

KINSELL, NEWCOMB & DE DIOS, INC.
Business Continuity Plan

I. Introduction

The following is a summary of Kinsell, Newcomb & De Dios, Inc.'s comprehensive Business Continuity Plan (BCP). The summary addresses the possibility of a future significant business disruption (SBD) and how the firm plans to respond to potentially disrupting events. In addressing the events of varying scope, our BCP (1) contemplates scenarios of varying severity; (2) outlines how we plan to continue business during various scenarios and our planned recovery time; and (3) provides general information on our intended response. Information summarizing the firm's BCP will be included with new account information that is mailed to all customers upon opening an account. A more expanded summary is available on the firm's Web site at www.kndinc.com and by mail upon customer request.

Rule: FINRA Rule 4370(c).

II. Firm Policy

Kinsell, Newcomb & De Dios, Inc.'s policy is to respond to an SBD by safeguarding employees' lives and firm property, making a financial and operational assessment, quickly recovering and resuming operations, protecting all of the firm's books and records, and allowing our customers to transact business. In the event that we determine we are unable to continue our business, we will assure customers prompt access to their funds and securities.

A. Significant Business Disruptions (SBDs)

Our BCP anticipates two kinds of SBDs, internal and external. Internal SBDs affect only our firm's ability to communicate and do business, such as a fire in our headquarters building or a loss of power. External SBDs prevent the operation of the securities markets or a number of firms, such as a terrorist attack, a city flood, or a wide-scale, regional disruption. Although First Southwest Company has significant BCP capabilities to deal with internal SBDs, our response to an external SBD relies heavily on other organizations and systems, especially on the capabilities of those firms that clear our trading activity.

B. Approval and Execution Authority

Pamela Newcomb, President and a registered principal, is responsible for approving the plan and for conducting the required annual review. Pamela Newcomb, President, J. Jeffery Kinsell, Executive Vice President and Manuel De Dios, Executive Vice President have the authority to activate this BCP.

C. Plan Location and Access

Kinsell, Newcomb & De Dios, Inc. will maintain copies of its BCP plan and the annual reviews, and the changes that have been made to it for inspection. An electronic copy of our plan is located on the W2KES Server and will also be stored at the firm's recovery site in Carlsbad.

II. Business Description

Kinsell, Newcomb & De Dios, Inc. offers investment banking, financial advisory, and underwriting services to municipalities, school districts and governmental entities. Our firm is an introducing firm and does not perform any type of clearing function for itself or others. Furthermore, we do not hold customer funds or securities. We accept and enter orders. All transactions are sent to our clearing firm, which executes our orders, compares them, allocates them, clears and settles them. Our clearing firm also maintains our customers' accounts, can grant customers access to them, and delivers funds and securities. Our firm services only retail and institutional customers.

Our clearing firm is First Southwest Company, 325 North St. Paul Street, Suite 800, Dallas, TX 75201, 800-678-3792, www.firstsw.com. Our contact person at that clearing firm is John Muschalek, 214/953-4000.

III. Office Locations

Our Firm has offices located in California only. An attached list details the locations, addresses, and telephone numbers of each branch office.

IV. Alternative Physical Location(s) of Employees

In the event of a SBD at our headquarters in Carlsbad, our critical staff will be moved to the firm's recovery site in Carlsbad. The main telephone number in Carlsbad is 760-444-1000. Non-critical personnel will be able to communicate and work from their homes.

Rule: FINRA Rule 4370(c).

V. Customers' Access to Funds and Securities

Our firm does not maintain custody of customers' funds or securities, which are maintained at our clearing firm, First Southwest Company. In the event of an internal or external SBD, if telephone service is available, our registered persons will take customer orders or instructions and contact our clearing firm on their behalf, and if our Web access is available, our firm will post on our Web site that customers may access their funds and securities by contacting First Southwest at 800-678-3792. The firm will make this information available to customers through its disclosure policy.

If Securities Investor Protection Corporation (SIPC) determines that we are unable to meet our obligations to customers, or if our liabilities exceed our assets in violation of Securities Exchange Act Rule 15c3-1, SIPC may seek to appoint a trustee to disburse customer assets.

In such an event, the firm will assist SIPC and the trustee by providing books and records identifying customer accounts subject to SIPC regulation.

Rules: FINRA Rule 4370(a); Securities Exchange Act Rule 15c3-1; see also 15 U.S.C.78eee.

VI. Data Back-Up and Recovery (Hard Copy and Electronic)

Kinsell, Newcomb & De Dios maintains its primary hard copy books and records, and its electronic records at the firm's headquarters. Ray Bishop, CFO, is responsible for the maintenance of these books and records.

The firm backs up its electronic records daily, on data tape. Hard copies and electronic copies are kept at our Carlsbad location and the firm's recovery site in Carlsbad.

In the event of an internal or external SBD that causes the loss of our paper records, or if our primary site is inoperable, we will continue operations from our back-up site or an alternate location from which electronic records can be accessed. For the loss of electronic records, we will either physically recover the storage media or electronically recover data from our back-up site.

Rule: FINRA Rule 4370(c).

VII. Financial and Operational Assessments

A. Operational Risk

In the event of an SBD, we will immediately identify what means will permit us to communicate with our customers, employees, regulators and critical business constituents, banks, and counter-parties. Although the effects of a SBD will determine the means of alternative communication, the communications options we will employ will include e-mail, an alternate web site, pre-recorded telephone messages, and direct telephone contact. In addition, we will retrieve our key activity records as described in the Data Back-Up and Recovery section above.

Rules: FINRA Rules 4370(c)(3),(c)(4),(c)(5),(c)(7),(c)(9) and (g)(2).

B. Financial and Credit Risk

In the event of a SBD, we will determine the value and liquidity of our investments and other assets to evaluate our ability to continue to fund our operations and remain in capital compliance. We will contact our critical banks, vendors and business constituents to apprise them of our financial status. If we determine that we may be unable to meet our obligations to those counter-parties or otherwise continue to fund our operations, we will request additional financing from our bank or other credit sources to fulfill our obligations to our customers and clients. If we cannot remedy a capital deficiency, we will file appropriate notices with our regulators and immediately take appropriate steps to correct any such deficiency.

Rules: FINRA Rules 4370(c)(3),(c)(8 & (g)(2).

VIII. Mission Critical Systems

We have primary responsibility for establishing and maintaining business relationships with customers and have sole responsibility for the mission critical functions of order taking and entry. Our clearing firm provides, through contract, the execution, comparison, allocation, clearance and settlement of securities transactions, the maintenance of customer accounts, access to customer accounts, and the delivery of funds and securities.

Our clearing firm contract provides that our clearing firm will maintain a separate business continuity plan and the capacity to execute that plan. Our clearing firm represent that it will advise us of any material changes to their plans that might affect our ability to maintain our business. In the event our clearing firm executes its plan, it represents that it will notify us of such execution and provide us equal access to services as its other customers. If we reasonably determine that our clearing firm has not or cannot put its plan in place quickly enough to meet our needs, or is otherwise unable to provide access to such services, our clearing firm represents that it will assist us in seeing services from alternative source.

Our clearing firm represents that it backs up our records at a remote site. Our clearing firm represents that it operates back-up operating facilities in a geographically separate location with the capability to conduct the same volume of business as their primary site.

Recovery-time objectives provide concrete goals to plan for and test against. They are not, however, hard and fast deadlines that must be met in every emergency situation. Various external factors surrounding a disruption, such as time of day, scope of disruption, and status of critical infrastructure--particularly telecommunications--can affect actual recovery times. Recovery refers to the restoration of clearing and settlement activities after a wide-scale disruption; resumption refers to the capacity to accept and process new transactions and payments after a wide-scale disruption. Our clearing firm has the following SBD recovery time and resumption objectives: recovery time period of 24 hours and resumption time of 24 hours.

A. Kinsell, Newcomb & De Dios, Inc.'s Mission Critical Systems

1. Order Taking

Currently, the firm receives orders from customers via telephone. During a SBD, either internal or external, we will continue to take orders through any of these methods that are available and reliable. In addition, as communications permit, we will inform our customers about available alternatives for placing orders. Customers will be informed of alternatives by telephone, e-mail, recorded messages, or Internet. If necessary, we will advise our customers to place orders directly with our clearing firm at 800-678-3792, Dallas, Texas.

2. Order Entry

Currently, the firm enters orders by recording them on paper and sending them to our clearing firm electronically or telephonically. Alternatively, we place customer orders through Bloomberg.

B. Mission Critical Systems Provided by Our Critical Service Providers

The firm relies, by contract, on our clearing firm to provide order execution, order comparison, order allocation, the maintenance of customer accounts, delivery of funds and securities, and access to customer accounts.

Rules: FINRA Rules 3510(c)(2) & (g)(1).

IX. Emergency Contacts and Alternate Communications between the Firm and Customers, Employees, and Regulators

A. Emergency Contacts

Kinsell, Newcomb & De Dios has provided emergency contact information to the FINRA. This information will be updated in the event of a material change, and our Executive Representative will review the emergency contact information within 17 business days after year end.

Rule: FINRA Rule 4370(c)(4).

B. Alternate Communications with Customers

The firm now communicates with its customers via the telephone, e-mail, Web site, fax, U.S. mail, and in-person visits at our firm or at the customer's location. In the event of a SBD, we will assess the means of communications still available, and use the means closest in speed and form (written or oral) to the means used in the past to communicate with the other party. For example, if we have communicated with a party by e-mail, but the Internet is unavailable, we will contact them via telephone, and follow up where a paper copy is needed by fax or U.S. mail.

Rule: FINRA Rule 4370(c)(4).

C. Alternate Communications with Employees

We now communicate with employees using the telephone, e-mail, Intranet, and in person. In the event of a SBD, we will assess which means of communication are available, and use the means closest in speed and form (written or oral) to the means used in the past to communicate with the other party. We will also employ a call tree so that senior management can reach all employees quickly during a SBD. The call tree includes all staff home and office telephone numbers.

Rule: FINRA Rule 4370(c)(5).

D. Alternate Communications with Regulators

Kinsell, Newcomb & De Dios, Inc. is regulated by the Securities and Exchange Commission (SEC) and various state securities authorities. We are currently members of the following Self Regulatory Organizations: FINRA and Municipal Securities Rulemaking Board. The firm communicates with regulators using the telephone, e-mail, fax, U.S. mail, and in person. In the event of a SBD, we will assess which means of communication are still available and use the means closest in speed and form (written or oral) to the means used in the past to communicate with the other party.

Rule: NASD Rule 3510(c)(9).

X. Critical Business Constituents, Banks, and Counter-Parties

A. Business Constituents

We have contacted our critical business constituents (businesses with which the firm has an ongoing commercial relationship in support of operating activities), and determined the extent to which we can continue our business relationship in light of an internal or external SBD. In the event a business constituent can no longer provide the necessary products or services, we will quickly establish alternative arrangements.

Rule: FINRA Rule 4370(c)(7).

B. Banks

We have received assurances from banks and lenders that they will continue our business arrangements on the same bases as currently exists in the event of a SBD.

If these banks are unable to provide the financing necessary to continuing operations we will seek alternative financing immediately from other lenders.

Rule: FINRA Rule 4370(c)(7).

C. Counter-Parties

We have contacted critical counter-parties, such as other broker-dealers and institutional customers, to determine whether we will be able to carry out transactions with them in light of an internal or external SBD. Under circumstances where transactions cannot be completed, we will work with those counter-parties directly to make alternative arrangements to complete transactions as soon as possible.

Rule: FINRA Rule 4370(c)(7).

XI. Regulatory Reporting

The firm is subject to regulation by the SEC, FINRA and various state securities authorities. We now file reports with regulators using paper copies in the U.S. mail, and electronically using fax, e-mail, and the Internet. In the event of a SBD, we will communicate with the SEC, FINRA, and other regulators to determine which means of filing are available and use the means closest in speed and form (written or oral) to our previous filing method. In the event that we cannot contact the relevant regulators, we will continue to file required reports using the communication means available to us.

Rule: FINRA Rule 4370(c)(8).

XII. Updates and Annual Review

The firm will update this BCP whenever there is a material change to our operations, structure, business or location. In addition, the firm will review this BCP annually to modify it for any changes in operations, structure, business, or location.

Rule: FINRA Rule 4370(b).

XIII. Senior Manager Approval

I have approved this Business Continuity Plan as reasonably designed to enable our firm to meet its obligations to customers in the event of an SBD.

Rule: FINRA Rule 4370(d).

Signed: Pamela D. Newcomb

Title: President

California Offices

CARLSBAD

2776 Gateway Road
Carlsbad, CA 92009
858/ 793-5900

We engage in order taking and entry at the Carlsbad office.

Kinsell, Newcomb & De Dios Inc.'s Business Continuity Plan **Disclosure Statement**

Kinsell, Newcomb & De Dios Inc. has developed a Business Continuity Plan defining how we will respond to events that significantly disrupt our business. Because the timing and impact of disasters and disruptions are unpredictable, we will have to be flexible in responding to actual events as they occur. With that in mind, we are providing you with the following information.

Contacting Us - If after a significant business disruption you are unable to contact us at 760-444-1000, you should call our customer emergency number at 858-232-8963 or go to our web site at www.kndinc.com. If you cannot access us through either of those means, contact our clearing firm, First Southwest Company, at 800/678-3792 for instructions on accessing funds and securities, entering orders, and processing other trade-related, cash, and security transfer transactions for your account.

Our Business Continuity Plan - After a significant business disruption, we plan to quickly recover and resume business operations by safeguarding our employees and property, making a financial and operational assessment, protecting the firm's books and records, and allowing our customers to transact business. In short, our business continuity plan is designed to permit our firm to resume operations as quickly as possible, given the scope and severity of the disruption.

Our Business Continuity Plan addresses data backup and recovery; all mission critical systems; financial and operational assessments; alternative communications with customers, employees, and regulators; alternate physical location of employees; critical supplier, contractor, bank, and counter-party impact; regulatory reporting; and assuring that customers retain prompt access to their funds and securities if we are unable to continue our business.

Our clearing firm, First Southwest Company, backs up our important records in a geographically separate area. While every emergency situation poses unique problems based on external factors, such as time of day and the severity of the disruption, we have been advised by our clearing firm that its objective is to restore its own operations and be able to complete existing transactions and accept new transactions and payments within 24 hours. Your orders and requests for funds and securities could be delayed during this period.

Varying Disruptions - Significant business disruptions can vary in their scope; for example, affecting only our firm, the building housing our firm, the business district in which our firm is located, the city in which we are located, or the whole region. Within each of these areas, the severity of the disruption can also vary. In a disruption to our firm alone or to the building housing our firm, we will transfer our operations to a local site when needed and expect to recover and resume business within 48 hours. In a disruption affecting our business district, city, or region, we will transfer our operations to a site outside of the affected area and will recover and resume business within 5 business day. In either situation, we plan to continue our business, transfer operations to our clearing firm if necessary, and notify you through our web site, www.kndinc.com, or our customer emergency number, 858-232-8963, regarding how to contact us. If the disruption is so severe that it prevents us from remaining in business, we will assure our customers prompt access to their funds and securities.

For more information - If you have questions about our Business Continuity Plan, please contact Beth Fawcett at 760-444-1000.