



UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
BOSTON REGIONAL OFFICE  
33 ARCH STREET, 23<sup>RD</sup> FLOOR  
BOSTON, MA 02110

Initial  
Information  
Request

March 5, 2014

DELIVERY VIA EMAIL

From: ComplianceBuilding.com

Re: Examination of [REDACTED] (the "Adviser")

Dear [REDACTED]

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. Some of the information is to be provided to the staff by mail in advance of the staff's on-site examination, and the remainder of the items should be provided to the staff on the first day of the on-site examination. The staff requests that certain 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 **March 17, 2014**. 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 compliance culture. Early in the on-site portion of the examination, the staff would also like to discuss the Adviser's overall compliance program as well as specific policies and procedures with the Adviser's Chief Compliance Officer(s). Also during the on-site portion of the examination, in order to understand fully the Adviser's operations and compliance controls in these areas, the staff will want to interview persons responsible for functions such as risk management, portfolio management, trade execution, research, back office/administration, information technology, anti-money laundering and marketing.

### **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 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.
- 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 Greg Brown, at (617) 573-4539.

Sincerely,



John F. Clark  
Examination Manager

Enclosures:

Information Request List  
Examination Information Brochure (Form 2389)  
Supplemental Information (Form 1661)  
Exhibit 1: Layout for Fee Reporting Schedule

## **INFORMATION REQUEST LIST**

### **Examination Period**

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

### **Organizing the Information**

In order to efficiently process the material assembled for the staff's review, please label the information so that it corresponds to the item number in the request list. Please provide the information electronically to the extent feasible, and any spreadsheets should be provided in Excel form. Please e-mail the items marked with an asterisk to the staff as soon as 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" (not applicable).

### **Information to be Provided**

#### ***GENERAL INFORMATION***

1. A copy of the Adviser's organization chart showing ownership percentages of the Adviser and control persons, and a schedule or chart of all affiliated entities. Include all entities that are commonly controlled by, or under common control with, the Adviser.
2. A list of all acronyms and definitions utilized by the Adviser.
3. A list of the Adviser's current employees, partners, officers, directors, and independent contractors, including their names, titles, and areas of responsibility.
4. A copy of Form ADV Part 2A and Part 2Bs currently furnished to clients and/or any alternative disclosure document given in conjunction with or in lieu of Part 2.
5. Names of any of the Advisers' officers, directors, employees, or independent contractors who resigned or were terminated and information regarding the reason for their departure.
6. A record of any breach with the Adviser's compliance policies and procedures during the Examination Period and of any action taken as a result of such non-compliance.
7. Any client or investor complaints, and information about the process used for monitoring client or investor correspondence and/or complaints, including the name of any third-party service provider used and the Adviser's oversight of the service provider.

8. Any threatened, pending and settled litigation or arbitration involving the Adviser or any “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. 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.
9. Information relating to the firm’s compliance testing, including any compliance reviews, quality control analyses, surveillance, and/or forensic or transactional tests performed by the firm. This information should include any significant findings, both positive and negative, of such testing and any information about corrective or remedial actions taken regarding these findings
10. A copy of the Adviser’s compliance manual currently in use.
11. A copy of 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.
12. A copy of the most recent audited financial statements for any pooled investment vehicles managed by the Adviser.
13. A list of investors obtained during the Examination Period, inception dates, and identity of any third party consultants instrumental in the Adviser obtaining a particular account.
14. A list of investors lost during the Examination Period, their effective dates of termination, and the reason for termination.
15. A copy of any expenses and any fee agreements between any portfolio company and Adviser or its affiliates/affiliate. (e.g., partnership agreement, private placement memoranda).
16. Names of any companies for which employees of the Adviser or its affiliates serve as officers and/or directors, and the name(s) of such employees.
17. Names of companies for which employees of the Adviser or its affiliates, serve on creditors’ committees, and the name(s) of such employees.
18. A list of service providers, used by Adviser or any private fund managed by the Adviser, during the Examination Period and the services they perform for the Adviser or the funds the Adviser manages. This list should include the services performed for the Adviser or the funds the Adviser managed, as well as the amount of compensation received by each service provider during the Examination Period.

19. Information regarding each private investment fund managed by the Adviser during Examination Period, including:
  - a. Name as shown in organizational documents (as amended);
  - b. Domicile (country);
  - c. Investment strategy (e.g., buyout, mezzanine etc.);
  - d. If funds are part of a master/feeder fund structure, full name and domicile of each fund;
  - e. Number of investors and total assets as of **December 31, 2013**;
  - f. Amount, if any, of Adviser's equity interest in each fund as of **December 31, 2013**;
  - g. Amount, if any, of Adviser's affiliated persons' interest as of **December 31, 2013**;
  - h. Date the fund began accepting unaffiliated investors;
  - i. Whether the fund is currently closed to new investors and when it closed;
  - j. The stage of the lifecycle the fund is in as of **December 31, 2013**;
  - k. Lock-up periods for both initial and subsequent investments;
  - l. Services the Adviser or an affiliate (e.g., general partner, Adviser, managing member) is providing;
  - m. 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, 2013** as measured by the Adviser for risk-management purposes;
  - n. The value of each fund's account that was used for purposes of calculating its advisory fee for **December 31, 2013**;
  - o. The advisory fee charged for the last billing periods as of **December 31, 2013**;
  - p. Whether the fund pays a performance fee or carried interest; whether the fund is currently in-the-money or out-of-the-money for earning a performance fee or carried interest; and the most recent performance fee figures or carrier interest; and
  - q. Whether the fund is currently in a clawback position and the amount of the clawback.
  
20. List of current and former investments made by each advised fund as of **December 31, 2013**.
  - a. Investment name;
  - b. Ticker symbol (if available);
  - c. Date and amount of original investment;
  - d. Amount of original investment;
  - e. Dates of additional investments;
  - f. For each additional investment, the amount of the investment;
  - g. Name(s) and amount(s) of any co-investment(s);
  - h. Date of first realization from the investment;
  - i. Realized amount;
  - j. Value of remaining investment/unrealized amount (if any);
  - k. Investment level gross IRR (if available); and
  - l. Fund(s) in which investment was made.

21. A list of investors in the funds managed by the Adviser during the Examination Period including:
- a. Name and current balance, as of **December 31, 2013**;
  - b. Whether the investor 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 name of the fund and strategy the investor is invested in;
  - e. The value of each investor's account that was used for purposes of calculating its advisory fee for the most recent billing period.
22. Provide the information below for all current non-private fund accounts, e.g. separate accounts. The preferred format for this information is in Excel.
- a. the Account number, name and current balance, as of **December 31, 2013**;
  - 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);
  - d. the account custodian and location;
  - e. whether or not the custodian sends periodic account statements directly to the client; whether or not the delivery is electronic, if so, a copy of the authorization; and the form of electronic delivery (e.g., email or website login);
  - f. whether or not the Adviser has discretionary authority;
  - g. whether the Adviser, an officer, an employee, or an affiliate acts as trustee, cotrustee, or successor trustee or has full power of attorney for the account;
  - h. 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;
  - i. the investment strategy (e.g., global equity, high-yield, aggressive growth, longshort, or statistical arbitrage) and the performance composite in which it is included, if any;
  - j. the Account portfolio manager(s);
  - k. whether client has a directed brokerage arrangement, including commission recapture (provide the name of broker(s), details of the arrangement and any reports used to monitor payments of commissions);
  - l. the value of each client's account that was used for purposes of calculating its advisory fee for the most recent billing period;
  - m. whether the client pays a performance fee and the most recent account performance figures;
  - n. whether or not advisory fees are paid directly from the client's custodial account; and
  - o. for clients obtained during the Examination Period, provide account inception date and name(s) of consultant(s) related to obtaining the client, if any.
23. For each private fund the adviser manages or previously managed please provide a copy of the limited partnership agreement, operating agreement (between adviser and fund), any side letters, side arrangements or similar documents referencing fees and expenses and any fee agreements between any portfolio company and adviser/affiliate. (e.g. partnership agreement, private placement memoranda).

24. Please provide a list of co-investments made by any of adviser's employees, affiliates or other related parties in any portfolio holdings together with the funds. Please include in the list, the name of the investment, date of agreement to co-invest, co-investment amount contributed, and any subsequent contributions or withdrawals in the investment.
25. Please provide a list of co-investments made by any other parties in any portfolio holdings together with the funds. Please include in the list, the name of the investment, date of agreement to co-invest, co-investment amount contributed, and any subsequent contributions or withdrawals in the investment.
26. A list of the 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.
27. Schedule of fees earned by the Adviser from each portfolio company, see Exhibit 1. Please list all fees earned from **January 1, 2013** to **December 31, 2013** and note whether any such fees were credited back to clients.
28. A list of all compensation received by the Adviser or affiliate, besides management and performance fees in the following format:
  - a. Date received;
  - b. Payer;
  - c. Amount;
  - d. Type (transaction fee, monitoring fee, monitoring fee acceleration, Board/Director Fee, other fee (please explain)); and
  - e. Amount credited to investors/fund.
29. A schedule of the total expenses reimbursed by each advised portfolio company for the Examination Period. Provide the year, total amount reimbursed and portfolio company for each reimbursed expense.
30. Policies and procedures regarding disclosing, calculating and testing fees if not otherwise included in the compliance manual.
31. A list of all expenses or fees born by the fund or its investments that were offset either partially or entirely by the Adviser's management fees.
32. A list of broken deals, associated expenses and the clients or other entities to which the expenses were allocated.
33. Policies and procedures used to determine and document valuation.
34. Minutes from any valuation committee meetings that occurred during the Examination Period.



35. A list of asset valuation methodologies used by Registrant.
36. A list of any models used in valuing investments.
37. Supporting documentation for valuation for the most recent quarter and two previous quarters including the following information by quarter:
  - a. Methodology used; and
  - b. Individual assumptions.
38. Any third party valuation reports produced in the past three years.
39. For each client account, provide the name, account number, address, and contact information (e.g., contact name, mailing address, phone number and e-mail address), for the entities that maintained custody of the cash/securities of each client's account during the Examination Period. 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.

The staff may request that a custodian for specified client accounts provide the staff directly with a confirmation of all positions, including cash, short positions, and loans, held as of certain dates

# EXHIBIT 1

## LAYOUT FOR FEE REPORTING SCHEDULE

Adviser	Portfolio Holding	Fee Amount	Date Charged	Fee Type*
PE Adviser LLC	Large Industrial Corporation	\$5.3m	4/4/2009	Transaction
PE Adviser LLC	Large Industrial Corporation	\$500,000	3/31/2010	Monitoring

**\* Fee Types:**

- Transaction Fee
- Monitoring Fee / Director Fee
- Other Fee