

INVESTMENT ADVISER Compliance Update

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A complimentary service to our clients

Summer 2005

I. DISPOSAL OF CONSUMER REPORT INFORMATION

The SEC now requires all investment advisory firms registered with the Commission who maintains or otherwise possesses consumer report information for a business purpose to properly dispose of the information by taking **reasonable measures** to protect against unauthorized access to or use of the information in connection with its disposal. *Consumer report information* means any records about an individual, whether in paper, electronic or other form, that is a *consumer report* or is derived from a *consumer report*. Under the statute, *consumer report* means any written, oral, or other communication of any information by a consumer reporting agency bearing on a consumer's credit worthiness, credit standing, credit capacity, character, general reputation, personal characteristics, or mode of living which is used or expected to be used or collected in whole or in part for the purpose of serving as a factor in establishing the consumer's eligibility for (a) credit or insurance to be used primarily for personal, family, or household purposes; (b) employment purposes; or (c) any other purpose authorized under section 604. The term *consumer report* does not include:

(A) any

(i) report containing information solely as to transactions or experiences between the consumer and the person making the report;

(ii) communication of that information among persons related by common ownership or affiliated by corporate control; or

(iii) communication of other information among persons related by common ownership or affiliated by corporate control, if it is clearly and conspicuously disclosed to the consumer that the information may be communicated among such persons and the consumer is given the opportunity, before the time that the information is initially communicated, to direct that such information not be communicated among such persons;

(B) any authorization or approval of a specific extension of credit directly or indirectly by the issuer of a credit card or similar device;

(C) any report in which a person who has been requested by a third party to make a specific extension of credit directly or indirectly to a consumer conveys his or her decision with respect to such request, if the third party advises the consumer of the name and address of the person to whom the request was made, and such person makes the disclosures to the consumer required under section 615 [§ 1681m]; or

(D) certain communications described in subsection (o) of the statute.

Proper disposal requires advisory firms to take reasonable measures to protect against unauthorized access to or use of the information in connection with its disposal. Although reasonableness varies when comparing firms, "reasonable measures" typically require elements such as the establishment of policies and procedures governing disposal, as well as appropriate employee training. The Commission's Release declares that "reasonable measures" could include:

- (A) Implementing and monitoring compliance with policies and procedures that require the burning, pulverizing, or shredding of papers containing the consumer report information so that the information cannot practicably be read or reconstructed;
- (B) Implementing and monitoring compliance with policies and procedures that require the destruction or erasure of electronic media containing consumer report information so that the information cannot practicably be read or reconstructed;
- (C) After due diligence, entering into a contract with another party engaged in the business of record destruction to dispose of material, specifically identified as consumer report information, in a manner consistent with the disposal rule;
- (D) For firms that maintain or otherwise possess consumer report information through their provision of services directly to a person subject to the disposal rule, implementing and monitoring compliance with policies and procedures that protect against unauthorized or unintentional disposal of consumer report information and disposal consistent with (A) or (B) above; and
- (E) Incorporating the proper disposal of consumer report information as required by the disposal rule into the safeguard policies and procedures required by the safeguard rule. In essence this last paragraph requires policies and procedures pertaining to proper disposal to be incorporated within the firm's Privacy policies and procedures (e.g., Privacy Notice and Privacy Policy).

Compliance with the new disposal rule is required by July 1, 2005, and we advise that all firms incorporate disposal policies and procedures within their current practices as a matter of good business practice.

For those firms that have already engaged Stark & Stark to complete Rule 206(4)-7 policies and procedures, a supplement will be sent electronically which should be added to the firm's compliance manual. For all others, Stark & Stark remains available to assist with the task.

II. REQUIRED RULE 206(4)-7 ANNUAL REVIEW

Please remember that pursuant to the requirements of Rule 206(4)-7, it is imperative to review your firm's current policies and procedures on at least an annual basis, and to document that review for compliance and regulatory examination purposes. The purpose of the review is to ascertain the extent to which the firm's current policies, as well as the procedures implemented to effect the policies, require amendment. The review should be conducted by the Chief Compliance Officer, or his/her designee, who should consider the following four items in addition to other relevant issues:

- Compliance matters that arose during the previous year;
- Changes in the advisory firm's business;
- Changes in the activities of any of the firm's advisory affiliates; and
- Changes in the regulations applicable to the advisory firm, including changes to the Investment Advisers Act of 1940, and Rules promulgated thereunder.

This annual review requirement must be memorialized in an organized and coherent manner. To the extent that your firm requires any assistance with this requirement or is interested in obtaining an annual review form, please contact our office.

III. OPEN SEASON ON HEDGE FUND ADVISERS?

Even though it has been several months since the "hedge fund registration" rule was adopted, the SEC remains under pressure to justify the reasons for the adoption of the rule. The source of this pressure is hedge fund adviser Phillip Goldstein, who has filed a lawsuit challenging the SEC's authority and justifications for adopting the rule. In its response brief, the SEC continues to assert that the rule was necessary due to the "increase in fraud involving hedge fund advisers," including the infamous mutual fund market timing/late trading scandal. (The SEC's brief fails to explain why its staff, who examined dozens of hedge funds during its fact-finding examination sweep, failed to take any action against hedge fund advisers that followed mutual fund market timing strategies before Mr. Spitzer found the practice unlawful).

Most industry experts agree that there has been no increase in hedge fund fraud. Rather, most believe that the SEC has classified garden variety fraud cases as “hedge fund” cases. Given the pressure to justify the rule, newly registered hedge fund advisers should expect their advisory activities to be under significant scrutiny during SEC examinations. Areas of particular concern to hedge fund advisers include:

1. Trade allocations—advisers need to have specific procedures for allocating block trades to hedge funds and separate accounts. Such procedures should provide for fair and equitable treatment of all clients.
2. Valuation procedures—adequate procedures for fair valuation of securities are particularly important for hedge fund advisers because they usually receive performance fees based on the increase in the value of the fund’s securities.
3. Risk management—advisers should have procedures for assessing investment and operational risk. SEC examiners are routinely requesting a written summary on advisers’ risk assessment policies, risk committee meeting minutes, and “inventory of risks.”
4. Insider trading—hedge fund advisers are more likely to be privy to non-public information than other advisers. Therefore, they need to be especially vigilant of trading, both personal and for clients, based on non-public information.
5. Compliance culture—hedge fund advisory firms are often owned and headed by individuals with dynamic personalities. Such firms need to make sure that the CCO has sufficient authority to implement and enforce adequate compliance policies and procedures.

IV. IMPORTANT REMINDER FOR HEDGE FUND MANAGERS AND FUND OF HEDGE FUND MANAGERS ON CFTC MATTERS

We have been noticing in our practice a lack of understanding and awareness on the part of some hedge fund managers and fund of hedge fund managers (“Managers”) regarding their initial and ongoing obligations with respect to filing for Commodities Pool Operator (CPO) registration exemptions with the Commodities Futures Trading Commission (CFTC). The purpose of this brief article is to remind Managers of possible issues and pitfalls related to these CFTC matters—not to explain in detail the CFTC rules and regulations that may apply to Managers.

The important thing for all Managers to remember, both at the formation of the hedge fund or fund of hedge fund (“FOHF”) and on an ongoing basis, is that if the hedge fund or a FOHF (due to its underlying investments in an underlying hedge fund) (a “Target Fund”) proposes to invest or actually invests in even one Commodity, the Manager has to either register with the CFTC as a CPO or fit within an exemption to registration. Managers that fit within a registration exemption must timely file an exemption notice with the National Futures Association (NFA). Qualifying for a registration exemption is much preferable: registered CPOs are subject to rather onerous rules on such items as disclosure, reporting, and record keeping, whereas Managers that qualify (and timely file an exemption notice) for a registration exemption are not subject to most CFTC rules.

It is critical for Managers to make this determination (that is, whether the hedge fund itself or any possible Target Fund in which a FOHF invests may trade in any Commodities) at the formation stage of the relevant entity. This determination is fairly simple for hedge fund managers; all they have to do is refer to the hedge fund’s investment objectives and strategies. However, it may be a much more difficult determination for a FOHF manager to determine whether the FOHF may invest, at any point, in a Target Fund that trades in Commodities.

The better practice for FOHF managers is to assume that the FOHF being formed will at some point invest in a Target Fund that invests in Commodities and to file the exemption notice with the NFA at the inception of the FOHF.

Why the focus on making the determination (and the notice exemption filing) at the initial stage? Because if a Manager fails to file an exemption notice with the NFA prior to delivering any subscription agreement to its first prospective limited partners and the hedge fund or FOHF subsequently trades in Commodities (directly or through a Target Fund), then it becomes very difficult to gain the exemption. The exemption section in the CFTC Act simply does not discuss (or seem to allow) a late exemption filing. Therefore, a Manager that might have qualified for a registration exemption if it had timely filed the notice with NFA may have to fully register as a CPO. It may be possible to get CFTC/NFA permission to file a late exemption notice with the NFA, but we have been informed that

a late exemption notice filing, if granted, would almost certainly include the condition that the Manager allow the existing investors in the hedge fund or FOHF to redeem their interests (regardless of any lock-up period, etc.). Therefore, it is always best to determine from the inception of the hedge fund or FOHF if any Commodities may be traded, and, if so, to file the simple exemption notice with the NFA.

In order to gain the exemption, the Manager must be able to certify that it will only trade in Commodities in a limited fashion. In addition, the Manager must be able to certify that certain other conditions exist, such as only offering its hedge fund interests to sophisticated investors, such as accredited investors). Specifically, on the limited trading condition, a hedge fund must (a) commit no more than 5% of the liquidation value of its portfolio to establish commodity interest trading positions, whether entered into for bona fide hedging purposes or otherwise; or (b) the aggregate net notional value of the hedge fund's commodity interest trading does not exceed 100% of its liquidation value.

The CFTC, recognizing that the above definition would be very difficult for a FOHF manager to quantify, has given guidance (but not an actual rule) regarding the criteria that a FOHF manager would have to meet in order to claim the exemption. The primary criteria (there are six possible scenarios) that most FOHFs endeavor to meet in order to claim the exemption is that the FOHF manager must agree that it will allocate no more than 50% of the FOHF's assets to Target Funds that trade Commodities (without regard to the level of commodity interest trading engaged in by those Target Funds). The FOHF manager must not allocate any of the FOHF's assets directly to commodity interest trading. (Note: the above is a very brief and simple explanation of some of the exemptions and criteria that relate to claiming the CFTC exemption. Managers should consult with a professional for a more thorough analysis on a case-by-case basis).

In conclusion, keeping in mind the above tests, a Manager must determine at the onset of the life of the hedge fund if it will meet the exemption requirements and timely file an exemption notice with the NFA. In addition, and unfortunately some Managers have not been doing this, each Manager must continuously monitor the hedge funds or FOHF investments throughout the life of the entity to ensure ongoing compliance with the criteria. (Indeed, even Managers that are neither exempted nor registered as a CPO must also continuously determine if their entity has invested, directly or indirectly, in a Commodity). If a hedge fund or FOHF goes over the trading limits set forth above, then such entity would be required to immediately register as a CPO (whether exempted initially or not) and ensure that all CFTC reporting, disclosure and record keeping requirements are met. Unfortunately, while many Managers file the exemption notice with the NFA on a timely basis, some forget to monitor the situation on an ongoing basis (seeming to believe "we filed the exemption notice, therefore we are exempt, period"). This is not the case and the unwary Managers who do not keep a close eye on the trading limits (and other exemption criteria) may, at some point, find themselves to have lost the exemption and to have become unregistered and non-compliant CPOs.

V. NEW YORK ADVISERS – FORM ADV PART I OFFER

The New York Office of Attorney General now requires all New York state-registered investment advisers to offer their Form ADV Part 1 to clients annually. This represents an addition to the New York Registrant's already-existing requirement to offer Form ADV Part II, Schedule F along with the firm's Privacy documents. To the extent that you require any further guidance, please reach out to the Stark & Stark offices.

VI. PROXY VOTING – STATES FOLLOW SEC LEAD

Consistent with our firm's prediction, many states are adopting, in whole or in part, requirements applicable to SEC-registered investment advisers. For example, the state of Georgia considers it an unlawful practice for investment advisers registered or required to register in Georgia to exercise proxy voting authority over their client's securities unless the investment advisers (1) establish and implement written policies and procedures that are designed to ensure that the securities are voted in the client's best interests; (2) disclose to the clients the manner with which the clients may obtain information about how their securities were voted; and (3) describe the voting policies and procedures to the clients and provide them with a copy of the procedures on request. Compliance with the rule, including preparation of these documents, is a task which our office has historically assisted federal advisers. For state advisers, as well as any federal advisers that have yet to address proxy voting, our office remains available to assist with compliance on this matter.

VII. INTERNET ADVERTISING

Many advisers fail to realize that posting information on a firm home page typically constitutes a formal advertisement. Similar to hard copy advertisements, it is imperative for a web site to contain appropriate disclosures. The specific language intended to accompany the Internet advertisement depends upon the substance and context of the posted information. For example, web pages that contain performance charts should contain a greater depth of disclosure relative to that information than web pages without performance charts. Irrespective of the level of registration (i.e., SEC or state), this is an issue that must be addressed by the advisory firm and our office remains available to assist with the preparation of such disclosures.

VIII. E-MAIL RETENTION REQUIREMENTS

It is now common during examinations for SEC examiners to make blanket requests for all of an RIA employee's e-mail for a given period of time. Many RIAs are surprised (and offended) to find out that the request includes all e-mail, including personal communications that have nothing to do with the RIAs business. Except for attorney-client privileged communications, RIAs are not allowed to filter out any communications before providing the e-mail to examiners. (Examiners will usually request a privilege log—a list of all privileged e-mail that is not being produced).

One point that needs to be stressed is that the only types of e-mail required to be kept are those communications that would be required to be kept under the books and records rule if they were received or sent via paper "snail mail." In other words, RIAs are free to delete any e-mail that is not required by the books and records rule. So, how can SEC examiners request access to e-mail that is not required by the books and records rule? Because technically, SEC examiners have access to any record kept by the RIA at the time of the examination, even if it is not required by the books and records rule. Therefore, examiners can request to see non-required email only to the extent that it has not been deleted at the time of the examination.

RIAs should have e-mail retention policies and procedures stating the frequency with which non-required e-mail should be deleted. The procedures should also require that attorney-client privileged communications be archived or filed in a separate file. But most importantly, the procedures should describe the type of e-mail that must be preserved. If an RIA does not have the hardware or software necessary to preserve or archive e-mail, such e-mail should be printed and kept in the appropriate files. For most RIAs, the types of e-mail that must be preserved include client correspondence and communications relating to investment advice or investment decisions.

IX. SUCCESSION PLANNING FOR INVESTMENT ADVISERS

Stark & Stark has significant expertise in assisting investment advisory firms throughout the country with succession planning and the purchase and sale of investment advisory firms. It is becoming increasingly more important for investment advisory firms to consider succession planning issues, whether via prospective internal succession or an external acquisition or sale. Critical to any potential successful succession is having the appropriate underlying documents in place, including: (1) appropriate Restrictive Covenant agreements protecting the firm's proprietary interests in its client relationships; and, (2) a well-drafted Shareholders or Operating Agreement addressing the terms and conditions for the disposition/succession of ownership interests (i.e. stock, membership interests, etc.) upon the occurrence of various events, including admitting new owners, regulatory disqualification, disability, death, and retirement. We will be addressing various issues pertaining to succession planning and the purchase and sale of advisory firms, in upcoming Compliance Updates. During the interim, should you have any questions regarding these issues, we will continue to remain available to assist.

X. STATES ADOPT SEC POLICIES AND PROCEDURES RULE

Many states now require state-registered investment advisers to comply with SEC Rule 206(4)-7. Because we fully expect the vast majority of states to adopt the Rule, we strongly recommend that all registered investment advisers comply with the SEC Rule at this time. Compliance requires advisers to (i) adopt policies and procedures designed to prevent violations of applicable securities laws, including the Investment Advisers Act of 1940; (ii) annually review their established policies and procedures for their adequacy and the effectiveness of their implementation;

and (iii) designate a chief compliance officer responsible for administering the policies and procedures. To the extent that you require any assistance, or have any questions, we will remain available to assist.

Under the Rule, it is unlawful for a registered investment adviser to provide investment advice unless the adviser has adopted and implemented written policies and procedures reasonably designed to prevent violation of the Advisers Act by the advisory entity or any of its supervised persons. The Rule requires the advisory firm to consider and address its fiduciary and regulatory obligations when formalizing its policies and procedures. The Rule requires only that the policies and procedures be reasonably designed to prevent violation of the Advisers Act, and thus need only encompass compliance considerations relevant to the operations of the adviser. It is expected that smaller advisory firms without conflicting business interests would require much simpler policies and procedures than larger firms that, for example, have multiple potential conflicts as a result of their other lines of business or their affiliations with other financial service firms.

Although Rule 206(4)-7 does not enumerate specific elements that advisers must include in their policies and procedures, the SEC has directed firms to take into consideration the nature of its operations. Specifically, the Commission has indicated that each adviser, in designing its policies and procedures, should first identify conflicts and other compliance factors creating risk exposure for the firm and its clients in light of the firm's particular operations, and then design policies and procedures that address those risks. The Commission further indicated that it would expect that an adviser's policies and procedures, at a minimum, should address the following issues to the extent that they are relevant to that adviser:

- Portfolio management processes, including allocation of investment opportunities among clients and consistency of portfolios with clients' investment objectives, disclosures by the adviser, and applicable regulatory restrictions;
- Trading practices, including procedures by which the adviser satisfies its best execution obligation, uses client brokerage to obtain research and other services ("soft dollar arrangements"), and allocates aggregated trades among clients;
- Proprietary trading of the adviser and personal trading activities of supervised persons;
- The accuracy of disclosures made to investors, clients, and regulators, including account statements and advertisements;
- Safeguarding of client assets from conversion or inappropriate use by advisory personnel;
- The accurate creation of required records and their maintenance in a manner that secures them from unauthorized alteration or use and protects them from untimely destruction;
- Marketing advisory services, including the use of solicitors;
- Processes to value client holdings and assess fees based on those valuations;
- Safeguards for the privacy protection of client records and information; and
- Business continuity plans.

If you have not already done so, and you would like Stark & Stark to prepare policies and procedures for your firm, please complete the Information Form on pages 5-7 of this Compliance Alert and return it to us at your earliest opportunity. It is our intention to begin preparation of policies and procedures in the sequence the Information Forms are received. The fixed fee for the policies and procedures will depend upon: (1) the responses to the questions set forth below on the Information Form; and (2) if the firm is an existing client of Stark & Stark, and pursuant to the engagement, has previously prepared certain portions of the required written policies and procedures.

XI. CODE OF ETHICS

Investment advisers registered, or required to be registered, with the SEC must establish, maintain and enforce a written Code of Ethics (referred to as the "Code"). The Code must, at a minimum, include provisions that:

- Establishes a standard of business conduct for the firm and the firm's supervised persons;
- Proscribes that all firm supervised persons comply with applicable federal securities laws;
- Requires firm access persons to report their personal securities transactions and holdings to the firm Chief Compliance Officer (referred to as the "CCO") for his/her review;
- Require supervised persons to report any violations of the Code promptly to the CCO.

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- Require that each supervised person receive a copy of the firm Code (and any amendments thereto), and provide the CCO with an acknowledgement of receipt of the Code (and any amendments thereto).

The above requirements represent a sample of the overall Code regulatory proscriptions. Advisory firms must be cognizant of the rules pertaining to the content, timing and pre-approval elements of the recent SEC release. However, corresponding Schedule F amendments may be required. Please advise us if you would like us to discuss potential Schedule F amendments.

XII. ANTI-MONEY LAUNDERING AUDIT

The NASD Anti-Money Laundering regulations (based largely on the United States Department of Treasury regulations construing Anti-Money Laundering provisions under the Patriot Act) require each broker/dealer to conduct annual independent reviews/audits of their respective AML compliance programs. Broker/dealers must perform an independent audit at least once a year following the date on which the brokerage firm completed their last annual audit. The SEC has indicated its intention to focus during regulatory examinations on confirming that such independent audits are being conducted, as and when required, and to ask for a copy of the independent auditor's report on findings. In addition, the SEC and the NASD have indicated that they will also focus on whether the audit was sufficiently independent. Available guidance suggests that the audits may be performed by either broker/dealer personnel or a qualified outside party. However, the NASD has made clear that if a broker/dealer uses internal personnel then sufficient separation of functions should be maintained to ensure the independence of the internal testing personnel and such internal testing personnel should be sufficiently trained in all aspects of the AML rules and regulations to be able to adequately perform the audit. Stark & Stark has qualified attorneys who are able to provide independent audits/reviews for broker/dealer's AML compliance programs. Please contact us if you would like to discuss this option.

XIII. INTRODUCING JOSEPH C. CASCARELLI, ESQ.

Joseph Cascarelli will join the Securities Practice Group in July 2005. Joe brings to Stark & Stark over 20 years of litigation experience, including investment and securities compliance-related experience. He will focus his practice on compliance-related matters, including broker-dealer and mutual fund compliance. Mr. Cascarelli is an accomplished author, having written numerous articles on various investment-related regulatory matters.

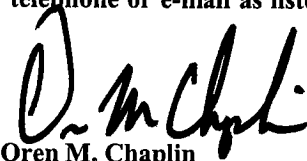
Remember, compliance is an ongoing and constantly evolving process. In that regard, Stark & Stark continues to remain available, at your convenience, to assist you relative to the applicability of any of the above issues to your specific practice. As always, we can be reached directly by telephone or e-mail as listed below.



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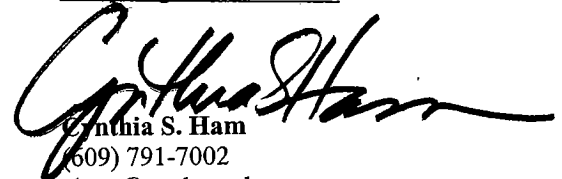
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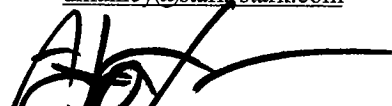
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No portion of the *Compliance Update* should be construed or relied upon as legal advice, nor should it be construed, in any manner whatsoever, as the receipt of, or a substitute for, personalized individual advice from Stark & Stark or from any other compliance professional.

Stark & Stark, a 100+ attorney firm with offices in Princeton, New Jersey, Cherry Hill, New Jersey, New York, New York, and Philadelphia, Pennsylvania, represents investment advisers, financial planners, broker-dealers, CPA firms, registered representatives, public and private investment companies (e.g., mutual funds, hedge funds, etc.), and investors throughout the United States.

POLICIES AND PROCEDURES INFORMATION FORM

1. Name of Adviser: _____

State(s) of registration: _____

2. Address: _____

3. Branch Office Address(es) _____

4. Chief Compliance Officer: _____

In the absence of the Chief Compliance Officer, who shall be designated as the contact person for questions relative to the firm's policies and procedures? _____

(Firm must appoint a Chief Compliance Officer under Rule 206(4)-7)

5. Does the Firm Have a Business Continuity/Disaster Plan: Yes _____ No _____ (if not, please advise via email and we will forward a supplemental form for your completion and return).

6. Proxies: Vote: _____ Don't Vote: _____ Both _____

7. Types of Securities: Mutual Funds _____ Individual Equities _____ Individual Bonds _____

8. Batch Securities Transactions: Yes _____ No _____

9. Soft Dollars: Yes _____ No _____

10. Referral Fees: Yes _____ No _____

11. Directed Brokerage Arrangements: Yes _____ No _____ If yes, Do clients pay higher transaction fees/commissions than alternative arrangements generally recommended by adviser: Yes _____ No _____

12. Personal Securities Transactions: Does the Firm require that all individuals required to report personal securities transactions, maintain accounts at a specific broker-dealer?

Yes _____ No _____ If Yes, the broker-dealer is _____

13. Does the Firm maintain a formal Investment Committee: Yes _____ No _____

14. New Client Process: Does the Firm have a formal client information process, whereby the client completes/Firm completes an Information Form or Questionnaire to ascertain client investment objectives(s)? Yes _____ No _____ If Not, we strongly recommend that the Firm begins to do so.

15. Initial Public Offerings: Does the Firm (to the extent available) purchase for its clients?

Yes ___ No ___

If Yes: With Discretion: Yes ___ No ___ ; or

Only upon unsolicited client request: Yes ___ No ___

16. Does the Firm reconcile/confirm trade executions on a next day daily basis? Yes ___ No ___

17. Do the Firm's clients account custodians forward comprehensive account statements (i.e., reporting all account transactions/debits/fees, etc.) directly to the client at least quarterly?

Yes ___ No ___ A "No" answer raises custody issues.

18. In addition to the custodian, does the Firm provide supplemental reports to clients?

Yes ___ No ___ If yes, How frequent: ___ Does the Firm rely upon the account values reported by the custodian? Yes ___ No ___ If No, what additional procedures does the Firm utilize? _____

19. Asset Management: Discretionary ___ Non-Discretionary ___ Both ___

Does the Firm exercise discretion over ERISA assets? Yes ___ No ___. If Yes, does the Firm maintain an ERISA bond? Yes ___ No ___

20. Privacy Policy: In addition to forwarding the required annual Privacy Notice to clients, does the Firm maintain a written Privacy Policy to be executed by all of its employees/associated Person? Yes ___ No ___ The Policy is required under Regulation SP.

21. Composite Performance Reporting: Yes ___ No ___

22. Does the Firm advertise to the public? Yes ___ No ___

23. Does the Firm maintain a web site? Yes ___ No ___ If Yes, does the site contain required regulatory disclosures? Yes ___ No ___

24. Does any related person of the Firm serve as a Trustee for client accounts? Yes ___ No ___

If Yes, Do the account custodians forward comprehensive account statements (i.e., reporting all account transactions/debits/fees, etc.) directly to the Grantor, Beneficiaries or Co-trustee (who is unrelated to the Firm) at least quarterly? Yes ___ No ___ A "No" answer raises custody issues.

25. Is the Firm, or a related person thereof, an investment adviser to a private investment Fund (i.e., hedge fund, etc)? Yes ___ No ___

26. Is the Firm, or a related person thereof, an investment adviser to a registered investment company (i.e., mutual fund)? Yes ___ No ___
27. Does the Firm maintain clients in foreign countries? Yes ___ No ___ If Yes, has the Firm voluntarily adopted AML policies? Yes ___ No ___ (AML policies are not yet required registered investment advisers).
28. Is the Firm (or an affiliated entity) registered as a broker-dealer? Yes ___ No ___
29. Is the Firm (or an affiliated entity) licensed as an insurance agency? Yes ___ No ___
30. Are any investment adviser representatives of the Firm affiliated with a broker-dealer as registered representatives? Yes ___ No ___ If Yes, do they transact commission business with Firm clients? Yes ___ No ___
31. Are any investment adviser representatives of the Firm licensed insurance agents?
If Yes, do they transact commission business with Firm clients? Yes ___ No ___

IMPORTANT NOTE: THE FIRM MUST BE AWARE THAT THE PREPARATION OF APPROPRIATE POLICIES AND PROCEDURES MAY REQUIRE CORRESPONDING CHANGES IN FIRM PRACTICES AND/OR REVISIONS TO THE FIRM'S WRITTEN DISCLOSURE STATEMENT AND/OR ADVISORY AGREEMENTS. THESE CHANGES ARE OUTSIDE THE SCOPE OF THE PREPARATION OF THE REQUIRED POLICIES AND PROCEDURES, AND WE WILL REMAIN AVAILABLE TO ASSIST WITH SAME UPON YOUR REQUEST FOR US TO DO SO.

NAME OF FIRM: _____

By: _____

Date: _____

Print Name