

Smith Asset Management, Inc.

Business Continuity Plan

February 2008

Table of Contents

Introduction.....	2
Regulatory Background	2
Firm Policy.....	2
Senior Management Approval of BCP	2
Physical location of and access to BCP	3
Emergency contacts	3
William B. Smith, President/CCO	3
Samuel Zimmetbaum, FINOP	3
Customer disclosure.....	3
Annual review and updates	3
Key Contact List	3
BCP requirements pursuant to SEC Rule 206(4)-7	4
Data Back-up and recovery (hard copy and electronic).....	4
All mission-critical systems.....	5
Financial and operational assessments.....	7
Alternate communications between the Firm and its clients, employees, regulators ...	7
Alternate physical location of employees	8
Critical business constituent, banc, and counter-party impact.....	9
Regulatory reporting	10
Prompt access to client funds and securities.....	10
Potential SBD scenarios.....	10
Illustration #1 – Internal SBD.....	10
Illustration #2 – External regional SBD.....	11
Illustration #3 – Catastrophic SBD	12
BCP Training and Education	12
Senior Management Approval of BCP	13
Appendix List.....	14

Introduction

Regulatory background

As a result of our ever-changing and evolving world, it has become necessary for Firms in the financial services industry to take steps to ensure their preparedness to meet customer needs and resume regular business operations in a timely manner in the event of a significant business disruption (“SBD”).

There are several types of SBDs varying in severity and scope that may occur on an internal or external level. An internal SBD, such as a fire in our building, would only affect the Firm’s ability to conduct its normal business. An external SBD, such as an earthquake, regional power outage, or terrorist attack, would affect the operations of several Firms or the financial markets as a whole.

On April 7, 2004, the Securities and Exchange Commission (“SEC”) approved the new NASD Rule 3500 Series, which requires members to establish emergency preparedness plans and procedures. Rule 3510 requires each member to create and maintain a business continuity plan (“BCP” or “Plan”) and enumerates certain requirements that each plan must address. The Rule further requires members to update their BCPs upon any material change and, at a minimum, to conduct an annual review of their BCP. Each member also must disclose to its customers how its BCP addresses the possibility of a future SBDs and how the member plans to respond to events of varying scope.

Effective February 5, 2004, the Securities and Exchange Commission (“SEC”) approved Rule 206(4)-7 under the Investment Advisers Act of 1940, which requires SEC-registered investment advisers to establish compliance programs. One of the expected components of such programs is for Firms to create and maintain a BCP.

Firm Policy

Our policy is to respond to an SBD in a manner that prioritizes the immediate safety of our employees, preservation of the Firm’s property, and a quick recovery in order to meet the business needs of our clients. If we determine that the SBD has been so catastrophic such that we are unable to continue our business, we will ensure that our clients have prompt access to their funds and securities. As a result, this comprehensive manual is intended to serve as the program and plan in which Smith Asset Management, Inc. (a registered broker-dealer and NASD member), referred to hereinafter as “SAM” or the ‘Firm’, will follow to ensure emergency preparedness to any SBD.

Senior Management Approval of BCP

Pursuant to Rule 206(4)-7, SAMA is required to designate a member of senior management who is also a registered principal (“Designated Principal” or “DP”) to approve its BCP and be responsible for conducting the annual review of the Plan.

The designated principal responsible for approval and review of SAM’s BCP is William B. Smith.

Physical location of access to BCP

SAM will have a copy of its BCP, the annual reviews and the changes that have been made available for inspection. SAM's BCP will be maintained electronically on the Firm's computer system, and in hard copy at the residence of William B. Smith.

Emergency contacts

Pursuant to NASD Rule 3520, SAM has designated the following members of senior management who are also registered principal as its emergency contacts:

William B. Smith, President/CCO

Primary - (212) 8 12-9330
Alternate – (917) 842 4946

Samuel Zimmetbaum, FINOP

Primary - (212) 8 12-9330
Alternate – (917) 842 4946

Messrs. Smith and Zimmetbaum will be available for the NASD to contact in the event of an SBD.

Customer disclosure

We disclose a summary of our BCP to our customers (Appendix #1) in hard copy at the time of account opening. The disclosure is also posted on our website and mailed to customers upon their request. Our disclosure addresses the possibility of a future SBD and how we plan to respond to SBDs of varying severity. Our disclosure describes various scenarios and the specific steps SAM will take to maintain or promptly and efficiently resume its business operations in the event of an SBD so as to minimize client impact. A full copy of the BCP can be mailed upon request.

Annual review and updates

William B. Smith will be responsible for the annual review of SAM's BCP as well as updating the Plan in the event of a material change in the company's operations, structure, locations or policies.

Key Contact List

Certain key employees, as identified by the DP, may be provided access to the BCP. These individuals will be identified on the "Key Contact List" (Appendix #2) and will maintain copies of the BCP in designated locations outside the Firm's principal office location. The Firm will provide a copy of the Key Contact List to outside parties with which the Firm has business relationships such as banks,

attorneys, accountants, consultants, equipment vendors, service providers, etc. if it is determined that it would be important for such third parties to have this contact information in the event of a SBD.

BCP requirements pursuant to NASD Rule 3510 206(4)-7

Data Back-up and recovery (hard copy and electronic)

It is possible that an SBD may result in the destruction of the Firm's primary books and records. Therefore, SAM has implemented a system of backing up such books and records including offsite storage of the back-ups. This system will ensure that in the event of an SBD, SAM will be able to regain access to the vital records necessary in maintaining its operations.

The Firm's primary hard copy and electronic books and records are housed in its main office in New York, NY. William B. Smith is responsible for the maintenance and back-up of these records.

Hard copy books and records: All hard copy books and records will be scanned and burned to CD-R and transported off-site on a quarterly basis. All of the Firm's back-up hard copy books and records are stored at the following address:

DocuSafe, Inc.
P.O. Box 2234
Princeton, NJ 08543
Tel: (888) 264-7637
Fax: (609) 259-8291
records@docusafe.com

Electronic books and records: Electronic books and records are burned to non-erasable CD-R and transported offsite on a quarterly basis. These records are stored at the following address:

DocuSafe, Inc.
P.O. Box 2234
Princeton, NJ 08543
Tel: (888) 264-7637
Fax: (609) 259-8291
records@docusafe.com

The alternate location is reasonably distant from the main office so as to reduce the chance that it too will be affected by the SBD, yet close enough to access quickly if the backup books and records become an immediate necessity. In the event that the Firm's back-up books and records are needed, William B. Smith will be responsible for obtaining them and having them shipped to the main office if it is operational or to the alternate location if the main office is not operational.

All mission-critical systems

It is likely that in the event of a catastrophic SBD, one or more of the Firm's primary systems will be rendered useless. Therefore, the Firm has devised a plan that will allow it to manage a system outage in any of its mission-critical systems. The NASD defines a "mission-critical system" as "any system that is necessary, depending on the nature of a member's business, to ensure prompt and accurate order processing of securities transactions, including, but not limited to, order taking, order entry, 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." SAM expands that definition to include all of the systems on which the Firm relies for its regular, uninterrupted business operations. These systems are enumerated below:

Computer System:

Computer System and Service Description:

- ❖ Computer hardware is manufactured by Dell, Gateway and HP.
- ❖ Printers are manufactured by Cannon.
- ❖ Internet connection and link to clearing Firm is through T-1 (frame relay).
- ❖ Computer system serviced by Tech Support group at the clearing Firm as well as local vendor (NFN Solutions)
- ❖ All PCs/laptops run Microsoft XP/Microsoft Vista with Microsoft Office and Microsoft Outlook.

Backup Capabilities:

- ❖ All customer activity is processed on Pershing, LLC servers.
- ❖ All Client activity is downloaded daily into third party software (Portfolio Center).
- ❖ Portfolio Center is backed up/burned to CD-R and stored in a safe.
- ❖ Three months of CDs are stored at safe on location. CDs are stored at DocuSafe (Off Site).
- ❖ Older CDs are stored Off Site at DocuSafe.

Log-in

- ❖ Server login is password protected
- ❖ Desktop computers are logged off each evening.

Dial-up Access

- ❖ All employees have remote access.

Communications System

- ❖ Nortel Networks PBX telephone system.
- ❖ Telephone system runs on analog (copper) technology.
- ❖ Two copper phone lines can be used for fax/data/phone.
- ❖ All principals and most employees carry cell phones.
- ❖ Email system is accessible via the Internet/Blackberry. Thus, employees could access email from home.
- ❖ In emergency, our phone traffic can be re-routed.
- ❖ Our voicemail system on battery back-up can give clients further information and phone numbers.
- ❖ Email will be backed-up on CD/DVD with extra copies stored in secure remote locations.

- ❖ Clearing Firm provides on-line client access to accounts.

In the event of a SBD that renders the computer system useless, the Firm will obtain new computer equipment. That process is expected to take 24-48 hours.

Client account database:

SAM uses NetExchange Pro to access all client account information, including account balances, positions, and transactions. In the event that NetExchange Pro becomes inaccessible, we will access client account information via telephone with Pershing, LLC.

Order entry:

SAMA uses NetExchange Pro to enter all orders for our clients. In the event that NetExchange Pro becomes inaccessible, we will phone all orders in to Pershing, LLC.

Telecommunications:

Verizon Business
(888) 649-9500

In the event that SAM's telecommunications system is disabled, we will switch to cellular telephones.

Power source:

ConEdison
(800) 752-6633

In the event of a power outage, we will relocate to our alternate location.

If disabled	Alternative to the primary system	Down time during switch-over	Extent of potential liability (1-5 scale)
Client account database	Telephone	0	1
Order entry system	Telephone	0	1
Telecommunications	Cellular telephones	0	1
Computer system	Obtain new computer equipment	24-48 hours	1
Power source	Relocate to alternate location	1-2 hours	2

Financial and operational assessments

The NASD defines "financial and operational assessments" as "a set of written procedures that allows a member to identify changes in its operational, financial, and credit risk exposures." As demonstrated following the events of September 11, 2001, an SBD of great enough severity can expose a Firm to several risk factors that can potentially put the Firm out of business or cause financial harm to its clients.

It is important, in the face of an SBD, for the Firm to manage the risks that are specific to its business and take whatever steps possible to assure the least amount of impact on its clients.

Operational risk refers to a diminished ability for the Firm to maintain communications with its clients and access key records through its "mission critical systems". In the event of an SBD, we will immediately identify what means of communication are still available to us. Although the effects of an SBD will determine the means of alternative communication, the communications options we will seek to employ will include the telephone, fax, voice-mail, email, and cellular telephones.

Financial risk refers to the Firm's ability to generate revenue, obtain financing, and/or maintain sufficient equity. In the event of an SBD, we will determine the liquidation value of our investments and other assets in order to evaluate our ability to continue to fund our operations and remain in capital compliance. If a determination is made that we are unable to meet our financial obligations or continue to fund our business, we will request additional financing from our banks and/or other credit sources. If we cannot remedy a capital deficiency, we will file the necessary notices with the NASD immediately.

Credit risk is erosion in the Firm's investments due to lack of liquidity in the market. The Firm may be subject to this type of risk in the event of an external SBD of catastrophic proportions such as the events of September 11, 2001. If a similar event were to occur again that is of great enough magnitude to close the markets, the likelihood that there would be a significant negative impact on stock prices is high. In such a case SAM will immediately assess the value of its investments and the liquidity in the market in order to determine its course of action. If we believe that the impact on the market is short-term in nature, we may choose not to liquidate positions. If we believe that the impact on the market is long-term, we will assess our ability to meet our capital obligations in a time of depressed market values. The result of that assessment may be a liquidation of some or all of the Firm's investment positions.

Alternate communications between the Firm and its clients, employees and Regulators

Clients

SAM currently communicates with its clients via telephone, cellular telephone, fax, email, U.S. mail, and personal meetings at the Firm's main office or clients' offices. In the event of a SBD, we will immediately assess the means of communications that are still available to us and seek to use the means closest in speed and form to the means we have used in the past to communicate with our clients.

Employees

The Firm currently communicates with its employees via telephone and email, as well as in person. In the event of an SBD, we will assess which means of communication are most readily available to employ in communicating with our employees.

Regulators

SAM is currently a member of FINRA. We currently communicate with the FINRA/SEC via telephone, email, fax, and U.S. mail. In the event of an SBD, we will assess which means of communication are most readily available to employ in communicating with the FINRA/SEC.

Pursuant to Rule 3520, SAM has provided the FINRA with two emergency contact names and telephone numbers so that they will be able to contact us during an SBD. The following is information that may be vital in dealing with our regulators in the event of an SBD:

Firm information

Smith Asset Management, Inc.
CRD # 43164

NASD - District 10 office

Tel - (212) 858-4000

Fax - (212) 858-4189

NASD – Washington D.C.

(301) 590-6500

SIPC

(202) 371-8300 – phone

(202) 371-6728 - fax

SEC - Market Regulation

(202) 942-0069

SEC - Division of Investment Management

(202) 551-6999

Alternate physical location of employees

In the event that the main office becomes inoperable, the Firm will shift its operations to its alternate location, the personal residence of William B. Smith:

240 East 39" Street, 38B
New York, NY 100 16
(212) 986-0606

This location is reasonably distant from the main office so as to reduce the chance that it too will be affected by the SBD, yet close enough to relocate to quickly if necessary. All of the Firm's employees have been provided with driving directions to this location.

In the event that a SBD incapacitates the main office, the first priority will be the safety of the Firm's employees. If it is possible to salvage equipment and books and records in a safe manner, all of the key components of the office will be removed and transported to the alternate location.

In the event that everything in the office is destroyed or cannot be salvaged, William B. Smith will be responsible for obtaining the backup books and records from the main office and transporting them to the backup location at which time business will resume.

Critical business constituent, bank, and counter-party impact

Critical business constituents

The NASD defines "critical business constituents" as "businesses with which a member Firm has an ongoing commercial relationship in support of the member's operating activities." SAMA has identified its critical business constituents as the following:

Renaissance Regulatory Services, Inc.
350 Camino Gardens Blvd, Suite 105
Boca Raton, FL 33432
Tel - (954) 729-1196
Fax - (561) 807-5442
www.RRSCompliance.com

Pershing, LLC
One Pershing Plaza
Jersey City, NJ 07399
(201) 413-2000
www.Pershing.com

Banks

The following is a list of banks with which we currently have relationships:

Bank Name	Nature of relationship
Citibank	Checking/Savings

In the event of an SBD, we will determine if a need exists for further financing and if so, we will contact the banks with which we currently do business to seek such financing arrangements. If those banks are unable to provide the necessary financing, we will pursue alternative means of obtaining financing through the personal financial resources of the owners.

Counter-parties

Due to the fact that SAM routes all orders directly to its clearing Firm, the counter-party requirement is not applicable to our BCP.

Regulatory reporting

As mentioned previously, SAM is subject to regulation by the NASD. the following is a list of reports we are required to file with the NASD and the manners in which we file:

Report	Method of filing
FOCUS repots	Via Web-FOCUS system on the internet
Financial statements to regulators	Via fax
Form filings (U4, U5, BD, etc.)	Via WEB-CRD

OATS	Filed by Pershing, LLC
ACT	Filed by Pershing
TRACE	Filed by Pershing
RTRS	Filed by Pershing

In the event of an SBD, we will assess which means of transmitting regulatory reports are still at our disposal and work with the NASD to arrive at an acceptable temporary alternative if the normal methods have been disabled.

Prompt access to client funds and securities

Depending on the scope of an SBD many clients may decide to sell securities and/or withdraw funds from their brokerage accounts. SAM does not maintain custody of client funds and securities. Our clearing firm, Pershing, LLC, holds all accounts, funds, and securities. In the event of an internal or external SBD, SAM will employ any method still available (automated order entry system, telephone, fax, email, etc.) to communicate clients’ orders and withdrawal requests to Pershing, LLC in a timely manner.

<i>Potential SBD Scenarios</i>

In an effort to prepare for the variety of effects that different types of SBDs might have on SAM, we have outlined some scenarios and the actions that the Firm will need to take in order to assure that the SBD has the least possible effect on the Firm and its clients. We are aware that the exact ramifications of any type of SBD cannot be predicted precisely and in the event of an SBD, we will take the time to access the firm’s particular resulting situation and take the necessary steps as described in our BCP to handle the situation as effectively as is possible under whatever the circumstances may be.

Illustration # 1 – Internal SBD

In the event that a fire consumes SAM’s main office destroying all hardware and files, after assuring the safety and well-being of our employees, the following actions will be taken:

Effect of SBD	Responsible party	Action to be taken
Personal computers, servers, and data storage hardware are destroyed	William B. Smith	Acquire new computers, transport them to alternate location, and install the necessary software obtained from off-site storage facility. Contact network service provider if necessary to re-establish technological infrastructure and web services.
Books and records are destroyed	William b. Smith	Obtain back-up books and records form off-site facility and transport them for immediate use to the alternate location.
Office is destroyed	William B. Smith	Relocate to the alternate location and establish

		operations. Once business has resumed and is fully operational, start searching for a new main office location.
Telecommunications hardware is destroyed	William B. Smith	Contact service provider to transfer existing service to the alternate location, arrange for necessary hardware and software installations.

We estimate the resumption of business and communications channels within forty-eight (48) hours of the onset of this type of SBD.

Illustration # 2 – External regional SBD

In the event that an earthquake or other natural disaster causes structural damage to our building and the buildings of some of our service providers, including our clearing firm, SAM will make the following assessments and take the following steps:

Effect of SBD	Responsible party	Action to be taken
Building is not structurally sound	William B. Smith	All vital equipment and files will be transported to the alternate location and business will resume promptly. If the equipment and files are damaged beyond use, new equipment (as necessary) shall be retrieved from its off-site storage facility(s).
Clearing firm has been forced to relocate to its secondary business location	William B. Smith	Contact the clearing firm and assess the repercussions of its relocation on its business. Determine which method will be the most effective for delivering customer orders and requests for withdrawals to the clearing firm.
Other vendors are experiencing service interruptions	William B. Smith	Contact vendors to determine when they anticipate being fully operational and make arrangements for the continuance of service, if possible, in the meantime.

Depending on the impact of this particular type of SBD on our third-party vendors, we estimate a range of forty-eight (48) to seventy-two (72) hours for the firm to be able to resume normal business operations.

Illustration # 3 – Catastrophic SBD

In the event of an SBD on the level of the terrorist attack, major natural disaster, political crisis, or other event that is of a magnitude great enough to force the close of the markets but does not *physically* affect SAM, the firm will take the following steps:

Effect of SBD	Responsible party	Action to be taken
The financial markets are closed (other than	William B. Smith	Communicate the situation to clients and assure that the clearing firm will be able to process transactions when

normal market holidays)		the markets re-open.
One of SAM's banks has been significantly affected and cannot continue its business for a prolonged (more than seventy-two hours) period of time	William B. Smith	Contact the bank to determine how funds may be withdrawn and transfer the funds to another account. If funds are frozen for an uncertain amount of time, assess the firm's financial situation and pursue additional financing if necessary.
The firm's investments in the financial markets are frozen	William B. Smith	Perform a risk assessment based on the overall status of the SBD to secede how to best preserve the firm's capital position under a variety of market re-open scenarios.
There is a possibility of further SBDs resulting from the primary SBD	William B. Smith	Test the firm's procedures for handling an SBD that results in the firm's relocation. Assure that back-up systems, hardware, and files are ready to be utilized and can be set up quickly if needed.

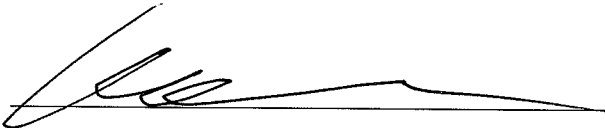
It is virtually impossible to predict a recovery time for this category of SBD due to the scope and the myriad of ramifications on the financial services industry as a whole. We are confident that with the procedures we have in place we will be able to ensure the least possible impact on our clients as dictated by the circumstances.

<i>BCP Training and Education</i>
--

The DP is required to ensure that all employees of SAM are aware of the Firm's BCP and are familiar with the appropriate procedures to follow in the event of an SBD. In consideration of the fact that the Firm's BCP may include particularly sensitive and/or confidential information about the Firm's business operations, it is possible that the BCP in its entirety may not be disseminated to every employee or associated person of the Firm. At the discretion of senior management, the DP may limit the delivery of certain portions of the BCP to the Firm's employees and associated persons.

Senior Management approval of BCP

I have approved this Business Continuity Plan as reasonably designed to enable our Firm to meet its obligations to our clients in the event of a Significant Business Disruption.

Signed:  _____

Print Name: William B. Smith _____

Title: President/CCO _____

Date: 2/1/2008 _____

Appendix List

- Appendix # 1
 - Client disclosure Document
- Appendix # 2
 - Key contacts List
- Appendix # 3
 - Back-up Facilities List
- Appendix # 4
 - Key Systems List

Appendix # 1

Business Continuity Plan Client Disclosure Document

Introduction

The purpose of this letter is to provide you with very important information about Smith Asset Management, Inc. (“SAM”) Business continuity Plan (“BCP”) so that you are aware of what you need to do in the event that our firm experiences a significant business disruption (“SBD”). As a result of our ever-changing and evolving world, it has become necessary for firms in the financial services industry to take steps to ensure their preparedness to meet customer needs and resume regular business operations in a timely manner in the event of an SBD.

There are several types of SBDs varying in severity and scope that may occur on an internal or external level. An internal SBD, such as fire in our building, would only affect the firm’s ability to conduct its normal business. An external SBD, such as earthquake, regional power outage, or terrorist attack, would affect the operations of several firms or the financial markets as a whole.

On April 7, 2004, the Securities and Exchange Commission (“SEC”) approved the new NASD Rule 3500 Series, which requires members to establish emergency preparedness plans and procedures. Rule 3510 requires each member to create and maintain a BCP and enumerates certain requirements that each plan must address. The Rule further requires members to update their BCPs upon any material change and, at a minimum, to conduct an annual review of their BCP. Each member also must disclose to its customers how its BCP addresses the possibility of a future SBDs and how the member plans to respond to events of varying scope.

Effective February 5, 2004, SEC approved Rule 206(4)-7 under the Investment Advisers Act of 1940, which requires SEC-registered investment advisers to establish compliance programs. One of the expected components of such programs is for firms to create and maintain a BCP.

Firm Policy

Our policy is to respond to an SBD in a manner that prioritizes the immediate safety of our employees, preservation of the Firm’s property, and a quick recovery in order to meet the business needs of our clients. If we determine that the SBD has been so catastrophic such that we are unable to continue our business, we will ensure that our clients have prompt access to their funds and securities.

Alternate office location

In the event that the main office becomes inoperable, the firm will shift its operations to its designated back-up facility which is reasonably distant from the main office so as to reduce the chance that it will be affected by the same SBD, yet close enough to relocate to quickly if necessary. All of the firm’s employees are familiar with the back-up facility and have been provided with driving directions.

Back-up books and records

SAM maintains back-ups of all its clients' files and other internal books and records at an off-site facility. Should an SBD cause our primary records to be inaccessible or destroyed, we have procedures in place to access the back-up files and implement them promptly in order to assure the least possible impact on our clients.

Third party business relationships

SAM has business relationships with several entities upon which we rely for varying services. Such entities include our clearing firm, banks, telecommunication providers, etc. we have contacted our essential third parties to access the impact that varying types of SBDs may have on the services we are provided by them. Based on that information we have been able to develop alternate plans to counter any interruptions in these services that we may experience during an SBD.

Key systems

The firm has identified the possibility of a loss of functionality of the systems relied upon for its regular business operations in the event of an SBD. We have enumerated our key systems in our BCP, identified the individual(s) responsible for them, and developed procedures to switch alternative systems should our primary systems be incapacitated. Based on the trial conversions we have run, we expect minimal down time if a situation arises which forces us to switch to our alternate systems.

Potential SBD Scenarios

In an effort to prepare for the variety of effects that different types of SBDs might have on SAM, we have outlined some SBD scenarios and the corresponding actions that the firm will need to take in order to assure that the SBD has the least possible effect on the firm and our clients. We are aware that the exact ramifications of any type of SBD cannot be predicted precisely and in the event of an SBD, we will take the time to assess the firm's particular resulting situation and take the necessary steps as described on our BCP to handle the situation as effectively as is possible under the circumstances we encounter.

Illustration # 1 – Internal SBD

In the event that a fire consumes SAM's main office destroying all hardware and files, after assuring the safety and well-being of our employees, the following actions will be taken:

Effect of SBD	Action to be taken
Personal computers, servers, and data storage hardware are destroyed	Acquire new computers, transport them to alternate location, and install the necessary software obtained from off-site storage facility. Contact network service provider if necessary to re-establish technological infrastructure and web services.
Books and records are destroyed	Obtain back-up books and records from off-site facility and transport them for immediate use to the alternate location.
Office is destroyed	Relocate to the alternate location and establish operations. Once business has resumed and is fully operational, start searching for a

	new main office location.
Telecommunications hardware is destroyed	Contact service provider to transfer existing service to the alternate location, arrange for necessary hardware and software installations.

We estimate the resumption of business and communications channels within forty-eight (48) hours of the onset of this type of SBD.

Illustration # 2 – External regional SBD

In the event that an earthquake or other natural disaster causes structural damage to our building and the buildings of some of our service providers, including our clearing firm, SAM will make the following assessments and take the following steps:

Effect of SBD	Action to be taken
Building is not structurally sound	All vital equipment and files will be transported to the alternate location and business will resume promptly. If the equipment and files are damaged beyond use, new equipment (as necessary) shall be retrieved from its off-site storage facility(s).
Clearing firm has been forced to relocate to its secondary business location	Contact the clearing firm and assess the repercussions of its relocation on its business. Determine which method will be the most effective for delivering customer orders and requests for withdrawals to the clearing firm.
Other vendors are experiencing service interruptions	Contact vendors to determine when they anticipate being fully operational and make arrangements for the continuance of service, if possible, in the meantime.

Depending on the impact of this particular type of SBD on our third-party vendors, we estimate a range of forty-eight (48) to seventy-two (72) hours for the firm to be able to resume normal business operations.

Illustration # 3 – Catastrophic SBD

In the event of an SBD on the level of the terrorist attack, major natural disaster, political crisis, or other event that is of a magnitude great enough to force the close of the markets but does not *physically* affect SAM, the firm will take the following steps:

Effect of SBD	Action to be taken
The financial markets are closed (other than normal market holidays)	Communicate the situation to clients and assure that the clearing firm will be able to process transactions when the markets re-open.
One of SAM's banks has been significantly affected and cannot continue its business for a prolonged (more than seventy-two hours) period of time	Contact the bank to determine how funds may be withdrawn and transfer the funds to another account. If funds are frozen for an uncertain amount of time, assess the firm's financial situation and pursue additional financing if necessary.

The firm's investments in the financial markets are frozen	Perform a risk assessment based on the overall status of the SBD to secede how to best preserve the firm's capital position under a variety of market re-open scenarios.
There is a possibility of further SBDs resulting from the primary SBD	Test the firm's procedures for handling an SBD that results in the firm's relocation. Assure that back-up systems, hardware, and files are ready to be utilized and can be set up quickly if needed.

It is virtually impossible to predict a recovery time for this category of SBD due to the scope and the myriad of ramifications on the financial services industry as a whole. We are confident that with the procedures we have in place we will be able to ensure the least possible impact on our clients as dictated by the circumstances.

Important Contact Information

William B. Smith
 Smith Asset Management, Inc.
 111 Broadway, Suite 808
 New York, NY 10006
 Tel.: (212) 812-9330
 Fax: (212) 812-9336
 billsmith@smithassetmanagement.com

For Additional Information about Our BCP

Should you have any questions in relation to our BCP or this notice, please don't hesitate to contact us at (212) 812-9330.

Summary

At SAM we deeply value the relationships we have built with our clients and we strive to meet their changing needs in any business climate. It is not the intent of this document to assure our clients that there will be no impact on them whatsoever in the event that SAM is affected by an SBD. Rather, we wish to convey the fact that we have developed procedures for varying types of possible SBDs which will allow us to address the effects on our firm on a variety of levels, manage those effects, and utilize our alternate arrangements in a manner that we expect will minimize client impact. In our procedures, we stress the importance of maintaining communications with our clients through as many media as possible so that we may continue to meet their needs and transact business in as smooth a fashion as is possible under whatever circumstances may have arisen.

Appendix # 2

Key Contacts List

Contact Individual	Title	Description of Job Functions	Primary office phone	Primary office fax	Primary office Address	Email
			Alternate phone	Alternate fax	Alternate Address	
William Smith	President CCO	Supervision of overall business	212-812-9330	212-812-9336	111 Broadway, 808 New York, NY 10006	billsmith@smithassetmanagement.com
			917-842-4946	n/a	240 East 39 th Street, 38B New York, NY 10016	
Sam Zimmetbaum	FINOP	Preparation of financial statements	212-812-9330	212-812-9330	111 Broadway, 808 New York, NY 10006	Sa.zimmetbaum@smithassetmanagement.com
					240 East 39 th Street, 38B New York, NY 10016	

Appendix # 3
Back-up Facilities List

Physical Address	Contact Individual(s)	Phone	Fax	Email	Directions from Home Office
240 East 39 th St., 38B New York, NY 10016	Bill Smith	212-986-0606	N/A	Billsmith@smithassetmanagement.com	See attached Mapquest.com page
DocuSafe, Inc. P.O.Box 2234 Princeton, NJ	N/A	888-264-7637	609-259-8291	records@docusafe.com	N/A

Appendix # 4

Key Systems List

Key System Name	Brief Description	Party Responsible
Computer system	All hardware and software	Bill Smith
Telecommunications	Telephone and internet service	Bill Smith
NetExchange Pro	Client account database and order entry	Bill Smith