



UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
PHILADELPHIA REGIONAL OFFICE  
Mellon Independence Center  
701 Market Street  
Suite 2000  
Philadelphia, Pennsylvania 19106-1532  
(215) 597-3100

Re: Examination of

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 there under.

Additional information about compliance examinations and the examination process is included in the recently submitted "*Examination Information*" brochure (SEC Form 2389). Also the "*Supplemental Information for Regulated Entities Directed to Supply Information Other Than Pursuant to a Commission Subpoena*" (SEC Form 1661), includes information regarding the Commission's authority to obtain the information requested and additional information.

**Information Requested**

Please provide all of the information specified in the enclosed information request list. All 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.

From: ComplianceBuilding.com

### **The On-Site Phase of Examination**

The on-site phase of the examination will begin on  
Adviser's cooperation in facilitating the examination process.

The staff appreciates the

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 at least 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 staff will request information and documents and speak with the Adviser'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 Adviser'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 Adviser's compliance program in particular areas. The information requested and its purposes described below.

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

Sincerely,

Enclosure:

Examination Document Request

## **Examination Document Request**

### **Examination Period**

Information is requested for the period  
"Examination Period").

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### **Organizing the Information to be provided**

In order to efficiently process the material assembled for the staff's review, please group the information so that it corresponds to the item numbers on the request list. 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) as your response.

### **Part I: Information to be provided by**

#### **General Information**

1. Adviser's organization chart showing ownership percentages of the Adviser and control persons and a schedule or chart of all affiliated entities.
2. 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.
3. An employee list, including title, function, and office location.
4. Any threatened, pending, or settled litigation or arbitration involving the Adviser or any "Supervised Person" (if it relates to the individual'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 a 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 Investment Advisers Act of 1940). If none, please provide a written statement to that effect.
5. Current standard client advisory contracts or agreements.
6. Please provide the staff with a list of all committees, the members of each committee, and the responsibilities of each committee.

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

7. All compliance policies and procedures that were in effect during the inspection period including policies and procedures related to Code of Ethics, insider trading, account reconciliations, trade errors, anti-money laundering, and the Global Investment Performance Standards ("GIPS"), if applicable.
8. Annual compliance reviews for the inspection period.
9. Any client complaints and a description of the process used for monitoring client correspondence and/or complaints, including the name of any third-party service provider used and a description of the process the Adviser uses to oversee the service provider.

### **Advisory Trading Activities**

10. 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. **Furthermore, the staff request that the Adviser provide quarterly blotters rather than yearly trade records (*i.e.* 4 trade blotters per year). Lastly, the staff requests that the Registrant assemble a separate/individual trade blotter for fixed income. Also, mutual fund trades should be excluded from the equity blotters. [16 total trade blotters should be provided: 8 equity quarters and 8 fixed income quarters].**
11. List all cross transactions that took place during the inspection period between current or former clients and/or proprietary or affiliated accounts. Please identify the security, number of shares, execution price, pricing sources, total dollar value, the client accounts and the reason for the crosses.
12. List of all principal transactions that took place during the inspection period between current or former clients and/or proprietary or affiliated accounts. Please identify the security, number of shares, price, total dollar value, the client accounts and the reason for the principal transactions.
13. The Adviser's ten most profitable and ten least profitable (including unrealized gain or loss) investment decisions based on total return of positions opened and closed for each investment strategy or mandate offered to clients. Please include the purchase date, sale date, percentage of gain and/or loss, and dollar amount of the gain and/or loss.

### **Conflicts of Interest and/or Insider Trading**

14. The Adviser's Code of Ethics and insider trading policies and procedures.

15. If not stated in policies and procedures, information about the process used to monitor and control the receipt, flow and use of non-public information, including any restricted, watch or grey lists.
16. A record of any non-compliance with the Adviser's Code of Ethics and any action taken as a result of such non-compliance.

### **Performance Advertising and/or Marketing**

17. All pitch books, one-on-one presentations, pamphlets, brochures, and any other promotional and/or marketing materials furnished to existing and/or prospective clients for each investment strategy and/or mandate.
18. All advertisements used to inform or solicit clients. If information on services and investments is available on the Internet, such as websites and blogs, make all versions available as either printouts or electronic archives.
19. All requests for proposals ("RFPs") and due diligence questionnaires ("DDQs") completed.

### **Advisers Sponsoring or Managing Privately Offered Funds**

20. For each private fund please provide the organization document and operating agreement (e.g., partnership agreement, private placement memoranda).
21. Names of current investors including total value of each investor's equity interest in the fund as of
22. For each private fund please provide the financials, audited or unaudited, for its most recent fiscal year end.
23. Any side letters entered into related to these funds.
24. For each private fund, please provide all incentive/performance fees collected by the Registrant (or affiliated General Partner) since fund inception.

## **PART II: Information to be provided by**

### **Advisory Trading Activities**

25. Provide the information below for all advisory clients. 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, institutional, defined benefit retirement plan);
  - 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, or an affiliate acts as trustee, co-trustee, 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, long-short, 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.
- B. Names of advisory clients 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 item 17A above.

### General Information

26. 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. Any power of attorney obtained from clients, if not otherwise stated in advisory contracts.

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

28. Information relating to the Adviser'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 a description of any corrective or remedial actions taken regarding these findings.

### **Portfolio Management**

29. Names of any publicly traded companies for which employees of the Adviser or their affiliates serve as officers and/or directors, and the name(s) of such employees.
30. Names of companies for which employees of the Adviser or affiliates, serve on creditors' committees, and the name(s) of such employees.
31. Names of all securities held in client portfolios as of \_\_\_\_\_ including for each position: the aggregate market value; aggregate number of shares or principal and/or notional amount held; name of each client holding an interest; and amount owned by each client. The preferred format for this information is Excel.
32. For each client account managed during the Examination Period, provide monthly performance returns from \_\_\_\_\_ **as well as the returns for the accounts' comparable indices or benchmarks.** If possible, provide this information electronically.
33. Due diligence policies and procedures used by Analysts, Portfolio Managers or Investment Committee for stock selection/monitoring.
34. Due diligence files for the following equity positions:

**Note: staff copies are not necessary; once original files are reviewed, the staff will inform the firm's CCO if copies are necessary.**

35. List all equity securities managed by each Analyst/Portfolio Manager during the inspection period.

### **Brokerage Arrangements**

36. Soft dollar budget or similar document that describes the products and services the Adviser obtains using clients' brokerage commissions.
37. Any documents created in the evaluation of brokerage arrangements and best execution.
38. Any restricted, watch or grey lists that were in effect for the examination period.



39. Commission-sharing arrangements including the name of the broker-dealer and total dollars allocated to each arrangement during the preceding 12 months.

### **Trade Allocations**

40. 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.

### **Financial Records**

41. The Adviser's balance sheet, trial balance, general ledger, cash receipts and disbursements journal, income statement, and cash flow statements as of the end of 2010, 2011 (or fiscal year end) and the most current year to date.
42. Any loans from clients, including promissory notes, to the Adviser, or sales of the Adviser's stock to clients.

### **Custody**

43. Please request that the Custodian(s) provide an acknowledgement that it sends account statements directly to clients (rather than solely to the Adviser) at least quarterly and provide the names of these clients (if this is an accurate statement). The Custodian should send the acknowledgment directly to:

U.S. Securities and Exchange Commission

44. 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 the custodian(s) for specific client accounts provide the staff directly with a confirmation of all positions, including cash, short positions, and loans.

# 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	Trade	Settle	Buy	CUSIP	Security Description 1	Security Description 2	Quantity	Unit	Principal Value /	Total	Net	Broker	Security	Economic Position "Long or"
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Examination Document Request

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Name/ #	Date	Date	Sell		(Issuer)	(Coupon Maturity, etc)		Price	Payments	Proceeds	Commission	Proceeds	Type	Short" Position
178	4/1/05	4/3/05	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	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	Total Return Swap	Economic Long