



UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
BOSTON REGIONAL OFFICE  
33 ARCH STREET, 23RDFLOOR  
BOSTON, MA 02110

IN REPLYING,  
PLEASE  
QUOTE



Initial  
Information  
Request

August 6, 2012

DELIVERY VIA E-MAIL

Re: Examination

Dear \_\_\_\_\_:

The staff of the U.S. Securities and Exchange Commission is conducting an examination of the Adviser pursuant to Section 204 of the Investment Advisers Act of 1940 (the "Advisers Act"). The purpose of the examination is to assess the Adviser's compliance with provisions of the Advisers Act and the 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 Regulated Entities Directed to Supply Information Other Than Pursuant to a Commission Subpoena" (SEC Form 1661).

Information is Requested

Please provide all of the information specified in the enclosed information request list. Please provide a copy of Item 8 (compliance manual) as soon as possible. The remainder of the items should be provided to the staff on the first day of the on-site examination. The staff requests that items be provided in an electronic format to the extent possible. Additional information about the desired electronic format is included in the document request list.

If the Adviser becomes aware of the need for delay in the production of any requested information that extends beyond the first day of the on-site examination, 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 \_\_\_\_\_. 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. After arriving on-site, the staff would like to speak with at least one member of senior management to obtain an overall view of the Adviser's organization, business, compliance program, and major revenues and expenses. During the on-site portion of the examination, the staff will want to interview persons responsible for allocating investment opportunities.

### **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 a routine 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 a routine 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 program is requested, and the written policies and procedures that the firm has established and implemented to address compliance risks -- to provide an understanding of the firm's compliance program and its corresponding

controls. Tills information would include, for example, the firm's compliance manual and the results of any compliance reviews performed by the firm.

- 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

Sincerely,

Enclosures:

Information Request List

Exhibit 1: Layout for Securities Trading Blotter/Purchase and Sales Journal

Examination Information Brochure (Form 2389)

Supplemental Information (Form 1661)

## **Information Request List**

### **Examination Period**

Information is requested for the period **August 1, 2011** through **July 31, 2012** (the "Examination Period") unless otherwise noted.

### **Organizing the Information to be Provided**

In order to efficiently process material assembled for the staffs review, please label the information so that it corresponds to the item number in the request list. The information should be provided for the timeframes indicated where possible. 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* or *not applicable*.

Where a request involves the provision of documents, please provide them in digital format where practical.

### **Information to be Provided by August 13, 2012**

#### **General Information**

1. Adviser's organization chart showing: ownership percentages of the Adviser and control persons; a schedule or chart of all affiliated entities; the structure by name and title of the management team and the compliance department.
2. List of current employees (i.e., permanent, temporary, contract, or other types) and their respective titles.
3. Names of any of the Adviser's officers and/or directors who resigned during the Examination Period and information regarding the reason for their departure.
4. Any threatened, pending and settled litigation or arbitration involving the Adviser; affiliated entities; clients; portfolio companies; or any, as defined in Section 202(a)(25) of the Advisers Act, "supervised person" (if it relates to the individual's association with the Advisers 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. If none, please provide a written statement to that effect.
5. A copy of brochure(s) and supplements (if any) distributed to current and prospective clients used to satisfy the requirements of Part 2 of Form ADV during the Examination Period. Are Parts 2A and 2B of Form ADV distributed to investors?

6. Identify any employees of the Adviser that resigned or were terminated that filed or stated complaints against the firm or its employees, alleging potential violations of securities laws as the cause for the resignation or termination.
7. Any correspondence with the staff of the Commission or other regulatory agencies at any time.

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

8. A copy of the compliance manual as well as any other policies and procedures that were in effect during the Examination Period for the Adviser and its affiliates. *Please provide this item as soon as possible.*
9. Documentation maintained regarding any reviews conducted of the Adviser's policies and procedures, including any annual and/or interim reports. Also, please provide a list of any outside compliance audits and internal audits conducted (include name of firm [for outside audits] and date(s) conducted).
10. A record of any non-compliance with the Adviser's compliance policies and procedures during the examination period and of any action taken as a result of such non-compliance.
11. Any investor complaints, and information about the process used for monitoring investor correspondence and/or complaints, including the name of any third-party service provider used and the Adviser's oversight of the service provider.

**Information to Facilitate Testing with Respect to Advisory Trading Activities**

12. Provide the information below for all advisory clients, including privately offered funds. The preferred format for this information is in Excel.
  - A. Current advisory clients, indicating those that are wrap clients, including:
    - a. the Account number, name and current balance, as of \_\_\_\_\_;
    - b. whether the client is a related person, affiliated person, or a proprietary account;
    - c. the type of account (e.g., individual, defined benefit retirement plan, registered fund, or unregistered fund);
    - d. the account custodian and location;
    - e. whether or not the Adviser has discretionary authority;
    - f. 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;
    - g. whether 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;
    - h. the investment strategy (e.g., global equity, high-yield, aggressive growth, long-short, or statistical arbitrage)

- i. The Account portfolio manager(s);
  - j. whether client has a directed brokerage arrangement,
  - k. whether the client pays a performance fee and the most recent account performance figures;
- B. Names of advisory clients and investors lost, including the reason, 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.
- 13. Adviser's trade blotter for non-portfolio company transactions. The preferred format for this information is in Excel, as indicated in Exhibit 1.
- 14. Names of non-portfolio company securities held in all client portfolios (aggregate position totals for all instruments) as of \_\_\_\_\_. This record should include the security name, name of each client holding an interest, the amount owned by each client, the aggregate number of shares or principal and/or notional amount held, and total market value of the position. The preferred format for this information is in Excel.
- 15. Description of controls in place to ensure that investment opportunities are allocated fairly to clients.

#### Code of Ethics and/or Insider Trading

- 16. List of access persons, as defined in the Advisers Act, and their respective titles.
- 17. List of any accounts relying on the reporting requirement exception (Rule 204A-1(b)(3)(i) under the Advisers Act) for accounts over which the access person had no direct or indirect influence or control.
- 18. Description of controls in place to ensure that access persons report all accounts.

#### Financial Records

- 19. Adviser's balance sheet, trial balance, general ledger, cash receipts and disbursements journal, income statement, and cash flow statements as of the end of its most recent fiscal year and the most current year to date.
- 20. Any loans, including promissory notes, from clients or investors, to the Adviser, or sales of the Adviser's or any affiliate's stock to clients or investors.

#### Advisers Sponsoring or Managing Privately Offered Funds

- 21. A chart listing all private investment funds and the following information for each including:

- A. Name as shown in organizational documents (as amended). B. Domicile (country).
  - C. Investment strategy (*e.g.*, long-short, statistical arbitrage, fund of funds). D. Names of current investors including total value of each investor's equity interest in the fund as of **June 30, 2012**.
  - E. Amount, if any, of Adviser's equity interest in each fund as of **June 30, 2012**. F. Amount, if any, of Adviser's affiliated persons' interest as of **June 30, 2012**. G. Date the firm began accepting unaffiliated investors.
  - H. Whether the fund is currently closed to new investors.
  - I. Lock-up periods for both initial and subsequent investments.
  - J. Specific exemption(s) from registration under the Securities Act of 1933 and/or the Investment Company Act of 1940 upon which each fund relies.
  - K. Advisory fee rate and how often the fee is paid.
  - L. Performance fee rate and how often the fee is paid.
  - M. Services the Adviser or an affiliate (*e.g.*, general partner, adviser, managing member) is providing.
  - N. Amount of leverage, both explicit (on-balance sheet) and off-balance sheet (futures and certain other derivatives), used by the firm as of **June 30, 2012** as measured by the Adviser for risk-management purposes.
  - O. Financials, audited or unaudited, for each private fund for its most recent fiscal yearend.
22. The organization document and operating agreement (*e.g.*, partnership agreement, private placement memoranda) for \_\_\_\_\_.
23. For each private fund, a list of all current and past portfolio companies with date invested, capital invested, capital returned, and remaining value.

# 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 by the Fund. Please provide this record in Microsoft Excel format on compact discs. 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

#### 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"
178	4/1/05	4/3/05	B	DR80258RG	Deutsche Bank AG, Microsoft Corp., Credit Default Swap	6 Months 10-01-2005	100,000	1.00	\$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	1.00	\$0	\$150,000	\$0	\$150,000	MOR	Total Return Swap	Economic Long