



Quarterly

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QED Information Systems, Inc. • 10000 Sagemore Drive • Marlton • New Jersey 08053 • www.qedinfo.com • 856.797.1200

QED Introduces Investment Accounting Services

At the September 2005 NAST Annual Conference in Lake Tahoe, Nevada, QED Information Systems, Inc. introduced QED Investment Accounting Services, a new company division that offers customized investment accounting and portfolio management services for institutional buy-side investment organizations, including state and municipal treasuries.

Customers can rely on QED to design and implement investment operations solutions that streamline their processes, minimize their costs, and enhance their productivity — giving them the ability to concentrate on the growth of their business.

Leveraging their extensive investment industry expertise and the power of the Q2 Investment Workflow System, QED's Accounting Services team provides customers with near real-time investment and general ledger accounting and recordkeeping; transaction processing; reconciliations with custodian banks, DTC and external managers; securities valuation; information reporting and financial presentation; and performance measurement services.

QED Investment Accounting Services offers a "vendor-neutral" approach to reference data management providing institutional investors with the ability to create their own "best-of-breed" models that accommodate the unique requirements of their business.

Investment transaction services are customized to meet each customer's diverse processing needs. Solutions

include: automated interfaces with custodian banks, external managers, prime brokers and other interested third parties; DTC confirmation and affirmation; corporate actions, structured securities payment and other financial event processing; treasury management invoice and payment processing; general ledger accounting, and participant/partnership recordkeeping and accounting.

Taking advantage of the flexible reconciliation tools in the Q2 software suite, all aspects of a customer's reconciliation process are supported. Customized reconciliation models facilitate real-time electronic data exchange with trading systems, custodian banks, external managers, prime brokers, DTC, and other enterprise computing systems — and ensure timely and reliable cash, position, and transaction reconciliation.

Using a library with more than 400 financial reports, ad-hoc reporting and data access tools, and a powerful information publishing studio, the QED Accounting Services team can provide customers with "board quality" financial statements and reports developed specifically for their business and delivered on the customer's schedule. All presentations can include visual charting and can be "customer branded" with customer logos and graphics.

The QED Accounting Services team can also produce performance measurement data, generate performance reports and maintain composite and benchmark references for its customers. Q2 performance measurement tools

provide benchmark and composite reporting, time-weighted and period-weighted returns, as well as custom performance calculations and reporting.

Michael Dowd, Vice President of Operations for QED, leads the Accounting Services team. "The introduction of our Investment Accounting Services is a direct response to the changing focus of the firms in the buy-side of the financial markets. Now, more than ever, institutional investors are demanding both productive and cost effective solutions when they consider outsourcing their accounting functions — without sacrificing their management control and accountability," states Dowd. "The scalability of our service model and the power of the Q2 Investment Workflow System allow our customers to achieve economies of scale and operational advantages that are otherwise unattainable."

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Contingency Plans Help With Recovery from the Unexpected

Recovering from or avoiding a service disruption, whether a component failure or a full-site disaster, depends on a comprehensive and effective contingency and business recovery planning process, combined with experienced people to execute the plan. Resiliency plans must address all parts of the business – including employees, facilities, systems, telecommunications and clients.

Contingency plans must be living documents that are updated on an ongoing basis to incorporate lessons learned and tested regularly to validate the effectiveness and completeness of the plans. Operating units should test their plans at least once every twelve months. Unless all tests are deemed successful, issues that arise during testing must be addressed and resolved immediately.

As an integral part of QED's normal business operations, we are responsible for developing and maintaining contingency plans as part of the business continuity services we provide to our state and municipal treasury, public funds, and corporate clients. By policy and agreement, minimum requirements have been established to provide essential business and technology services levels. These standards are to be sufficient to help assure customer satisfaction and market image, and to meet regulatory and contractual requirements in the event of disruption to the normal operating environment.

Continuity plans must explicitly address an organizations' business, operations and technology components, including critical services and functions provided by third parties. A continuity testing program ensures that the busi-

ness contingency plans remain accurate, relevant and operable under current conditions. The plans should be tested at least annually to demonstrate their workability, and to verify the effectiveness of alternative locations.

It should be noted, however, that contingency plans, by their nature, provide alternative ways to continue or resume a process in the event of a disruption, but plans cannot provide absolute assurance of continuity against all possible types of disruptions.

To ensure service continuity, QED designed its processing sites with built-in precautionary and backup measures that reduce the risk of disruption. We have also developed and implemented in-depth interactive disaster recovery

and business continuation plans.

With the devastation caused by this year's hurricanes still fresh in everyone's minds, the QED team has been working closely with customers and strategic partners to develop customized business continuation plans for Q2, IMS-2000, and QTMS systems across the country.

Realizing the importance of data security and systems availability to its customers during times of natural or civil disaster, QED has taken the necessary steps to safeguard customer data.

According to Rod Melvin, QED's information technology manager, "QED software platforms have been

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QED Team Responds to Request for Help

Moved by Hurricane Katrina's effects on the people of Louisiana, Alabama, and Mississippi, employees of QED Information Systems organized a relief effort that sent bottled drinking water to distribution points in the affected areas.

Responding to the New Jersey National Guard's efforts to collect bottled water, QED employees purchased pallets of water and delivered the water to a designated drop-off location at a New Jersey National Guard armory.

Aircraft and personnel from the 108th Air Refueling Wing at McGuire Air Force Base and soldiers from the 250th Forward Support Battalion packaged the water and ensured it was flown to hurricane support centers in the Gulf coast states.

Steven Kendus, QED vice president of marketing, recognized the importance of the contributions. "After witness-

ing the human tragedies in news reports and after speaking with our clients in the affected areas, we realized that we could make some sacrifices to help those affected," states Kendus. "Without hesitation, our QED employees rose to the challenge by donating cash, time, labor, and vehicles to assist with the relief effort."

According to the New Jersey National Guard, thousands of cases of water were collected, packaged, and delivered to the New Orleans Naval Air Station by New Jersey Guardsmen.



Clockwise from top left are Kami Scully, Michael Dowd, Steven Kendus, Holly Peña, and Rod Melvin—members of the QED team helping the New Jersey National Guard aid effort.

January 1 Means Change for QED

On January 1, 2006, QED Information Systems will celebrate its 19th year of operation and will start the new year by changing its name to QED Financial Systems, Inc.

The change, in the works since July 2005, draws upon QED's significant brand recognition and the reputation of its Q2 Investment Workflow System and Treasury Management System products, to reinforce the company's focus and commitment to the financial services industry.

"The name change from Information Systems to Financial Systems is meant to re-energize and strengthen our presence in the marketplace and send the message that QED is a viable choice as a business solutions partner and a formidable competitor," states QED President and CEO Joseph Potesta. "Since 1987, our focus has been on building superior rules-based workflow systems for the financial industry that are integrally supported by our professional services teams. Changing our name closely aligns our company image with our offerings and signifies our continued commitment to growth."

Along with the change of the corporate name, QED has adopted a new corporate identity and logo, which will be reflected in all visual communications, including a new corporate web site and printed materials. The new web site can be found at www.QEDFinancialSystems.com.

The name change is effective January 1, 2006. After January 1, 2006, all business activities will be conducted under the new name.



Systems and Services at QED Undergo SAS 70 Audit

QED Information Systems, Inc has engaged the services of Fisher, Van Sciver & Co., PC, an independent accounting and auditing firm located in Cherry Hill, NJ, to conduct a Type II SAS 70 audit of QED Accounting Services and Administration's control objectives and activities as they relate to the Q2 Investment Workflow System.

The Statement on Auditing Standards No. 70, or SAS 70, is a widely recognized auditing standard developed by the American Institute of Certified Public Accountants (AICPA). The SAS 70 report represents that QED has been subject to an in-depth audit of internal control objectives and control activities, including information delivery and data security. The audit is expected to last six months.

As part of the Type II SAS 70 audit, Fisher, Van Sciver & Co., PC, will evaluate QED's internal controls to determine their effectiveness in preventing accounting inconsistencies, errors, and misrepresentation, and the likelihood that the controls will produce the desired future results. The Type II audit report will also include an opinion from the auditor addressing whether the controls that were tested were operating with sufficient effectiveness to provide reasonable assurance that the control objectives were achieved during the audited period. An "unqualified" opinion concludes that there are sufficient controls and procedures, while a "qualified" opinion concludes that there is some level of insufficiency in the internal controls and procedures.

The engagement of the SAS 70 Type II audit is part of a continuing effort by QED to facilitate the compliance requirements of the Sarbanes-Oxley Act

for our clients. Under Section 404 of the Sarbanes-Oxley Act, our clients must document and evaluate all controls that are deemed significant to the financial reporting process. This includes relevant controls within the Q2 Investment Workflow System and internal operating controls that are executed on behalf of clients who have outsourced their accounting operations and functions to QED.

"The entire QED team is confident of the standard operating procedures and controls developed through the combined efforts and experience of the seasoned investment accountants and financial engineers that support our clients' investment business operations on a daily basis," stated Michael Dowd, QED's vice president of operations. "The internal audit trails and multi-level user security features combined with the through-put automation provided by the Q2 Investment Workflow System add to our confidence of earning an unqualified opinion on our Type II SAS 70 audit report."

Look to future issues of *QED Quarterly* for updates on the SAS 70 audit.

SPOTLIGHT: SAS 70

WHAT: Statement on Auditing Standards Number 70.

WHY: Represents that QED has been through an in-depth audit of internal control objectives and control activities, including information delivery and data security. Aids QED clients in meeting Sarbanes Oxley compliance.

Contingency Plans

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built with exceptional service and client needs in mind from inception.” Systems include an uninterruptible power supply, which supplies power to servers and peripherals in the events of power loss. This fault tolerant measure ensures that systems continue operation and enables operators to power the systems down, preventing data loss.

Additionally, the architecture removes any server dependencies from the operation of individual desktop computers. Data updates are performed at the server level, so no data resides on individual computers.

QED customers perform full tape backups of their servers nightly, so they will always be able to revert back to a previous day’s records, if needed.

Within QED headquarters, disaster recovery is supported with nightly tape backups that are encrypted and stored at QED and at an off-site, secure facility. The next level of data protection is provided by utilization of various RAID level hardware technologies that mirror data.

QED maintains a combination cold-site / hot-site arrangement with an off-site managed hosting solution provider, where a number of systems are staged and pre-configured. During an emergency, QED can bring any of these systems online as required.

For more information on how QED’s disaster recovery services can protect your data, please contact your QED client support representative.



QED Information Systems, Inc.
10,000 Sagemore Drive
Marlton, New Jersey 08053