July 27, 2009

Ms. Elizabeth M. Murphy
Secretary
United States Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

RE: Proposed Amendments to Rule 206(4)-2
Release No. IA-2876
File No. S7-09-09

Dear Ms. Murphy:

Smith Capital Management appreciates the opportunity to express its views on the proposed amendments to the custody rule referenced above. We strongly believe that the portion of the proposed Rule which would require advisers to undergo an annual surprise audit is not warranted.

As an investment adviser registered with the SEC, under Rule 206(4)-2 we are deemed to have custody due to our position as general partner of a limited partnership. In addition, we have the authority to deduct advisory fees from our clients' accounts, all of which are maintained by an independent, qualified custodian. However, as I understand it, we would be excluded from certain requirements if deducting advisory fees was our only indication of having custody.

In regards to our deduction of management fees, as required by current Rule 206(4)-2, the independent qualified custodian maintaining our clients' accounts delivers account statements on at least a quarterly basis directly to clients, identifying the amount of funds and securities at the end of the period as well as all activity in our clients' accounts. As a result, our clients receive comprehensive account information directly from the qualified custodian allowing them to monitor and reconcile the activity in their accounts. They are also provided a copy of the management fee invoice showing the total fee amount being deducted from their account. In addition, our clients agree in writing that our advisory fees will be deducted directly from their advisory accounts.

Regarding our position as general partner of a limited partnership, we undergo an extensive audit of our books and records by an independent public accountant at the time of our K-1 and tax return preparation. Since we must provide these K-1 and tax return documents to our clients on a calendar year basis, a surprise audit would be in addition to the audit we are already required to undergo. During this year end audit, in addition to verifying client positions, transactions,

performance, payments of fees, etc., due to new accounting regulations, we must also submit to an extensive examination of our internal controls as it relates to general policies and procedures, investment processes, risk identification, etc. We feel this audit is more than sufficient to uncover any unethical practices that could potentially exist. As required by the current custody rule, our clients receive copies of this audited financial statement within 120 days of fiscal year end.

For a firm our size, the cost associated with an annual surprise audit would run anywhere from $10,000.00 to $15,000.00 annually which would cause a financial strain on our company and upon our clients as we would be forced to consider passing this additional cost on to the client in the form of higher management fees. Billing the client direct instead of debiting the fee from the account is really not a feasible option.

We respectfully request that the Commission leave current Rule 206(4)-2 intact and unchanged with respect to advisers who have custody solely because they have the authority to deduct advisory fees from client accounts. In regards to our position as general partner of a limited partnership, we request the commission continue to allow us the option of providing copies of the annual audited financial statements to our partners as we feel these existing safeguards in place are adequate.

Thank you for the opportunity to comment on this matter.

Respectfully,

Linda C. Bass
Chief Compliance Officer