CHAPTER 20

Regulatory Examinations and Audits

By Michelle Jacko, Esq., CSCP
Jacko Law Group, PC | Core Compliance & Legal Services, Inc.

I. THE PURPOSE OF SEC EXAMINATIONS

Overview of the National Exam Program

All investment advisers who are registered with the Securities and Exchange Commission (SEC) are obligated to comply with the Investment Advisers Act of 1940 (the "Advisers Act"). The Office of Compliance Inspections and Examinations (OCIE) is responsible for overseeing the activities of investment advisers to ensure they comply with the rules set forth in the Adviser Act. For such oversight, OCIE conducts examinations through the National Examination Program (NEP).

Mission of the Office of Compliance Inspections and Examinations

The OCIE's mission is to protect investors; maintain fair, orderly, and efficient markets; and facilitate capital formation by conducting examinations.[1] Examination teams are based in eleven regional offices located in Atlanta, Boston, Chicago, Denver, Fort Worth, Los Angeles, Miami, New York, Philadelphia, Salt Lake City, and San Francisco. Washington, DC, serves as the headquarters for OCIE.

The NEP is responsible for examining investment advisers, investment companies, broker-dealers, municipal securities dealers, transfer agents, clearing agencies, self-regulatory organizations, and municipal advisors. Its objectives are threefold:

- To protect investors;
- To maintain market integrity; and
- To gather information for rulemaking.

---

[1] *See* https://www.sec.gov/about/offices/ocie/ocieoverview.pdf

Administration of Examinations

Whether your firm is a target to be examined depends upon your business model. The SEC's examination priorities change year after year. But one thing that remains a constant is the collaboration of the SEC's divisions and offices to perform assessments based on a variety of risk-based factors. They include:

- Gathering information about registrants through filings, examinations conducted by the NEP, records maintained in third-party databases, and media publications;
- Communications with other regulatory agencies and tips from investors; and
- Interactions with various industry groups and service providers.

Each year the OCIE's NEP issues a report of its examination priorities. In recent years, examinations have focused on:

- New investment advisers to private-equity and hedge funds;[2]
- Never-before-examined registered investment advisers;[3]
- Municipal advisors;[4]
- Fraud and prevention;[5]
- Technology (including internal controls, market access, operational capabilities, cybersecurity, and preparedness for system outages and malfunctions);[6]
- Dual registrants, and in particular, supervisory structures and whether a customer is placed in a brokerage or investment advisory account;[7] and
- Advisers who switch from SEC to state registration to unveil potential deficiencies in areas such as suitability and books and records maintenance.[8]

In addition, if a tip, referral, or complaint against a firm is received by a regulator, that firm is more likely to be examined and classified as a "higher risk" adviser. Moreover, if a firm made an investment in a Ponzi scheme, even if that firm is far removed, it is likely that the adviser will be examined as part of the staff's investigation of the underlying issuer.

The SEC's annual request for budgetary resources also impacts the examination process. With additional resources the commission is able to hire additional examiners, expand technology, and advance current regulatory initiatives. Consequently, this has enabled the

---

[2] *See* http://www.sec.gov/about/offices/ocie/national-examination-program-priorities-2013.pdf

[3] *See* http://www.sec.gov/about/offices/ocie/nbe-final-letter-022014.pdf

[4] *See* http://www.sec.gov/about/offices/ocie/national-examination-program-priorities-2015.pdf

[5] *See* http://www.sec.gov/about/offices/ocie/national-examination-program-priorities-2014.pdf

[6] *See* http://www.sec.gov/about/offices/ocie/national-examination-program-priorities-2014.pdf, and Risk Alert on SEC Examinations of Business Continuity Plans of Certain Advisers Following Operational Disruptions Caused by Weather-Related Events Last Year (Aug. 27, 2013), http://www.sec.gov/about/offices/ocie/business-continuity-plans-risk-alert.pdf, and CCLS Risk Management Update on Cybersecurity: Important Considerations for Investment Advisers and Broker-Dealers (May 2014), http://www.corecls.com/cybersecurity-important-considerations-for-ias-and-bds/

[7] *See* http://www.sec.gov/about/offices/ocie/national-examination-program-priorities-2014.pdf

[8] *See* "State Exams Target Former SEC Registered Advisers," *Institutional Investor Compliance Intelligence* (Aug. 22, 2013).

staff to increase the proportion of advisers examined each year and to concentrate on what is deemed to be "higher risk" focus areas, such as custody and performance advertising.

II. THE EXAMINATION PROCESS

Types of Examinations

The SEC generally has four types of examinations. This includes risk-based routine examinations, limited-focus examinations, "sweep" examinations, and for cause examinations as a result of a tip, referral or complaint, whistleblower, rule violation, or emerging risk.

Risk-Based Routine Examinations. Historically, the SEC conducted routine examinations based upon an examination cycle over a set period of time. Today, the NEP conducts its routine examinations based on risk matrices. Consequently, compared to FINRA examinations that typically occur on a two- to three-year cycle, investment advisers may not be aware of the exact timing of their examination. Generally, the longer the period during which an adviser has not been examined, the more likely it is that the firm will be placed in a "higher" risk category.

Limited-Focus Examinations. A limited focus exam is just that: It is an examination that focuses on a particular area such as the compliance program of new advisers to hedge funds and documents such as the Form ADV and compliance manual.

For the risk-based routine and limited-focus examinations discussed above, there are several factors which trigger these types of examinations. Risk analytics are used to help prioritize which firms should be examined first and for how long. Here, the SEC reviews regulatory reports on Form ADV, Form PF, Forms 13F, 13G, and 13H, and other industry databases to determine which advisers pose the highest degree of risk. The staff also considers the date that the adviser was last examined as well as prior deficiencies. Based on performing these quantitative analytics, advisers are strategically selected for examination.

The SEC also will take into consideration its examination priorities and program initiatives. This includes evaluating an adviser's core risks such as fraud prevention and investor protections; corporate governance and the firm's control environment; use of technology and operational capabilities; conflicts of interest, including compensation arrangements, allocation of investment opportunities, and investment strategies for retirees; marketing and performance claims; compliance program advocacy; and complex business structures, including dual registrant models and wrap-fee programs. In addition, SEC staff takes into account new laws and regulations, product risks, and examination priorities. For example, a focused examination may concentrate on an area such as cybersecurity so that the SEC can assess the adviser's security and potential threats, including malware, network breaches, compromises with client accounts, and safeguards for those that have client log-ins.

"Sweep" Examinations. A third type of examination is a sweep examination. During a sweep examination, the SEC conducts an investigation of a particular set of business practices across numerous advisers or funds. Generally, such exams are spurred due to particular business concerns, such as use of social media, disaster recovery efforts, and sale of structured products.

For Cause Examinations. Finally, "for cause" examinations typically are triggered by some event, such as receipt of a customer complaint or receipt of a "tip" from a particular employee or former employee. It also may be triggered based on examination findings that the staff believes warrants further investigation for potential federal security law violations. When a for cause examination commences, the commission may provide the adviser's custodian of records with a letter notifying the firm of the SEC's commencement of an investigation accompanied by either a request list or a subpoena to provide documents and give sworn testimony described in an accompanied attachment. Commonly requested areas include all books and records related to the subject area of the investigation, banks and other financial records, formal testimonies by employees, and interviews with clients. The purpose of this type of examination is to determine whether some type of egregious behavior, such as lying, cheating, or stealing may have occurred, and if it did, whether the adviser was or should have been aware of it. In more formal investigations, the SEC will evaluate scienter and potential violation of the antifraud prohibitions found in Rule 206 of the Advisers Act.

Stages of an Examination

One of the most frequently asked questions posed by advisers is whether they will receive notification prior to the staff coming onsite. The answer: not necessarily. For most examinations, typically the SEC will send an initial document request list to the representative agent listed on the organization's Form ADV. Generally, the adviser will have a certain period of time to respond to the SEC's requests, which may range from a couple of days to two weeks, depending upon the volume of the specific requests. Should the SEC not provide notice prior to entering an organization, the adviser will be given a reasonable period of time, typically between 24 to 48 hours, to readily produce all requested information.

During this initial inquiry and identification stage, the examiner will review the firm's risk factors and assess the adequacy of the firm's policies and procedures for addressing those risks. The examiner will focus on whether firm policies are clearly defined, whether the procedures are followed by personnel, and whether the organization's procedural controls clearly articulate duties for personnel to perform. Concurrently, the examiner will evaluate the effectiveness of supervisory controls, including the type and frequency of supervisory reviews, the records created by the adviser to track and report forensic and transactional test outcomes, and the existence of escalation procedures for exception or outlier results. In assessing organizational risks, the examiner will review past SEC deficiency letters, assess past and current compliance discrepancies, and consider current priorities in the SEC's examination process. In addition, the examiner

will inquire about changes in the firm's business, including new lines of products and services offered, and consider what, if any, potential conflicts of interest might exist as a result. If conflicts are identified, the examiner will explore what checks and balances might be needed to address those conflicts. Finally, the examiner will consider changes that occurred in applicable regulations that might necessitate having the firm revise its policies and procedures.

During the onsite portion of the examination, the commission will continue its evaluation of the firm's compliance program. Similar to an adviser's own annual review process, the examiner will conduct forensic testing using, among other things, its national examination analytics tool (NEAT) to determine whether there is a suspicion of subversion of the compliance system through some means that may be difficult to detect through some other form of testing. For example, the staff will look for aberrational performance and for trends to detect whether there was any insider training at the advisory firm. In other circumstances, the examiner may review broker delegation processes and then listen to telephone calls between the trade test and the broker dealer to help ensure that there are no "arrangements" that would influence brokerage allocation. The ultimate goal during this stage is to help determine and identify whether trends and patterns exist that could evidence misconduct by advisory personnel.

While onsite, the examiners will request to speak with certain personnel at the organization, which typically include C-level executives (i.e., the chief executive officer (CEO), the chief investment officer (CIO), the chief financial officer (CFO), the chief compliance officer (CCO), the chief information officer, etc.). In order to evaluate internal controls, the examination team also may request demonstrations, which typically involve mid-level employees showing the day-to-day processes and protocols they use for surveillance and supervision efforts. Consequently, it is imperative that employees are well prepared in advance prior to speaking to examination staff; (a process described in detail later).

As a result of the interview process and internal demonstrations, the staff may have additional follow-up requests. They may include, among other things, additional interviews, documents, and written explanations describing the firm's compliance control efforts.

Prior to the examiner's departure, the adviser should request an exit interview. During this phase, the adviser will become aware of areas of potential concern that the staff may have found deficiencies on during the course of its onsite review. This will enable the adviser to both clarify any misunderstandings that the examiners may have related to the firm's compliance program as well as to proactively respond to any concerns. If there are areas identified that require action by the adviser, it is best to act immediately and, if possible, provide documentation subsequent to the examination demonstrating what actions were taken or will be taken by the firm.

After the staff has concluded its review, the examiners will determine what type of action(s) should be taken as a result of the findings. The outcomes of an examination

generally are memorialized in the form of a response letter from the SEC. Response letters generally take one of five forms:

- No findings of deficiencies and no further action by the staff;
- A deficiency letter;
- A deficiency letter and request for special meeting;
- Referral of the matter to the SEC Division of Enforcement for a formal investigation; and for reoccurring or recidivist deficiencies; or
- A deficiency letter and referral to another office or division in the SEC, such as the Division of Investment Management.

In some instances, the adviser may not receive any formal letter from the SEC (although this is rare). Most commonly, when a deficiency letter is received, the adviser is requested to respond in writing to the staff about what steps the firm will take to correct any noted deficiencies. It is critical for the CCO to share the deficiency letter with members of the senior management team for collaboration on how the firm will address each of the noted areas.

What Advisers Can Do to Prepare for an SEC Exam

Understanding how an SEC examination is performed is critical to an advisory firm. The keys to a successful examination occur in the preparatory stages, well before the regulators arrive. As part of the overall compliance review, it is important to evaluate the risks within the organization. There are several ways to accomplish this evaluation:

- *Conduct a conflict inventory.* Detecting conflicts and mitigation thereof is one of the most important steps to unveiling potential areas that the regulators will focus on during an examination. Outside business activities, compensation arrangements, side by side management, and most favored nation clauses are some of the most common conflicts that exist for investment advisers. Consider developing a conflicts inventory worksheet, which should be evaluated no less than annually in your organization. Exhibit A at the end of this chapter is a sample Conflict Inventory Worksheet;
- *Review the prior examination's regulatory deficiency letter.* Deficiencies that were noted in the prior examination typically require attention. Ensure that if action steps were noted on the firm's response letter to the SEC, they actually occurred. If changes in business model resulted in the firm not taking such actions, ensure that the firm can document and demonstrate why those actions were not taken. For example, if the adviser noted during the examination that the firm would cease placing performance marketing materials on its website and three years later, the adviser elected to place performance numbers on the website, the firm must be able to demonstrate what internal controls the organization developed to allow it to take actions contrary to representations provided in the response letter (e.g., performance numbers audited and reviewed by auditing firm);
- *Review the latest SEC examination focus areas and any new risk alerts.* Such materials are available at www.sec.gov. These updates will include important information on current examination focus areas. Based on this information, compliance officers should work with senior management to identify potential risk areas;

- *Consider new regulations that were recently promulgated.* Determine whether the firm needs to develop new policies and procedures or enhance existing processes. To conduct this task, compliance officers may wish to consider using an annual compliance policies and procedures worksheet. A sample of this is provided in Exhibit B;
- *Make notes of customer complaints and allegations of wrongdoing.* Timely investigate the legitimacy of such allegations to ensure that internal controls are addressed accordingly.
- *Conduct a risk assessment.* Consider whether the organization should engage an independent third party to conduct a risk assessment of the firm not only to ensure whether books and records are in order, but moreover to identify areas that may require additional attention or enhancement. Should the compliance officer conduct the risk assessment internally, when possible, use independent managers for reviewing the subject areas. A sample of a compliance risk focus matrix may be found in Exhibit C;
- *Gather evidence that the compliance program is "dynamic."* The SEC is evaluating the competency of compliance officers. Therefore, it is important that the CCO be able to demonstrate his or her ongoing continuing education through participation in industry conferences, industry work groups, certification programs, and training. Consider whether to develop a report on all of the different actions that compliance has taken during the course of the year to enhance its competency and increase the dynamics of the firm's overall compliance efforts. Exhibit D provides a sample report;
- *Consider performing a mock SEC regulatory examination.* The NEP initial document request list is readily available on the internet and should be reviewed frequently by the firm's compliance officers to determine whether the firm has such books and records and their preparedness for gathering such information on a timely basis. A sample of a document request list is provided in Exhibit E; and
- *Review SEC "compliance alerts."* This letter addressed to CCOs summarizes select areas that SEC examiners have recently reviewed during examinations and the compliance practices they observed. One recent compliance alert[9] provided various suggestions on notable practices that can help address top examination deficiencies:
  - Test whether the firm's code of ethics is incomplete, not followed, and/or monitoring not performed;
  - Check whether procedures are in place to ensure that trading does not occur in client accounts, employee personal accounts, or the adviser's proprietary accounts while the adviser or its employees are in possession of material, nonpublic information pertaining to that security;
  - Compare performance of client accounts with the performance of personal and firm proprietary accounts employing similar investment strategies to see whether there is any indication of preferential treatment;
  - Ensure that trade allocations are determined prior to or soon after the trades were executed and documented to ensure allocations are consistent with firm policies;
  - Determine how the adviser is managing conflicts of interest in proxy voting and document the process accordingly;
  - Be able to express how the firm is conducting its review of conflicts of interest;

[9] *See* https://www.sec.gov/about/offices/ocie/complialert0708.htm. In addition, advisers should consider staff Letters, Risk Alerts and Special Studies and Reports that can be found at https://www.sec.gov/about/offices/ocie/ocie_guidance.shtml

- Ensure that the firm is providing adequate disclosures of increased risk with respect to liquidity and valuation, as required for riskier investment strategies and products;
- Be sure that the firm is conducting a best execution analysis (including soft dollar usage) and that it is documented;
- Analyze whether high-risk areas are sufficiently staffed, and/or are staffed with individuals that have adequate experience to supervise those areas (examples could include trading, portfolio management, valuation, and performance advertising reviews); and
- Review the advertising and sales literature, including responses to requests for proposal, to ensure that they contain neither false nor misleading information.

Prior to even receiving an examination notice from the commission, the CCO should prepare for the firm's next SEC examination. This can be accomplished by testing whether key personnel within the organization are able to gather the items listed on the NEP document request list on a timely basis. Organization and strong communications are essential to orchestrating an effective system of document retrieval. Protocols on the maintenance of these records should be reviewed by the CCO on a periodic basis, and no less than annually.

Advanced Preparations by the Staff

In preparation for examining an investment adviser, the staff takes very deliberate steps to learn about the registrant, its structural risks, compliance systems, and conflicts of interest that affect its customers and investors. Typically, OCIE begins by reviewing the registrant's Form ADV, website, and marketing collateral to learn how the adviser is representing the firm, its products, and services to its clients, including material disclosures related to its business. From this, OCIE customizes an initial document request list that is delivered to the adviser for production of certain books and records. Among other considerations, OCIE assesses the ability of the adviser to readily produce such documents and evaluates whether they are being maintained in accordance with the Adviser's Act recordkeeping requirements. Data analytics is commonly used by the staff to identify potentially fraudulent, suspect, or illegal activity, to spot adviser representatives who may be circumventing firm policies or federal regulatory requirements, and to evaluate the compliance controls employed by the investment adviser, such as for best execution analysis and insider trading detection.

Depending upon the type of examination, the staff often focuses on how the registrant responds to certain requests for information on current SEC priority areas in which OCIE has found higher levels of deficiencies on previous examinations. Recent examples include business continuity plans, compliance program documents of never-before-examined advisers, and cybersecurity controls.

Areas where potential deficiencies are noted will become a focal point of the staff's onsite portion of the exam.

III. CUSTOMARY REGULATORY REQUESTS

Books and Records Document Requests

Prior to coming onsite to conduct an examination, the SEC staff will review various documents as prepared by the adviser. Most commonly this will include the firm's disclosure documents, marketing efforts and materials (including the firm's website, social media channels, and promotional materials), communications with clients, internal communications, and trade blotter. With this information, the staff will prepare for the onsite examination, focusing on particular areas to gain additional insights and information. Specifically, the examiner will analyze how the firm is proactively addressing higher risk areas through internal controls, considering:

- Does the adviser manage risk effectively at the product and asset class level?
- Are key risk management, control, and compliance functions structured and resourced to be effectively embedded in the business process, while having the necessary independence, standing, and authority to be effective in helping the organization identify, manage and mitigate risk?
- Does senior management exercise effective oversight and is risk management embedded in key business processes, including strategic planning, performance management, and compensation incentives?
- How are internal reviews used to help verify and provide assurance regarding the operating effectiveness of risk management, compliance, and control functions?
- Is the governance of the organization staffed and structured to effectively set risk parameters, foster an effective risk management culture, oversee risk-based compensation systems, and effectively oversee the risk profile of the firm?

Notably, the SEC recognizes that small advisers (defined as five or fewer employees) and/or newly registered advisers face distinct compliance issues. The staff will concentrate on how a small adviser is addressing enterprise risks, particularly because in many instances the small adviser has professionals holding multiple roles. Based on this, the commission will evaluate how conflicts are being managed and what risk management strategies are employed, which will differ for each particular firm and business model.

Finally, the staff will review the adviser's risk management techniques and will reference the adviser's policies and procedures and annual review report for essential elements. During examination, the SEC then will assess not only whether such policies and procedures are effectively implemented but also whether management is setting a "tone at the top" of the organization for fiduciary and regulatory obligations to be taken very seriously. Among other things, the staff will assess the system for oversight of both compliance and risk management generally.

To assist in its assessment of the organization's risk, expect document requests to cover a one- to two-year period to include the following:

- Recent policies and procedures, including any changes made and the date of those changes;
- Client disclosure documents, such as Forms ADV Part 2 and offering materials;
- Investment advisory agreements;
- Solicitor and revenue sharing agreements;
- Code of ethics and corresponding personal trading records;
- Trade blotter, including identification of the firm's ten most and least profitable trades;
- List of terminated client accounts;
- Examples of any violations of firm policies and procedures;
- Soft dollar budget or similar document that describes the products and services obtained using clients' brokerage commissions;
- Description of all positions held in side-pockets or special situation accounts together with their valuation on the date of the related calculation of net asset values;
- Minutes of investment and/or portfolio management committee meetings;
- A list of the firm's investment strategies (e.g., global equity, high-yield, aggressive growth, and long-short), the corresponding performance composite in which the strategies are included, if any, and the identity of the portfolio managers;
- The CCO's written annual review report;
- Risk assessments and internal audit reports;
- Cybersecurity controls;
- Conflict of interest assessments;
- Financial records;
- Organization charts;
- Proprietary performance reports;
- Customer complaints;
- Business continuity plans;
- Corporate records;
- Electronic emails of C-level executives;
- Materials used to promote the firm, including prospective client marketing pieces; and
- Due diligence reports.

The aforementioned documents should be readily available to produce to the staff upon request.

Management and Employee Interviews

The SEC's examination program focuses strongly on the firm's culture of compliance, including tone at the top and effectiveness of the compliance program. To evaluate these areas, the staff frequently reviews such items as firm e-mail communications (particularly to and from senior management team members), the compliance program's annual review report, and prior examination findings, and thereafter, conducts employee interviews.

It is critical for senior management and key employees to be prepared for and understand the examination interview process. Prior to the examination, compliance should meet with such individuals to provide insight into what to expect.

Typically, the staff will ask to speak to specific employees responsible for business risk areas such as trading, portfolio management, operations, finance, and legal/compliance. Employees will be asked about their role(s) and responsibilities within the organization, including firm policies, procedures, reports and forensic tests that they oversee, administer, and become accountable.

Sometimes an employee may be asked about an internal control that he or she may not be completely familiar with. In those circumstances, the employee should be up front and let the examiner know that another individual may be more knowledgeable about that area. It is imperative to always be honest and forthcoming. If the employee does not know the answer to a question, he or she should simply respond "I don't know." The compliance officer also can let the examiner know that he or she will research the answer to the inquiry and get back to the staff as soon as possible.

Many times when conducting an interview, the staff will ask a question, listen to the answer, and then wait a moment to see whether the interviewee has anything to add. Employees should not feel compelled to fill that moment of silence. As a good rule of thumb, examination interviews should be treated and viewed with the same protocols as a deposition; i.e., the interviewee should listen carefully to the question and respond only to the question that is asked. If the staff poses a yes/no question, the employee should simply respond yes or no. Once the question is answered, the employee should stop talking and wait for the next question. Although it is important to be open, the interviewee should not volunteer any information unnecessarily. Moreover, if the employee does not understand the question being asked, he or she should not hesitate to let the examiner know.

As a general rule, the CCO should always be present during the interview process. The CCO is in the best position to help clarify responses relating to the firm's internal controls, clarify the question posed by the staff to the respondent, and help ensure that the most knowledgeable employees are responding to a particular set of inquiries. If the firm determines that the CCO's presence is required during employee interviews, consider documenting this requirement within the firm's compliance policies and procedures manual so that both employees and the staff is aware.

Spend sufficient time training employees on how to prepare for an SEC examination interview. In addition to the above guidance, the following is a list of considerations to address during training:

- Do not interrupt the examiner; let the staff finish asking the question before responding;
- Pause to think before responding to the examiner's question;
- Do not speculate; it is better to reply "I will get back to you";
- Provide concise, clarifying answers;
- Respond only to the question asked;
- Always have the CCO, or a competent delegate, present during employee interviews to take notes, document subsequent books and record requests from the staff, and clarify responses;
- Be professional and respectful; do not provide sarcastic remarks;

- Review key documents, such as the Form ADV, firm policies and procedures manual and investor documents prior to the interview;
- Be able to clearly articulate their role(s) and responsibilities, and particularly how the firm supervises a particular area; and
- If a question is too broad, ask for the examiner to clarify its scope.

It is important for supervisors to be aware of any "gaps" within their area and how to best respond to inquiries when asked. It is important to prepare with outside counsel, as necessary, who can provide guidance on how to address sensitive areas.

Review of Firm Operations and Systems

During the onsite portion of the exam, it is customary for the staff to ask for demonstrations of the firm's operational systems, including those used to survey portfolio management, trading, emails, advertisements, personal trading, and any other area where technology is used to supervise an activity. While firm members should cooperate, it is important to manage this process.

The management should establish a contact person for demonstrating the firm's operational systems. Do not give the examiners free reign to view and access any and all technologies or computer files. Rather, identify what specifically the staff would like to see and have the contact person sit behind the keyboard and demonstrate how the firm performs certain internal control functions.

The contact person should note each area that was demonstrated to the staff. Keep a running list of any specific records requested. This way, the CCO will be able to identify what area(s) the examination team is focusing on and provide supplemental information, as necessary, to further clarify internal controls that the firm has established. If any of the records contain sensitive information, work with outside counsel to determine whether confidential treatment should be requested.

IV. PREPARING FOR A REGULATORY AUDIT

In the continuing aftermath of the Bernard Madoff scandal and the passage and implementation of the Wall Street Reform and Consumer Protection Act of 2010[10] ("Dodd-Frank") there is enhanced focus by federal, self-regulatory, and state regulators to continuously monitor and audit investment advisers and other financial industry participants to foster compliance with the various statutory and regulatory requirements. For advisers and their personnel tasked with designing and implementing the firm's compliance program, this enhanced scrutiny can heighten anxiousness felt in the face of an impending SEC examination. However, with careful and deliberate preparation, anxieties will hopefully lessen while the firm derives several important potential outcomes. They include:

- *A stronger, more effective, compliance program.* The process of preparing for a regulatory examination necessarily entails an internal examination of a firm's compliance

[10] P.L. 111–203, H.R. 4173.

program focused on its design, implementation, and effectiveness. As gaps or deficiencies are identified and addressed, the overall compliance system will become more robust and effective;

- *Increased firm value through reduced risk and enhanced efficiencies.* Compliance programs are designed to enable a firm to fulfill the various statutory and regulatory requirements under which they operate. These requirements are designed to protect investors from bad, unfair, or malicious business practices. The failure of a firm to adhere to these requirements can create a range of liabilities, including fines and other penalties imposed by regulators in enforcement proceedings; costs, including legal fees and human capital expended by the firm to defend a lawsuit or customer complaint; and associated reputational harm and damages that may result. In addition, the more time, money, and attention a firm must devote to putting out "compliance fires" means the less time, money, and attention that firm can devote to its core business. Firms can mitigate compliance risks and address areas of potential concern by conducting periodic internal risk assessments, testing the effectiveness of policies and procedures, ensuring all required records are maintained, and conducting a mock SEC examination to identify and address potential internal control deficiencies. Taking these steps will help to identify areas of the business that could negatively impact investors and expose the firm to liability. At the same time, such steps also will help to identify where protocols need to be enhanced, which will help to create a more efficient and effective compliance program—invaluable to the firm enterprise; and
- *Better responsiveness to examiner requests.* Firms that proactively prepare for a regulatory examination are better prepared to more readily produce requested documents and provide targeted, responsive answers to staff inquiries. One way to accomplish this is to obtain a copy of a recent OCIE examination document request list. This will provide guidance as to specific areas of focus the SEC will concentrate on during the examination and help the firm to organize books and records in advance.

To position the firm for a successful examination, it is essential to plan ahead and establish a solid compliance program. Consider taking the following steps to identify areas that may require attention prior to the staff's arrival:

- Assess the strengths and weaknesses of the firm's compliance program by reviewing policies and procedures, thinking about what risks the compliance program is designed to address. Consider the firm's annual review and assess how effective it is in identifying and ameliorating risks and improving controls so that clients and the firm are better protected;
- Consider changes to the firm's business and whether to modify the compliance program to address such changes. Changes may include new product and service offerings, implementing new investment strategies, expanding into new markets, using new distribution channels, entering into new contractual arrangements, making staff changes, and undertaking strategic outsourcing;
- Evaluate the firm's compliance training program. Make sure all employees are educated about the firm's compliance program, how it works, what responsibilities they

have in connection with the program, and the importance of faithfully administering the program. Senior management should be visibly engaged and supportive of the training program with an eye toward fostering a "culture of compliance";
- Review prior regulatory examination results and ensure that any identified deficiencies have been addressed. To the extent that the firm made a representation that something was done and is no longer applicable, be sure to make a note to the compliance file about what occurred;
- Inventory the firm's books and records to ensure required records are being maintained;
- Consider how compliance officers are documenting compliance and supervisory reviews. Generally, oral reviews do not sufficiently demonstrate to examiners that a review actually took place. Consider the mantra, "if it's not in writing, it's as if the review did not occur";
- Timely review audited financial statements and auditor internal control reports to assess the impact they may have on the firm's compliance program; and
- Be aware of current SEC initiatives and recent enforcement actions. These may be found in a variety of sources—the SEC's website,[11] industry compliance seminars, compliance publications, law firm newsletters, and compliance consultants. Consider how these areas affect your compliance program in light of your business model and how you would respond to an examiner's inquiries on the subject.

Building a dynamic and effective compliance program will position the firm for a successful regulatory examination. The program will help to demonstrate a strong culture of compliance and help to demonstrate the seriousness with which the firm approaches its compliance obligations. This in turn may help boost the examiner's confidence in a compliance professional's explanations if a compliance program deficiency is discovered. On the flip side, failure to demonstrate a positive culture of compliance will likely result in the examiner having an enhanced degree of skepticism toward the firm, its personnel, and its compliance program.

Getting Organized

Strong communication and organization are keys to a successful examination. Senior management should announce to employees that the firm is about to undergo a regulatory exam. To the extent it is known, share information related to when the examination is scheduled to start, the expected duration of the exam, where the staff will be located, and general office protocols. Remind employees that they should:

- Adhere to a "clean desk" policy, whereby all confidential and sensitive information (such as client identifiers) is secured at night;
- Lock file cabinets and secure office doors at night;
- Shred unwanted documents containing confidential client information;
- Guide persons they do not recognize to their destination; and
- Be mindful of conversations within earshot of the examiners.

---

[11] OCIE publishes National Examination Risk Alerts, available on the SEC's website, to draw attention to areas of SEC focus.

To initiate document production, identify a central person to collect and organize all submissions to the staff. Make sure that all files are clearly labeled and in the order requested by the examiners. Remember that the goal of document production is to demonstrate the effectiveness of the firm's compliance processes. Therefore, documentation should reflect how the organization's daily processes and workflows help to achieve compliance with the firm's policies and industry regulations. Consider whether a brief memo or narrative may be needed to describe the purpose and flow of the firm's internal controls.

In addition, determine whether the firm will provide copies to the staff of those documents they wish to duplicate. To control the process, consider providing the examiners with Post-it Notes and ask them to tag which documents they wish to have. Then, duplicate copies of all documents produced to the SEC examiners for the firm and consider a third set for the firm's outside counsel. That way should an issue arise, the compliance officer will know the sources from which the staff is obtaining its information. For production of sensitive information, contact outside counsel to discuss whether to have documents Bates stamped and obtain Freedom of Information Act treatment. This will help to more easily reference such documents, which should also be kept on the firm's privilege logs.

Establish a Primary Contact with the SEC Staff

During the initial interview, establish who the firm's primary contact is to the staff (which typically is the CCO). This will help to streamline the examination process and avoid unnecessary confusion.

The role of the primary contact is multifaceted and includes educator, gatherer, provider, and advocate.

Educator. The primary contact generally is present for most, if not all interviews, and educates the staff about the firm, its products and services, and how they have changed since the last examination. The primary contact also answers or finds the answers to questions that the firm's employees may not readily know.

Gatherer. During the course of the examination, the staff may ask for new or supplemental documents to review. The primary contact is responsible for ultimately gathering, organizing and presenting these documents for production. But beware: Sometimes examiner requests may involve documents from nonregulated members in the firm's group of companies that the firm may not be obligated to produce, such as an affiliated trust company or CPA firm. In these instances, the firm should carefully review each document request prior to production and question the staff about its relevance or applicability if it appears the request goes outside the scope of the examination. As a practice tip, carefully review the disclosure documents that the SEC provides at the inception of the exam. These disclosures will help the firm to understand the SEC's lawful reach and to recognize when it is exceeded.

Provider. The primary contact often liaises between the examiners and firm's senior management team. This includes, among other duties, establishing what days and times interviews will be conducted, who from the staff will explain the purpose and scope of the interview, which employee of the firm is to be interviewed, persons to be present during the interviews (e.g., CCO or legal counsel), the inventory of documents requested by the staff, expected duration of the staff's in-house examination, and the timing of the exit interview.

Advocate. The primary contact also may serve as an advocate for your firm—and the compliance program it has developed. For example, if the staff is concerned about a violation that the firm does not believe has been interpreted correctly, the primary contact may become an advocate, explaining why the questioned practices are legal or inadvertent.

Prepare Employees for the Examination

Throughout the exam, it is critical for firm members to demonstrate competency and knowledge of not only the latest rules, but of the firm's compliance program, particularly for their personal areas of responsibility. Can firm supervisors clearly articulate their risk controls, oversight, and supervision of critical practice areas? Do managers understand their roles, responsibilities, and escalation processes within the organization? Can employees express the firm's email etiquette—what to say and what not to say? Do personnel know how the firm communicates newly adopted firm policies—through departmental meetings, trainings, e-news bulletins, or teleconferences?

In her 2004 speech, "The New Compliance Rule: An Opportunity for Change," Lori Richards, director of the SEC's OCIE, provided the following guidance.

> Compliance staff should continually be asking: Are we detecting problematic conduct with this policy? Based on what we've detected, should we alter our policy? Is there a better way to detect problematic conduct?... Were the actions we took, once problematic conduct was detected, adequate to deter problematic conduct by this individual or others?[12]

Being able to answer these questions articulately and competently is essential to success in today's examination process.

Be Aware of SEC Examination Priorities and Focus Areas

Understanding the SEC's current examination priorities is critical to help prepare the firm for a regulatory exam. As previously mentioned, each year the SEC releases an examination priority document that identifies those areas OCIE believes represents heightened risk to the financial industry and to investors.

---

[12] Lori Richards, The New Compliance Rule: An Opportunity for Change (June 28, 2004).

Recent OCIE priorities include assessing issues related to market-wide risks, retail investors and retirement investors, cybersecurity controls, investment recommendations and related marketing, suitability and fee structures, proxy services, never-before-examined advisers and investment companies, and newly registered municipal advisors.[13]

Information about the SEC's priorities and focus areas is available from a wide array of sources. Visit the SEC's website,[14] which features the NEP's issuance of annual examination priorities, risk alerts, staff letters, and commissioner speeches which often focus on current examination objectives. Also, consider third-party sources, such as law firms, consultants, custodians, and other vendors, who often regularly hold seminars and publish articles that report on current developments in SEC examination and enforcement activities and provide general compliance program guidance.

V. MANAGING A REGULATORY EXAMINATION

Making Good First Impressions

First impressions say a lot about the firm and its culture of compliance. The opening interview often sets the tone for the examination. Consider preparing a presentation that covers, among other matters, an overview of the organization, the firm's affiliates, the products and services offered, the firm's internal control environment, and its compliance culture. This may further support information requested by the staff in its initial document production letter.

In addition, during the examination process the staff will evaluate how the firm embeds risk management into key business processes and decision making. At the onset of the exam, make an effort to outlining for the staff how the firm addresses risks to help set the tone for the firm's culture of compliance.

Finally, be sure to proactively establish the firm's internal control and risk management environment at the onset. This is accomplished by:

- Demonstrating how the firm has updated its policies and procedures to prevent, detect, and correct violations of the federal securities laws;
- Evidencing where the compliance program enhanced its tests that were done previously; and
- Explaining the type of testing performed on various policies and procedures (transactional, periodic, and forensic) to help identify circumvention and ensure efficacy.

Setting Ground Rules and Controlling the Process

During the initial interview, set the ground rules for the examination. Establish what time the examination will commence each day, who will serve as the firm's primary

[13] This list is not all-inclusive. For additional information, *see* http://www.sec.gov/about/offices/ocie/national-examination-program-priorities-2015.pdf

[14] *See* http://www.sec.gov/about/offices/ocie.shtml

contact for the staff, what days and times interviews will be conducted, and the expected duration of the staff's in-house examination.

The examination can be further managed and controlled by having key firm personnel proactively take the following steps:

1. Identify the securities regulations that govern the firm's practice areas;
2. Review policies and procedures for clarity and effectiveness, noting any potential areas of concern; and
3. Gather compliance program documentation in advance, such as risk assessments, annual review reports, exception reports, training program documents, and books and records substantiating the strength of the organization's internal and supervisory controls.

These advanced preparations will help the firm's management team to refresh their knowledge in key areas and be organized for both interviews and subsequent document production.

Demonstrating the Dynamics of the Compliance Program

The SEC is increasingly interested in evaluating whether a firm's compliance program is *dynamic*. To prove that the compliance program is robust, it is important to demonstrate the adequacy of resources dedicated to compliance and the effectiveness of compliance controls (e.g., supervision, compliance training initiatives, and technology management). Show examples of the firm's proactiveness in detecting and preventing potential compliance concerns, and illustrate support for compliance by senior management (the tone at the top). Consider formulating a one-page report highlighting those efforts.

For example, begin by gathering supporting documentation of the compliance efforts. If the risk management or compliance officer has a formal process for reviewing and identifying risk in the organization, have it available for review by the staff. Be prepared to discuss how the analysis was prepared (often termed risk mapping) and what procedures are in place to evaluate enterprise risk.

To help demonstrate the compliance process, consider maintaining a log and supporting documentation of when policies and procedures change or new ones are implemented. This may help the staff to better understand which policies and procedures were in place when the activity or transaction they are examining occurred.

In addition, gather documents evidencing the firm's investment in compliance. If the firm has purchased new compliance software, hired new compliance personnel, or encouraged compliance staff to participate in industry conference or compliance membership organizations, document this. List third-party sources, such as outside counsel, consultants, and others used to provide compliance training.

Perhaps most importantly, demonstrate that compliance personnel are competent. Discuss how the CCO keeps abreast of new laws, regulations, and interpretations, such

as by attending educational meetings and reading industry periodicals. List how the CCO has taken this information and applied it to the compliance program, such as through enhancements made to review processes, exception reports, and the forensic testing performed on the organization's procedures. Maintain copies of conference and reference materials to help further support the initiatives.

Advocating the Organization's Position

A prime goal once the examination begins is to be an advocate for the firm—and the compliance program it has developed. If the staff is concerned about a violation that the firm member does not believe has been interpreted correctly, advocate the case to the staff. Be able to explain why the questioned practices are legal or why they are inadvertent. In doing so, be careful to avoid confrontations with the SEC. If the liaison believes something is awry, he or she should request a meeting with the senior inspection staff to further advocate the firm's position.

When to Create Custom Reports

Many advisers struggle as to how proactive they should be during an SEC exam. Although the liaison does want to provide the staff with meaningful information responsive to the regulator's inquiries, he or she also does not necessarily want to provide custom reports that could confuse or mislead the commission. The following are some dos and don'ts to consider:

- Do ask the regulator staff whether to create a customized report created to assist in the review;
- Do not imply or infer that a "new" report was part of your compliance program (unless it really was);
- Do create a custom report if it will be helpful to explain the firm's controls;
- Do not create a custom report if the report itself is complex or would raise additional questions;
- Do negotiate cumbersome requests; and
- Do not fail to provide the staff with reports and documents requested during the investigation which are responsive to their requests.

The Advisers Act sets forth various books and records requirements that may or may not include these customized reports. However, even if not required, should certain reports and records be maintained and presented in the examination process, that practice may go a long way in making the examination run as smoothly and as efficiently as possible. For example, if the firm has a formal process for reviewing and identifying risk, have it available for review by the staff. Be prepared to discuss how the risk manager or CCO went about preparing the analysis (risk mapping) and what procedures keep the document organic and representative of the organization's business, regulatory, operations, and reputation risk. Although examiners are focused on the firm's compliance with the Advisers Act, other applicable regulations, and written policies and procedures, there is

a certain amount of comfort that comes with examining a well-run, thoughtful business organization that evaluates risk at all levels. In addition, it is likely that the staff may ask to see documentation of how the organization's policies and procedures address and mitigate the risks that have been identified.

Reports that demonstrate compliance processes and trends are important. Consider maintaining a log and supporting documentation of changes or implementation of new policies and procedures. This may help the staff to better understand which policies and procedures were in place when the activity or transaction they are examining occurred.

Reports also can help demonstrate your review plan for the organization's compliance program, including projects completed and/or scheduled and timelines for performance. Be sure to include supporting documentation: the review process, exception reports, and forensic testing performed on the organization's procedures. Remember to maintain copies of all work papers.

Finally, "gap reports," which capture weaknesses identified within the compliance program, are helpful to demonstrate that a gap was identified and timely corrected. Consider maintaining records that evidence the timeline of detection, corrective steps taken, and preventative plans for the future. If a resolution has not been reached, include a proposed action plan and keep track of its implementation.

VI. FINAL STAGES OF THE EXAMINATION PROCESS

Generally, the SEC will advise a firm when it is nearing the completion of its onsite portion of the exam. Often, this is accompanied by final document requests and perhaps an exit interview with the senior management team, as further described below. However, typically, the examination process will not end here. The staff often returns to their offices and continue the examination by reviewing and analyzing additional documents, consulting with other departments, finalizing their conclusions, and preparing finding. Consequently, the final portion of the onsite exam presents a critical opportunity for the firm's employees and leaders to make a lasting impression.

The Exit Interview

Depending upon the type of exam and initial findings, the staff may communicate potential problems they detected so the liaison gains a sense of the examiners' concerns. If not, he or she should attempt to engage them to ascertain this vital information. This can be accomplished during one of two stages: the preliminary exit interview or the exit interview.

The preliminary exit interview is an informal meeting that takes place prior to the examiners' conclusion of the onsite portion of the exam. Initial findings, follow-up inquiries, and areas of potential concern may be discussed. The exit interview generally consists of a meeting with the staff and advisory personnel to discuss preliminary exam

results. Although the exit interview may be done at the conclusion of the onsite exam, typically it occurs telephonically. If the examiner does not schedule an exit interview, the liaison should request one.

The exit interview provides several important opportunities, including the opportunity to gain a greater understanding of the examiner's preliminary concerns and conclusions. By discussing these concerns, the liaison may have the opportunity to provide additional information, context, or insight that could soften or ameliorate the staff's concerns. Keep in mind that part of the examination process involves the staff learning the firm's business. The regulatory staff may not have received or understood all of the information that may be relevant to a concern. By understanding the factors that led to the examination's conclusions, the liaison may be able to provide additional insights and information about the business or compliance program that can clear up a potential gap prior to a deficiency letter being issued or other action taken. By gaining an understanding of the examiners' concerns, the liaison may also be able to take corrective action that will cause that finding to come off of a deficiency letter. An exit interview is also a good opportunity to reinforce to the examiners the firm's commitment to compliance at a time when the examiners are determining whether a matter of concern rises to the level of a deficiency or warrants a referral to enforcement. Remember, examiners are people, and reinforcing the organization's eagerness to maintain an effective compliance program at a critical time in the staff's decision making could make a difference during the final stage of analysis.

Post-Fieldwork

After the onsite portion of examination is completed, the staff will continue to work to refine the preliminary analyses into final conclusions. During this period, the examiners may request supplemental information either through interviews or document requests. The staff also may consult other staff members or divisions within the SEC for input for the analysis. In addition, opinions of SEC legal and accounting staff may be sought to ensure consistency, and the staff may compare preliminary findings with those of similar firms.

It is during this post-fieldwork time that the examiners finalize their conclusions as to the results of the examination. If a long period of time has passed and the organization has not heard from the staff, consult with counsel about whether to contact the staff to learn the findings.

Examination Outcomes

Depending on the scope and complexity of the examination, the length of the examination may be as short as a few days or weeks or it could take months to complete. In general, the SEC will seek to complete the examination within 120 days after it commences. However, if the staff is unable to complete its work within that timeframe, the SEC will notify the firm and provide an estimate about when the examination's estimated

completion is. Once the staff finalizes the examination results and determines what actions should be taken as a result of its findings, the firm will be notified in writing.

Several results can occur from an examination, each representing a different level of seriousness and severity.

The most desirable finding is a closing letter with no comments or recommendations at this time. If the firm fortunate enough to receive this notice, keep in mind that the staff is simply stating that it did not uncover any deficiencies during the examination and not that there were no deficiencies that could be found. Continue to actively refine and implement the compliance program so it remains as robust as practicable.

The most common result, however, is for some deficiencies to be discovered during the course of the examination. In these cases, the advisory firm will receive a deficiency letter, generally within 90-days of the exam's conclusion that describes the issues discovered by the staff during the examination. The letter typically cites regulations supporting the staff's findings and could also describe remedial steps the adviser should take to address the deficiencies. The deficiency letter requires the recipient to submit a written response to each deficiency, including the steps the firm plans to take to address any noted gaps. The response to the deficiency letter generally is due within 30 days from receipt.

When serious deficiencies are discovered, and particularly those that harm investors by putting client funds or securities at risk, the staff may refer the deficiencies to the SEC's Enforcement Program or another regulator (such as the state, and SRO or other federal agency). Based on this referral, the Division of Enforcement or other regulator will make a determination whether and to what extent it will investigate those areas. Should a formal investigation ensue, the adviser will receive a formal order, which typically is accompanied by a subpoena for certain books and records. As further described below, at the conclusion of the investigation, the Division of Enforcement or other regulator will either conclude the matter with no findings or recommend an enforcement proceeding against the firm.

Considerations for Responding to a Deficiency Letter

The firm's response to a deficiency letter is of critical importance. Deficiency letters should be addressed as soon as practical, with high priority placed by the firm on how areas of concern will be addressed.

In the event the firm is unable to address a deficiency in the time frame set forth in the deficiency letter, request more time and explain why additional time is necessary. The staff generally will grant a request for extension if the rationale provided for the delay is reasonable.

If the firm had an exit interview, the liaison likely has a good idea of the issues that will be identified in the deficiency letter well in advance. Accordingly, consider the feedback already received from the staff on areas of potential concern. Take steps where necessary

to remediate those deficiencies so that the firm's proactiveness can be highlighted in the response letter.

Be deliberate and exacting when describing the firm's corrective actions in the response. The SEC will be looking for the firm to memorialize and demonstrate its understanding and awareness of risk identification and mitigation by carefully managed protocols to both correct infractions and prevent future violations from occurring.

Responses to a particular deficiency often acknowledge the issue and describe the remedial steps that the firm intends to, or has already, implemented. Some firms may wish to communicate with the examiners, particularly on more serious infractions, because the remedial action plan is formulated to ascertain whether the proposed steps address the staff's concerns. Although the staff will not provide guidance on the adequacy of the control measures, they may provide feedback as to whether the control appears reasonable.

In other instances, the firm may disagree with the staff's conclusion. In those instances, carefully work with outside counsel to formulate a well-thought out written response to articulate the organization's position. There may be additional information that the staff was not aware of that could impact their findings and alter their conclusions.

The response letters to a deficiency letter are carefully analyzed by the staff. To the extent that the staff is satisfied with the proposed remedial steps set forth by the firm, the examination is closed. However, if the examiners find the response unacceptable—either because the firm has not taken the examination findings seriously or the proposed remedial actions are inadequate (among other things)—the examiners may request additional information or schedule an additional onsite visit to the firm to further investigate or they may simply refer the deficiencies to the Enforcement Division.

Formal Inquiries

When the staff discovers matters of serious concern, the Division of Enforcement will launch a formal inquiry to investigate the facts and circumstances to help ascertain whether any illegal activity has occurred and if enforcement proceedings or other actions are warranted.

Formal inquiries are launched by the director of the Enforcement Division or his or her designees issuing a formal order for investigation. If a copy of the formal order is not given to the subject of the investigation, it should be requested. The formal order may give valuable insight into aspects of the investigations such as the scope of the investigation and the securities law violations that are suspected to have taken place. In addition, the formal order can inform the firm which individuals and entities are "targets" of the investigation, the activities being investigated, and key documents and other evidence that may be pertinent to the investigation.

Unless related to a perceived industry-wide problem, formal inquiries are typically private matters. Although initially this may help to shield the firm and its principals from

potential negative fallout in the form or reputational risk and/or loss of goodwill from being the subject of a formal inquiry, the recipient will nevertheless need to determine if and when disclosure of the investigation is necessary. For example, a hedge or private equity fund that is actively raising capital will need to determine whether and when the formal investigation becomes a material risk based on the nature of the investigation and the surrounding facts and circumstances. If the general partners of the fund believe that the investigation has a strong likelihood of leading to an administrative proceeding that would materially and negatively impact the financial condition of the fund, then they should weigh whether disclosure of the investigation to investors is appropriate so as to not be fraudulent and misleading. Actively continuing to raise funds while the investigation is undisclosed could lead to rescission rights of the investors and potential lawsuits.

Anyone who is the subject of a formal inquiry should engage legal counsel to advise and represent them throughout the process. Counsel can help the firm launch its own internal investigation into the area(s) of concern. This may help to ascertain whether there is indeed a problem, and if so, allow the firm to determine the best course of action to take (which could include self-reporting, preparing employees for on-the-record interviews, responding to subpoena requests for information, and, if applicable, designing and implementing a remedial action plan to address identified issues). Keep in mind, however, that the firm should not interfere with the SEC's investigation or take steps to cover anything up if something negative is discovered. If the firm does embark on its own internal review, consider whether these efforts should be directed through counsel. In most circumstances, this will help to ensure that the results of the investigation are protected by attorney-client privilege.

Enforcement Proceedings

When a serious problem is found during the course of an examination, the staff will refer the matter to the SEC's Division of Enforcement. In making this referral, the staff will consider, among other things, whether investors are harmed; whether there are indications of fraud; whether misconduct is ongoing or severe; whether the perpetrator profited from illicit activity; whether the firm's supervisory procedures are appropriate and adequate; whether there is intentional misconduct; the statutes or rules potentially violated and whether the alleged misconduct touches upon an area of emphasis for the SEC.

Each year, a significant portion of the SEC's enforcement cases come against regulated entities referred by the staff through the examination process. The Division of Enforcement reviews all referred matters by the staff and then decides whether to conduct a formal investigation. To proceed, the staff must obtain authorization from the commission through the issuance of a formal order of investigation ("formal order") (as further described above). Once a formal order of investigation is issued, the staff embarks on broad fact finding and investigation that could involve administration of oaths, subpoena of witnesses, compelling document production and taking testimony.[15]

---

[15] 15 U.S. Code §80b-9.

Following the investigation, the SEC staff will determine whether to take no action or to present the findings to the commission for its review and consideration of bringing enforcement proceedings.[16] Based on its findings, the SEC will determine whether to pursue prosecution through a civil suit either in the federal courts or an administrative proceeding.

In civil actions, it is common for the commission to seek an injunction to prohibit future violations, request monetary penalties, seek the disgorgement of ill-gotten gains and even bar or suspend individuals from acting in certain capacities within the securities industry.[17]

Administrative proceedings result in similar orders from the commission. However, in addition, for regulated persons and entities, the commission may revoke or suspend a license or registration and impose bars and sanctions.

For individuals and entities that do cooperate with the commission's investigation, certain benefits may accrue. These can range from reduced charges and sanctions to taking no enforcement action at all.[18]

In the event that the staff will be recommending an enforcement proceeding, Securities Act Release 5310 permits persons involved in an investigation to present a statement to the staff setting forth their position.[19] This is known as a "Wells Notice." The purpose of the Wells Notice is to inform the firm or individual of the nature of the charges the staff is considering and permit the proposed defendant a unique opportunity to respond to allegations prior to the commencement of enforcement proceedings. Although a Wells Notice is not required to be delivered to potential targets of an enforcement action, it is the general practice of the SEC to issue the notice.[20]

The potential defendant is provided with an opportunity to submit a brief, referred to as a "Wells Submission." The purpose of this response is to communicate to the staff the factual, legal and/or policy reasons why the commission should not bring an enforcement action under the circumstances. Although a Wells Submission is usually driven by the submitter's sincere hope that the response will influence the staff not to recommend the firm to enforcement, it is more likely that the Wells Submission will be used for purposes of settlement discussions and mitigating potential penalties for alleged infractions.

Wells Submissions are not required, and the question of whether to make one can be extremely difficult. This is because the Wells Submission is not privileged. In fact, a

---

[16] *See* http://www.sec.gov/News/Article/Detail/Article/1356125787012#.VR3S52cU-Uk

[17] For more information, *see* http://www.sec.gov/divisions/enforce/about.htm

[18] *See* http://www.sec.gov/spotlight/enfcoopinitiative.shtml

[19] *See* Sec. Act Rel. No. 5,310, 1972 WL 18218 (SEC) (Sept. 27, 1972).

[20] In 1972, SEC Chairman William J. Casey appointed a committee (chaired by John Wells and commonly referred to as the Wells Committee) to make recommendations as to the SEC's enforcement actions. As part of this, the Wells Committee recommended an opportunity for the prospective defendant to submit a response to the staff, which would be forwarded to the commission along with the staff's memorandum recommending an enforcement proceeding.

Wells response can provide a blueprint of the defense strategy and be used against the potential defendant at hearing. Furthermore, the staff may share the Wells Submission with other governmental bodies, which may pursue additional actions. For private litigation matters, a Wells Submission is discoverable, which can be detrimental on numerous fronts.

On the other hand, a Wells Submission can accomplish various important objectives. It can be used to articulate deficiencies in the staff's record, which could help in negotiating less onerous charges and citing less egregious violations. The Wells response also provides an opportunity to highlight the firm's or individual's remedial actions and to persuade the staff not to go forward with an enforcement proceeding.

Accordingly, a Wells Notice recipient should work closely with experienced counsel to consider all of these relevant factors in order to determine whether to make a Wells Submission and, if so, what arguments and information to include within it.

Finally, a Wells Notice allows the potential defendant an opportunity to pursue settlement discussions. Factors to consider in determining whether to pursue settlement discussions include: the strength of the firm's case; the magnitude of the negative impact on the firm's business; the organization's ability to fund litigation; and the potential magnitude of sanctions from an adverse result.

Pursuant to the Dodd-Frank Act, the SEC is required to notify a potential defendant no later than 180 days from issuance of the Wells Notice of the commission's intention to proceed with an enforcement proceeding or its decision not to recommend the potential defendant to enforcement. For cases that the director of the Division of Enforcement or his or her designees determine are sufficiently complex, the deadline can be extended for up to two additional 180-day periods.

If the staff does proceed with recommending a matter to enforcement, then the five-member commission must vote to authorize the case. The commission will receive from the staff its recommendation in an action memo, which details the facts and legal basis for the claims, outlines any policy issues or litigation risks, and lists the proposed remedies, which may include cease and desist orders, fines and penalties, disgorgement, engagement of an independent consultant or monitor, permanent bars from the industry, and admissions of guilt, among others.

The SEC's *Enforcement Manual*[21] provides invaluable information relating to the enforcement process, including the initiation of an investigation, the Wells process, enforcement recommendations, what to expect at enforcement proceedings, and other procedural considerations.[22] The commission will review the recommendations of the SEC staff in the action memo and will decide whether to proceed with enforcement. Once the matter is heard, at the conclusion of the proceeding, the court or judge will

---

[21] SEC, http://www.sec.gov/divisions/enforce/enforcementmanual.pdf

[22] Additional guidance, e.g., on the assessment of money penalties, may be found at 15 U.S. Code §78u-2.

render a decision. If a decision is rendered against the defendant, then that entity and/or individual is either directed or ordered to comply with the judgment. Once the defendant complies with the terms of any orders and decisions that have been entered, then the enforcement process concludes.

VII. CONCLUSION

The key to a successful SEC examination is preparation. Having a robust, well thought out compliance program that is supported by senior management will go a long way to demonstrate to the staff the firm's culture of compliance. Do take time to truly test the effectiveness of policies, procedures, and internal controls during the annual review. Engage an independent third party to conduct a mock SEC examination. Review conflicts of interest frequently and ensure that they are disclosed to your clients and investors. Be proactive to promote compliance education. Ensure that supervisors are competent and understand their roles and responsibilities. Taking these steps will not only prepare the firm for a regulatory examination, but will help foster the firm's reputation and instill confidence with investors.

EXHIBIT A. SAMPLE CONFLICTS INVENTORY WORKSHEET

	Business Area	Conflict	Type of Conflict	Control	Potential Impact	Material[1]	Does this Need to be Disclosed?	If Not, Why Not?
1	Brokerage/Trading	Trading Execution Including Commissions	Client/Firm	☐ Avoid by Elimination ☐ Firm Approach ☐ Mitigate & Disclose ☐ Manage & Disclose	☐ Low ☐ Medium ☐ High	☐ Yes	☐ Yes ☐ No	
2	Brokerage/Trading	Principal Transactions	Client/Firm	☐ Avoid by Elimination ☐ Firm Approach ☐ Mitigate & Disclose ☐ Manage & Disclose	☐ Low ☐ Medium ☐ High	☐ Yes	☐ Yes ☐ No	
3	Brokerage/Trading	Affiliated Underwriting Activities	Client/Affiliate	☐ Avoid by Elimination ☐ Firm Approach ☐ Mitigate & Disclose ☐ Manage & Disclose	☐ Low ☐ Medium ☐ High	☐ Yes	☐ Yes ☐ No	
4	Brokerage/Trading	Cross Transactions	Client/Client	☐ Avoid by Elimination ☐ Firm Approach ☐ Mitigate & Disclose ☐ Manage & Disclose	☐ Low ☐ Medium ☐ High	☐ Yes	☐ Yes ☐ No	
5	Brokerage/Trading	Soft Dollar Arrangements	Client/Firm	☐ Avoid by Elimination ☐ Firm Approach ☐ Mitigate & Disclose ☐ Manage & Disclose	☐ Low ☐ Medium ☐ High	☐ Yes	☐ Yes ☐ No	
6	Brokerage/Trading	Step-Out Trades	Client/3rd Party/Firm	☐ Avoid by Elimination ☐ Firm Approach ☐ Mitigate & Disclose ☐ Manage & Disclose	☐ Low ☐ Medium ☐ High	☐ Yes	☐ Yes ☐ No	
7	Brokerage/Trading	Client Directed Trading	Client/Firm	☐ Avoid by Elimination ☐ Firm Approach ☐ Mitigate & Disclose ☐ Manage & Disclose	☐ Low ☐ Medium ☐ High	☐ Yes	☐ Yes ☐ No	
8	Brokerage/Trading	Directed Brokerage Arrangements (Clients instruct an adviser to send transactions to a specific broker-dealer for execution.)	Client/3rd Party/Firm	☐ Avoid by Elimination ☐ Firm Approach ☐ Mitigate & Disclose ☐ Manage & Disclose	☐ Low ☐ Medium ☐ High	☐ Yes	☐ Yes ☐ No	
9	Brokerage/Trading	Trade Aggregation and Block Trading	Client/Firm	☐ Avoid by Elimination ☐ Firm Approach ☐ Mitigate & Disclose ☐ Manage & Disclose	☐ Low ☐ Medium ☐ High	☐ Yes	☐ Yes ☐ No	
10	Brokerage/Trading	Allocation of Investment Opportunities	Client/Firm	☐ Avoid by Elimination ☐ Firm Approach ☐ Mitigate & Disclose ☐ Manage & Disclose	☐ Low ☐ Medium ☐ High	☐ Yes	☐ Yes ☐ No	
11	Brokerage/Trading	Sequential Transactions (Engaging in securities transactions in one account that closely precede transactions in related securities in a different account.)	Client/Client	☐ Avoid by Elimination ☐ Firm Approach ☐ Mitigate & Disclose ☐ Manage & Disclose	☐ Low ☐ Medium ☐ High	☐ Yes	☐ Yes ☐ No	

12	Brokerage/Trading	Trading with Affiliated Broker-Dealers	Firm/Affiliate/Clients	☐ Avoid by Elimination ☐ Firm Approach ☐ Mitigate & Disclose ☐ Manage & Disclose	☐ Low ☐ Medium ☐ High	☐ Yes	☐ Yes ☐ No	
13	Brokerage/Trading	Investments in issuers of securities that are also Firm clients	Client/3rd Party/Firm	☐ Avoid by Elimination ☐ Firm Approach ☐ Mitigate & Disclose ☐ Manage & Disclose	☐ Low ☐ Medium ☐ High	☐ Yes	☐ Yes ☐ No	
14	Brokerage/Trading	Solicitation Arrangements/Payment for Client Referrals	Firm/3rd Party	☐ Avoid by Elimination ☐ Firm Approach ☐ Mitigate & Disclose ☐ Manage & Disclose	☐ Low ☐ Medium ☐ High	☐ Yes	☐ Yes ☐ No	
15	Brokerage/Trading	Trade Errors	Client/Firm	☐ Avoid by Elimination ☐ Firm Approach ☐ Mitigate & Disclose ☐ Manage & Disclose	☐ Low ☐ Medium ☐ High	☐ Yes	☐ Yes ☐ No	
16	Brokerage/Trading	Proprietary Investing	Employee/Firm	☐ Avoid by Elimination ☐ Firm Approach ☐ Mitigate & Disclose ☐ Manage & Disclose	☐ Low ☐ Medium ☐ High	☐ Yes	☐ Yes ☐ No	
17	Portfolio Management	Consistency with Investment Style	Client/Firm	☐ Avoid by Elimination ☐ Firm Approach ☐ Mitigate & Disclose ☐ Manage & Disclose	☐ Low ☐ Medium ☐ High	☐ Yes	☐ Yes ☐ No	
18	Portfolio Management	Side-by-Side Portfolio Management (Commingled Products vs. Separate Accounts) Trade Allocation	Client/Firm	☐ Avoid by Elimination ☐ Firm Approach ☐ Mitigate & Disclose ☐ Manage & Disclose	☐ Low ☐ Medium ☐ High	☐ Yes	☐ Yes ☐ No	
19	Portfolio Management	Side-by-Side Portfolio Management (Long/Short vs. all Long Accounts) Trade Allocation	Client/Firm	☐ Avoid by Elimination ☐ Firm Approach ☐ Mitigate & Disclose ☐ Manage & Disclose	☐ Low ☐ Medium ☐ High	☐ Yes	☐ Yes ☐ No	
20	Portfolio Management	Serving as Subadviser to Registered Mutual Funds	Client/Firm	☐ Avoid by Elimination ☐ Firm Approach ☐ Mitigate & Disclose ☐ Manage & Disclose	☐ Low ☐ Medium ☐ High	☐ Yes	☐ Yes ☐ No	
21	Portfolio Management	Performance Fees (i.e. side-by-side management of accounts that pay performance fees and those that do not.)	Client/Firm	☐ Avoid by Elimination ☐ Firm Approach ☐ Mitigate & Disclose ☐ Manage & Disclose	☐ Low ☐ Medium ☐ High	☐ Yes	☐ Yes ☐ No	
22	Portfolio Management	Allocation of IPOs	Client/Firm	☐ Avoid by Elimination ☐ Firm Approach ☐ Mitigate & Disclose ☐ Manage & Disclose	☐ Low ☐ Medium ☐ High	☐ Yes	☐ Yes ☐ No	
23	Portfolio Management	Fair Valuation	Client/Firm	☐ Avoid by Elimination ☐ Firm Approach ☐ Mitigate & Disclose ☐ Manage & Disclose	☐ Low ☐ Medium ☐ High	☐ Yes	☐ Yes ☐ No	
24	Portfolio Management	Portfolio Pumping	Client/Firm	☐ Avoid by Elimination ☐ Firm Approach ☐ Mitigate & Disclose ☐ Manage & Disclose	☐ Low ☐ Medium ☐ High	☐ Yes	☐ Yes ☐ No	

EXHIBIT A. SAMPLE CONFLICTS INVENTORY WORKSHEET *Cont'd*

	Business Area	Conflict	Type of Conflict	Control	Potential Impact	Material[1]	Does this Need to be Disclosed?	If Not, Why Not?
26	Portfolio Management	Dumping/Cherry Picking	Client/Firm	☐ Avoid by Elimination ☐ Firm Approach ☐ Mitigate & Disclose ☐ Manage & Disclose	☐ Low ☐ Medium ☐ High	☐Yes	☐ Yes ☐ No	
27	Portfolio Management	Selective Disclosure of Portfolio Holdings	Client/3rd Party	☐ Avoid by Elimination ☐ Firm Approach ☐ Mitigate & Disclose ☐ Manage & Disclose	☐ Low ☐ Medium ☐ High	☐Yes	☐ Yes ☐ No	
28	Portfolio Management	Proxy Voting	Client/Firm	☐ Avoid by Elimination ☐ Firm Approach ☐ Mitigate & Disclose ☐ Manage & Disclose	☐ Low ☐ Medium ☐ High	☐Yes	☐ Yes ☐ No	
29	Portfolio Management	Brokers Affiliated with Consultants	Firm/3rd Party	☐ Avoid by Elimination ☐ Firm Approach ☐ Mitigate & Disclose ☐ Manage & Disclose	☐ Low ☐ Medium ☐ High	☐Yes	☐ Yes ☐ No	
30	Code of Ethics	Possession of Material, Nonpublic Information	Client/Firm/3rd Party	☐ Avoid by Elimination ☐ Firm Approach ☐ Mitigate & Disclose ☐ Manage & Disclose	☐ Low ☐ Medium ☐ High	☐Yes	☐ Yes ☐ No	
31	Code of Ethics	Personal Trading Activities	Client/Firm	☐ Avoid by Elimination ☐ Firm Approach ☐ Mitigate & Disclose ☐ Manage & Disclose	☐ Low ☐ Medium ☐ High	☐Yes	☐ Yes ☐ No	
32	Code of Ethics	Charitable Contributions	Client/Firm/3rd Party/Employee	☐ Avoid by Elimination ☐ Firm Approach ☐ Mitigate & Disclose ☐ Manage & Disclose	☐ Low ☐ Medium ☐ High	☐Yes	☐ Yes ☐ No	
33	Code of Ethics	Political Contributions	Client/Firm/3rd Party/Employee	☐ Avoid by Elimination ☐ Firm Approach ☐ Mitigate & Disclose ☐ Manage & Disclose	☐ Low ☐ Medium ☐ High	☐Yes	☐ Yes ☐ No	
34	Code of Ethics	Gifts and Entertainment	Client/Firm/3rd Party/Employee	☐ Avoid by Elimination ☐ Firm Approach ☐ Mitigate & Disclose ☐ Manage & Disclose	☐ Low ☐ Medium ☐ High	☐Yes	☐ Yes ☐ No	
35	Code of Ethics	Outside Employment	Employee/Firm	☐ Avoid by Elimination ☐ Firm Approach ☐ Mitigate & Disclose ☐ Manage & Disclose	☐ Low ☐ Medium ☐ High	☐Yes	☐ Yes ☐ No	
36	Code of Ethics	Outside Employment, Directorships and Other Business Activities	Client/Firm/Employee	☐ Avoid by Elimination ☐ Firm Approach ☐ Mitigate & Disclose ☐ Manage & Disclose	☐ Low ☐ Medium ☐ High	☐Yes	☐ Yes ☐ No	
37	Code of Ethics	Participation of Interest in Client Transactions	Client/Firm	☐ Avoid by Elimination ☐ Firm Approach ☐ Mitigate & Disclose ☐ Manage & Disclose	☐ Low ☐ Medium ☐ High	☐Yes	☐ Yes ☐ No	

38	Code of Ethics	Affiliate Stock Transactions	Client/Firm/Employee	☐ Avoid by Elimination ☐ Firm Approach ☐ Mitigate & Disclose ☐ Manage & Disclose	☐ Low ☐ Medium ☐ High	☐Yes	☐ Yes ☐ No	
39	Code of Ethics	Possession and Use of Sensitive or Confidential Information	Employee/Firm	☐ Avoid by Elimination ☐ Firm Approach ☐ Mitigate & Disclose ☐ Manage & Disclose	☐ Low ☐ Medium ☐ High	☐Yes	☐ Yes ☐ No	
40	Compensation	Fee Differentials (Proprietary vs. Non-Proprietary)	Client/Firm	☐ Avoid by Elimination ☐ Firm Approach ☐ Mitigate & Disclose ☐ Manage & Disclose	☐ Low ☐ Medium ☐ High	☐Yes	☐ Yes ☐ No	
41	Compensation	Employee Compensation	Employee/Firm	☐ Avoid by Elimination ☐ Firm Approach ☐ Mitigate & Disclose ☐ Manage & Disclose	☐ Low ☐ Medium ☐ High	☐Yes	☐ Yes ☐ No	
42	Compensation	Employee Compensation - Commissions	Employee/Firm	☐ Avoid by Elimination ☐ Firm Approach ☐ Mitigate & Disclose ☐ Manage & Disclose	☐ Low ☐ Medium ☐ High	☐Yes	☐ Yes ☐ No	
43	Compensation	Separate Side Arrangements	Client/Client	☐ Avoid by Elimination ☐ Firm Approach ☐ Mitigate & Disclose ☐ Manage & Disclose	☐ Low ☐ Medium ☐ High	☐Yes	☐ Yes ☐ No	
44	Miscellaneous	Purchasing Goods/Services From Clients	Client/Firm	☐ Avoid by Elimination ☐ Firm Approach ☐ Mitigate & Disclose ☐ Manage & Disclose	☐ Low ☐ Medium ☐ High	☐Yes	☐ Yes ☐ No	
45	Miscellaneous	Affiliate serves as general partner or managing member of a pooled investment vehicle subadvised by Firm.	Client/Affiliate/Firm	☐ Avoid by Elimination ☐ Firm Approach ☐ Mitigate & Disclose ☐ Manage & Disclose	☐ Low ☐ Medium ☐ High	☐Yes	☐ Yes ☐ No	
46	Miscellaneous	Employees attending or participating in Conferences/ Workshops sponsored by an entity or individual that has a business relationship with Firm or its clients.	Client/Firm/3rd Party/Employee	☐ Avoid by Elimination ☐ Firm Approach ☐ Mitigate & Disclose ☐ Manage & Disclose	☐ Low ☐ Medium ☐ High	☐Yes	☐ Yes ☐ No	
47	Miscellaneous	Revenue Sharing or "Shelf Space" Payments	Client/Firm/3rd Party/Employee	☐ Avoid by Elimination ☐ Firm Approach ☐ Mitigate & Disclose ☐ Manage & Disclose	☐ Low ☐ Medium ☐ High	☐Yes	☐ Yes ☐ No	
48	Miscellaneous	Purchasing Products & Services From Consultants Who Recommend Clients/Prospects to Firm	Client/Firm/3rd Party	☐ Avoid by Elimination ☐ Firm Approach ☐ Mitigate & Disclose ☐ Manage & Disclose	☐ Low ☐ Medium ☐ High	☐Yes	☐ Yes ☐ No	
49	Miscellaneous	Other Business Activities	Client/Firm/3rd Party/Affiliate	☐ Avoid by Elimination ☐ Firm Approach ☐ Mitigate & Disclose ☐ Manage & Disclose	☐ Low ☐ Medium ☐ High	☐Yes	☐ Yes ☐ No	
50	Custody	Custody Arrangements	Client/Firm	☐ Avoid by Elimination ☐ Firm Approach ☐ Mitigate & Disclose ☐ Manage & Disclose	☐ Low ☐ Medium ☐ High	☐Yes	☐ Yes ☐ No	

[1] The standard of materiality under the Advisers Act is whether there is a substantial likelihood that a reasonable investor/client would have considered the information important.

EXHIBIT B. ANNUAL COMPLIANCE POLICIES AND PROCEDURES REVIEW WORKSHEET

FOR YEAR 20??

		Responsible Party	Method of Review	Findings	Summary and Conclusions	Recommended Change/Update	Reviewer & Date of Review
A. Regulatory Filings							
A. 1.	Form ADV - Annual Amendments The firm has amended its Form ADV at least annually and made the annual amendments w/in 90 days of the fiscal year end	Compliance					
A. 2.	Form ADV - Interim "Prompt" Amendments The firm has amended its Form ADV promptly whenever certain changes occurred to information provided by the adviser, as described in the instructions to Form ADV	Compliance					
A. 3.	State Notice Filings; Licensing of IA Representatives. The Firm has made all required state notice filings and ensured that its "investment adviser representatives" are properly licensed with the states, if applicable.	Compliance					
A. 4.	Schedules 13D and 13G. If the Firm has "beneficial ownership" of more than five percent of a class of an issuer's registered equity securities, it has filed an appropriate Schedule 13D or 13G as follows: (a) Schedule 13D. A Schedule 13D within 10 days of exceeding the 5% threshold (b) Schedule 13G. Alternatively, if the Firm meets the Schedule 13G eligibility requirements, an abbreviated Schedule 13G within 45 days of the end of the calendar year after exceeding the 5% threshold (c) Subsequent Filings. The Firm has made all subsequent filings as required	Compliance					
A. 5.	Form 13F. If the Firm exercises investment discretion with respect to accounts holding at least $100 million in "Section 13(f) securities", it has filed initial and periodic Forms 13F	Compliance					
B. Marketing							
B. 1.	Advertising - General and Specific Prohibitions. The Firm has identified all materials that may constitute an advertisement, including materials posted on its website, to ensure that the materials do not result in any fraudulent, deceptive, or manipulative advertising practices and that the materials do not contain any specifically prohibited forms of advertising under Rule 206(4)-1, which relate to (a) The use of testimonials; (b) The use of past specific recommendations (c) References to graphs, charts, formulas, and similar devices; (d) The use of the term "free of charge"	Marketing					
B. 2.	Performance Advertising - Calculation. The Firm has calculated composite performance in accordance with procedures.	Marketing					
B. 3.	Performance Advertising - General Use. The Firm's presentation of performance information contained in any of its advertisements has conformed to procedures	Marketing					

B. 4.	Performance Advertising - Net of Fees Requirement. The Firm has presented performance information in advertisements net-of-fees unless the presentation is a one on one presentation or presented in equal prominence to gross-of-fees information	Marketing					
B. 5.	Performance Advertising - Supporting Records. The Firm maintains books and records necessary to demonstrate the calculation of the performance of accounts used in connection with performance advertising	Marketing					
B. 6.	Performance Advertising - Use of Performance Generated at Prior Firms. The Firm has not used advertisements that contain performance information generated by an employee while working at a prior firm unless it satisfies certain requirements	Marketing					
B. 7.	GIPS Compliance. The Firm has not falsely stated, suggested or implied in advertisements that any of its performance information is GIPS compliant.	Marketing					
B. 8.	Use of Solicitors. The Firm has not paid a cash fee, directly or indirectly, to any person in return for client referrals unless the Firm has complied with the requirements of Rule 206-(4)-3 including - Solicitor not disqualified, written agreement in place, client disclosure, record of agreements and client disclosure, and supervision of solicitors	Marketing					
C. The Client Relationship							
C. 1.	Initial Form ADV Delivery. The Firm has delivered to each client and prospective client an initial copy of its Form ADV Part II at least 48 hours prior to accepting a new client or when the account started and allowed the right to terminate w/o penalty w/in 5 business days	Marketing					
C. 2.	Annual Form ADV Part II Delivery Offer. The Firm has annually and without charge delivered, or offered in writing to deliver upon request, to each client a copy of the ADV Part II. Any request for the ADV has been filled w/in 7 days of receipt. The Firm has maintained a record of each annual delivery or offer, as well as any client correspondence related to any request for a copy of the brochure.	Accounting					
C. 3.	Acceptance of New Clients. The Firm has reviewed all documentation required of new clients, prior to accepting a new clients	Marketing					
C. 4.	Financial and Disciplinary Disclosures. The Firm has disclosed to existing and prospective clients, if applicable, (i) all materials facts with respect to the Firm's financial condition that are reasonably likely to impair the Firm's ability to meet its contractual commitments to clients and (ii) material legal and disciplinary events involving the Firm or its management.	Compliance					
C. 5.	Advisory Contracts - The firm has not entered into any contracts that (i) does not contain a clause stating that the Firm cannot assign the contract without the consent of the client (ii) contains an impermissible hedge clause that may mislead a client into believing that the client has waived any right of action (iii) does not specify the amount of the Firm's fees and the method of calculation.	Marketing/ Compliance					
C. 6.	Advisory Contracts - Performance based Fees. The firm has received sufficient information to ensure that the client may be charged a performance based fee. The Firm's Form ADV reflects the fact that it charges performance-based fees.	Marketing/ Compliance					

EXHIBIT B. ANNUAL COMPLIANCE POLICIES AND PROCEDURES REVIEW WORKSHEET *Cont'd*

FOR YEAR 20??

		Responsible Party	Method of Review	Findings	Summary and Conclusions	Recommended Change/Update	Reviewer & Date of Review
C. 7.	Custody of Client Assets. To the extent that the Firm is deemed to have custody of client assets, it has complied with the requirements of Rule 206(4)-2, including the following: (1) Qualified Custodians hold client assets (2) Account Statement Delivery - has a reasonable basis to believe that the custodian has sent at least quarterly statements to clients or has arranged for an annual audit or the clients' assets deemed to be in the custody of the Firm.	Accounting					
C. 8.	Proxy Voting. The Firm has (i) adopted and implemented written policies and procedures designed to ensure that it votes client proxies in the best interest of the clients; (ii) provided clients with a written description of the Firm's policy and procedures, and how they can obtain a copy of the policies and procedures; and (iii) provided clients with instructions about how they may obtain information about how the Firm voted with respect to their securities	Accounting					
C. 9.	Privacy. The Firm has (i) adopted and maintained written policies and procedures designed to safeguard the privacy of personal financial information and (ii) delivered a statement of its privacy policies and procedures to new clients and annually thereafter.	All					
C. 10.	Settlement. The firm has reviewed settlement procedures to ensure accurate trade data is provided to custodians and clients.	Accounting					
C. 11.	Accuracy of Information sent to clients. Settlement and Reconciliation Procedures to ensure information provided to clients about their accounts is accurate.	Marketing/ Accounting					
C. 12.	Management Fee Calculation. The Firm has accurately calculated the fees charged to clients.	Accounting					
C. 13.	AML Review - no clients that have been accepted are on the OFAC list.	Marketing					
D. Managing Client Accounts							
D. 1.	Suitability. The Firm has made only suitable investment recommendations.	Portfolio Management					
D. 2.	Investment Recommendations. The Firm has conducted reasonable due diligence with respect to any security that it acquires for clients.	Portfolio Management					
D. 3.	Adherence to Investment Objectives. The Firm has periodically reviewed each client portfolio holdings to ensure that the securities held by each client are consistent with the respective client's stated investment objectives.	Portfolio Management					

D. 4.	Allocation of Investment Opportunities. The Firm has allocated investment opportunities fairly between the disciplines managed.	Trading					
D. 5.	Best Execution. The Firm has sought best execution when effecting client transactions.	Trading					
D. 6.	Directed Brokerage. The Firm has received direction from the client and disclosures about the practice have been made.	Trading					
D. 7.	Soft Dollar Arrangements. The Firm has (i) disclosed its use of soft dollars and (ii) complied with the safe harbor provisions of Section 28(e). The Firm has documented and reviewed all third party research services utilized.	Compliance					
D. 8.	Allocation and Aggregation of Client Trades. The Firm has (i) allocated investment opportunities among the clients promptly and on a documented, equitable basis and (ii) disclosed its allocation and aggregation policies and procedures to clients in its Form ADV.	Trading					
D. 9.	Principal Transactions. The Firm has (i) provided written disclosure to clients about the Firm's role and the material terms of each principal transaction and (ii) obtained prior client consent.	Trading					
D. 10.	Internal Cross Transactions.						
D. 11.	Agency Cross Transactions. Rule 206(3)-2 is followed for any such transactions where the adviser acts as broker and adviser	Trading					
D. 12.	Affiliated Brokerage	Trading					
D. 13.	Trade Errors. The Firm has corrected any trade errors in a manner consistent with its stated policies and procedures and has not (i) used soft dollar credits with brokers to cover any costs or (ii) used other client accounts to correct errors.	Trading/ Compliance					
D. 14.	Valuation. The Firm has valued the securities held by clients according to procedures.	Accounting					
F. 1.	Supervisory Functions. The Firm has (i) established procedures, and a system for applying the procedures, which would reasonably be expected to prevent and detect, insofar as practicable, any such violation by a person subject to the Firm's supervision, and (ii) reasonably discharged the duties and obligations incumbent upon the Firm by reason of the Firm's supervisory procedures and system without reasonable cause to believe that such procedures and systems were not being complied with.	Compliance					
F. 2.	Insider Trading. The Firm has established, maintained, and enforced written policies and procedures reasonably designed to prevent the misuse of material, nonpublic information by the Firm and any person associated with the Firm.	Compliance					

EXHIBIT B. ANNUAL COMPLIANCE POLICIES AND PROCEDURES REVIEW WORKSHEET *Cont'd*							
FOR YEAR 20??							
		Responsible Party	**Method of Review**	**Findings**	**Summary and Conclusions**	**Recommended Change/Update**	**Reviewer & Date of Review**
F. 3.	Code of Ethics. The Firm has established, maintained, and enforced a written code of ethics that meets the requirements of Rule 204A-1, and pursuant to the code has at least (i) obtained initial and annual holdings reports from its "access persons"; and (ii) obtained quarterly transaction reports from its "access persons"; and (iii) precleared acquisitions of IPOs and private placements by its "access persons". The Firm has reviewed personal securities transactions against client transactions for conflicts of interest with clients. The Firm has included in its Form ADV a description of its codes of ethics and a statement that, upon request, the Firm will furnish clients with a copy of the code of ethics.	Compliance					
F. 4.	Compliance Manual and Related Training. The Compliance Officer has (i) met with each new Employee shortly after the start of employment to discuss provisions of the Manual applicable to the Employee and (ii) held an annual compliance meeting to review any changes to the policies and procedures contained in the manual, as well as to review the Firm's Code of Ethics and Insider Trading Policies and Procedures.	Compliance and supervisors					
F. 5.	Initial and Annual Employee Acknowledgements. The Firm has obtained from each Employee a signed acknowledgement stating that the employee has received a copy of the Manual, a copy of the Firm's insider Trading policies and procedures and the Firm's Code of Ethics, and including that the employee has read and understands the materials contained in the materials after the start of employment and annually thereafter except for Code of Ethics and insider shortly trading procedures which require acknowledgements of any changes.	HR and Compliance					
F. 6.	Role of Compliance Officer. The Firm has designated a Chief Compliance Officer who has responsibility for administering the Firm's written compliance policies and procedures.	Firm Partners					
F. 7.	Accuracy of Disclosures. The Firm has taken steps to ensure the accuracy of its regulatory filings, including its Form ADV, and any communications sent to clients and potential clients	Supervisors / Compliance					
F. 8.	Maintenance of Required Books and Records. The Firm has made and kept the specified books and records described in Rule 204-2 for the length of time specified in the Rule.	Corporate accounting/ reconciliation/ client service					
F. 9.	Business Continuity Procedures. The Firm has developed a written Business Continuity Plan to protect employees and client assets in the case of a natural disaster or other event that may cause a prolonged business outage.	Technology					

EXHIBIT C. COMPLIANCE RISK ASSESSMENT MATRIX			
YES	**NO**	**FOCUS AREA**	**NOTES**
		IARD— ■ Is the Firm required to file on the IARD System? Is the Firm's ADV Part I on the IARD System current? ■ Has the annual filling been filled in a timely manner? ■ Ensure that firm's contact information is current with regard to who should receive information from the SEC.	
		Filings & Reports— ■ Were all required Forms 13-F, Schedule 13-D and Schedule 13-G filings made with the SEC?	
		Form ADV/Brochure Disclosure and Delivery— ■ Is the Firm's Form ADV Part II current and accurate? ■ If Firm has custody of client securities and/or funds or collects management fees of more than $500 from each client more than 6 months in advance has a Schedule G been completed? ■ Is the Firm in compliance with Rule 204-3, does the adviser provide prospective clients with: Form ADV Part II or an Alternative Brochure? If an alternative brochure is furnished, does it contain at least the information required to be maintained in Form ADV, Part II? ■ Was the registrant's Form ADV, Part II, or its brochure delivered or offered for delivery in writing annually to clients? (Rule 204-3(c)(1))4-3) ■ Does the adviser give a copy of Form ADV, Part II, or its brochure to new clients in a timely manner? ■ Is Forms ADV, Part II, or alternative brochures sent to clients that request the document? ■ Does the Firm maintain a record of clients and prospective clients to whom copies of the document were furnished initially and offered annually in fulfillment of the brochure rule requirement? (Rule 204-2(a)(14))	
		Investment Advisory Agreements— ■ Does the Firm use written contracts? *(Note: While recommended, there is no statutory requirement that advisers enter into a written agreement with their clients.) (Sec. 205)* ***Note: It is very important for the firm to know who its client is and their financial status?*** ■ Are copies of all written contracts maintained? (Rule 204-2(a)(10)	
		■ Does the Firm's Investment Advisory Agreements contain a non-assignment clause as required by Section 205(a)(2)? ■ If the Firm is organized as a partnership, does the agreement with clients provide for notification to clients of any change in the membership of such partnership within a reasonable time after such change? (Section 205(a)(3)	
		Custody— ■ Does the Firm disclose in its Form ADV Part I that it has custody of client funds or securities? ■ *Does a* qualified custodian maintain those funds and securities -- (i) In a separate account for each client under that client's name; or (ii) In accounts that contain only your clients' funds and securities, under the Firm's name as agent or trustee for its clients. *Notice to clients*. If the Firm opens an account with a qualified custodian on the client's behalf, either under the client's name or under the Firm's name as agent, the Firm must notify the client in writing of the qualified custodian's name, address, and the manner in which the funds or securities are maintained, promptly when the account is opened and following any changes to this information.	

EXHIBIT C. COMPLIANCE RISK ASSESSMENT MATRIX *Cont'd*			
YES	**NO**	**FOCUS AREA**	**NOTES**
		Custody—*cont'd* *Account statements to clients. (i) By qualified custodian.* The Firm has a reasonable basis for believing that the qualified custodian sends an account statement, at least quarterly, to each of its clients for which it maintains funds or securities, identifying the amount of funds and of each security in the account at the end of the period and setting forth all transactions in the account during that period; or ■ Does the Firm send a quarterly account statement to each of its clients for who it has custody of funds or securities, identifying the amount of funds and of each security of which you have custody at the end of the period and setting forth all transactions during that period; ■ Does an independent public accountant verify all of those funds and securities by actual examination at least once during each calendar year at a time that is chosen by the accountant without prior notice or announcement to you and that is irregular from year to year, and files a certificate on Form ADV-E [17 CFR 279.8] with the SEC within 30 days after the completion of the examination, stating that it has examined the funds and securities and describing the nature and extent of the examination; and The independent public accountant, upon finding any material discrepancies during the course of the examination, notifies the Commission within one business day of the finding, by means of a facsimile transmission or electronic mail, followed by first class mail, directed to the attention of the Director of the Office of Compliance Inspections and Examinations; and	
		Books & Records— ■ Does the Firm maintain a backup of its system in case of system failure or corruption of files? If yes, how often is the system backed-up? (*Daily backups with weekly backups maintained until the next weekly backup would indicate a good internal control.*) If the Firm does maintain a system backup, is this backup maintained off-site? (*Off-site backups are preferable.*) ■ Does the system of accounting and recordkeeping appear adequate in relation to the Firm's business and is the staff responsible for these accounting and recordkeeping activities adequate, given the nature and size of registrant's business? ■ Does the Firm retain source documents supporting transaction journals and all other required books and records required under the Books and Records Rule? Where and by whom are the Firm's principal books and records maintained? *Records Retention - Paragraph 204-2(e)* ■ Does it appear that the Firm retains its books and records for the required five years, the first two years located at the Firm's offices? ■ Are articles of incorporation, by-laws, charter, minute books etc maintained at the Firm's principal office?	
		Financial Condition of the Firm— ■ Did a review of the Firm's financial records indicate that it is capitalized with client funds through either loans or equity? If yes, have adequate disclosures been made to clients about the risks and conflicts of interest involved with this transaction? ■ Does the Firm's current financial condition raise concerns as to its solvency or its ability to otherwise continue to provide advisory services? (*Note: Although the SEC does not have any specific standards for an adviser's financial condition, an adviser who contracts to provide extensive services while insolvent may violate the anti-fraud provisions of Section 206.* If yes, is the Firm complying with the disclosure requirements of Rule 206(4)-4?	

EXHIBIT C. COMPLIANCE RISK ASSESSMENT MATRIX *Cont'd*			
YES	**NO**	**FOCUS AREA**	**NOTES**
		Internal Controls— ■ If the Firm has internal control procedures in place, does it appear that such control procedures are being consistently and correctly applied and being adhered to? ■ Review the Firm's internal control procedures; did the review reveal any specific areas of concern? ■ Who monitors the Firm's internal control procedures? Does the Firm have an independent compliance department to monitor/test its internal controls? ■ Did the Firm have an internal audit conducted, or any other examination by an outside agency or its parent if applicable, for which a comment letter or report was provided? If so, ensure that any issues found have been documented and corrected.	
		Suitability— The Firm should provide its services in a manner consistent with the way in which its services have been described in disclosure documents, marketing documents, electronic media and oral representations. ■ Does the Firm collect the necessary information from clients, initially and on a continuing basis, to make suitability determinations and ensure advice provided is consistent with the clients' needs and objectives? ■ Does the Firm or a representative of the Firm, contact each client at least annually to review the client's current investment objectives and financial condition to assure that future purchases of securities for the client's account are suitable investments? ■ Do purchases and sales generally conform to clients' investment objectives? ■ Does the firm offer individualized account management? Do clients maintain all indicia of ownership of their securities, including right to pledge them as collateral and right to vote proxies? ■ Are clients' individual financial needs and objectives assessed initially and updated periodically? ■ Do securities recommended appear to be suitable in light of clients' financial circumstances, risk tolerance and sophistication? ■ Do clients have direct access to portfolio managers or other representatives of the adviser at least annually? ■ Do the Firm's custodians track ownership of securities on a client by client basis? ■ Do clients have the ability to place limitations and restrictions on securities purchased for or sold from their accounts? ■ Review terminated accounts; did the review of clients who terminated their investment advisory contracts reveal any significant problems? ■ Did a review of client complaint files indicate any problems or concerns?	
		Portfolio Management— ■ Does the Firm manage accounts in a manner consistent with the clients' investment objectives, subject to any client investment restrictions or other special instructions? ■ Are client accounts maintained on an automated system? If the Firm uses an automated order management system, does this system produce exception reports (*i.e.*, restrictions report, turnover reports, portfolio diversification reports, maturity schedules, ex-dividend reports, call-date reports, schedules of available cash, percentage of security held, etc?) ■ Are available cash balances identified and invested for the benefit of clients on a timely basis?	

EXHIBIT C. COMPLIANCE RISK ASSESSMENT MATRIX *Cont'd*			
YES	**NO**	**FOCUS AREA**	**NOTES**
		Portfolio Management—*cont'd* ■ Are account rebalances executed on a timely basis? (account maintenance due to client account deposits & withdraws) ■ Is the investment adviser adhering to individual client investment restrictions? ■ Does transaction volume (portfolio turnover) appear excessive considering each client's stated investment policies and their individual circumstances? ■ Does the adviser have a basis for investment decisions? (*i.e.,* research, on-site visits, interviews)	
		Prohibited Transactions – Principal & Agency Transactions Rule 206(3)-2 ■ Is the Firm engaging in any prohibited transactions without first obtaining prior client approval? Is the approval in writing? *The rule refers to the firm and any other person relying on the rule.* ■ Has the advisory client executed a written consent prospectively authorizing the Firm to effect agency cross transactions for the advisory client, provided that the written consent is obtained after full written disclosure that with respect to agency cross transactions the investment adviser or other person will act as broker for, receive commissions from, and have a potentially conflicting division of loyalties and responsibilities regarding, both parties to the transactions; ■ Does the Firm send to each client a written confirmation at or before the completion of each transaction, which confirmation includes (i) a statement of the nature of the transaction, (ii) the date the transaction took place, (iii) an offer to furnish upon request, the time when the transaction took place, and (iv) the source and amount of any other remuneration received or to be received by the investment adviser in connection with the transaction. *Please be aware that there are caveats about participating in a distribution or tender offer.* ■ Does the Firm send to each client, at least annually, and with or as part of any written statement or summary of the account from the investment adviser or other person, a written disclosure statement identifying the total number of transactions during the period since the date of the last statement or summary, and the total amount of all commissions or other remuneration received or to be received by the investment adviser in connection with transactions during the period; ■ Each written disclosure statement and confirmation required by this rule includes a conspicuous statement that the written consent referred to in paragraph (a)(1) of this section may be revoked at any time by written notice to the investment adviser; and ■ No such transaction is effected in which the same investment adviser or an investment adviser and any person controlling, controlled by or under common control with such investment adviser recommended the transaction to both any seller and any purchaser. ■ For purposes of this rule the term *agency cross transaction for an advisory client* shall mean a transaction in which a person acts as an investment adviser in relation to a transaction in which such investment adviser, or any person controlling, controlled by, or under common control with such investment adviser, acts as broker for both such advisory client and for another person on the other side of the transaction. This rule shall not be construed as relieving in any way the investment adviser from acting in the best interests of the advisory client, including fulfilling the duty with respect to the best price and execution for the particular transaction for the advisory client; nor shall it relieve such person or persons from any disclosure obligation which may be imposed by subparagraphs (1) or (2) of section 206 of the Act or by other applicable provisions of the federal securities laws.	

EXHIBIT C. COMPLIANCE RISK ASSESSMENT MATRIX *Cont'd*			
YES	**NO**	**FOCUS AREA**	**NOTES**
		Prohibited Transactions—Principal & Agency Transactions Rule 206(3)-2—*cont'd* ■ Does a review of the trading blotter or other documents containing similar information reveal that the Firm or an affiliate has effected transactions in a principal capacity for registered investment company or ERISA clients? *If yes, these transactions may be prohibited. Obtain full explanations for these transactions and documentary record of the details of each transaction. (Section 17(a) of the Investment Company Act generally prohibits such transactions).* ■ Does a review of a sample of trades indicate that the Firm or affiliate obtained the client's written consent? ■ If applicable, have investment company clients purchased new issues in which the adviser or affiliate was a principal underwriter? *If yes, determine if these purchases were effected under Rule 10f-3 of the Investment Company Act.* ■ Perform a review of the trading blotters, order tickets, or other documents to determine if the adviser or an affiliate has effected transactions in an agency capacity for both sides of the trade in which the advisory clients took part ("agency cross transactions"). Did the adviser, or the affiliated broker, receive any compensation for effecting any agency-cross transactions? *If no, then the transaction would not be considered to be an agency-cross.*	
		Conflicts of Interest— Review the adviser's business practices, products and services offered to determine if any conflicts of interest exist. Did the adviser provide clients with proper disclosures to address the adviser's conflicts of interest or did the adviser's conflicts of interest require corrective action so that the conflict would not harm its clients? ■ Does the adviser have a "code of ethics" and/or "code of conduct"? If so, does the adviser's code require employees to pre-clear all personal trades? ■ Are employee personal transactions reviewed after they are executed for potential conflicts of interest? Does the adviser have an automated system to match the employees' personal securities transactions with those of advisory clients, especially those on behalf of investment companies, if applicable? If no, how does the adviser control such transactions so as to prevent unauthorized and/or inappropriate securities transactions by employees? Does someone independent from the person who regularly collects and monitors/reviews employee transactions review the securities transactions of the person who performs the regular reviews of employee transactions? ■ Does the Firm and any persons falling within Rule 204-2(a) (12) the definition of an "advisory representative" file quarterly statements of their personal securities transactions, regardless of activity during the period? Are the records properly maintained and are the records reviewed by an officer of the Firm or some one independent from the Firm and if so, note by whom? ■ Does the adviser's code require all advisory representatives to provide the adviser with a copy of all confirmations of trades they effect in their personal accounts? Review employee personal transactions. Did the review of these transactions in conjunction with the trading activity of the firm for clients indicate any instance where the adviser or an advisory representative may have engaged in improper trading activities (*i.e.,* "front-running")? ■ Does the adviser maintain written policies and procedures "reasonably designed to prevent the misuse of material non-public information?" (Sec. 204A) If the adviser has adopted these policies & procedures, review and evaluate these policies and procedures in light of the firm's organization, affiliations and activities. Do these policies and procedures appear to be comprehensive and designed to reasonably prevent the misuse of material non-public information? ■ Does the adviser actively enforce these policies and procedures? If yes, describe generally the procedures used to prevent the deliberate or inadvertent dissemination of non-public information.	

EXHIBIT C. COMPLIANCE RISK ASSESSMENT MATRIX *Cont'd*			
YES	**NO**	**FOCUS AREA**	**NOTES**
		Conflicts of Interest—*cont'd* ■ Perform a review of the firm's investment files to determine if there are any instances in which non-public information may have been received or given. ■ Perform a review of the trading records and or the trading blotter, including particularly any consolidated holdings reports (if available), to determine if anyone may have received or acted on non-public information? ■ Upon completion of the review of the trading records and or the trading blotter was any evidence found that would suggest that transactions occurred just prior to the release of public information?	
		Brokerage/Trade Execution— ■ Does any one in the firm or an affiliate act in any of the following capacities in which he or she or a related party receives a commission for the placement of transactions: Registered Representative, Broker-Dealer, Registered Principal or a Purchaser Representative? ■ Do the adviser's disclosure documents and marketing material disclose the receipt of the commissions? Do the disclosures provide adequate information to the firm's clients about the activities of the firm and/or its affiliates? ■ Do the firm's controls appear adequate to prevent them from disadvantaging any of its clients? ■ Are commission reports (Brokerage Allocation Report) utilized to monitor to whom commissions are paid and the amount? ■ Does the firm monitor & review trade errors and failed trades? Does there appear to be an excessive number of trade errors and failed trades in light of the nature of the trades executed? If yes, review the trades to identify if there are valid reasons for the error/fails or whether the problem appears to be systemic. ■ Upon completion of your review does it appear that clients are ever disadvantaged as a result of trading errors? If yes, review each incident and make sure you determine and verify that the client was made whole with the cost being borne by the firm if the error or fail was caused by the firm. *The firm has a fiduciary duty to its clients to take responsibility for any losses which result from it making an error and placing an unauthorized trade in a client's account, unless the adviser was acting in good faith at the time of such execution.* ■ Does the firm participate in any soft-dollar arrangements with broker-dealers, review all products and services. If you determine that the firm is receiving products and services that are not used entirely for research, classify them as mixed-use arrangements: mixed research and non-research items. Does the firm make a good faith allocation of the non-research costs? Ensure that the firm pays for these products and services with hard dollars only. ■ Does the firm participate in any soft-dollar arrangements with broker-dealers, review all products and services. If you determine that the firm is receiving products and services that are not used entirely for research, classify them as mixed-use arrangements: mixed research and non-research items. Does the firm make a good faith allocation of the non-research costs? Ensure that the firm pays for these products and services with hard dollars only. ■ Perform a review of the firm's commission rates paid to broker-dealers. How do the rates paid to brokers with whom the firm has soft-dollar arrangements compare to the rates paid to broker-dealers with whom there are no soft-dollar arrangements? *If you uncover significant differences in these commission rates, determine if the differences are justified based on the services received or if there are other undisclosed reasons for such differences.* ■ Does the firm make adequate disclosures to clients regarding its soft-dollar arrangements? ■ Does the firm produce any soft-dollar reports? If yes, make sure you review the reports to ensure that policies & procedures are being adhered to and that the reports do not illustrate any patterns.	

EXHIBIT C. COMPLIANCE RISK ASSESSMENT MATRIX *Cont'd*			
YES	**NO**	**FOCUS AREA**	**NOTES**
		Brokerage/Trade Execution—*cont'd*	
		Best Execution – Review the firm's policies & procedures with regard to best execution and review any reports produced. Make sure you review the reports to ensure that policies & procedures are being adhered to and that the reports do not illustrate any patterns.	
		Note: *During your review of the firm's records, do you see any signs that indicate excessive commissions, churning, trading errors, "as of" trades, or other unusual or abusive items regarding price, commissions, mark-ups/downs, execution, timing, broker or dealer used or market in which executed?*	
		■ Test the accuracy of the trading blotter provided by testing a sample of transactions back to source documentation such as order tickets and broker-dealer confirms. Review the executed transactions and commissions assessed clients on a cents/share basis.	
		■ Does the commission rates paid appear to be in the range of what institutions normally pay (industry standard), uniformly imposed, and appropriate in light of the transactions made? Is there a reason(s) for the higher commission rates? Are they justifiable? Are there any specific clients or group of clients that are consistently paying higher commission rates than other clients in general? Why?	
		■ Did the review of the trading blotter indicate that the firm is executing cross transactions between clients such as buys and sells of the same security on the same day by different clients? Why? Were these trades executed as principal transactions? Are disclosures about this practice made to clients?	
		■ Did the review of the trading blotter reveal evidence that only one or merely a few broker-dealers are used to execute trades for any given client? Is the trade placement made pursuant to direction by the client, *Directed Brokerage Arrangements?* Are disclosures about *Directed Brokerage* (Mark Bailey) made to clients? Did the client request such arrangement and has it been documented in writing by the client? Review the commission rates for these trades. Are they excessive?	
		Note: *All Investment Advisers have a fiduciary duty at minimum to make its clients aware of the Directed Brokerage commission rates they are paying and that they appear excessive even if the client still wishes to remain party to the arrangement.*	
		■ Did the review of the trading blotter reveal evidence of any material, aggressive short-term trading in any security, particularly contrary to the firm's normal practices or policies & procedures?	
		■ **If applicable:** Did the review of the trading blotter or other records reveal that the adviser or an affiliate has effected transactions in an agency capacity for its investment company clients? Are the commission rates paid on these transactions at the most favorable rates that the adviser or affiliate can obtain and/or offer? Are the commission rates paid on such transactions competitive with those of non-affiliated broker-dealers for similar trades?	
		Note: *The practice above may constitute a violation of Section 17(e) and Rule 17e-1 of the Investment Company Act of 1940 if the client is an investment company or Section 206(1) or (2) for other clients.*	
		■ Did the review of the trading blotter reveal evidence that only one or merely a few broker-dealers are used to execute trades for any given client? Is the trade placement made pursuant to direction by the client, *Directed Brokerage Arrangements?* Are disclosures about *Directed Brokerage* (Mark Bailey) made to clients? Did the client request such arrangement and has it been documented in writing by the client? Review the commission rates for these trades. Are they excessive?	
		Note: *All Investment Advisers have a fiduciary duty at minimum to make its clients aware of the Directed Brokerage commission rates they are paying and that they appear excessive even if the client still wishes to remain party to the arrangement.*	

EXHIBIT C. COMPLIANCE RISK ASSESSMENT MATRIX *Cont'd*			
YES	**NO**	**FOCUS AREA**	**NOTES**
		Brokerage/Trade Execution—*cont'd* ■ Did the review of the trading blotter reveal evidence of any material, aggressive short-term trading in any security, particularly contrary to the firm's normal practices or policies & procedures? ■ **If applicable:** Did the review of the trading blotter or other records reveal that the adviser or an affiliate has effected transactions in an agency capacity for its investment company clients? Are the commission rates paid on these transactions at the most favorable rates that the adviser or affiliate can obtain and/or offer? Are the commission rates paid on such transactions competitive with those of non-affiliated broker-dealers for similar trades? **Note:** *The practice above may constitute a violation of Section 17(e) and Rule 17e-1 of the Investment Company Act of 1940 if the client is an investment company or Section 206(1) or (2) for other clients.* ■ Review trades to determine whether or not broker-dealers used by the adviser are paid for order flow. Why are they making these payments? Are an unusually large number of trades going to broker-dealers that reportedly pay for order flow? ■ Does the firm regularly include all client accounts in bunched trades for which a particular instrument is appropriate and who have available resources in their accounts (if it is a purchase)? If not, what are the apparent reasons certain accounts do not participate? If securities acquired through bunched trades are purchased at different prices, was each client participating in the bunched trade allocated the security at the average price, including any commissions paid? ■ If the securities in a bunched trade are purchased at different prices during the day and the adviser does not use average pricing, is the methodology used by the adviser fair and reasonable to participating accounts? ■ Do order tickets/confirms identify accounts participating and the extent of each account's participation in each bunched trade? Review the commission rates to determine if they are competitive and in line with regular institutional rates? ■ Are proprietary accounts, either those of individuals of the firm, the firm or pension or profit sharing plans included in bunched trades with clients? If proprietary accounts are bunched with client accounts, review the trades that occurred for a period of time (1-2 years) to determine if the proprietary account(s) was in any way advantaged to the detriment of the firm's clients. **Note:** *Is the performance of the proprietary accounts whose trades are regularly bunched with those of clients substantially different than the performance of client accounts that are managed in the same investment style? If yes, why?* ■ Is the firm's disclosure to its clients about its bunching practices sufficiently clear and understandable? If no, what information is missing? ■ Does the firm participate in any Wrap Fee Programs? Wrap Fee Programs raise a number of concerns. Among the major issues are the amount and clarity of disclosure that wrap fee clients receive regarding the wrap arrangements and the amount of fees the client pays, suitability, best execution, and conflicts of interest. Review and test for the areas mentioned.	
		Marketing Material & Performance Calculations – Rule 206(4)-1 contains a general prohibition against the use of any advertisement that is false or misleading as well as a number of additional specific prohibitions. The Advisers Act defines the term "advertisement" broadly to include most communications that are addressed to more than one prospective client. ■ Does the firm use marketing material and advertisements to attract clients? If so, review presentation content and materials provided to potential clients for objectionable items or missing disclosures.	

EXHIBIT C. COMPLIANCE RISK ASSESSMENT MATRIX *Cont'd*			
YES	**NO**	**FOCUS AREA**	**NOTES**
		■ Does the firm claim to be GIPS compliant? Does the firm prepare and present its marketing material in compliance with the GIPS standards for marketing material? ■ Does the firm maintain a file of all advertisements utilized? (Rule 204-2(a)(11)) ■ Does the firm conduct seminars to attract clients? If so, review presentation content and materials provided attendees for objectionable items or missing disclosures. ■ Does the firm use performance figures in attracting prospective clients or in reports to current clients? If yes, does the firm maintain the necessary records that support the performance calculations and source documents? (Rule 204-2(a) (16)) Do these records and documents support the firm's performance computations? Did the performance history include inappropriate periods? Do the performance figures represent: model results? or performance of actual accounts? **Note:** *If the performance figures represent model results, were the results calculated using actual investment decisions and market activity subsequent to completion of development of the model? "Back-tested" results are generally not allowable. Can the adviser prove the timing of the model trades or if a timed account, the dates of timing switches?* ■ What method is used to calculate performance, e.g. Internal Rate of Return (IRR) or Time Weighted Rate of Return (TWRR) or a hybrid (linked short period IRR's)? ■ Does the firm utilize a portfolio management software system? If yes pick some samples and perform some testing.	
		Compensation / Client Fees— ■ Are all clients being charged the correct fees as specified in each client's contract? ■ Are client bills verified for accuracy and compliance with each client's contract by a person other than the preparer prior to sending them to the client? ■ Do the investment advisory fees, in general, appear excessive considering the nature of the services provided? (Sec. 206(1), (2), & (4)) ■ Perform an independent computation of a sample of accounts to confirm the accuracy of the firm's application of its advisory fee schedule? (Form ADV, Contract) Does the firm charge clients different fees for essentially the same service? ■ Does the firm offset part of its advisory fee with commissions which it or an affiliate receives? If yes, explain the conditions associated with the payments. Is this procedure disclosed to its clients? ■ Does the firm have a pro-rata refund policy if fees are received in advance? ■ Do any client investment advisory contracts contain a performance based fee provision? If yes, did registrant satisfy the conditions of Rule 205-3? *Please keep in mind certain factors such as the identity of the client, including whether or not they are "qualified clients," look through provisions and the transition rules.* Are these fee arrangements disclosed in Form ADV?	
		Client Referrals – ■ Does the firm participate in any client referrals? Do all referred clients receive adequate disclosure of all material facts related to such arrangements and receive adviser's Form ADV, Part II or alternative brochure? If no, describe all weaknesses found. ■ How does the firm assure that solicitor provides all prospective clients with the adviser's Form ADV or brochure and the disclosure document required by Rule 206(4)-3?	

EXHIBIT C. COMPLIANCE RISK ASSESSMENT MATRIX *Cont'd*			
YES	**NO**	**FOCUS AREA**	**NOTES**
		Client Referrals – *cont'd* ■ Does the firm compensate anyone other than an officer or employee of the firm for referring clients? ■ Does the firm direct or appear to direct client brokerage to any broker-dealers in exchange for client referrals? ■ Is the solicitor a related party? If yes, has the firm disclosed this affiliation to its clients? ■ If arrangements are with an unaffiliated solicitor for personal advisory services, does the agreement between the investment adviser and the solicitor comply with Rule 206(4)-3(a) (2) (iii) (A)? ■ **Specifically, does it:** (1) contain a description of the solicitation activities and the compensation arrangements; and (2) contain an undertaking by the solicitor to perform his duties under the agreement consistent with the investment adviser's instructions and provisions of the Advisers Act and rules? ■ Does the firm require the solicitor to provide the client, at the time of the solicitation, the investment adviser's disclosure brochure and separate solicitor's disclosure document? ■ Is there a separate solicitor's disclosure document which contains information required by Rule 206(4)-3? Does the solicitor's disclosure document contain the information required by paragraph (b) of Rule 206(4)-3? ■ Has the adviser made a bonafide effort to ascertain whether the solicitor has complied with the agreement?	
		Proxy Voting – ■ Does the firm vote proxies on behalf of its clients? ■ If the firm votes proxies on behalf of clients, do any conflicts exist? Are policies & procedures in place to address the conflicts and/or eliminate them? ■ Are proxy vote ballots reconciled? Does the firm reconcile proxy ballets received vs. the proxies actually voted? ■ If the firm has Taft-Hartley Union accounts and votes in accordance with the AFL-CIO Letter for these accounts, does the firm vote the same way for its non Taft-Hartley Union accounts? **Note**: *This could be a conflict and/or problem.* ■ If the firm utilizes a service provider to handle proxies for the firm, does the firm perform due diligence on the service provider? ■ How often? Has the firm incorporated the service provider's policies & procedures into their Proxy policies and procedures? - - Has the firm made appropriate disclosure about its proxy voting process in its Form ADV Part II? Is it current and accurate? ■ Does the firm vote proxies for mutual funds that it advises? ■ Does the firm have policies & procedures in place to vote such proxies? ■ Do any conflicts exist? Are policies & procedures in place to address the conflicts and/or eliminate them? ■ Does the adviser perform continued due diligence/oversight of the third party proxy voting service provider? ■ Regulation S-P (Privacy Policy & Procedures)—Does the Adviser periodically provide clients with privacy policy notices, as required? ■ Does the Adviser effectively safeguard information it is required to maintain from unauthorized access, alteration, loss, or destruction? ■ Does the adviser have security measures to properly safeguard personal and financial information of clients, including consumer credit report information, from unauthorized access, disclosure or use? Does it ensure that the security measures of its service providers also safeguard this information?	

EXHIBIT C. COMPLIANCE RISK ASSESSMENT MATRIX *Cont'd*			
YES	**NO**	**FOCUS AREA**	**NOTES**
		Proxy Voting – *cont'd* ■ Does the adviser's electronic information systems, both internal and those supplied by third parties, effectively detect and prevent malicious intrusions from internal and external sources? Does it have effective oversight measures to protect its electronic infrastructure, operating systems, files and databases? ■ Does the Adviser have procedures in place for the disposal of consumer information?	
		Antimoney Laundering— ■ Does the adviser ensure that its staff has sufficient knowledge and skills to effectively carry out their AML responsibilities? ■ Does the adviser's AML program appear to be effective in identifying suspicious cash/ currency activity and reporting such activities to appropriate authorities? ■ With respect to its AML program, is documentation or other output generated to substantiate that you obtained all related information in a timely, accurate, and complete manner? Does the adviser ensure that this information is preserved for the required period of time and protected from unplanned destruction, loss, alteration, compromise, or use? ■ Does it comply with the U.S. Treasury Office of Foreign Asset Control's (OFAC) requirements by restricting its business transactions with certain individuals, entities, and/or countries on lists compiled by OFAC? ■ Does the adviser maintain evidence of initial checking of OFAC lists for each new client, and periodic re-checking of OFAC lists for existing clients?	
		Disaster Recovery— ■ Does the adviser comply with SEC guidance regarding disaster recovery plans? ■ Does the adviser have procedures in place to be prepared for and test operations during human or natural emergencies? ■ Does the adviser have procedures in place provide for the availability of critical personnel and systems in the event of a disaster? ■ Do the adviser's procedures contain verification of business continuity plans of its third-party service providers? ■ Do the adviser's policies and procedures contain contingencies that have been sufficiently contemplated? For example, determine whether the policy, among other things, i) discusses what will happen in the event of the death or incapacitation of key personnel, ii) includes information regarding how to reach employees and service providers, iii) provides for back-up facilities in the event of dislocation due to a natural disaster or otherwise. ■ Does the adviser's plan detail how customers can reach the firm in the event of an emergency? ■ Does the plan address procedures for how employees can communicate with each other, and with key service providers, ■ And does the plan provide for back-up facilities in the event of dislocation? ■ Does the adviser maintain documentation of regular reviews and adjustments of the plan as a result of such reviews and testing, to account for changes in the adviser, its business, and needs, such as ensuring alternative worksites are adequate, evidence of actual testing of the plan to determine if it will be successful, and whether changes should be made to the plan?	

EXHIBIT D. SAMPLE REPORT TO DEMONSTRATE THAT YOUR COMPLIANCE PROGRAM IS DYNAMIC

Step 1: Gather the following:

1. Supporting documentation of compliance efforts (conflict reviews, testing results, etc.)
2. Documents evidencing the firm's investment in compliance
3. List of third-party sources (including outside counsel, consultants, attorneys, etc.) used to access training – conferences, webinars, and publications

Step 2: Author the Annual Review summary for management, including the following structure and sample language:

The Compliance Program. The following report has been prepared by the Chief Compliance Officer (CCO) of XYZ Co. based on the CCO's annual review and assessment of the firm's compliance policies and procedures.

Compliance Support. XYZ management and the XYZ Co., an SEC registered investment adviser (the *"Adviser"*), fully support the firm's compliance program and the XYZ CCO in performing her duties with respect to the investment adviser. To this end, XYZ management provided the following support to the CCO in 2009:

1. The following attorneys and compliance consulting resources were made available to the CCO during the period: Legal and Compliance Department resources of the Administrator, Outside Counsel, XYZ's compliance consultant and other sources that the Adviser consults with on issues.
2. In the capacity as the CCO to an investment adviser, the CCO kept abreast of new laws, regulations and interpretations of rules by attending educational meetings and reading industry periodicals.

   In addition, the CCO attended the following continuing education meetings in 2010:

   - NSCP Conference in Boston, MA in March
   - NRS Conference in Orlando, FL in April
   - SEC's CCOutreach Program in Philadelphia, PA in June
   - Stradley Ronan Mutual Fund and Investment Adviser Seminar in Philadelphia in June
   - ACA Compliance Roundtable Meeting in Philadelphia in September
   - NSCP National Meeting in Philadelphia in October
   - Philadelphia Compliance Roundtable in December

The CCO reviews numerous industry periodicals including: Investment Company Institute memorandums, IA Week, Core Compliance & Legal Services, Inc. Monthly Risk Management Updates, regulatory newsletters and summaries from a number of law and accounting firms.

EXHIBIT E. SAMPLE 2015 SEC DOCUMENT REQUEST LETTER (00088737XD690E)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
CHICAGO REGIONAL OFFICE
SUITE 900
175 WEST JACKSON BLVD.
CHICAGO, IL 60604

[redacted] 2015

DELIVERY VIA E-MAIL

Mr. [redacted]
Chief Compliance Officer
[redacted]

Re: Examination of [redacted] (the "Adviser") and [redacted] (the "Funds")

Dear [redacted]:

The staff of the U.S. Securities and Exchange Commission is conducting an examination of the Adviser and the Funds pursuant to Section 204 of the Investment Advisers Act of 1940 (the "Advisers Act") and Section 31(b) of the Investment Company Act of 1940 (the "Investment Company Act"), respectively. The purpose of the examination is to assess the Adviser's compliance with provisions of the Advisers Act and the rules thereunder as well as the Funds' compliance with the provisions of the Investment Company Act and rules thereunder.

Additional information about compliance examinations and the examination process is included in the enclosed "*Examination Information*" brochure (SEC Form 2389). Also enclosed is information regarding the Commission's authority to obtain the information requested and additional information: "*Supplemental Information for Entities Directed to Supply Information to the Commission Other Than Pursuant to a Commission Subpoena*" (SEC Form 1661) and *Supplemental Information for Persons Requested to Supply Information Voluntarily to the Commission's Examination Staff* (SEC Form 2866).

Information is Requested

Please provide all of the information specified in the enclosed information request list. The staff requests that responses be provided in an electronic format to the extent possible by the dates indicated in the document request list. Additional information about the desired electronic format is included in the document request list.

EXHIBIT E. SAMPLE 2015 SEC DOCUMENT REQUEST LETTER (00088737XD690E)

If the Adviser becomes aware of the need for delay in the production of any requested information, the Adviser should immediately contact the undersigned at the telephone number indicated. During the examination, the staff may also request additional or follow-up information, and will discuss timeframes for the Adviser to produce this information.

The On-Site Phase of Examination

The on-site phase of the examination will begin on [redacted] **2015**. The staff appreciates the Adviser's cooperation in facilitating the examination process.

We request that you make adequate office facilities available to the staff during the on-site examination, to ensure the confidentiality and efficiency of the examination.

Background Regarding the Information Requested

Each investment adviser and investment company that is registered with the Commission is required to adopt and implement written policies and procedures reasonably designed to prevent violations of the federal securities laws, and to review those policies and procedures annually for their continued adequacy and the effectiveness of their implementation. In addition, registered advisers and funds are required to designate a chief compliance officer responsible for administering the policies and procedures. Each adviser should adopt policies and procedures that take into consideration the nature of that firm's operations. The policies and procedures should be designed to prevent violations from occurring, detect violations that have occurred, and correct promptly any violations that have occurred.

The initial phase of an examination generally includes a review of the firm's business and investment activities and its corresponding compliance policies and procedures. The examination staff will request information and documents and speak with the firm's employees to ensure an understanding of the firm's business and investment activities and the operation of its compliance program. Using the information obtained, the staff will assess whether the firm's policies and procedures appear to effectively address the firm's compliance risks. The initial phase of an examination also includes testing of the firm's compliance program in particular areas. The information requested and the purpose for requesting the information is described below.

- Certain general information is requested, such as the firm's organizational charts, demographic and other data for advisory clients, including privately offered funds, and a record of all trades placed for its clients/funds (trade blotter) -- to provide an understanding of the firm's business and its investment activities.

- Information about the firm's compliance risks is requested, and the written policies and procedures that the firm has established and implemented to address those risks -- to provide an understanding of the firm's compliance risks and its corresponding controls. This information would include, for example, any inventory performed of the firm's compliance risks and its compliance manual or policies and procedures.

EXHIBIT E. SAMPLE 2015 SEC DOCUMENT REQUEST LETTER (00088737XD690E)

- Documents relating to the firm's compliance testing is requested -- to provide an understanding of how effectively a firm has implemented its compliance policies and procedures. This information would include, for example, the results of any compliance reviews, quality control analyses, surveillance, and/or forensic or transactional tests performed by the firm.

- Information regarding actions taken as a result of compliance testing is requested -- to provide an understanding of steps taken by the firm to address the results of any compliance reviews, quality control analyses, surveillance, and/or forensic or transactional tests performed by the firm. This information would include, for example, any warnings to or disciplinary action of employees, changes in policies or procedures, redress to affected clients, or other measures.

- Other information is requested -- to allow the staff to perform testing for compliance in various areas.

As part of the pre-examination planning process, the staff actively coordinates examination oversight to ensure that regulatory efforts are not duplicative. If you have any concerns in this regard, please contact the undersigned.

Your cooperation is greatly appreciated in the examination process. If you have any questions, please contact me, at (312) [redacted]

Sincerely,

[redacted]

Staff Accountant

Enclosures:
Information Request List
Exhibit 1: Layout for Securities Trading Blotter/Purchase and Sales Journal
Examination Information Brochure (Form 2389)
Supplemental Information (Forms 1661 & 2866)

EXHIBIT E. SAMPLE 2015 SEC DOCUMENT REQUEST LETTER (00088737XD690E)

Examination Information Request List

Examination Period

Information is requested for the period **January 1, 2013** through **December 31, 2014** (the "Examination Period") unless otherwise noted.

Organizing the Information to be Provided

Please label the information so that it corresponds to the item number in the request list. This list is divided between Part I and Part II. Items should be provided on or before the date stated at the top of Part I and Part II. If information provided is responsive to more than one request item, you may provide it only once and refer to it when responding to the other request item numbers. If any request item does not apply to your business, please indicate "N/A" (not applicable).

Please provide the information requested below and hereafter during the examination in electronic format, and please ensure that all electronic information provided is "read-only."

PART I: Information to be Provided by [redacted] 2015

General Information

1. Adviser's organization chart with ownership percentages showing the adviser, control persons, and all affiliates.

2. List of current employees, partners, officers and/or directors and their respective titles, office location, and hire date.

3. List of any of the Adviser's employees, partners, officers and/or directors who resigned or were terminated during the Examination Period and information regarding the reason for their departure.

4. A list of any employees of the Adviser who resigned or were terminated and who filed or stated complaints against the firm or its employees, alleging potential violations of securities laws as the cause for the resignation or termination.

5. Any threatened, pending and settled litigation or arbitration involving the Adviser or any "supervised person" (if the matter relates to the supervised person's association with the Adviser or a securities-related matter) including a description of the allegations, the status, and a brief description of any "out of court" or informal settlement. Note that "supervised person" is any partner, officer, director (or other person occupying a similar status or performing similar functions), or employee of an investment adviser, or other person who provides investment advice on behalf of the investment adviser and is subject to the supervision and control of the investment adviser (defined in Section 202(a)(25) of the Advisers Act). If none, please provide a written statement to that effect.

EXHIBIT E. SAMPLE 2015 SEC DOCUMENT REQUEST LETTER (00088737XD690E)

6. Current standard client advisory contracts or agreements.

7. List of any sub-advisers.

8. Part 2B of Form ADV ("Brochure Supplement") furnished to clients during the Examination Period.

9. A list of all committees including a description of each committee's responsibilities, meeting frequency, and a list of the members of each committee. State whether the committees keep written minutes.

10. Names of any joint ventures or any other businesses in which the Adviser or any officer, director, portfolio manager, or trader participates or has any interest (other than their employment with the Adviser), including a description of each relationship.

11. The names and location of all affiliated and unaffiliated key service providers and the services they perform.

12. Compliance and operational policies and procedures in effect during the Examination Period for the Adviser and its affiliates. Please be sure to also include any Code of Ethics, insider trading, fair valuation, remote office monitoring, contractor oversight, and GIPS policies and procedures that are created and maintained.

Portfolio Management and Trading

13. A trade blotter (*i.e.*, purchases and sales journal) that lists transactions (including all trade errors, cancellations, re-bills, and reallocations) in securities and other financial instruments (including privately offered funds) for: current and former clients; proprietary and/or trading accounts and access persons. The preferred format for this information is to provide it in Excel as indicated in Exhibit 1.

14. Provide the information below for all advisory clients, including privately offered funds and wrap clients. The preferred format for this information is in Excel.

    A. Current advisory clients including:

        a. the account number;
        b. the account name;
        c. account balance as of **December 31, 2014**;
        d. whether the client is a related person, affiliated person, or a proprietary account;
        e. the type of account (*e.g.*, individual, defined benefit retirement plan, registered fund, or unregistered fund);
        f. the account custodian and location;
        g. whether the custodian sends periodic account statements directly to the client; whether the delivery is electronic, if so, a copy of the authorization; and the form of electronic delivery (*e.g.*, email or website login);

EXHIBIT E. SAMPLE 2015 SEC DOCUMENT REQUEST LETTER (00088737XD690E)

h. whether the Adviser has discretionary authority;
i. whether the Adviser, an officer, an employee, or an affiliate acts as trustee, co-trustee, or successor trustee or has full power of attorney for the account;
j. whether the Adviser or related persons are deemed to have custody of, possession of or access to the client's assets, and if so, the location of the assets;
k. the investment strategy (*e.g.*, global equity, high-yield, aggressive growth, long-short, or statistical arbitrage) and the performance composite in which it is included, if any;
l. the account portfolio manager(s);
m. whether the client has a directed brokerage arrangement, including commission recapture;
n. the value of each client's account that was used for purposes of calculating its advisory fee for the most recent billing period;
o. whether the client pays a performance fee and the most recent performance fee amount;
p. whether advisory fees are paid directly from the client's custodial account;
q. account inception date; and
r. name(s) of consultant(s) related to obtaining the client, if any.

B. Names of advisory clients lost, including the reason, method that the termination was communicated, termination date, and asset value at termination.

C. Names of any financial planning, pension consulting or other advisory clients not named in response to section A above.

Financial Records

15. Adviser's balance sheet, trial balance, income statement, and cash flow statement as of the end of its most recent fiscal year and the most current year to date.

16. List the terms of any loans from clients to the Adviser, including promissory notes, or sales of the Adviser's or any affiliate's stock to clients.

17. List all fee splitting or revenue sharing arrangements.

Custody

18. Provide the account number and contact information (e.g., name, mailing address, phone number and e-mail address) for the entities that maintained custody of the cash and securities of each client's account during the Examination Period. For private fund clients, please be sure to include all bank and brokerage accounts. For any securities that were not maintained with a qualified custodian, please include a description of the security, security name, location of the security, and the name of the clients who held such securities. For purposes of this request, you may exclude any assets held pursuant to a derivative or swap contract. Such information, if applicable, may be requested later.

EXHIBIT E. SAMPLE 2015 SEC DOCUMENT REQUEST LETTER (00088737XD690E)

Advisers Sponsoring or Managing Privately Offered Funds

19. Preferably in Excel format, information regarding each private and/or unregistered investment fund (and any co-investment or other parallel vehicles) sponsored and/or managed by the Adviser, including:

    a. name as shown in organizational documents (as amended);
    b. domicile (country);
    c. investment strategy (e.g., buyout, venture, mezzanine, fund-of-funds, etc.);
    d. name of the sub-adviser, if applicable;
    e. if funds are part of a master/feeder fund structure, full name and domicile of each fund;
    f. number of investors and total assets as of **December 31, 2014**;
    g. amount, if any, of Adviser's equity interest in each fund as of **December 31, 2014**;
    h. amount, if any, of Adviser's affiliated persons' interest as of **December 31, 2014**;
    i. date the fund began accepting unaffiliated investors;
    j. offering size;
    k. whether the fund is currently closed to new investors and when it closed;
    l. lock up periods for both initial and subsequent investments;
    m. specific exemption(s) from registration under the Securities Act of 1933 and/or the Investment Company Act of 1940 upon which the fund relies;
    n. the current stage of the fund's lifecycle , if applicable. Also indicate if the fund has been extended beyond its expected lifespan;
    o. services the Adviser or an affiliate (e.g., general partner, adviser, managing member) is providing;
    p. amount of leverage, both explicit (on-balance sheet) and off-balance sheet (futures and certain other derivatives), used by the fund as of **December 31, 2014**;
    q. whether the fund was created to offer investors participation in subsequent private funds offered by the Adviser;
    r. the value of each fund's account that was used for purposes of calculating its advisory fee for the last billing period;
    s. the advisory fee charged for the last billing period;
    t. whether the fund pays carried interest and whether the fund is currently in-the-money or out-of-the-money for earning carried interest; and
    u. whether the fund is currently in a clawback position and the amount of the clawback.

20. For each of the funds, the most recent audited financial statements. In addition, please provide documentation indicating when audit reports were delivered to investors.

Advisers to Registered Investment Companies ("RIC")

RIC: General Information

21. A chart listing all Funds with the following information as of **December 31, 2014**:

    a. fund/portfolio name;

EXHIBIT E. SAMPLE 2015 SEC DOCUMENT REQUEST LETTER (00088737XD690E)

b. share class;
c. registration number;
d. net asset value;
e. total shares outstanding;
f. number of shareholder accounts;
g. maximum sales load;
h. investment objective;
i. portfolio turnover rate for last 2 years;
j. commencement date of operations; and
k. whether the Fund was classified as aggressive capital appreciation, balanced, capital appreciation, growth and income, foreign issuer, growth , income, long term debt (taxable), long term debt (tax-free), money market (taxable), money market (tax-free), precious metals, index, or other.

22. A list of threatened, pending and settled litigation or arbitration to which the Fund was a party during the Examination Period. Provide a description of the allegations forming the basis for each issue, the status of each pending issue, and a brief description of any "out of court" or informal settlement. If none, please provide a written statement to that effect.

23. The Fund's policies and procedures adopted pursuant to the Compliance Rule. Please be sure to also include Code of Ethics, insider trading, gift giving/receiving, 2a-7, securities lending, and valuation policies and procedures.

Advisers That Are Money Managers in Wrap Fee Programs

24. Names of wrap fee programs in which one or more clients participate, including for each program:

a. name of custodian/sponsor/broker-dealer;
b. program name and the acronym;
c. whether the program is a single or a dual contract program;
d. total fee percentage charged by the sponsor;
e. terms of Adviser's compensation;
f. total value of client assets in each program as of the most recent billing date; and
g. state whether the program permits "trading away" or "stepping out" from the wrap broker-dealer; and
h. if applicable, state whether the adviser traded away during the Examination Period.

PART II: Information to be Provided by [redacted] 2015

Information Regarding the Adviser's Compliance Program, Risk Management and Internal Controls

25. Any written interim or annual compliance reviews, internal control analyses, and forensic or transactional tests performed. Include any significant findings, both positive and negative, and any information about corrective or remedial actions taken regarding these findings.

EXHIBIT E. SAMPLE 2015 SEC DOCUMENT REQUEST LETTER (00088737XD690E)

26. A current inventory of the Adviser's compliance risks that forms the basis for its policies and procedures. Note any changes made to the inventory during the Examination Period and the dates of the changes.

27. Written guidance the Adviser provided to its employees regarding the compliance program and documents evidencing employee compliance training during the Examination Period.

28. Internal audit review schedules and completed audits for a three year period, including the subject and the date of the report.

29. A list of all client or investor complaints and information about the process used for monitoring client/investor correspondence and/or complaints.

30. A record of any non-compliance with the Adviser's compliance policies and procedures and of any action taken as a result of such non-compliance.

Portfolio Management and Trading

31. Names of securities held in all client portfolios (aggregate position totals for all instruments) for each quarter-end of the Examination Period including:

    a. security name;
    b. CUSIP (or other identifier);
    c. client name;
    d. client account number;
    e. quantity or principal/notional amount owned by each client;
    f. cost basis;
    g. whether the position was fair valued; and
    h. market value of the position.

    The preferred format for this information is in Excel.

32. Any restricted, watch, or grey lists that were in effect for the Examination Period.

33. A list of employees of the Adviser or its affiliates that performed a role for a publicly traded company or served on a creditor's committee. Include the name of the company or committee and the dates of the employee's service.

34. Please provide a list of all securities for which the Adviser or its related persons made 13F, 13D and/or 13G filings for the relevant reporting dates, including corresponding ownership percentages.

35. List of all PIPE investments that the Adviser participated in during the Examination Period.

EXHIBIT E. SAMPLE 2015 SEC DOCUMENT REQUEST LETTER (00088737XD690E)

36. A list of all initial public offerings and secondary offerings in which clients, proprietary accounts or access persons participated and, if not stated in policies and procedures or if the allocation did not follow standard policies and procedures, information regarding how allocation decisions were made. Include the trade date, security, symbol, total number of shares, and participating accounts. For initial public offerings, indicate whether shares traded at a premium when secondary market trading began. The preferred format for this information is in Excel.

Advisers to Registered Investment Companies

RIC: General Information

37. Any correspondence with the staff of the Commission or other regulatory agencies and any no-action letters or exemptive orders relied upon by the Fund, including those relied upon for engaging in securities lending.

RIC: Compliance Policies and Procedures

38. The annual reports submitted to the Board by the CCO during the Examination Period. Please include any attachments to the report.

39. A current inventory of compliance risks. If changes were made to this inventory of risks during the Examination Period, please indicate what these changes were and the corresponding date of the change. Please provide this information, if possible, in Word, Excel or the equivalent format.

RIC: Fund Corporate Governance

40. Identify any relationships that the Fund or any affiliate may have with any service provider, (e.g., custodian, transfer agent, administrator, pricing service, accountant, marketing firm), and provide documents indicating that these relationships were disclosed to the Fund's Board in connection with its review of the contract with the service provider or otherwise. This would include, for example, whether a broker-dealer affiliate has an investment banking relationship with a service provider; whether the Fund's adviser manages the corporate pension plan of a service provider; whether the Fund or its adviser has investments in the service provider; whether the service provider also provides services to the Fund's adviser or an affiliate, etc.

41. Information regarding any compensation, whether direct or indirect, received by the Fund's adviser from any of the Fund's service providers. Please include information provided to the Board regarding this compensation.

EXHIBIT 1

Layout for Securities Trading Blotter/Purchase and Sales Journal

In conjunction with the scheduled examination, the staff requests records for all purchases and sales of securities for portfolios of advisory clients and proprietary accounts being advised. Please provide this record in Excel. This record should include the fields of information listed below in a similar format.

Please provide separate worksheets for: (*i*) equities (Note: ETF trades should be included with equities); (*ii*) fixed income; (*iii*) cash or cash equivalents, maturities, calls, pay-downs, expirations, or reinvestments of mutual fund dividends or capital gains distributions; (*iv*) mutual funds; and (*v*) options, futures, swaps and other derivatives.

Examples:

I. Sample Trading Blotter for Equity Securities

Client Name/#	Trade Date	Settle Date	Buy/ Sell	CUSIP	Security Symbol	Security Description	Quantity	Unit Price	Principal/ Proceeds/ Notional Value	Total Commission	Fees	Net Amount	Broker
155	1/1/00	1/3/00	B	1234567	MSFT	Microsoft Corp	100	$100.00	$10,000	$10.00		$10,010.00	ABC
123	1/2/00	1/5/00	S	89101112	IBM	IBM Corp.	500	$100.00	$50,000	$50.00	$1.67	$49,948.33	DEF

II. Sample Trading Blotter for Fixed-Income Securities

Client Name/#	Trade Date	Settle Date	Buy Sell	CUSIP	Security Description 1 (Issuer)	Security Description 2 (Coupon Maturity, etc)	Quantity	Unit Price	Accrued Interest	Principal Value / Proceeds	Total Commission	Net Amount	Broker
155	4/2/98	4/6/98	B	802586AG2	SANTA ROSA CA PKG FACS DIST	4.60% 07-02-2004	50,000	100	$95.83	$50,000	$0	$50,095.83	GHI

EXHIBIT E. SAMPLE 2015 SEC DOCUMENT REQUEST LETTER (00088737XD690E)

III. Sample Trading Blotter for Derivative Securities

Client Name/ #	Trade Date	Settle Date	Buy Sell	CUSIP	Security Description 1 (Issuer)	Security Description 2 (Coupon Maturity, etc)	Quantity	Unit Price	Payments	Principal Value / Proceeds	Total Commission	Net Proceeds	Broker	Security Type	Economic Position "Long or "Short" Position
178	1/1/05	1/3/05	B	DR80258RG	Deutsche Bank AG, Microsoft Corp., Credit Default Swap	6 Months 10-01-2005	100,000	100	$95.83	$100,000	$0	$100,095.83	DB	Credit Default Swap	Buying Protection
182	2/1/07	2/3/07	S	MOSMS149	Morgan Stanley; PD: If credit spreads as represented by the Barclays Capital U.S. CMBS AAA 8.5+ Index widen, pays the spread change minus 50 basis points*; RD: If credit spreads as represented by the Barclays Capital U.S. CMBS AAA 8.5+ Index narrow, receives the spread change*; (TWSP)	9 Months 11-01-2007	150,000	100	$0	$150,000	$0	$150,000	MOR	Total Return Swap	Economic Long

EXHIBIT E. SAMPLE 2015 SEC DOCUMENT REQUEST LETTER (00088737XD690E)

EXAMINATION INFORMATION FOR ENTITIES SUBJECT TO EXAMINATION OR INSPECTION BY THE COMMISSION

The examination staff of the Office of Compliance Inspections and Examinations (OCIE) of the Securities and Exchange Commission (Commission) has prepared this brochure to provide information about examinations it conducts, including information about the examination process and the methods the examination staff employs for resolving issues identified during examinations. This information, provided to entities undergoing examination or inspection, should help entities to understand better the examination staff's objectives in this area.

I. PURPOSE OF EXAMINATIONS

Commission representatives have statutory authority to conduct, at any time or from time to time, reasonable periodic, special and other examinations of the records of specified Commission-regulated entities. OCIE carries out these examination responsibilities through the National Examination Program (NEP) comprised of examination staff in 11 regional offices and the home office in Washington, D.C. OCIE's mission is to protect investors, ensure market integrity and support responsible capital formation through risk-focused strategies that: (1) improve compliance; (2) prevent fraud; (3) monitor risk; and (4) inform policy.

During examinations, the examination staff will seek to determine whether the entity being examined is: conducting its activities in accordance with the federal securities laws and rules adopted under these laws (as well as, where applicable, the rules of self-regulatory organizations subject to the Commission's oversight); adhering to the disclosures it has made to its clients, customers, the general public and/or the Commission; and implementing supervisory systems and/or compliance policies and procedures that are reasonably designed to ensure that the entity's operations are in compliance with the applicable legal requirements. The examination staff appreciates each entity's cooperation with the examination process as it will greatly facilitate the examination staff's ability to complete the examination in a timely manner. Therefore, entities should work to ensure that the examination staff is provided promptly with complete information and knowledgeable employees are made available to help the examination staff better understand the entity and its operations.

II. THE EXAMINATION PROCESS

The Commission's examination program is a risk-based program. An entity may be selected for examination for any number of reasons including, but not limited to, a statutory mandate that requires the Commission to examine the entity; the entity's risk profile; a tip, complaint or referral; or a review of a particular compliance risk area. To help evaluate the effectiveness of our risk-based selection process, the NEP may also randomly select some firms for examination. The reason an entity has been selected for examination is non-public information, and typically will not be shared with the entity under examination. As part of their pre-examination planning

SEC 2389 (6/14)

EXHIBIT E. SAMPLE 2015 SEC DOCUMENT REQUEST LETTER (00088737XD690E)

process, the examination staff actively works to allocate efficiently examination resources and to determine whether an examination's scope might overlap with the scope of any recent or ongoing examinations or investigations by other regulators or staff in other Commission offices or divisions. Sometimes an examination may overlap with ongoing examinations or investigations by other regulators or Commission staff because of legal requirements or otherwise. If an entity has any concerns with respect to overlapping examinations or investigations, as described above, the entity should contact the examination team(s) involved.

In addition, throughout the examination process, the examination staff may consult and/or coordinate with other Commission staff, including supervisory examination staff and staff in other Commission offices and divisions, regarding any issues identified as well as interpretation and application of the securities laws and rules adopted under these laws, and, to the extent applicable, self-regulatory organization rules. As a result, examination staff may share information and documents received from the entity during the examination with other Commission staff to the extent the examination staff deems necessary or appropriate. This and other possible uses of information and documents provided to the examination staff are described in the Commission's Form 1661, which may be accessed at www.sec.gov/about/forms/sec1661.pdf.

Examinations may be conducted on an announced or unannounced basis. When the examination is announced, the examination staff may send the entity a letter notifying it of the examination and containing a request list that identifies certain information or documents that the examination staff will review as part of the examination. In most instances, the examination staff will request that certain of the information and documents be provided in electronic format, if available. The letter may ask that the information and documents: (1) be delivered to the Commission's offices by a specified date; and/or (2) be made available for review at the entity's offices on a specified date. When the examination is unannounced, the examination staff may provide the entity with an information or document request list upon arrival and may conduct an initial interview.

In addition to the letter and/or request list identified above, the examination staff will provide the entity with the Commission's Form 1661, and, upon request, the examination staff will also provide the name and telephone number of their supervisor.

In many examinations, the examination staff will visit the physical premises of the entity to conduct examination work. Upon arrival, the examination staff will identify themselves and present their Commission credentials. The examination staff may conduct an initial interview. During this initial interview, the examination staff will ask questions about the entity and the activities to be examined. This information assists the examination staff in understanding the entity and its operations. The examination staff may also ask for a tour of the entity's offices to gain an overall understanding of the entity's organization, flow of work, and control environment. The initial interview and tour can be critical because they may determine the tone and focus of the examination. Some examinations may be completed without an on-site visit through a review of records in the Commission's offices along with interviews conducted by telephone, as needed. A cooperative approach by the entity being examined will help facilitate the examination.

Following this initial phase of the examination, the examination staff will review the information and documents the entity has provided. During this review, the examination staff may make

EXHIBIT E. SAMPLE 2015 SEC DOCUMENT REQUEST LETTER (00088737XD690E)

supplemental requests for additional information and documents. Throughout the examination, the entity should communicate promptly to the examination staff any questions or concerns regarding the documents and information that have been requested. In all cases, producing requested information and documents in a timely manner will facilitate the efficient completion of the examination. The examination staff may also request meetings (in person or by telephone) with entity employees to discuss the entity's operations and the information and documents provided. The entity should make knowledgeable employees or other knowledgeable persons available to participate in the meetings. These meetings help the examination staff gain a better understanding of the entity's activities and compliance processes. The examination staff may also request relevant information and documents held by third party service providers or agents (including custodians) that, for example, perform work for, or in conjunction with, the entity or whose activities may have a material impact on the entity. Examination staff may send such requests to the entity or directly to the third party service provider or agent. In addition, the examination staff routinely contacts the entity's clients, customers, or other knowledgeable persons, as necessary, to gather and/or verify relevant information.

Typically, on the last day of the on-site visit, the examination staff may conduct a preliminary "exit interview" during which they will discuss the status of the examination and any outstanding information and document requests and, if appropriate, raise any issues identified during the examination to that point. During the preliminary exit interview, the entity will be given an opportunity to discuss any of the issues that the examination staff raises and provide additional relevant information, including any actions the entity has taken or plans to take to address those issues. Entities are also encouraged to keep the staff informed of any relevant changes that occur after the on-site portion of the examination has been completed.

Following the on-site visit, the examination staff, in many cases, will perform additional analyses of the information or data obtained during the on-site examination. This may include contacting the entity to ask clarifying questions or to request additional information or documents. If the analysis performed subsequent to completion of the on-site portion of the examination reveals issues in addition to those discussed during the preliminary exit interview, the examination staff, under most circumstances, will contact the entity, usually by telephone, to discuss these additional issues as part of a "final exit interview." During the final exit interview, the entity will typically be given an opportunity to discuss any of the issues that the examination staff has raised with the entity during the course of the examination and provide additional relevant information, including any actions that the entity has taken or plans to take to address the issues raised. In limited situations, the examination staff may not conduct preliminary or final exit interviews. In connection with either a "preliminary exit interview" and/or "final exit interview," staff may speak with the entity's senior management and/or its board of directors.

III. COMPLETING AN EXAMINATION

Section 4E of the Securities Exchange Act of 1934 requires the examination staff to complete compliance examinations within 180 days from the latter occurrence of one of two specified events. Specifically, Section 4E (b)(1) provides that:

> Not later than 180 days after the date on which Commission staff completes the on-site portion of its compliance examination or inspection **or** receives all records requested from the entity being examined or inspected, **whichever is later**, Commission staff shall

EXHIBIT E. SAMPLE 2015 SEC DOCUMENT REQUEST LETTER (00088737XD690E)

> provide the entity being examined or inspected with written notification indicating either that the examination or inspection has concluded, has concluded without findings, or that the staff requests the entity undertake corrective action. (Emphasis added)

For certain complex examinations, the examination deadline may be extended for an additional 180-day period. Generally, the examination staff will provide an entity with written notification of an examination's completion by sending a deficiency letter. If the examination staff identifies serious issues during an examination, in addition to sending the entity a deficiency letter, the examination staff may refer the issues to the Commission's Division of Enforcement, a self-regulatory organization, state regulatory agency, or others, including criminal authorities, for possible action. On occasion and usually in the context of exigent circumstances, the examination staff may make a referral to the Division of Enforcement without conducting an exit interview.

The examined entity will be asked to respond in writing to any issues identified in a deficiency letter, including any steps that it has taken or will take to address the issues and to prevent their reoccurrence. The entity's response will generally be due within 30 days of the date of the deficiency letter.

An entity's submission of a timely and complete response to a deficiency letter will facilitate the examination staff's ability to complete the examination in a timely manner. In particular, an entity should make sure to address all of the issues identified in the deficiency letter. If the examination staff has comments on an entity's response, the examination staff generally will either provide them to the entity within 60 days of receipt of the entity's response, or contact the entity within the 60-day period to discuss when the examination staff will be able to provide comments. If the examination staff has no further comments after receiving an entity's response to a deficiency letter, the examination staff will send no further communication and the examination will be closed. The NEP conducts a limited number of Corrective Action Reviews in order to verify whether entities, including investment advisers, investment companies, and transfer agents, take the corrective actions discussed in their response to a deficiency letter. FINRA reviews corrective action taken in response to NEP deficiency letters during certain FINRA examinations of member broker-dealers; the NEP may also, on a limited basis, review broker-dealers for corrective action taken.

* * *

If you have any questions, comments, complaints, or concerns during an examination or after it is completed, please raise them with the examination staff or with their supervisors in the respective regional office or the home office. Most questions and issues can be resolved by discussing them with the examination staff. You may also communicate comments, complaints, or concerns through the *Examination Hotline*, (202) 551-EXAM. The *Examination Hotline* offers callers a choice to speak with either an attorney in the Office of Compliance Inspections and Examinations in Washington, DC, *or* staff in the Commission's Office of Inspector General. The Office of Inspector General is an independent office within the Commission that conducts audits of Commission programs and investigates allegations of employee misconduct. Persons speaking with staff on the *Examination Hotline* may identify themselves or request anonymity.

EXHIBIT E. SAMPLE 2015 SEC DOCUMENT REQUEST LETTER (00088737XD690E)

IV. INFORMATION REGARDING THE COMMISSION'S OFFICE OF THE WHISTLEBLOWER

The Commission is authorized by Congress to provide monetary awards to eligible individuals who voluntarily come forward with high-quality, original information that leads to a Commission enforcement action in which over $1,000,000 in sanctions is ordered. The range for awards is between 10% and 30% of the money collected. An "eligible whistleblower" is an individual who voluntarily provides original information about a possible violation of the federal securities laws that has occurred, is ongoing, or is about to occur. Information is provided "voluntarily" if it is provided to the Commission or another regulatory or law enforcement authority before (i) the Commission requests it from an individual or his/her lawyer; or (ii) Congress, another regulatory or enforcement agency, or self-regulatory organization (such as FINRA) asks the individual to provide the information in connection with an investigation or certain examinations or inspections. One or more people are allowed to act as a whistleblower, but companies or organizations cannot qualify as whistleblowers. A person is not required to be an employee of an entity to submit information about that entity.

The Commission's Office of the Whistleblower administers the whistleblower program. Additional information about the program, including how to submit a tip under the program, is available at www.sec.gov/whistleblower. The Office of the Whistleblower may be reached at (202) 551-4790.

EXHIBIT E. SAMPLE 2015 SEC DOCUMENT REQUEST LETTER (00088737XD690E)

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Supplemental Information for Entities Directed to Supply Information to the Commission Other Than Pursuant to Commission Subpoena

A. Freedom of Information Act

The Freedom of Information Act, 5 U.S.C. 552 (the "FOIA"), generally provides for disclosure of information to the public. Rule 83 of the Commission's Rules on Information and Requests, 17 CFR 200.83, provides a procedure by which a person can make a written request that information submitted to the Commission not be disclosed under the FOIA. That rule states that no determination as to the validity of such a request will be made until a request for disclosure of the information under the FOIA is received. Accordingly, no response to a request that information not be disclosed under the FOIA is necessary or will be given until a request for disclosure under the FOIA is received. If you desire an acknowledgement of receipt of your written request that information not be disclosed under the FOIA, please provide a duplicate request, together with a stamped, self-addressed envelope.

B. Authority for Solicitation of the Information

1. Mandatory Information.

   (a) All records of persons identified in Section 17(a) of the Securities Exchange Act of 1934 and investment advisers, including but not limited to required records, must be made available for examination by representatives of the Commission.[1] See Sections 17(a) and (b) of the Securities Exchange Act of 1934 and rules thereunder, and Section 204 of the Investment Advisers Act of 1940 and rules thereunder. Records required to be maintained and preserved pursuant to Section 31(a) of the Investment Company Act of 1940 and rules thereunder must be made available for examination by representatives of the Commission. See Section 31(b) of the Investment Company Act of 1940. Other persons subject to examination by representatives of the Commission pursuant to the Federal securities laws and rules must make certain records, as described by statute or rule, available for examination by representatives of the Commission.[2] See Sections 13(n)(2), 13A(c)(2), and 15F(f)(1)(C) of the Securities Exchange Act of 1934 and Section 32(c) of the Investment Company Act of 1940.

   (b) Security-based swap execution facilities registered with the Commission are required to provide certain information to the Commission pursuant to Section 3D(d)(5) of the Securities Exchange Act of 1934.

   (c) Persons subject to Section 106 of the Sarbanes-Oxley Act of 2002, as amended by the Dodd-Frank Wall Street Reform and Consumer Protection Act, shall make any production required by that section.

   (d) The Commodity Exchange Act requires certain persons who are required to maintain books and records prescribed by the United States Commodity Futures Trading Commission to keep certain books and records open to inspection and examination by the Commission or representatives of the Commission.

2. Other Information. The production of information other than the records and documents described in paragraph B.1 above is voluntary.

C. Effect of Not Supplying Information

1. Mandatory Information.

   (a) A willful failure to permit inspection by authorized Commission personnel of the records and documents described in paragraph B.1 may result in legal proceedings the penalty for which, upon conviction, is a fine of not more than $5,000,000 or imprisonment for not more than 20 years, or both. When the person failing to permit inspection is a person other than a natural person, a fine not exceeding $25,000,000 may be imposed.

   (b) Failure to produce the records and documents described in paragraph B.1 for inspection, and/or aiding or abetting someone in such failure may have the following consequences: (i) regulated persons may be censured or their registration and/or exchange or association status may be suspended, revoked, or subject to

[1] Section 204(a) of the Investment Advisers Act of 1940 provides that all records of investment advisers, other than investment advisers specifically exempt from registration pursuant to Section 203(b) of the Act, are subject to examination by representatives of the Commission.

[2] Any person that is subject to regulation and examination by a Federal financial institution regulatory agency (as defined under 18 U.S.C. 212(c)(2)) may satisfy an examination request, information request, or document request described under Section 204(d)(1) of the Investment Advisers Act or Section 31(b)(4)(A) of the Investment Company Act of 1940, by providing the Commission with a detailed listing, in writing, of the securities, deposits or credits of the client or registered investment company within the custody or use of such person. See Section 204(d)(2) of the Investment Advisers Act of 1940 and Section 31(b)(4)(B) of the Investment Company Act of 1940.

EXHIBIT E. SAMPLE 2015 SEC DOCUMENT REQUEST LETTER (00088737XD690E)

various other sanctions; (ii) members of national securities exchanges may be censured, suspended or expelled from membership; and (iii) members of a registered securities association may be censured, suspended or expelled from membership in a registered association, or subject to various other sanctions. Employees of and persons associated with the foregoing may be suspended or barred from association with regulated entities and/or they may be censured or subject to various other sanctions.

(c) If there is a failure to permit inspection of the records and documents described in paragraph B.1, the Commission may seek an injunction against, among other things, continuing to fail to permit an inspection. The continuance of such failure thereafter may result in civil and/or criminal sanctions for contempt of court.

(d) A willful refusal to comply with a request, in whole or in part, under Section 106 of the Sarbanes-Oxley Act of 2002 may result in civil or administrative remedies or sanctions.

2. Other Information. There are no direct sanctions and thus no direct effects for failure to provide all or any part of the information requested to be supplied on a voluntary basis.

D. False Statements and Documents

Section 1001 of Title 18 of the United States Code provides as follows:

> [W]hoever, in any matter within the jurisdiction of the executive, legislative, or judicial branch of the Government of the United States, knowingly and willfully--
> (1) falsifies, conceals, or covers up by any trick, scheme, or device a material fact;
> (2) makes any materially false, fictitious, or fraudulent statement or representation; or
> (3) makes or uses any false writing or document knowing the same to contain any materially false, fictitious, or fraudulent statement or entry;
> shall be fined under this title, imprisoned not more than 5 years . . . or both.

E. Submissions and Settlements

Rule 5(c) of the Commission's Rules on Informal and Other Procedures, 17 CFR 202.5(c), states:

> Persons who become involved in . . . investigations may, on their own initiative, submit a written statement to the Commission setting forth their interests and position in regard to the subject matter of the investigation. Upon request, the staff, in its discretion, may advise such persons of the general nature of the investigation, including the indicated violations as they pertain to them, and the amount of time that may be available for preparing and submitting a statement prior to the presentation of a staff recommendation to the Commission for the commencement of an administrative or injunction proceeding. Submissions by interested persons should be forwarded to the appropriate Division Director or Regional Director with a copy to the staff members conducting the investigation and should be clearly referenced to the specific investigation to which they relate. In the event a recommendation for the commencement of an enforcement proceeding is presented by the staff, any submissions by interested persons will be forwarded to the Commission in conjunction with the staff memorandum.

The staff of the Commission routinely seeks to introduce submissions made pursuant to Rule 5(c) as evidence in Commission enforcement proceedings, when the staff deems appropriate.

Rule 5(f) of the Commission's Rules on Informal and Other Procedures, 17 CFR 202.5(f), states:

> In the course of the Commission's investigations, civil lawsuits, and administrative proceedings, the staff, with appropriate authorization, may discuss with persons involved the disposition of such matters by consent, by settlement, or in some other manner. It is the policy of the Commission, however, that the disposition of any such matter may not, expressly or impliedly, extend to any criminal charges that have been, or may be, brought against any such person or any recommendation with respect thereto. Accordingly, any person involved in an enforcement matter before the Commission who consents, or agrees to consent, to any judgment or order does so solely for the purpose of resolving the claims against him in that investigative, civil, or administrative matter and not for the purpose of resolving any criminal charges that have been, or might be, brought against him. This policy reflects the fact that neither the Commission nor its staff has the authority or responsibility for instituting, conducting, settling, or otherwise disposing of criminal proceedings. That authority and responsibility are vested in the Attorney General and representatives of the Department of Justice.

F. Principal Uses of Information

The Commission's principal purpose in soliciting the information is to gather facts in order to determine whether any person has violated, is violating, or is about to violate any provision of the federal securities laws or rules for which the Commission has enforcement authority, such as rules of securities exchanges and the rules of the Municipal Securities Rulemaking Board. Facts developed may, however, constitute violations of other laws or rules. Information provided may be used in Commission and other agency enforcement proceedings. Unless the Commission or its staff explicitly agrees to the contrary

EXHIBIT E. SAMPLE 2015 SEC DOCUMENT REQUEST LETTER (00088737XD690E)

in writing, you should not assume that the Commission or its staff acquiesces in, accedes to, or concurs or agrees with, any position, condition, request, reservation of right, understanding, or any other statement that purports, or may be deemed, to be or to reflect a limitation upon the Commission's receipt, use, disposition, transfer, or retention, in accordance with applicable law, of information provided.

G. Routine Uses of Information

The Commission often makes its files available to other governmental agencies, particularly United States Attorneys and state prosecutors. There is a likelihood that information supplied by you will be made available to such agencies where appropriate. Whether or not the Commission makes its files available to other governmental agencies is, in general, a confidential matter between the Commission and such other governmental agencies.

Set forth below is a list of the routine uses which may be made of the information furnished.

1. To appropriate agencies, entities, and persons when (a) it is suspected or confirmed that the security or confidentiality of information in the system of records has been compromised; (b) the SEC has determined that, as a result of the suspected or confirmed compromise, there is a risk of harm to economic or property interests, identity theft or fraud, or harm to the security or integrity of this system or other systems or programs (whether maintained by the SEC or another agency or entity) that rely upon the compromised information; and (c) the disclosure made to such agencies, entities, and persons is reasonably necessary to assist in connection with the SEC's efforts to respond to the suspected or confirmed compromise and prevent, minimize, or remedy such harm.

2. To other federal, state, local, or foreign law enforcement agencies; securities self-regulatory organizations; and foreign financial regulatory authorities to assist in or coordinate regulatory or law enforcement activities with the SEC.

3. To national securities exchanges and national securities associations that are registered with the SEC, the Municipal Securities Rulemaking Board; the Securities Investor Protection Corporation; the Public Company Accounting Oversight Board; the federal banking authorities, including, but not limited to, the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, and the Federal Deposit Insurance Corporation; state securities regulatory agencies or organizations; or regulatory authorities of a foreign government in connection with their regulatory or enforcement responsibilities.

4. By SEC personnel for purposes of investigating possible violations of, or to conduct investigations authorized by, the federal securities laws.

5. In any proceeding where the federal securities laws are in issue or in which the Commission, or past or present members of its staff, is a party or otherwise involved in an official capacity.

6. In connection with proceedings by the Commission pursuant to Rule 102(e) of its Rules of Practice, 17 CFR 201.102(e).

7. To a bar association, state accountancy board, or other federal, state, local, or foreign licensing or oversight authority; or professional association or self-regulatory authority to the extent that it performs similar functions (including the Public Company Accounting Oversight Board) for investigations or possible disciplinary action.

8. To a federal, state, local, tribal, foreign, or international agency, if necessary to obtain information relevant to the SEC's decision concerning the hiring or retention of an employee; the issuance of a security clearance; the letting of a contract; or the issuance of a license, grant, or other benefit.

9. To a federal, state, local, tribal, foreign, or international agency in response to its request for information concerning the hiring or retention of an employee; the issuance of a security clearance; the reporting of an investigation of an employee; the letting of a contract; or the issuance of a license, grant, or other benefit by the requesting agency, to the extent that the information is relevant and necessary to the requesting agency's decision on the matter.

10. To produce summary descriptive statistics and analytical studies, as a data source for management information, in support of the function for which the records are collected and maintained or for related personnel management functions or manpower studies; may also be used to respond to general requests for statistical information (without personal identification of individuals) under the Freedom of Information Act.

11. To any trustee, receiver, master, special counsel, or other individual or entity that is appointed by a court of competent jurisdiction, or as a result of an agreement between the parties in connection with litigation or administrative proceedings involving allegations of violations of the federal securities laws (as defined in section 3(a)(47) of the Securities Exchange Act of 1934, 15 U.S.C. 78c(a)(47)) or pursuant to the Commission's Rules of Practice, 17 CFR 201.100 – 900 or the Commission's Rules of Fair Fund and Disgorgement Plans, 17 CFR 201.1100-1106, or otherwise, where such trustee, receiver, master, special counsel, or other individual or entity is specifically designated to perform particular functions with respect to, or as a result of, the pending action or proceeding or in connection with the administration and enforcement by the Commission of the federal securities laws or the Commission's Rules of Practice or the Rules of Fair Fund and Disgorgement Plans.

EXHIBIT E. SAMPLE 2015 SEC DOCUMENT REQUEST LETTER (00088737XD690E)

12. To any persons during the course of any inquiry, examination, or investigation conducted by the SEC's staff, or in connection with civil litigation, if the staff has reason to believe that the person to whom the record is disclosed may have further information about the matters related therein, and those matters appeared to be relevant at the time to the subject matter of the inquiry.

13. To interns, grantees, experts, contractors, and others who have been engaged by the Commission to assist in the performance of a service related to this system of records and who need access to the records for the purpose of assisting the Commission in the efficient administration of its programs, including by performing clerical, stenographic, or data analysis functions, or by reproduction of records by electronic or other means. Recipients of these records shall be required to comply with the requirements of the Privacy Act of 1974, as amended, 5 U.S.C. 552a.

14. In reports published by the Commission pursuant to authority granted in the federal securities laws (as such term is defined in section 3(a)(47) of the Securities Exchange Act of 1934, 15 U.S.C. 78c(a)(47)), which authority shall include, but not be limited to, section 21(a) of the Securities Exchange Act of 1934, 15 U.S.C. 78u(a)).

15. To members of advisory committees that are created by the Commission or by Congress to render advice and recommendations to the Commission or to Congress, to be used solely in connection with their official designated functions.

16. To any person who is or has agreed to be subject to the Commission's Rules of Conduct, 17 CFR 200.735-1 to 200.735-18, and who assists in the investigation by the Commission of possible violations of the federal securities laws (as such term is defined in section 3(a)(47) of the Securities Exchange Act of 1934, 15 U.S.C. 78c(a)(47)), in the preparation or conduct of enforcement actions brought by the Commission for such violations, or otherwise in connection with the Commission's enforcement or regulatory functions under the federal securities laws.

17. To a Congressional office from the record of an individual in response to an inquiry from the Congressional office made at the request of that individual.

18. To members of Congress, the press, and the public in response to inquiries relating to particular Registrants and their activities, and other matters under the Commission's jurisdiction.

19. To prepare and publish information relating to violations of the federal securities laws as provided in 15 U.S.C. 78c(a)(47)), as amended.

20. To respond to subpoenas in any litigation or other proceeding.

21. To a trustee in bankruptcy.

22. To any governmental agency, governmental or private collection agent, consumer reporting agency or commercial reporting agency, governmental or private employer of a debtor, or any other person, for collection, including collection by administrative offset, federal salary offset, tax refund offset, or administrative wage garnishment, of amounts owed as a result of Commission civil or administrative proceedings.

* * * * *

Small Business Owners: The SEC always welcomes comments on how it can better assist small businesses. If you would like more information, or have questions or comments about federal securities regulations as they affect small businesses, please contact the Office of Small Business Policy, in the SEC's Division of Corporation Finance, at 202-551-3460. If you would prefer to comment to someone outside of the SEC, you can contact the Small Business Regulatory Enforcement Ombudsman at http://www.sba.gov/ombudsman or toll free at 888-REG-FAIR. The Ombudsman's office receives comments from small businesses and annually evaluates federal agency enforcement activities for their responsiveness to the special needs of small business.

4

EXHIBIT E. SAMPLE 2015 SEC DOCUMENT REQUEST LETTER (00088737XD690E)

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Supplemental Information for Persons Requested to Supply Information Voluntarily to the Commission's Examination Staff

A. Introduction

This document is being provided to you because the Commission's examination staff has requested that you voluntarily provide information. For your reference, this document describes the principal purposes that the information may be used for, the Commission's statutory authority for soliciting the information, the effects of not supplying information or of supplying false information, the routine uses of information provided, and how to request confidential treatment for the information provided.

The examination program's mission is to protect investors, ensure market integrity and support responsible capital formation through risk-focused strategies that: (1) improve compliance; (2) prevent fraud; (3) monitor risk; and (4) inform policy. Please visit the following website for more information about the examination program http://www.sec.gov/about/offices/ocie.shtml.

B. Principal Uses of Information

The Commission's principal purposes in soliciting the information are:

1. Asset Verification: To obtain independent confirmations of account balances or positions from various persons over whom the Commission does not have examination authority, including clients or shareholders;

2. Risk Assessment: To monitor risk and gather information about areas of interest or concern to the Commission; and

3. Assist with Examinations and Other Inquiries: To gather facts in order to determine whether an entity or person is complying with applicable federal securities laws and rules, and to determine whether any entity or person has violated, is violating, or is about to violate any provision of the federal securities laws or rules for which the Commission has enforcement authority, such as rules of securities exchanges and the rules of the Municipal Securities Rulemaking Board. Facts developed may, however, constitute violations of other laws or rules. Information provided may be used in Commission and other agency enforcement proceedings.

Unless the Commission or its staff explicitly agrees to the contrary in writing, you should not assume that the Commission or its staff acquiesces in, accedes to, or concurs or agrees with, any position, condition, request, reservation of right, understanding, or any other statement that purports, or may be deemed, to be or to reflect a limitation upon the Commission's receipt, use, disposition, transfer, or retention, in accordance with applicable law, of information provided.

C. Authority for Solicitation of the Information

One or more of the following provisions authorizes the Commission to solicit the information requested: Section 20 of the Securities Act of 1933; Section 21 of the Securities Exchange Act of 1934; Section 321 of the Trust Indenture Act of 1939; Section 42 of the Investment Company Act of 1940; Section 209 of the Investment Advisers Act of 1940, and 17 CFR 202.5. Disclosure of the requested information to the Commission is voluntary on your part.

D. Effect of Not Supplying Information

There are no direct sanctions and thus no direct effects for failure to provide all or any part of the information requested to be supplied on a voluntary basis.

E. False Statements and Documents

Section 1001 of Title 18 of the United States Code provides as follows:

> whoever, in any matter within the jurisdiction of the executive, legislative, or judicial branch of the Government of the United States knowingly and willfully (1) falsifies, conceals, or covers up by any trick, scheme, or device a material fact; (2) makes any materially false, fictitious or fraudulent statement or representation; or (3) makes or uses any false writing or document knowing the same

EXHIBIT E. SAMPLE 2015 SEC DOCUMENT REQUEST LETTER (00088737XD690E)

to contain any materially false, fictitious or fraudulent statement or entry, shall be fined under this title, imprisoned not more than five years, ..., or both.

F. Routine Uses of Information

The Commission often makes its files available to other governmental agencies, particularly United States Attorneys and state prosecutors. There is a likelihood that information supplied by you will be made available to such agencies where appropriate. Whether or not the Commission makes its files available to other governmental agencies is, in general, a confidential matter between the Commission and such other governmental agencies.

Set forth below is a list of the routine uses which may be made of the information furnished.

1. To appropriate agencies, entities, and persons when (a) it is suspected or confirmed that the security or confidentiality of information in the system of records has been compromised; (b) the SEC has determined that, as a result of the suspected or confirmed compromise, there is a risk of harm to economic or property interests, identity theft or fraud, or harm to the security or integrity of this system or other systems or programs (whether maintained by the SEC or another agency or entity) that rely upon the compromised information; and (c) the disclosure made to such agencies, entities, and persons is reasonably necessary to assist in connection with the SEC's efforts to respond to the suspected or confirmed compromise and prevent, minimize, or remedy such harm.

2. To other federal, state, local, or foreign law enforcement agencies; securities self-regulatory organizations; and foreign financial regulatory authorities to assist in or coordinate regulatory or law enforcement activities with the SEC.

3. To national securities exchanges and national securities associations that are registered with the SEC; the Municipal Securities Rulemaking Board; the Securities Investor Protection Corporation; the Public Company Accounting Oversight Board; the federal banking authorities, including, but not limited to, the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, and the Federal Deposit Insurance Corporation; state securities regulatory agencies or organizations; or regulatory authorities of a foreign government in connection with their regulatory or enforcement responsibilities.

4. By SEC personnel for purposes of investigating possible violations of, or to conduct investigations authorized by, the federal securities laws.

5. In any proceeding where the federal securities laws are in issue or in which the Commission, or past or present members of its staff, is a party or otherwise involved in an official capacity.

6. In connection with proceedings by the Commission pursuant to Rule 102(e) of its Rules of Practice, 17 CFR 201.102(e).

7. To a bar association, state accountancy board, or other federal, state, local, or foreign licensing or oversight authority; or professional association or self-regulatory authority to the extent that it performs similar functions (including the Public Company Accounting Oversight Board) for investigations or possible disciplinary action.

8. To a federal, state, local, tribal, foreign, or international agency, if necessary to obtain information relevant to the SEC's decision concerning the hiring or retention of an employee; the issuance of a security clearance; the letting of a contract; or the issuance of a license, grant, or other benefit.

9. To a federal, state, local, tribal, foreign, or international agency in response to its request for information concerning the hiring or retention of an employee; the issuance of a security clearance; the reporting of an investigation of an employee; the letting of a contract; or the issuance of a license, grant, or other benefit by the requesting agency, to the extent that the information is relevant and necessary to the requesting agency's decision on the matter.

10. To produce summary descriptive statistics and analytical studies, as a data source for management information, in support of the function for which the records are collected and maintained or for related personnel management functions or manpower studies; may also be used to respond to general requests for statistical information (without personal identification of individuals) under the Freedom of Information Act.

11. To any trustee, receiver, master, special counsel, or other individual or entity that is appointed by a court of competent jurisdiction, or as a result of an agreement between the parties in connection with litigation or administrative proceedings involving allegations of violations of the federal securities laws (as defined in section 3(a)(47) of the Securities Exchange Act of 1934, 15 U.S.C. 78c(a)(47)) or pursuant to the Commission's Rules of Practice, 17 CFR 201.100 – 900 or the Commission's Rules of Fair Fund and Disgorgement Plans, 17 CFR 201.1100-1106, or otherwise, where such trustee, receiver, master, special counsel, or other individual or entity is

EXHIBIT E. SAMPLE 2015 SEC DOCUMENT REQUEST LETTER (00088737XD690E)

specifically designated to perform particular functions with respect to, or as a result of, the pending action or proceeding or in connection with the administration and enforcement by the Commission of the federal securities laws or the Commission's Rules of Practice or the Rules of Fair Fund and Disgorgement Plans.

12. To any persons during the course of any inquiry, examination, or investigation conducted by the SEC's staff, or in connection with civil litigation, if the staff has reason to believe that the person to whom the record is disclosed may have further information about the matters related therein, and those matters appeared to be relevant at the time to the subject matter of the inquiry.

13. To interns, grantees, experts, contractors, and others who have been engaged by the Commission to assist in the performance of a service related to this system of records and who need access to the records for the purpose of assisting the Commission in the efficient administration of its programs, including by performing clerical, stenographic, or data analysis functions, or by reproduction of records by electronic or other means. Recipients of these records shall be required to comply with the requirements of the Privacy Act of 1974, as amended, 5 U.S.C. 552a.

14. In reports published by the Commission pursuant to authority granted in the federal securities laws (as such term is defined in section 3(a)(47) of the Securities Exchange Act of 1934, 15 U.S.C. 78c(a)(47)), which authority shall include, but not be limited to, section 21(a) of the Securities Exchange Act of 1934, 15 U.S.C. 78u(a).

15. To members of advisory committees that are created by the Commission or by Congress to render advice and recommendations to the Commission or to Congress, to be used solely in connection with their official designated functions.

16. To any person who is or has agreed to be subject to the Commission's Rules of Conduct, 17 CFR 200.735-1 to 200.735-18, and who assists in the investigation by the Commission of possible violations of the federal securities laws (as such term is defined in section 3(a)(47) of the Securities Exchange Act of 1934, 15 U.S.C. 78c(a)(47)), in the preparation or conduct of enforcement actions brought by the Commission for such violations, or otherwise in connection with the Commission's enforcement or regulatory functions under the federal securities laws.

17. To a Congressional office from the record of an individual in response to an inquiry from the Congressional office made at the request of that individual.

18. To members of Congress, the press, and the public in response to inquiries relating to particular Registrants and their activities, and other matters under the Commission's jurisdiction.

19. To prepare and publish information relating to violations of the federal securities laws as provided in 15 U.S.C. 78c(a)(47), as amended.

20. To respond to subpoenas in any litigation or other proceeding.

21. To a trustee in bankruptcy.

22. To any governmental agency, governmental or private collection agent, consumer reporting agency or commercial reporting agency, governmental or private employer of a debtor, or any other person, for collection, including collection by administrative offset, federal salary offset, tax refund offset, or administrative wage garnishment, of amounts owed as a result of Commission civil or administrative proceedings.

G. Freedom of Information Act

The Freedom of Information Act, 5 U.S.C. 552 (the "FOIA"), generally provides for disclosure of information to the public. Rule 83 of the Commission's Rules on Information and Requests, 17 CFR 200.83, provides a procedure by which a person can make a written request that information submitted to the Commission not be disclosed under the FOIA. That rule states that no determination as to the validity of such a request will be made until a request for disclosure of the information under the FOIA is received. Accordingly, no response to a request that information not be disclosed under the FOIA is necessary or will be given until a request for disclosure under the FOIA is received. If you desire an acknowledgement of receipt of your written request that information not be disclosed under the FOIA, please provide a duplicate request, together with a stamped, self addressed envelope.

* * * * *

Small Business Owners: The SEC always welcomes comments on how it can better assist small businesses. If you have comments about a voluntary request for information you received from staff in the SEC's examination program, please contact the Office of Small Business Policy, in the SEC's Division of Corporation Finance, at 202-551-3460. If you would prefer to comment to someone outside of the SEC, you can contact the Small Business Regulatory

EXHIBIT E. SAMPLE 2015 SEC DOCUMENT REQUEST LETTER (00088737XD690E)

Enforcement Ombudsman at http://www.sba.gov/ombudsman or toll free at 888-REG-FAIR. The Ombudsman's office receives comments from small businesses and annually evaluates federal agency enforcement activities for their responsiveness to the special needs of small business.

SEC 2866 (9/14)

ABOUT THE AUTHOR

Michelle L. Jacko, Esq., is the managing partner and CEO of Jacko Law Group, PC, a securities law firm which offers securities and corporate legal services to broker-dealers, investment advisers, hedge/private funds, and financial professionals. In addition, Ms. Jacko is the Founder and CEO of Core Compliance & Legal Services, Inc., a compliance consultation firm. She specializes in investment advisory and broker-dealer firm formation, hedge and private fund development, mergers and acquisitions, transition risks, and investment counsel on regulatory compliance and securities law. Her practice is focused on the areas of corporate and compliance risk management, contracts, policies and procedures, testing of compliance programs (including evaluation of internal controls and supervision), performance advertising, soft dollar arrangements, best execution, separation agreements, and more.

Previously, Ms. Jacko served as Of counsel at Shustak & Partners, PC. Prior to that, she was vice president of compliance and branch manager of the Home Office Supervision team at LPL Financial Services, Corporation (Linsco/Private Ledger). Ms. Jacko has also served as legal counsel of investments and chief compliance officer at First American Trust, FSB and held the position of compliance manager at Nicholas-Applegate Capital Management. In addition, Ms. Jacko was with PIM Financial Services, Inc., and Speiser, Krause, Madole & Mendelsohn, Jackson. She regularly presents at conferences throughout the nation and is a frequent contributor to various industry journals. In 2013, Ms. Jacko was appointed to the Editorial Advisory Board for the Wolters Kluwer publication *Practical Compliance and Risk Management for the Securities Industry*. She is speakers bureau chair and co-founder of the Southern California Compliance Group and is involved in the American Bar Association (Business Law Section), State Bar of California (Corporations Committee), and San Diego County Bar Association, where she served as co-chair of the Business & Corporate Law Section from 2012 to 2014. She also is a FINRA arbitrator. Ms. Jacko has been named as a *Top 20 Rising Star for "Who's Who" in Upcoming Compliance Professionals* by Compliance Reporter magazine. In 2014, Ms. Jacko was named as a finalist for *San Diego Magazine's* 2014 Woman of the Year Award. She was also recognized as a finalist for *San Diego Business Journal's* 2014 Women Who Mean Business Awards. Ms. Jacko received her juris doctor degree from St. Mary's University School of Law and a bachelor of arts degree in International Relations from the University of San Diego. She is admitted to the State Bar of California and United States District Court, Southern District of California. Michelle is a past two-term board member for the National Society of Compliance Professionals (NSCP) and holds the Certified Securities Compliance Professional (CSCP) designation sponsored by NSCP.