



COLORADO

Department of
Regulatory Agencies

Division of Securities

Chris Myklebust, Securities Commissioner

April 2, 2019

Advisor Name

Advisor Address

RE: Colorado Division of Securities Examination of **Advisor Name**. IARD #

Dear Advisor,

Pursuant to the authority granted the Division under the Colorado Securities Act, Colorado Revised Statutes Section §11-51-409, the Staff of the Colorado Division of Securities (“the Division”) is conducting an examination of **Advisor Name**. In order to remain in good standing with the Division as an Investment Advisor, you are required to answer specific questions and provide requested documentation. Unless another date is specified, the Division is requesting information for the period **April 1, 2016 through March 31, 2019** (“examination period” or “period of examination”).

The Division hereby requests that the investment advisor provide the following information and documents as listed below:

General

1. A copy of the firm’s most recent Form ADV, Part 2A-2B and any disclosure document given in conjunction with or in lieu of Part 2.
2. Documentation that each new client, during the examination period, was provided with the firm’s Form ADV Part 2A-2B. In addition, indicate how your firm makes annual delivery to existing clients, and provide documentation as to how the firm tracks delivery.
3. A blank copy of any standard advisory contracts or agreements used during the exam period.
4. A copy of policies and procedures used by the firm during the examination period, including, but not limited to:
 - a. Supervisory Procedures;
 - b. Code of Ethics;
 - c. Compliance Manual;
 - d. Personal Trading Policy;
 - e. Custody Policy;
 - f. Proxy Voting Policies and Procedures;



- g. Computer Security Policy;
- h. Policies and procedures with respect to trade errors and all information related to any errors; and
- i. Business Continuity Plan.

5. A copy of the firm's most recently updated Privacy Policy accompanied by an explanation of how your firm makes initial and annual delivery of the policy to clients.
6. Describe any soft-dollar arrangements in which the firm participated and provide copies of all written agreements concerning the firm's soft-dollar relationships.
7. Copies of client complaints received during the examination period along with correspondence reflecting the manner in which the complaint was resolved.
8. Copies of all written (hard copy and electronic such as emails) communications (both licensed and unlicensed members of the Firm) with clients for the following months **September 2018 through March 2019**. This Please provide this information in an electronic form.
9. Please provide all correspondence from any regulatory authority for the exam period including all audit reports and firm responses.
10. A list of all affiliated entities. Please identify common control persons, owners, business addresses, describe each entity's business. Provide any written agreements in place between the parties.
11. Total assets under management for each of the following months **September 2018 through March 2019**.

Personnel

12. A list of all firm employees including names, titles, CRD numbers, job descriptions, and professional designations.
13. Describe any outside business activities persons related to the firm engage in. Including non-investment related positions and endeavors. Provide copies of any contractual agreements related to outside business activities and the compensation received for the period of examination. For insurance sales, please list separately the first year commission amount and commission trails collected for **2017 and YTD for 2018**.
14. A list of any employees, partners, officers, and/or directors who have been terminated or resigned during the examination period including information regarding the reason for their departure.
15. Provide a list of all parties to whom the firm has paid cash referrals to or have received cash referrals from during the exam period. Provide names, contact information, and an itemized list of payments and/or receipts.
16. Provide any fee splitting or revenue sharing arrangements.

Client Information

17. A complete list of all firm clients in editable (Excel) and non-editable (pdf) format. The list should include:

- a. Client names, residential addresses, account numbers, account title, and custodian;
- b. The type of service each received (if applicable, provide the date the estate or financial plan was given);
- c. Whether any of the clients are related to any of the firm's affiliated persons. Provide the name of the related person and the nature of the relationship;
- d. The value of each client's account or description of other method used to calculate fees and fees collected for **Q1 2018, Q2 2018, Q3 2018 and Q4 2018**;
- e. Whether the firm has custody of account assets;
- f. Whether the relationship is discretionary or non-discretionary;
- g. The investment strategy;
- h. Whether advisory fees are deducted from the client's account, invoiced directly, or other form of payment;
- i. The investment advisor representative assigned to the account relationship; and
- j. The investment and/or brokerage accounts owned by employees, officers, directors, access persons, related persons, and control persons.

18. A list of each firm client that has purchased products or services through any investment advisor representative's outside business activities during the period of examination. Include a description of the product or services purchased and the date of purchase.

19. Indicate whether the firm, an officer, an employee, or an affiliate acts as trustee, co-trustee, or successor trustee or has full power of attorney for the account. Identify the firm representative by name and identify the account by name and number.

20. Provide all current and historical fee schedules used by the firm during the examination period; include fees schedules for all investment advisory services.

21. Describe the fee calculation process. Include the method(s) used to value account assets, the day of the quarter used to calculate fees, fee calculation formula (including but not limited to hourly and fixed fees) etc.

22. Identify clients by name and account number who do not pay fees to the firm and provide the reason for waiving the fees.

23. Indicate when the firm sends a copy of the fee invoice to the custodian and the client.

24. The firm's trade blotter or purchases and sales journal from **September 2018 through March 2019**, which lists transactions, including trade errors, cancellations, re-bills, and reallocations, in securities and other financial instruments for current clients, former clients, proprietary and/or trading accounts, and access persons. The report should include the following data; account name, account number, cost, name of security, gross amount, net amount, IAR name, price, quantity, settlement date, total commission, trade date, transaction type, and trading fees.

25. Provide a record of transactions in which the firm or investment adviser representative(s) has any direct or indirect ownership of securities.

26. Identify all non-traded, thinly traded, or alternative assets held in client accounts at any time during the period of examination. Provide the account number, the account name, most recent valuation, and percentage of client portfolio for each account which holds the following assets:

- a. All fair-valued and any illiquid securities;
- b. Hedge funds;
- c. Non-Traded Real Estate Investment Trusts;
- d. Commodities;
- e. Puts and covered calls;
- f. Business Development Companies;
- g. Leveraged ETF Funds;
- h. Investment partnerships, trusts, and any other pooled investment vehicles created, offered, or managed by you or any of your associated persons;
- i. Any other non-traded, thinly traded, or alternative asset.

27. Indicate whether the firm has custody of account assets.

28. Copies of logs or blotters reflecting the receipt and forwarding of client checks and/or securities for each licensed IAR.

29. List of all custodians/discount brokers the firm uses to service its advisory clients, include a copy of all agreements between the custodians/discount brokers and the adviser.

Client Files

30. Copies of client files for the following **seven (7)** households: the two oldest relationships, the two newest relationship, the highest AUM that included billable assets outside of **Custodian**, the lowest AUM that included billable assets outside of **Custodian**, and the first financial plan you did in 2018 where there are no accounts at **Custodian** (billing on assets solely outside of **Custodian**).

- a. Signed Investment Contract and/or Investment Management Agreement;
- b. Any forms/questionnaires/supplementary notes used to assess/update client suitability or determine asset allocation or investment strategy;
- c. Any other notes of interactions you had with the client;
- d. Documents granting discretionary trading authority over client assets;
- e. Provide copies of monthly, quarterly, semi-annual, and/or annual reports; including performance, data, or graphs that you provided to clients for **July 2018 through December 2018**.
- f. Copies of the invoices disclosing their fees for each quarter from **Q1 2018 through Q4 2018**.

31. Describe the firm's termination policy. Provide a list of clients that terminated your services during the examination period, the reason for termination, the date of termination, account market value at date of termination, and if a fee refund was made, a copy of the calculation documentation and check.

Advertising and Performance Reporting

32. Provide a copy of each promotional brochure, pamphlet, notice, circular, advertisement, newspaper article, investment letter, bulletin, or other communication (including by electronic media) circulated or distributed during the examination period. For advertising using performance reports please include any reports, data or graphs used to form the basis for supporting performance claims. Include copies of all stationary, letterhead, envelopes and business cards used by the firm.

33. Describe how the firm uses social media. List social media accounts and account names.

Financial Records

34. Bank statements, and check images (for any and all accounts that receive advisory fees, financial planning fees, consulting fees, referral fees, securities commissions, and insurance commissions) for the period **July 2018 through December 2018**.
35. Credit card statements and/or account history for any lines of credit used to pay firm expenses for the period **July 2018 through December 2018**.
36. Complete firm financial statements (i.e., balance sheet, trial balance, general ledger, cash receipts and disbursements journal, income statement, and cash flow statements) for the following years **2016, 2017 & 2018 (if available)**. Please provide in editable (Excel) and non-editable form (pdf).

The Firm must draft a letter responding to each item listed within this letter. If any of the items do not apply to the Firm's business, please state so in the letter and explain why. If the Firm does not have records in response to one or more of the items, please also state so in the letter. This is a non-exhaustive list, additional documents or more information may be requested regarding this investment adviser examination in the future.

Please provide the information no later than **Wednesday April 10, 2019** via the link that I sent you from Box.com or in the form of a password protected flash drive/CD. Provide the password to me separately via email or verbally over the phone if using a flash drive or CD. Please contact me with questions via email at examiner@State.CO.US or via phone at (303) 894-2320. Thank you in advance for your cooperation.

Respectfully,

Securities Examiner