Excerpt from an SEC Post-Exam Letter to a

Registered Investment Adviser

January 2006

Concerning disaster recovery plans and business continuity plans:

We believe that an adviser's fiduciary obligation to its clients includes the obligation to take steps to protect the client's interests from being placed at risk as a result of the adviser's inability to provide advisory services after, for example, a natural disaster, or the death of key personnel. Contingency planning processes should focus, at a minimum, on the types of disasters that could occur and the potential impact each would have on the firm's business. Types of disasters/contingencies may include:

- Fire, Flood, Tornado, Hurricane, Blizzard
- Terrorist attack, Building Destruction
- Death or disability of key individual(s)
- Evacuation of building/area, Quarantine of area
- Computer crashes, Network failure
- Telecommunication interruptions, Utilities failure

The contingency planning process should include appropriate policies, plans and procedures for handling the large number of factors that are likely to arise in the event of a disaster. These factors are likely to involve:

- Employees
- Clients/Shareholders
- Physical facilities
- Communications
- Information resources
- Business operations
- Regulatory concerns
- Financial resources