



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

IN REPLYING
PLEASE QUOTE

September 12, 2013

VIA SECURED EMAIL:

IAWatch

REGULATORY NEWS & COMPLIANCE BEST PRACTICES

Dear

The staff of the Securities and Exchange Commission (“Commission”) is conducting a limited-scope examination of the Registrant to assess the degree of certain risks and the related compliance policies and procedures the firm has implemented to mitigate and manage these risks. Section 204 of the Investment Advisers Act of 1940 (“Advisers Act”) establishes our authority to conduct this examination. You may find the enclosed forms helpful in furthering your understanding of our authority to conduct examinations, your obligations to provide the requested information, and the examination process. In addition, enclosed is a document request list that identifies the information the Registrant is to provide the examination staff.

As a registered investment adviser, the Registrant is required to adopt and implement written policies and procedures reasonably designed to prevent violations of the Advisers Act (see Rule 206(4)-7 – the “Compliance Rule”). The Commission has said that it expects Registrants to design these policies and procedures to prevent, detect, and correct violations of the Advisers Act. Each adviser, in designing its policies and procedures, should take into consideration the nature of the firm’s operations first. This requires the adviser to first identify conflicts and other compliance issues creating risk exposure for the firm and its clients in light of the firm’s particular operations and then to design policies and procedures that address those risks. The Commission expects that an adviser’s policies and procedures, at a minimum, should address a standard set of operations, to the extent they are relevant to the adviser.

The inspection staff will arrive on **Tuesday, November 5, at 9:00 a.m.** To assist us in evaluating the Registrant’s compliance program, please be prepared to discuss the Registrant’s compliance policies and procedures in each of the areas identified under “Section A” of the enclosed document request list. **Please provide copies of the information and documents listed in “Section B” of the request list by Thursday, September 19, 2013.**

If you have any questions regarding the examination or requested items, please contact
The examination staff appreciates your cooperation.

Sincerely

Enclosures:

SEC Form 1661, "Supplemental Information for Entities Subject to Inspection by the Commission and Directed to Supply Information Other Than Pursuant to Commission Subpoena" (03-12)

SEC Form 2389, "Examination Information for Broker-Dealers, Transfer Agents, Investment Advisers and Investment Companies" (11-07)

Document Request List



UNITED STATES SECURITIES AND EXCHANGE COMMISSION
INVESTMENT ADVISER EXAMINATION DOCUMENT REQUEST LIST

Registrant:
SEC File No.:

Please provide the information indicated below for the Registrant by **Thursday, September 19, 2013**. Where appropriate, furnish responses in response to Section B on the Registrant's letterhead. Unless otherwise indicated, please provide the requested records as of **July 31, 2013**. While the examination staff specifically requests certain books and records below, during the examination the staff may request additional books and records if it becomes necessary. To the extent possible, please produce the documents in an appropriate format, e.g. client lists in a spreadsheet format (Excel), text documents in PDF (searchable if possible), etc.

Upon our arrival, we would like to speak with at least one member of senior management, in addition to the Chief Compliance Officer, to obtain an overall view of the Registrant's organization, business, control environment and compliance culture, as well as the specific control procedures used by the Registrant in the areas listed in Section A below. Among other things, the examination staff will be interested in discussing the primary risks the Registrant's staff has identified or is aware of in each of the Section A strategic risk areas; the policies, procedures and controls in place to address these risks and other conflicts of interest or compliance issues related to the strategic risk areas; and the forensic tests or other compliance reviews, if any, the Registrant has performed to detect problems in these areas.

A. Risk Management and Internal Controls

Please be prepared to discuss the following Section A Items:

- A1. Discuss the Registrant's overall process for and commitment to establishing and maintaining an effective compliance culture.
- A2. The specific compliance policies, procedures and controls used in achieving the following important objectives:
 - a. Registrant has adequately designed and maintained a compliance program so as to prevent, find and resolve violations of relevant statutes, rules and other regulatory guidance.
 - b. Portfolio management decisions are consistent with clients' mandates (investment objectives, restrictions and risk tolerance), regulatory requirements, disclosures and fiduciary obligations.
 - c. Decisions made and costs incurred in establishing and maintaining Registrant's brokerage arrangements and placing orders (trades) for clients are consistent with maximizing the value of clients' accounts, disclosures made to clients, regulatory requirements and fiduciary obligations.
 - d. Allocations among clients' accounts of IPOs, other investment opportunities, and blocked and crossed trades in issues traded on secondary markets are fair and consistent with disclosures, regulatory requirements and fiduciary obligations.

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- e. Personal trading activities of access persons and investment decisions for proprietary accounts of Registrant are consistent with codes of ethics, regulatory requirements, disclosures and fiduciary obligations.
- f. Prices used to value positions in clients' accounts, including all clients that are commingled accounts/funds, reflect accurately current market conditions and the prices that could be realized upon a current sale of those positions; the process used to calculate NAVs of commingled accounts/funds results in consistently accurate allocations of the commingled accounts' net assets among participants/fund shareholders and is consistent with disclosures and regulatory requirements.
- g. Performance and other information used in advertisements and other marketing materials is calculated accurately and fairly and is used in ways that are not misleading and marketing and distribution activities are consistent with regulatory requirements and disclosures.
- h. Information about Registrant's operations and activity in client accounts is timely and accurately created, captured, and compiled, and is safeguarded from unauthorized access, use, manipulation, alteration, and untimely destruction; such information is used to provide complete, accurate and timely reports and statements to management, clients, and regulators.
- i. Assurance that advisory clients' assets, including those of commingled accounts/funds, are held and moved in ways that protect them from theft, misappropriation, misuse, and loss. Also, information provided to advisory clients and commingled account/fund shareholders regarding transactions in and balances of their accounts reflects accurately the actual transactions in and balances of those accounts and reflects fairly all decisions affecting these accounts.

B. Initial Requests for Information

Please provide copies of the following Section B Items:

- B1. Form ADV, Part II currently furnished to clients and prospective clients, and any alternative written disclosure document given in conjunction with, or in lieu of, Part II. *Please provide this requested information to the examiner upon receipt of this Request List.*
- B2. Registrant's organization chart, employee list (with titles or positions) and a schedule or chart of all affiliated entities. Please include all advisory representatives and/or independent contractors.
- B3. Current standard client advisory contracts or agreements.
- B4. Registrant's compliance policies and procedures manual.
- B5. Documentation maintained regarding any reviews conducted of the Adviser's policies and procedures, including any annual and/or interim reports.

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- B6. Any documents maintained that map the adviser's inventory of risks to its written policies and procedures.
- B7. A list of all client accounts (Excel) reflecting the following information for each client:
- a. Assets under management (gross/net);
 - b. Discretionary/Non-discretionary;
 - c. Type of Account (i.e., Registered Mutual Fund, Private Hedge Fund, Private Equity Fund, Other Private Fund, Separate Account, Wrap Account, ERISA Plan, Non-ERISA Plan, etc.)
 - d. Affiliated or proprietary account;
 - e. Custodian (please provide a separate list of custodians with contact information for each);
 - f. Whether custodian sends periodic account statements directly to the client. If the delivery is electronic:
 - i. whether adviser has written authorization; and
 - ii. the form of electronic delivery (e.g., email or website login)
 - g. Registrant, an officer, or an affiliate acts as trustee, co-trustee, or successor trustee or has full power of attorney for the account;
 - h. Registrant 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.
- B8. Copy of each of the Registrant's balance sheet and operating statements dated as of the end of its most recent fiscal year and its most current year-to-date statements.
- B9. A list of private investment funds, featuring for each **(if applicable)**:
- a. Name as shown in organizational documents.
 - b. The investment strategy (e.g., long-short, statistical arbitrage, fund of funds, etc.).
 - c. The number of investors and total assets of each private fund.
 - d. The amount, if any, of Registrant's equity interest in each fund.
 - e. The amount, if any, of Registrant's affiliated persons' equity interest.
 - f. The services Registrant or an affiliate is providing (e.g., general partner, adviser, managing member).
 - g. The current version of the fund's offering document or private placement memorandum.
 - h. The latest audited financial statements and the un-audited financial statements for the most recent fiscal year end if the audited financial statements for that period are not available. Please also provide a detailed trial balance supporting each set of financial statements provided.

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- i. The most recent custodial statements that show the values of the securities and cash in the fund.
 - j. The latest letter or other communication to investors, e.g. quarterly newsletter or similar correspondence.
 - k. The historical performance of the fund updated to the most recent available date.
- B10. The performance results of each composite since inception, or any other performance information reflecting the performance of your client accounts overall or used in marketing materials.
- B11. The trade blotter for the three months ended July 31, 2013. (See attached Exhibit 1 for format.)
- B12. A list of the five most recent new clients and the five most recently lost clients with the following information for each:
 - a. Name
 - b. Date of Inception
 - c. Date of Termination
 - d. Value of Assets Managed/Value of Assets When Terminated
 - e. Investment Style/Objective
 - f. Source of Client
 - g. Reason for Termination
- B13. A list of client complaints, indicating date received, nature of complaint and date and nature of resolution.



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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

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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" 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	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	100	\$0	\$150,000	\$0	\$150,000	MOR	Total Return Swap	Economic Long