effectiveness of such complementary user entity controls.

As indicated in the description, Primary Financial Company LLC uses various subservice organizations to enable certain aspects of its SimpliCD Brokered Certificate of Deposit Program. The description in Section 3 of this report includes only the control objectives and related controls of Primary Financial Company LLC and excludes the control objectives and related controls of the subservice organizations. Our examination did not extend to controls at the subservice organizations and we have not evaluated the suitability of the design or operating effectiveness of such subservice organization controls.

### ***Service Organization's Responsibilities***

In Section 2 of this report, Primary Financial Company LLC has provided an assertion about the fairness of this presentation of the description and the suitability of design and operating effectiveness of the controls to achieve the related control objectives stated in the description. Primary Financial Company LLC is responsible for preparing the description and for the assertion, including the completeness, accuracy and method of presentation of the description and assertion, providing the services covered by the description, specifying the control objectives and stating them in the description, identifying the risks that threaten the achievement of the control objectives, selecting the criteria, and designing, implementing and documenting controls to achieve the related control objectives stated in the description.

To Management of  
Primary Financial Company LLC

### ***Service Auditor's Responsibilities***

Our responsibility is to express an opinion on the fairness of presentation of the description and the suitability of the design and operating effectiveness of the controls to achieve the control objectives stated in the description, based on our examination. We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform our examination to obtain reasonable assurance about whether, in all material respects, the description is fairly presented and the controls were suitably designed and operating effectively to achieve the related control objectives stated in the description throughout the period from October 1, 2015 to September 30, 2016.

An examination of a description of a service organization's system and the suitability of the design and operating effectiveness of the service organization's controls to achieve the related control objectives stated in the description involves performing procedures to obtain evidence about the fairness of presentation of the description of the system and the suitability of the design and operating effectiveness of those controls to achieve the related control objectives stated in the description. Our procedures included assessing the risks that the description is not fairly presented and that the controls were not suitably designed or operating effectively to achieve the related control objectives stated in the description. Our procedures also included testing the operating effectiveness of those controls that we consider necessary to provide reasonable assurance that the related controls objectives stated in the description were achieved. An examination engagement of this type also includes evaluating the overall presentation of the description and the suitability of the control objectives stated therein, and the suitability of the criteria specified by the service organization and described in management's assertion in section 2 of this report. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

### ***Inherent Limitations***

Because of their nature, controls at a service organization may not prevent, or detect and correct, all errors or omissions in processing or reporting transactions. Also, the projection to the future of any evaluation of the fairness of the presentation of the description, or conclusions about the suitability of design or operating effectiveness of the controls to achieve the related control objectives, is subject to the risk that controls at a service organization may become inadequate or fail.

To Management of  
Primary Financial Company LLC

### ***Opinion***

In our opinion, in all material respects, based on the criteria described in Primary Financial Company LLC's assertion in Section 2 of this report:

- a) The description fairly presents the SimpliCD Brokered Certificate of Deposit Program that was designed and implemented throughout the period October 1, 2015 to September 30, 2016.
- b) The controls related to the control objectives stated in the description of controls were suitably designed to provide reasonable assurance that the control objectives would be achieved if the controls operated effectively throughout the period October 1, 2015 to September 30, 2016, and if user entities applied the complementary controls contemplated in the design of Primary Financial LLC's controls throughout the period October 1, 2015 to September 30, 2016.
- c) The controls tested, which together with the complementary user entity controls referred to in the scope paragraph of this report, if operating effectively, were those necessary to provide reasonable assurance that the control objectives stated in the description were achieved, operated effectively through the period October 1, 2015 to September 30, 2016.

### ***Description of Tests of Controls***

The specific controls tested and the nature, timing and results of those tests are listed in Section 4 of this report.

### ***Restricted Use***

This report and the description of tests of controls and results thereof in Section 4 of this report are intended solely for the information and use of Primary Financial Company LLC, user entities of Primary Financial Company LLC's SimpliCD program during some or all of the period October 1, 2015 to September 30, 2016, and the independent auditors of such user entities, who have a sufficient understanding to consider it, along with other information, including information about the controls implemented by user entities themselves, when assessing the risks of material misstatements of user entities' financial statements. This report is not intended to be and should not be used by anyone other than those specified parties.

*GBQ Partners LLC*

Columbus, Ohio  
November 9, 2016

## Section Two

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**PRIMARY FINANCIAL COMPANY LLC'S ASSERTION**



GBQ Partners LLC  
230 West Street  
Columbus, OH 43235

### **Primary Financial Company LLC's Assertion**

We have prepared the description of Primary Financial Company LLC's brokered certificate of deposit program (SimpliCD) system (description) for user entities' of the system during some or all of the period October 1, 2015 to September 30, 2016, and their user auditors who have a sufficient understanding to consider it, along with other information, including information about controls implemented by user credit unions of the system themselves when assessing the risks of material misstatements of user entities' financial statements. We confirm, to the best of our knowledge and belief, that

1. The description fairly presents the Brokered Certificate of Deposit Program (SimpliCD) system made available to user entities during some or all of the period October 1, 2015 to September 30, 2016, for processing their transactions. Primary Financial Company LLC uses various subservice organizations to enable certain aspects of its SimpliCD system. These subservice organizations, and the nature of the services they provide are presented in section 3 of this report. The description attached in section 3 of this report includes only the control objectives and related controls of Primary Financial Company LLC and excludes the control objectives and related controls of these subservice organizations. The criteria we used in making this assertion were that the description:
  - a) Presents how the system made available to user entities of the system was designed and implemented to process relevant transactions, including if applicable:
    - (i) The types of services provided including, as appropriate, the classes of transactions processed.
    - (ii) The procedures, within both automated and manual systems, by which services are provided, including, as appropriate, procedures by which transactions are initiated, authorized, recorded, processed, corrected as necessary, and transferred to reports and other information prepared for user entities of the system.
    - (iii) The related accounting records, supporting information, and specific accounts that are used to initiate, authorize, record, process, and report transactions; this includes the correction of incorrect information and how information is transferred to the reports and other information prepared for user entities of the system.
    - (iv) How the system captures significant events and conditions, other than transactions.
    - (v) The process used to prepare reports and other information provided to users entities of the system.
    - (vi) The specified control objectives and controls designed to achieve those objectives, including as applicable, complementary user entity controls contemplated in the design of the service organization's controls.



- (vii) Other aspects of our control environment, risk assessment process, information and communication systems (including related business processes), control activities, and monitoring controls that are relevant to processing and reporting transactions of user entities of the system.
  - b) Does not omit or distort information relevant to the scope of the Brokered Certificate of Deposit Program (SimpliCD) system for processing user entities' transactions, while acknowledging that the description is presented to meet the common needs of a broad range of user entities of the system and their financial statement auditors, and may not, therefore, include every aspect of the system that each individual user entity of the system and its auditor may consider important in its own particular environment.
- 2. The description, if applicable, includes relevant details of changes to the SimpliCD system during the period covered by the description.
- 3. The controls related to the control objectives stated in the description were suitably designed and operating effectively throughout the period of October 1, 2015 to September 30, 2016, to achieve those control objectives. The criteria we used in making this assertion were that:
  - a. The risks that threaten the achievement of the control objectives stated in the description have been identified by us;
  - b. The controls identified in the description would, if operating as described provide reasonable assurance that those risks would not prevent the control objectives stated in the description from being achieved; and
  - c. The controls were consistently applied as designed, and manual controls were applied by individuals who have the appropriate competence and authority.

*Mark D. Solomon*

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Mark Solomon, President and CEO

November 9, 2016

## Section Three

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### **DESCRIPTION OF PRIMARY FINANCIAL COMPANY LLC'S SIMPLIFIED BROKERED CERTIFICATE OF DEPOSIT PROGRAM**



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## Description of Primary Financial Company LLC's SIMPLICD Brokered Certificate of Deposit Program

### Overview of Operations

Primary Financial Company LLC ("Primary" or "PFC") is a leader in institutional investment services. Formed in 1996, Primary is a corporate credit union service organization (CUSO). Primary offers a turnkey program, called SimpliCD, which enables its customers to invest in federally insured certificates of deposit (CDs). Primary earns a spread over the term of the CD for performing the services of the SimpliCD program. Through the SimpliCD program, customers have access to competitive rates from a nationwide pool of CD issuing financial institutions. Whether a customer is purchasing one CD or many, the entire amount is settled in one transaction.

### Relevant Aspects of the Control Environment, Risk Assessment and Monitoring Controls

#### *Control Environment*

As a corporate CUSO, Primary was established in accordance with the provisions of the National Credit Union Administration (NCUA) regulations and the Ohio Revised Code. Primary is governed by a board of directors (the Board). Primary's activities are conducted in accordance with established policies and procedures adopted by the Board of Directors, which are periodically updated.

There are various functional departments that manage and perform the daily operations of Primary and the SimpliCD program. The trading department is primarily responsible for obtaining current rates from issuing institutions, performing financial reviews and insurance verification of issuing institutions, making rates available to SimpliCD customers and purchasing CD assets. The operations department is primarily responsible for processing all cash flows related to the SimpliCD program and ensuring that safekeeping receipts are received and reviewed for accuracy. Primary manages its own information systems, its payroll processes, its benefit administration and other human resource functions. The sales staff of the SimpliCD program is primarily made up of co-brokers, mainly corporate credit unions. The co-brokers earn a portion of the spread for CDs sold by them.

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### *Personnel Controls*

The Company's hiring practices are designed to ensure that employees are qualified for the job responsibilities. Hiring policies include minimum education and experience requirements, and background and reference checks. The performance of personnel is evaluated on an on-going basis and must meet performance standards set by the Company. Failure to meet performance standards will result in disciplinary actions up to and including termination of employment. Employees are prohibited from divulging confidential information regarding client affairs or taking any action contrary to the best interest of clients.

Management communicates with the various functional areas of the Company through regular meetings and conferences.

### *Risk Assessment*

The Board of Directors and management of the Company monitor risk and quality of operations through review of financial, operational, co-broker and customer reporting and feedback. There is also a formal strategic process that is updated on an annual basis to guide the long term objectives of the organization.

### *Monitoring Controls*

#### Performance and Task Monitoring

Microsoft Azure Management Console Dashboard provides continuous performance and capacity monitoring and displays both real-time and historical performance graphs. Performance and utilization can be produced for defined historical periods and the current processing. Management reviews performance and utilization to correlate tasks to utilization, and to troubleshoot problems.

SimpliCD is configured with a task processor and multiple queue workers. The task processor writes events to the logs when tasks commence and complete, including message content relevant to the task such as number of records processed and e-mail tasks. These tables are monitored at PFC for task scheduling and completion status. In addition, these event tables are used to manage task restarts, should a task fail. Monitoring these event tables helps ensure task completion throughout the day.

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## Information and Communication

### *Description of Information Systems*

SimpliCD is developed and runs using the Microsoft .NET architecture. SimpliCD is hosted on Microsoft's Azure cloud environment. System development follows a structured development methodology based on Microsoft Team Foundation Server and Microsoft Visual Studio.

### System Administration and Development Authentication and Access

System Administrators and Application Developers use the Azure Management Console for defining and establishing the cloud web services and database system configurations. These users are PFC employees and contractors. The Azure Management Console requires these users to authenticate with a unique user ID and password.

System Administrators, Administrative Support employees and Application Developers use local windows workstations and desktop applications to access documents and settlement files which are processed by SimpliCD. The desktop applications gain access to authorized data in Azure based on assigned access to virtual drive and folder system. Access control is limited to the user's required functionality and users are given access only to the logical folders required to perform their job functions. Each user has a unique user id and password.

Operating system authentication is independent of application access. Web browsers using https access Azure. PFC employees use local Windows workstation authentication to access their workstations. Unique user ID and passwords are required for PFC employee workstation access. PFC System Administrators use a generic administrative account to perform privileged desktop maintenance.

### User Access Controls

Each corporate credit union has roles assigned to their employees. These roles include Authorized Signer, Administrator and Users. Individual access granularity can be established within the organization for users by assigning privileges to groups and assigning users into these groups.

PFC maintains contact with Authorized Signers for each corporate credit union. An Authorized Signer is a corporate credit union employee who is a member of senior management. The Authorized Signer is authorized to delegate the persons at the credit union who are permitted to have administrative access to SimpliCD. The credit union employee(s) designated as administrators have the authority to establish employee access.

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PFC requires a signed form to establish or change Authorized Signers and SimpliCD Administrators. These requests were forwarded to and coordinated with the PFC IT Director for establishing access rights prior to conversion.

User organizations (corporate credit unions) are restricted to accessing only their own investment, trading and user information. A system-control is in place which is a programmed routine to detect permissions and return only results for the organization.

#### SimpliCD Authentication

Password constraints exist which are designed to facilitate the use of strong passwords. These controls include minimum length, complexity and account lockout for invalid password attempts. In addition, SimpliCD will time-out and return to the authentication screen after a period of inactivity. Clear-text passwords are not stored by SimpliCD; password hashes are stored.

#### Network Controls

Azure provides the ability for system administrators to establish and manage certain firewall rules within the application's virtual database environment. Microsoft Azure provides additional system level controls which secure each subscribers virtual environment. Each subscription has a unique subscription id. Access within the subscription's environment is granted only with access credentials for that subscription.

#### Physical Access Controls

The PFC office suite has two entrances; the front entrance is locked during non-business hours and the back entrance is locked at all times. Both entrances are alarmed. A chime is sounded any time either door is opened during normal business hours. The staff arms the system when they leave at night, and disarm it when they arrive each morning. Physical keys and a combination keypad are used to gain access to the suite.

The Brokered Certificate of Deposit Program (SimpliCD) system is hosted at Microsoft's Azure datacenters; however, PFC maintains its application development environment at the corporate headquarters which is located in a multi-tenant office building in Dublin Ohio. The office building automatically locks and unlocks the doors at proscribed times to secure the building during non-business hours.

#### Logical Access to Development Environment

PFC uses portable and desktop computers to access the application development and system management environments (Microsoft Team Foundation Server and Azure respectively). Workstation controls include:

- Workstations access is secured with a unique user id and password.

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- Local user profiles are limited to the primary workstation user and an administrator account.
- Anti-malware software is in use.
- Workstations are configured to automatically download and install Windows updates.
- Files are stored on the Azure storage system.
- Local workstation shares are not used.

#### Application Development and Change Control

Application change requests are generated by PFC employees. Requests may originate in PFC or from a co-broker.

Microsoft Team Foundation and E-mails are used for communicating the request specifications, development, prototyping, approval and production staging.

Requests are reviewed by the Helpdesk and developer teams. This process defines the nature of the request and is used to determine the impact on all SimpliCD users. This process is also used to break a request into component phases if necessary.

Code development is managed in Microsoft Team Foundation Server. Team Foundation Server provides management utilities to provide consistency and communication in the development, testing, and migration phases.

Code instances are named with a specific date and time to ensure developers select the latest code instance for changes.

A new environment instance is created in Azure for testing. The new environment is generated from a configuration file which exists in the backups. Configuration files are contained in application packages. These configuration files define the environment. Microsoft Visual Studio automatically builds the environment and then IT management copies all the production code into the test environment. The configuration files and the application package solution files used by Team Foundation help ensure consistency and completeness.

A new package will be deployed for testing in Azure using the correct backup of the environment, which includes the environment (instance) definition.

Code review is done by a separate PFC developer or by a contracted third-party developer. Visual Studio provides a side-by-side code comparison feature which is used to review code changes. Code review and approval are communicated by e-mail.

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Production deployment is automated by Team Foundation Server. A new production instance is staged and the existing production instance is merged into the new production instance, with only the changed files being deployed. Team Foundation tracks the changes to files and identifies these for production staging.

Production deployment packages are created with Microsoft Visual Studio. Then they are uploaded into the Azure Management Portal staging environment for Production. Once the staging environment is running, it is swapped with the old version so that it is now in the Azure Management Portal production environment. Upon confirmation the new version is working properly, the old version is deleted from the portal.

Production deployment is scheduled during non-business hours. The production staging process permits an update to be deployed while the application is running in production if necessary.

#### Database Processing Integrity

Database transaction processing often occurs in programmatic loops. Transaction integrity is implemented throughout the system with the use of "Commit" statements. Typical coding involves a looping or iterative process with a "Begin Work" statement and a "Commit" statement. This ensures all task work is complete prior to writing to the database.

#### Backup and Replication

The database server environment is stored in configuration files which are maintained by PFC and backed up into virtual servers managed by PFC, but located within the Microsoft Azure hosted environment.

Application development packages are created and maintained by PFC and backed up into virtual servers managed by PFC, but located within the Microsoft Azure hosted environment. Each application build is named using the date and time of the build.

#### Encrypted Data Connections

SimpliCD web login and processing pages require an HTTPS connection. Attempts to access SimpliCD with http only will result in a "page not found" error. TLS v1.0 and 1.2 are available, SSL 2 and 3 are not supported. A valid digital certificate is provided by a trusted certificate authority.

Azure console operations web login and operations pages require an HTTPS connection. Azure console operations attempted with http redirect to https. TLS v1.0 and v1.2 are available. A valid digital certificate is provided by a trusted certificate authority.

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## Description of Transaction Processing

### *Trading Activities*

When orders are placed, SimpliCD sends instructions to the issuing financial institution to ensure that each CD purchased is properly titled and the terms of the transaction are accurately recorded. A customer's existing deposits at each financial institution are verified prior to purchase to prevent a customer from exceeding the insured limit amount from an issuing institution.

When Primary's trading desk attempts to match an open purchase request to a CD asset on the SimpliCD processing system, the system compares the dollar amounts and will not allow trades in excess of the asset. Once a purchase request is funded, the SimpliCD processing system will not allow the trade to be unlocked from the CD asset.

The system has embedded features that match the available CDs to the trades and prevent overselling of the same CD to more than one investor. The Operations teams performs reconciliations to verify that CD assets from the prior day plus current day sales less current day maturities agree to the total CD asset balance on the SimpliCD processing system at the end of the day.

The issuer profile within the SimpliCD processing system requires the trading desk to obtain and enter the issuer's insurance number prior to Primary selling any CDs for the issuer. On a quarterly basis, the trading desk performs a review of all issuers to ensure that Primary has updated the issuer profile on the SimpliCD processing system for name changes or mergers.

### *Safekeeping Activities*

Customer profiles are set-up in the SimpliCD processing system by the trading desk. Customer profiles are populated based on information from the customer agreements and include name, address, tax ID, routing and transit number and settlement instructions. The SimpliCD processing generates the customer's monthly statements based on the customer data associated with each trade.

The titling, dollar amount, rate, settlement date, maturity date and asset number on the safekeeping receipt is verified against the corresponding data on the SimpliCD processing system. Corrections to safekeeping receipts are worked manually by Primary's operations department before they are filed.

Reports are run regularly to determine which safekeeping receipts have not been received. Safekeeping receipts are filed and maintained for six years after the CD has matured.

The system does not allow Primary's operations department to make changes to customer profiles.

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### ***Settlement Activities - Purchases***

Each day, a balancing process is followed to ensure all incoming and outgoing funds are matched and reconciled to ensure that all funds are properly accounted for. The system also identifies all CDs maturing on a given day so that any funds not received are properly identified and controlled. Primary's operations department researches and resolves unfunded customer purchase requests and CD asset purchases throughout the day.

### ***Settlement Activities - Interest***

Interest is remitted to investors on an automated basis using the contractual terms agreed to by the investor, regardless of when the funds are actually received from the issuer. Monitoring systems are in place to assure the related income is received from the issuer as well. Each investor is provided a monthly statement detailing interest and principal payments.

All issued CDs are individually accounted for in the system and expected interest income is calculated. As interest is received it is posted to the respective CD in the system. This provides for the monitoring by both CD and issuer of interest due.

### ***Settlement Activities - Maturities***

The SimpliCD processing system generates reports daily listing all CDs maturing that day. Primary's operations department manually works the report to determine which CDs are being renewed versus actually maturing. Primary's operations department follows up on maturities for which funds have not been received from the issuer and remitted to the customer.

The incoming and outgoing wire account for principal is reconciled daily by Primary's operations department.

### ***Settlement Activities - Bank Failures***

PFC has written procedures in place that are followed in connection with issuing institution failures, to ensure that the federal insurance is maintained. These procedures include communication protocol with the respective deposit insurer and monitoring to ensure all investor funds are received and remitted.

Primary Financial Company is notified by FDIC/NCUA about any financial institution failures.

Once notification is received a claims form is completed and filed with the appropriate regulatory authority to collect funds from the failed credit union or financial institution.

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Any changes in rates to be paid by the failing institution are communicated to the investing credit unions as soon as notification is received.

Monitoring of the collections status of failed institutions consists of ongoing communication within the Company and when appropriate with the regulators.

See Section 4 of this report for Primary Financial Company’s Control Objectives and related Controls which are incorporated into this description by reference.

### Sub Service Organizations

Primary Financial Company uses third-party service providers (SPs) in its normal course of business to provide clearing, execution, settlement, custody and trading services for a portion of the SimpliCD program deposit assets, and for hosting its public facing SimpliCD applications and platform architecture. A list of these SPs and the nature of the services they provide can be found in the table below.

Company	Nature of Services Provided
Pershing LLC - BNY Mellon	BNY provides clearing, execution, settlement, custody and trading services for a portion of the SimpliCD program deposit assets.
UBS Financial Services, Inc.	UBS provides clearing, execution, settlement, custody and trading services for a portion of the SimpliCD program deposit assets.
Financial Northeastern Companies	FNC provides clearing, execution, settlement, custody and trading services for a portion of the SimpliCD program deposit assets.
Windows Azure, a Microsoft company	Windows Azure is Microsoft’s cloud computing platform used to build, deploy and manage applications and services through a global network of Microsoft-managed datacenters. Primary Financial’s Brokered Certificate of Deposit Program (SimpliCD) was developed, deployed and is managed through this Platform as a Service offering. Azure provides for a physically secure and environmentally protected datacenter that provides high availability of our applications for our customers.



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Primary Financial Company recognizes that certain complementary user entity considerations (CUEC) exist as it relates to these SPs which must be in place at Primary Financial Company, along with controls at these SPs. Primary Financial Company has considered the design of its controls to cover the interaction with the SPs and has established procedures to review third-party service provider's independent auditor reports when available.

This report addresses the relevant control objectives and related controls of Primary Financial Company LLC. GBO's examination did not extend to the controls of the aforementioned sub-service providers.

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## Complementary User Entity Controls

In accordance with terms of this engagement, no evaluation of the management controls or detailed user controls exercised by the users of the Brokered Certificate of Deposit Program (SimpliCD) has been made. It is the responsibility of Primary Financial Company LLC's users and their auditors to ensure that appropriate review procedures and controls are in place within the user organization to complement the system of controls described as part of the SimpliCD system.

SimpliCD was designed with the assumption that internal controls would be implemented by user organizations (i.e. Credit Union clients). These controls should be in operation at user organizations to complement Primary Financial Company LLC's controls described in this report. The user control considerations presented below should not be regarded as a comprehensive list of all controls which should be used by user organizations.

User organizations (Users) that utilize SimpliCD should ensure the following controls have been placed in operation:

- User credit unions should review their monthly statements from Primary for accuracy, including verification of the rate, amount and maturity date.
- Users should reconcile their monthly receipt of interest and/or principal from Primary to their own books and records and verify the amount of interest income received.
- Users should perform their own review of the safety and soundness of the issuing financial institutions.
- Users should review their portfolio of CDs, whether purchased through Primary or otherwise, to ensure they do not exceed the insurance limit.
- Users are responsible for establishing controls to ensure they are aware of any duplicate investments they may have resulting in investments over the federal insurance limits. They are also responsible for evaluating the financials of issuing institutions.
- Users are responsible for establishing controls to ensure their employees adhere to good password practices which include establishing strong passwords, periodically changing passwords and maintaining password confidentiality.

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- Users are responsible for establishing controls to ensure that their employees have proper roles with respect to their relationship with PFC and their access within SimpliCD.
- Users are responsible for establishing a secure workstation and user configuration for devices which are used to connect to SimpliCD.
- Users are responsible for establishing controls to ensure the physical and logical security of their records, infrastructure and computing devices.
- Users are responsible for establishing controls to ensure their workstation browser software is configured to use the highest level of encryption, which should minimally be TLS v 1.0.

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## Section Four

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**PRIMARY FINANCIAL COMPANY LLC'S CONTROL OBJECTIVES AND  
RELATED CONTROLS AND INDEPENDENT SERVICE AUDITOR'S  
TESTS OF CONTROLS AND RESULTS OF TESTS**



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## Primary Financial Company LLC's Control Objectives and Related Controls and Independent Service Auditor's Tests of Controls and Results of Tests

This section is intended to provide interested parties with information sufficient to obtain an understanding of those aspects of Primary Financial Company LLC's (PFC) internal control structure policies and procedures over the SimpliCD program that may be relevant to user organization's internal control structure, and reduce the assessed level of control risk below the maximum for certain financial statement assertions.

The broad objectives of controls over the SimpliCD program should be achieved by a combination of the procedures that are employed in various segments of the investment process which includes both procedures performed at Primary Financial Company LLC and procedures performed by customers who invest in certificates of deposit through the SimpliCD program.

For each of the control objectives listed below, only those control procedures, which contribute to the attainment of the related control objective, are described and were tested.

In connection with the testing of the internal controls pertaining to the processing of transactions for the System, we tested automated application system controls (e.g., edits/validations of data, system calculations, production of reports) through various methods including but not limited to:

- Observing actual production transactions processed through the systems (e.g. transactions failing);
- edit/validation checks; and
- Obtaining evidence that the automated control is operating as intended through sufficient inquiry, observation, examination and/or re-performance procedures during our walkthrough of the related transaction process.

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**Primary Financial Company LLC’s Control Objectives and Related Controls and Independent Service Auditor’s Tests of Controls and Results of Tests**

The types of tests performed of the operational effectiveness of the SimpliCD System described in Section Three are briefly described below:

Test	Description
<b>Inquiry</b>	Inquired of appropriate PFC personnel. Inquiries seeking relevant information or representation from PFC personnel were performed to obtain, among other factors: <ul style="list-style-type: none"> <li>• Knowledge, additional information and affirmation regarding the control.</li> <li>• Corroborating evidence of the control activity.</li> </ul>
<b>Observation</b>	Observed the application or existence of specific controls as represented.
<b>Inspection</b>	Inspected documents and records indicating performance of the control. This includes, among other things: <ul style="list-style-type: none"> <li>• Inspection of reconciliations and management reports that age or quantify reconciling items to assess whether balances and reconciling items are properly monitored, controlled and resolved;</li> <li>• Examination of source documentation and authorizations to test propriety of transactions processed;</li> <li>• Examination of documents or records for evidence of performance such as the existence of initials or signatures; and</li> <li>• Inspection of PFC systems documentation, such as operations manuals, organizational charts, job descriptions and flow charts.</li> </ul>
<b>Re-performance</b>	Re-performed control activities as designed by management.

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**Primary Financial Company LLC’s Control Objectives and Related Controls and Independent Service Auditor’s Tests of Controls and Results of Tests**

**Transaction Processing Control Objectives and Related Controls**  
Trading Activities

**Control Objective 1: Controls are in place to provide reasonable assurance that issuing financial institutions properly title each CD.**

PFC Controls	Service Auditor’s Tests	Results of Tests:
<p><b>1.1</b> For each CD purchase, automated instructions are sent to each issuing institution confirming significant terms of each CD purchase transaction.</p>	<p>Subjected all CDs issued from October 1, 2015 through September 30, 2016 to selection. Randomly selected 50 CDs and sent verification to issuing institutions confirming significant terms of the transactions and the institution's receipt of the safekeeping documents from Primary Financial Company LLC.</p>	<p>No exceptions noted.</p>

**Control Objective 2: Controls are in place to provide reasonable assurance that for each customer no more than \$250,000 of investments can be purchased in any single financial institution.**

PFC Controls	Service Auditor’s Tests	Results of Tests:
<p><b>2.1</b> The system has an embedded programmed feature that identifies and prevents a customer from exceeding the insured limit amount from an issuing institution.</p> <p>No manual intervention or override capabilities exist.</p>	<p>Performed live tests using dummy transactions on the SimpliCD processing system attempting to purchase CDs on behalf of customers already with CDs through the SimpliCD program. The objective of the test was to have the customer purchase more than \$250,000 with the issuer.</p>	<p>No exceptions noted.</p>

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**Primary Financial Company LLC’s Control Objectives and Related Controls and Independent Service Auditor’s Tests of Controls and Results of Tests**

**Transaction Processing Control Objectives and Related Controls**  
*Trading Activities* (continued)

**Control Objective 3: Controls are in place to provide reasonable assurance that each CD is sold to only one customer.**

PFC Controls	Service Auditor’s Tests	Results of Tests:
<p><b>3.1</b> The system has embedded features that match the available CDs to the trades, and prevent overselling of the same CD to more than one investor.</p> <p>Once a purchase request is funded, the SimpliCD processing system will not allow the trade to be unlocked from the CD asset.</p>	<p>Performed live tests attempting to sell CD assets to multiple customers in excess of the amounts available.</p> <p>Using automated audit software, matched 100% of the CDs sold to customers during the audit period to the corresponding assets from issuing institutions.</p>	<p>No exceptions noted.</p> <p>No exceptions noted.</p>
<p><b>3.2</b> Operations performs daily a reconciliation to verify that CD assets from the prior day plus current day sales less current day maturities agree to the total CD asset balance on the SimpliCD processing system at the end of the day.</p>	<p>Examined documentation prepared by Primary's operations department evidencing that these reconciliations were being performed during the audit period.</p>	<p>No exceptions noted.</p>

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**Primary Financial Company LLC’s Control Objectives and Related Controls and Independent Service Auditor’s Tests of Controls and Results of Tests**

**Transaction Processing Control Objectives and Related Controls**  
*Safekeeping Activities*

**Control Objective 5: Controls are in place to provide reasonable assurance that Primary’s safekeeping records for SimpliCD are complete and accurate.**

PFC Controls	Service Auditor’s Tests	Results of Tests:
<p><b>5.1</b> When a trade ticket is opened for a new CD purchase, the customer data associated with the individual trade is automatically populated from the customer profile.</p> <p>The SimpliCD processing system generates the customer’s monthly statements based on the customer data associated with each trade.</p>	<p>Selected 14 customers and obtained a copy of their SimpliCD customer agreements. For the customers selected agreed the name, address, tax ID, routing and transit number and settlement instructions to the SimpliCD processing system customer profile data.</p> <p>In addition, selected 15 customers from the customer profile database and performed mock trades on each customer to determine that the information on the trade ticket populated properly. Also examined the optical copy of customer statements for each of the customers selected and verified the information on the statement against the customer profile.</p>	<p>No exceptions noted.</p> <p>No exceptions noted.</p>

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**Primary Financial Company LLC’s Control Objectives and Related Controls and Independent Service Auditor’s Tests of Controls and Results of Tests**

**Transaction Processing Control Objectives and Related Controls**  
*Safekeeping Activities* (continued)

**Control Objective 5: Controls are in place to provide reasonable assurance that Primary’s safekeeping records for SimpliCD are complete and accurate.**

<b>PFC Controls</b>	<b>Service Auditor’s Tests</b>	<b>Results of Tests:</b>
<p><b>5.2</b> The titling, dollar amount, rate, settlement date, maturity date and asset number on the safekeeping receipt is verified against the corresponding data on the SimpliCD processing system.</p>	<p>Randomly selected 50 CD assets purchased during the audit period from the transaction files and examined actual certificate and related safekeeping information. For each selection, verified that data from the issuing institution substantially matched the data included in the SimpliCD processing system. In addition, confirmations were sent to each investor for the 50 CD assets above, confirming the accuracy of the balances outstanding as of August 31, 2016.</p>	<p>No exceptions noted.</p>
<p><b>5.3</b> Reports are run regularly to identify transaction and safekeeping receipts that have not been received.</p> <p>Primary’s operations department performs manual follow up for safekeeping receipts not received.</p>	<p>Discussed the procedures in place and examined spreadsheets and reports maintained to track this information. Determined that files are being maintained.</p>	<p>No exceptions noted.</p>

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**Primary Financial Company LLC’s Control Objectives and Related Controls and Independent Service Auditor’s Tests of Controls and Results of Tests**

**Transaction Processing Control Objectives and Related Controls**  
*Settlement Activities - Purchases*

**Control Objective 6: Controls are in place to provide reasonable assurance that incoming funds from customers are properly accounted for and principal is properly remitted to the issuers.**

<b>PFC Controls</b>	<b>Service Auditor’s Tests</b>	<b>Results of Tests:</b>
<b>6.1</b> Real time checks are performed throughout the day to determine which trades Primary’s customers have not funded.	Discussed daily processes with operations personnel to determine the procedures are in place.  Selected 11 days within the audit period and reconciled all CD purchase activity from the SimpliCD processing system to the cash wire and cash settlement activity for the day.	No exceptions noted.  No exceptions noted.
<b>6.2</b> The operations department verifies that the name on the wire of incoming customer principal agrees with the name on the original trade ticket.	Discussed daily processes with operations personnel to determine the procedures are in place.  Selected 11 days within the audit period and reconciled all CD purchase activity from the SimpliCD processing system to the cash wire and cash settlement activity for the day.	No exceptions noted.  No exceptions noted.
<b>6.3</b> The incoming and outgoing wire account for principal is reconciled monthly by Primary’s accounting department.	Selected three months during the audit period and examined the month end reconciliations and supporting documentation.	No exceptions noted.

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**Primary Financial Company LLC’s Control Objectives and Related Controls and Independent Service Auditor’s Tests of Controls and Results of Tests**

**Transaction Processing Control Objectives and Related Controls**  
*Settlement Activities - Interest*

**Control Objective 7: Controls are in place to provide reasonable assurance that payment of interest to customers is accurate and timely.**

<b>PFC Controls</b>	<b>Service Auditor’s Tests</b>	<b>Results of Tests:</b>
<p><b>7.1</b> The calculation and payment of interest to customers is an automated process performed by the 5<sup>th</sup> day of every month by the SimpliCD processing system.</p>	<p>Selected 14 customers with investments in CDs outstanding during the audit period, obtained a sample of month end statement copies that were provided to the customers, tested the calculation of accrued interest and agreed rate, term and amount to the SimpliCD system.</p>	<p>No exceptions noted.</p>

**Control Objective 8: Controls are in place to provide reasonable assurance that receipt of interest from issuers is accurate and timely.**

<b>PFC Controls</b>	<b>Service Auditor’s Tests</b>	<b>Results of Tests:</b>
<p><b>8.1</b> Reports are generated regularly that compare expected interest calculated by the SimpliCD processing system versus actual interest received from the issuer. Variances greater than 3% are researched and resolved by Primary’s operations department.</p>	<p>Examined the reports used to perform this procedure and discussed the process with operations personnel.</p>	<p>No exceptions noted.</p>

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Primary Financial Company LLC’s Control Objectives and Related Controls and Independent Service Auditor’s Tests of Controls and Results of Tests

Transaction Processing Control Objectives and Related Controls  
Settlement Activities - Maturities

**Control Objective 9: Controls are in place to provide reasonable assurance that principal is received from issuers and properly remitted to Primary’s customers.**

PFC Controls	Service Auditor’s Tests	Results of Tests:
<p><b>9.1</b> Primary’s operations department follows up on maturities for which funds have not been received from the issuer and remitted to the customer.</p>	<p>Discussed daily processes with operations personnel to determine the procedures are in place.</p> <p>Selected 11 days within the audit period and reconciled all CD maturity activity from the SimpliCD processing system to the cash wire and cash settlement activity for the day.</p>	<p>No exceptions noted.</p>
<p><b>9.2</b> The incoming and outgoing wire account for principal is reconciled monthly by Primary’s accounting department.</p>	<p>Selected three months during the audit period and examined the month-end reconciliations and supporting documentation.</p>	<p>No exceptions noted.</p>

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**Primary Financial Company LLC’s Control Objectives and Related Controls and Independent Service Auditor’s Tests of Controls and Results of Tests**

**Transaction Processing Control Objectives and Related Controls**  
*Settlement Activities – Bank Failures*

**Control Objective 10: Controls are in place to provide reasonable assurance that principal is received from issuers and properly remitted to Primary’s customers for bank and credit union failures.**

PFC Controls	Service Auditor’s Tests	Results of Tests:
<p><b>10.1</b> Primary is notified by the FDIC/NCUA about financial institution failures.</p> <p>Once notification is received, a claims form is completed and filed with the appropriate regulatory authority to collect funds from the failed bank or credit union.</p> <p>The funds for principle and interest from the failed institution are received via wires to PFC and forwarded through wires to appropriate investors with principle plus any interest.</p> <p>Monitoring of the collections status of failed institutions consists of ongoing communication within the Company and when appropriate, with the regulators.</p>	<p>Reviewed written procedures in place over failed institution and obtained a listing of all the failed financial institutions from October 1, 2015 to September 30, 2016.</p> <p>Select 10 failed financial institutions from the listing provided and reviewed the related claims forms and other documentation related to the collecting of the funds and distribution to the investors.</p> <p>Discussed the Failure Procedures with operating personnel to determine that the proper processes are in place and are accurately being followed.</p>	<p>No exceptions noted.</p> <p>No exceptions noted.</p> <p>No exceptions noted.</p>

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**Primary Financial Company LLC’s Control Objectives and Related Controls and Independent Service Auditor’s Tests of Controls and Results of Tests**

**Information Systems Control Objectives and Related Controls**  
General System Controls

**Control Objective 11: Controls provide reasonable assurance that logical access to programs, data and computer resources is restricted to authorized and appropriate users.**

<b>PFC Controls</b>	<b>Service Auditor’s Tests</b>	<b>Results of Tests:</b>
<b>11.1</b> Developers and System Administrators must authenticate using unique userids and passwords to their local workstations to gain access to local applications and shared resources in Azure.	From a population of 13 employees, judgmentally selected 6 workstations to inspect local settings.  For each selected workstation, observed logon options available to workstation users, and noted all user accounts were uniquely identifiable and passwords are required.	No exceptions noted.
<b>11.2</b> Only authorized employees and contractors can access Team Foundation (TFS) development Servers	Inspected 100% of accounts on the PFC Team Foundation (TFS) Development server and traced each user ID to either the active employee census or active contractor list provided by HR.	No exceptions found
<b>11.3</b> Only authorized persons have administrative access to Azure Management Console and SimpliCD database	Inspected a system generated list of Azure Administrators from the Management Console and for each name listed; Traced each user ID to either the active employee census or active contractor list provided by HR.	No exceptions noted.

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Primary Financial Company LLC’s Control Objectives and Related Controls and Independent Service Auditor’s Tests of Controls and Results of Tests

Information Systems Control Objectives and Related Controls

General System Controls (continued)

**Control Objective 11: Controls provide reasonable assurance that logical access to programs, data and computer resources is restricted to authorized and appropriate users.**

PFC Controls	Service Auditor’s Tests	Results of Tests:
<p><b>11.4</b> SimpliCD users are authenticated at the application level using uniquely identifiable accounts.</p>	<p>Inspected system generated list of SimpliCD users and observed where appropriate, all user accounts are uniquely identifiable.</p>	<p>No exceptions noted.</p>
<p><b>11.5</b> Passwords for access to SimpliCD are encrypted and policies are in place to maintain the effectiveness of authentication and access mechanisms.</p>	<p>Inquired regarding the application code which controls authentication.</p> <p>Inspected the SimpliCD SQL table which stores user account information and password hashes.</p>	<p>No exceptions noted.</p>

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**Primary Financial Company LLC’s Control Objectives and Related Controls and Independent Service Auditor’s Tests of Controls and Results of Tests**

**Information Systems Control Objectives and Related Controls**  
General System Controls (continued)

**Control Objective 11: Controls provide reasonable assurance that logical access to programs, data and computer resources is restricted to authorized and appropriate users.**

PFC Controls	Service Auditor’s Tests	Results of Tests:
<p><b>11.6</b> Requests for establishing, changing and terminating user accounts and access are initiated and approved by persons with proper authority.</p>	<p>Inquired of the process for establishing and maintaining user accounts.</p> <p>Management asserts that no new employees were hired, and no employees were terminated during the examination period.</p> <p>Inspected database and SimpliCD application user lists to see if any new PFC user accounts had been set up.</p>	<p>No exceptions noted.</p>

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**Primary Financial Company LLC’s Control Objectives and Related Controls and Independent Service Auditor’s Tests of Controls and Results of Tests**

**Information Systems Control Objectives and Related Controls**

**General System Controls** (continued)

**Control Objective 11: Controls provide reasonable assurance that logical access to programs, data and computer resources is restricted to authorized and appropriate users.**

PFC Controls	Service Auditor’s Tests	Results of Tests:
<p><b>11.7</b> User organizations can only access information in SimpliCD which is for their organization. System controls prevent access to other organizations.</p>	<p>Attempted to modify part of URL during an authenticated user sessions to see if we could pull up data for another co-broker.</p> <p>On trade tabs Attempted to search for wildcard investors, received message "no items to display"</p> <p>Injected miscellaneous characters into search for another investor and system rejected attempts at unauthorized access with appropriate error messages.</p>	<p>No exceptions noted.</p> <p>No exceptions noted.</p> <p>No exceptions noted.</p>

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**Primary Financial Company LLC’s Control Objectives and Related Controls and Independent Service Auditor’s Tests of Controls and Results of Tests**

**Information Systems Control Objectives and Related Controls**

**General System Controls** (continued)

**Control Objective 11: Controls provide reasonable assurance that logical access to programs, data and computer resources is restricted to authorized and appropriate users.**

PFC Controls	Service Auditor’s Tests	Results of Tests:
<p><b>11.8</b> Firewalls are configured to deny all access to the internal networks except that which is explicitly approved and routed to specific devices within our environment.</p>	<p>Inquired of management regarding network security among subscription accounts and with respect to services enabled in the Azure environment.</p>	<p>No exceptions noted.</p>
	<p>Examined firewall configurations in Azure to determine whether connections to the Azure services are restricted to PFC and Fusion Alliance locations by IP address or IP address range.</p>	
	<p>Tested http, https and rdp connections for Azure IP for PFC’s subscription.</p>	
	<p>Examined firewall access control lists for inbound protections to PFC.</p>	<p>No exceptions noted.</p>

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Primary Financial Company LLC’s Control Objectives and Related Controls and Independent Service Auditor’s Tests of Controls and Results of Tests

Information Systems Control Objectives and Related Controls

General System Controls (continued)

**Control Objective 12: Controls provide reasonable assurance that physical and logical access to the application development environment at the PFC office is restricted to authorized and appropriate personnel.**

PFC Controls	Service Auditor’s Tests	Results of Tests:
<p><b>12.1</b> Access to the PFC office is restricted after normal business hours.</p>	<p>Inquired of management regarding physical access controls at the PFC office.</p> <p>Observed arming of the alarm system at close of business.</p> <p>Inspected access points, locks and devices that are connected to the alarm system.</p>	<p>No exceptions noted.</p>

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**Primary Financial Company LLC’s Control Objectives and Related Controls and Independent Service Auditor’s Tests of Controls and Results of Tests**

**Information Systems Control Objectives and Related Controls**

**General System Controls** (continued)

**Control Objective 13: Controls provide reasonable assurance that changes to application programs and related data management systems are authorized, tested, documented, approved and implemented to result in the complete, accurate and timely processing and reporting of transactions and balances**

PFC Controls	Service Auditor’s Tests	Results of Tests:
<p><b>13.1</b> Requests for program changes are standardized, logged, approved, documented and subject to formal change management procedures.</p>	<p>Inquired of management regarding program development and change control activities.</p> <p>Inquired of management regarding the processes for requesting, approving, testing and implementing program changes utilizing Azure Development Platform.</p> <p>Inspected a sample of change-sets documents checked into the SimpliCD production environment.</p>	<p>No exceptions noted.</p>
<p><b>13.2</b> A testing strategy is developed and followed for all significant changes to production applications.</p>	<p>Inquired of management regarding documentation and use of test cases.</p> <p>Inspected documentation of testing performed on application development and enhancements for the sampled change-sets.</p>	<p>No exceptions noted.</p>

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Primary Financial Company LLC’s Control Objectives and Related Controls and Independent Service Auditor’s Tests of Controls and Results of Tests

Information Systems Control Objectives and Related Controls

General System Controls (continued)

**Control Objective 13: Controls provide reasonable assurance that changes to application programs and related data management systems are authorized, tested, documented, approved and implemented to result in the complete, accurate and timely processing and reporting of transactions and balances**

PFC Controls	Service Auditor’s Tests	Results of Tests:
<p><b>13.3</b> A migration process is documented that includes ensuring approvals and testing signoffs have been obtained prior to migrations to production.</p>	<p>Inquired of management regarding the processes for migrating code changes into the production virtual instance.</p> <p>Inspected Azure Change set details as evidence migration was successfully completed.</p>	<p>No exceptions noted.</p>

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**Primary Financial Company LLC’s Control Objectives and Related Controls and Independent Service Auditor’s Tests of Controls and Results of Tests**

**Information Systems Control Objectives and Related Controls**

**General System Controls** (continued)

**Control Objective 14: Controls provide reasonable assurance that application and system processing are monitored, authorized and executed in a complete, accurate and timely manner, and deviations, problems and errors are identified, tracked, recorded and resolved in a complete, accurate and timely manner.**

PFC Controls	Service Auditor’s Tests	Results of Tests:
<p><b>14.1</b> The company monitors systems performance, utilization, capacities and event logs to ensure operational availability and integrity of systems.</p>	<p>Inquired and observed Management’s use of event monitoring and logs.</p> <p>The Windows Azure production Instance monitor and the SimpliCD Schedule Execution logs are the primary management monitoring tools.</p> <p>The Schedule Execution logs are e-mailed to the IT Manager and IT Operations at PFC. The IT Manager reviews schedule execution from his smartphone e-mail access daily.</p>	<p>No exceptions noted.</p>
<p><b>14.2</b> SimpliCD systems support transaction logging and recovery. Database changes are captured and written to transaction logs that can be used to recover the databases in the event of corruption or failure.</p>	<p>Inquired regarding SQL database record processing and the controls used to ensure completeness and integrity.</p> <p>Inspected application code and noted the Begin Work and Commit tasks with associated database commit statements.</p> <p>Requested and examined scripts showing how data is committed to backup transaction logs.</p>	<p>No exceptions noted.</p>

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Primary Financial Company LLC’s Control Objectives and Related Controls and Independent Service Auditor’s Tests of Controls and Results of Tests

Information Systems Control Objectives and Related Controls

General System Controls (continued)

**Control Objective 14: Controls provide reasonable assurance that application and system processing are monitored, authorized and executed in a complete, accurate and timely manner, and deviations, problems and errors are identified, tracked, recorded and resolved in a complete, accurate and timely manner.**

PFC Controls	Service Auditor’s Tests	Results of Tests:
<p><b>14.3</b> PFC monitors status of backups each day</p>	<p>Inquired of replication and backup procedures, and recovery capabilities. Discussed process of PFC monitoring activities performed by Azure. Arbitrarily requested to view database backup log they monitor for first 2 weeks of April 2016 and last 3 weeks of August 2016.</p> <p>Also inspected evidence that applications are also being backed up daily.</p> <p>Inspected backup completion records of and databases.</p>	<p>No exceptions noted.</p>

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**Primary Financial Company LLC’s Control Objectives and Related Controls and Independent Service Auditor’s Tests of Controls and Results of Tests**

**Information Systems Control Objectives and Related Controls**

General System Controls (continued)

**Control Objective 15: Controls provide reasonable assurance that data transmissions between the service organization and its user entities and other outside entities are from authorized sources and are complete, accurate, secure and timely.**

PFC Controls	Service Auditor’s Tests	Results of Tests:
<p><b>15.1</b> Customer connections to the SimpliCD applications are secured via HTTPS connections using public-private key cryptography.</p>	<p>Inspected SimpliCD web login pages confirmed HTTPS required for connection. TLS encryption v1.1 and v1.2 was observed. A test of the site concluded that SSL V2 and v3 were disabled. A valid digital certificate was observed from a trusted certificate authority (Thawte).</p>	<p>No exceptions noted.</p>
<p><b>15.2</b> Connections between PFC corporate and the system operations center are secured via HTTPS connections using public-private key cryptography.</p>	<p>Inspected Microsoft Azure web login pages confirmed HTTPS required for connection. TLS 1.1 and 1.2 encryption was observed. A valid digital certificate was observed from a trusted certificate authority (Microsoft).</p>	<p>Inquired about process to log in to Azure environment.  No exceptions noted.</p>

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## Section Five

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**OTHER INFORMATION PROVIDED BY PRIMARY FINANCIAL LLC**



## Other Information Provided by Primary Financial Company LLC

### Business Recovery Plan

Our business applications, databases, file system, application code, other software tools and backups are located as follows:

Business Applications and data:

- PFC Public Website running on Microsoft Azure platform and infrastructure.
- SimpliCD Application, SQL Azure Database, and SimpliCD SQL Reporting Server hosted and running on Microsoft Azure platform and infrastructure.
- Application development environment is located on resources within PFC's corporate headquarters and administrative offices.
- Application test environment is running on Microsoft Azure platform and infrastructure.

Other files related to SimpliCD Application like Settlement, Safekeeping and others are hosted on Microsoft Azure storage platform and infrastructure.

Backups of Application packages and data:

- SQL Azure Database are backed-up daily on Microsoft Azure multi-site replication platform and infrastructure.
- Production version of SimpliCD and Public Website applications deployment packages are backed-up daily on Microsoft Azure multi-site platform and infrastructure.



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To guard against hardware failures and improve availability, all storage blobs are replicated across three servers within the hosting Microsoft Azure datacenter. Writing to a blob updates all three copies, so later reads won't see inconsistent results. Additionally, all Windows Azure blob and table storage is replicated between paired data centers hundreds of miles apart within a specific geographic region. Given the world class data centers Microsoft has made available and the extreme redundancy it provides, the risk of widespread loss is very low. We rely on Microsoft Azure for most common disaster recovery services. However, in the event of data center failure or internet connectivity failure in primary data center region, Primary has a documented recovery and continuity plan to enable continued operation of the business.

### Microsoft Azure Cloud Data Centers

We, Primary Financial, have developed our SimpliCD Application using the Cloud based Microsoft Azure platform and SQL Azure Database. We have also used Microsoft Azure blob storage as our file system solution.

Microsoft Azure provides adequate physical secure data center environment and network security. Windows Azure runs in data centers managed and operated by Microsoft Global Foundation Services (GFS). These geographically dispersed data centers comply with key industry standards, such as ISO/IEC 27001:2005, for security and reliability. They are managed, monitored and administered by Microsoft operations staff that have years of experience in delivering the world's largest online services with 24 x 7 continuity. In addition to data center, network, and personnel security practices, Windows Azure incorporates security practices at the application and platform layers to enhance security for application developers and service administrators. Microsoft conducts regular penetration testing to improve Windows Azure security controls and processes. More information about Microsoft Azure Security can be found at <http://www.windowsazure.com/en-us/support/trust-center/security/>.

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Microsoft's approach to security in its cloud environment is laid out in the white paper securing Microsoft's Cloud Infrastructure. To summarize, the company applies security mechanisms at different layers of the cloud infrastructure to implement a defense-in-depth approach. These layered mechanisms include:

- Physical security of the data centers (locks, cameras, biometric devices, card readers, alarms)
- Firewalls, application gateways and IDS to protect the network
- Access Control Lists (ACLs) applied to virtual local area networks (VLANs) and applications
- Authentication and authorization of persons or processes that request access to data
- Hardening of the servers and operating system instances
- Redundant internal and external DNS infrastructure with restricted write access
- Securing of virtual machine objects
- Securing of static and dynamic storage containers

Assets are categorized as to the level of security required, based on the potential for damage. The principle of least privilege is followed, whereby persons and processes are given the lowest level of access that is required for them to do their jobs and no more.

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