

Instructions to the 2014 Annual Examination of Investment Advisers

Welcome to the 2014 Annual Examination of Investment Advisers registered with the State of New Jersey. The New Jersey Bureau of Securities ("Bureau") has written the examination to be filled out entirely on-line, and is **requiring** all registrants to complete the examination in this digital format. If a registrant submits an examination by mail or email, the registrant's submission status will remain incomplete.

As a reminder, **all examination submissions are due by Tuesday, May 13, 2014.**

Introduction

The New Jersey Bureau of Securities ("Bureau") maintains an ongoing effort to enforce the New Jersey Uniform Securities Law. The Bureau has an Investment Advisory program that consists of both a registration and examination component. Both of these components are integral to the integrity of the investment advisory industry and for the protection of investors. The Bureau's Investment Advisory Examination component includes an annual written examination, which investment advisory firms are required to complete and return to the Bureau. Although the Bureau has the right to conduct on-site examinations of investment advisers without notice (N.J.A.C. 13:47A-14.14), the Bureau hopes that this written examination may alleviate the need to conduct certain on-site examinations. This written examination in no way guarantees that the Bureau will not contact you with additional questions or conduct an on-site examination of your advisory firm.

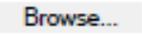
All questions and requests must be answered truthfully, and to the best of your ability. Any false or misleading statements may be deemed a violation of N.J.S.A. 49:3-54, which states that "it is unlawful for any person to make or cause to be made, in any document filed with the bureau or in any proceeding, investigation or examination conducted under this act, any statement which is, at the time and in the light of the circumstances under which it is made, false or misleading in any material respect."

Examination Instructions

As previously stated, this is an entirely digital examination, which requires on-line submission. *Please do not mail or email any submissions to the Bureau.* Any submissions mailed or emailed will not be reviewed, and the registrant's examination will remain incomplete.

Before beginning an examination, please read all written instructions provided for each question. Please review and/or print out the sample examination provided in Addendum A in order to prepare your answers. **A preparer will not be able to save answers in the middle of completing its examination.** Therefore, you should have all answers prepared in advance of completing the examination, in order to avoid having to fill out sections of the examination more than once.

Certain questions within the examination require a document to be attached. In most cases, these documents will have to be prepared before a preparer starts to fill out the examination.

Questions requiring an attachment will include a text box with a  button. For each such question, please attach a document in either excel (.xls or .xlsx), word (.doc or .docx), or PDF (.pdf) format that responds to the question asked.

Be sure to prepare an answer in the format in which the answer should be given. For example, certain answers will only allow for a numerical entry. If a preparer fails to give an answer in numerical form, the Bureau's system will not allow that preparer to submit his or her registrant's examination, and the preparer will receive an error message until the field is properly completed. In addition, certain answer boxes have the desired format indicated with translucent background notes. For example,  indicates that the answer should be a percentage of 0-100%. **Note: Do not include a percentage symbol (%) in the answer because the system will return an error requiring the answer in numerical format. In addition, do not include dollar symbols (\$), commas, or anything other than numbers in the boxes requiring an answer in numerical format.**

Be sure to provide answers for all required fields. Required fields have a red asterisk (*) at the end of each question. If a preparer tries to submit his or her registrant's examination without completing this field, the preparer will receive an error message until the field is properly completed.

Finally, the Bureau has used defined terms in this examination, which are within quotation marks (" ... "). Defined terms have specific meanings that are given in the Glossary provided in Addendum B. In addition, each question with a defined term has a note below providing a link to the glossary. For example:

a. Total value of "assets under management" as of December 31, 2013 in USD:*

["Assets Under Management" is a defined term. See glossary.](#)

Accessing the Examination

To access the examination, please go to the link provided below. As stated above, the link will bring the preparer to a webpage that does not allow him or her to save any answers without completing and submitting the form. Therefore, it is recommended that each preparer review the examination in Addendum A in order to prepare his or her answers before travelling to the link below.

[Click Here to Go to the 2014 Investment Adviser Examination](#)

Bureau of Securities 2014 Written Examination of Investment Advisers

The New Jersey Bureau of Securities ("Bureau") maintains an ongoing effort to enforce the New Jersey Uniform Securities Law. The Bureau has an Investment Advisory program that consists of both a registration and examination component. Both of these components are integral to the integrity of the investment advisory industry and for the protection of investors. The Bureau's Investment Advisory Examination component includes an annual written examination, which investment advisory firms are required to complete and return to the Bureau. Although the Bureau has the right to conduct on-site examinations of investment advisers without notice (N.J.A.C. 13:47A-14.14), the Bureau hopes that this written examination may alleviate the need to conduct certain on-site examinations. This written examination in no way guarantees that the Bureau will not contact you with additional questions or conduct an on-site examination of your advisory firm.

For assistance in completing this form, refer to the written instructions that have been provided.

All questions and requests must be answered truthfully. Any false or misleading statements may be deemed a violation of N.J.S.A. 49:3-54, which states that **"it is unlawful for any person to make or cause to be made, in any document filed with the bureau or in any proceeding, investigation or examination conducted under this act, any statement which is, at the time and in the light of the circumstances under which it is made, false or misleading in any material respect."**

Organization CRD/IARD/IARD: *

Investment Advisory Firm Name: *

Firm d/b/a/ Name:

Business Address: *

Street Address

Street Address Line 2

City

State / Province

Please Select

Postal / Zip Code

Country

Phone Number: *

-

Area Code Phone Number

Contact Person Email Address: *

Business

ADDENDUM A SAMPLE EXAMINATION

1. Does your advisory firm engage in the solicitation of business for other investment advisers, whether or not compensation is received? *

Yes
No

If Yes, provide the following:

a. % of your advisory firm's 2013 revenues from solicitation of business for other investment advisers: *

b. Number of clients referred for whom you received compensation during 2013: *

c. Investment Advisers on whose behalf you solicit clients (please provide the name(s) and CRD/IARD number(s), if applicable): *

2. Does your advisory firm engage other individuals or advisory firms to solicit on your firm's behalf? *

Yes
No

If Yes, provide the following:

a. Name of individuals/firms who solicit on your advisory firm's behalf (please provide the name(s) of the individual or firm and the corresponding CRD/IARD number(s), if applicable): *

3. Does your advisory firm offer financial planning services? *

Yes
No

If Yes, provide the following:

a. % of your advisory firm's 2013 revenues from this financial planning services *

b. Number of financial planning clients during 2013: *

ADDENDUM A SAMPLE EXAMINATION

4. Does your firm or any affiliated person, including any investment adviser representative, principal or other entity under common control, sell life insurance or any types of annuity product? *

Yes
No

If Yes, provide the following:

a. Number of investment adviser firm clients to whom any such products were sold during 2013: *

5. Does your advisory firm offer asset management services? *

Yes
No

If Yes, provide the following:

a. Total value of "assets under management" as of December 31, 2013 in USD: *

["Assets Under Management" is a defined term. See glossary.](#)

b. % of your advisory firm's 2013 revenues from asset management services: *

c. % of your client's holdings in the following types of investments as of December 31, 2013:

1. Equities *	0%
	1-10%
	11-25%
	26-50%
	51-100%
2. Bonds *	0%
	1-10%
	11-25%
	26-50%
	51-100%
3. Mutual funds *	0%
	1-10%
	11-25%
	26-50%
	51-100%
4. Exchange Traded Funds (ETFs), excluding non-traditional ETFs like leveraged, inverse, and volatility products *	0%
	1-10%
	11-25%
	26-50%

ADDENDUM A SAMPLE EXAMINATION

	51-100%
5. Leveraged, Inverted, and/or Volatility ETFs *	0%
	1-10%
	11-25%
	26-50%
	51-100%
6. Microcap Stocks (i.e., "Penny" Stocks) *	0%
	1-10%
	11-25%
	26-50%
	51-100%
7. Natural Resources and Precious Metals *	0%
	1-10%
	11-25%
	26-50%
	51-100%
8. Viatical Settlements (e.g., Viatical settlements) *	0%
	1-10%
	11-25%
	26-50%
	51-100%
9. Gold Bullion *	0%
	1-10%
	11-25%
	26-50%
	51-100%
10. Foreign Currencies *	0%
	1-10%
	11-25%
	26-50%
	51-100%
11. Privately Placed and/or Unregistered Securities (including those for which no secondary market exists or that are restricted from being resold). *	0%
	1-10%
	11-25%
	26-50%
	51-100%
12. Entertainment Investments (including films, theater productions, infomercials, and web-based entertainment providers). *	0%
	1-10%
	11-25%
	26-50%

ADDENDUM A SAMPLE EXAMINATION

	51-100%
13. Non-publicly traded real estate products (including private and public REITs, mortgaged-related financial products such as reverse mortgages, or distressed real estate ventures) *	0%
	1-10%
	11-25%
	26-50%
	51-100%
14. Asset-Backed Securities (including collateralized mortgage obligations) and/or Insured or Guaranteed Promissory Notes. *	0%
	1-10%
	11-25%
	26-50%
	51-100%
15. Church Bonds *	0%
	1-10%
	11-25%
	26-50%
	51-100%
16. Derivative or Market-Linked Certificates of Deposit *	0%
	1-10%
	11-25%
	26-50%
	51-100%
17. Other *	0%
	1-10%
	11-25%
	26-50%
	51-100%

d. Please specify the following client information:

For clients that are at or above the age of 65 and are not considered "high net worth individuals", provide the:

i. % of asset management accounts as of December 31, 2013 *

ii. % of "assets under management" as of December 31, 2013 *

["Assets Under Management" is a defined term. See glossary.](#)

["High Net Worth Individuals" is a defined term. See glossary.](#)

e. If any of your firm's investment adviser representatives also act as broker-dealer agents on an asset management client's account, please provide the number of trades for the five most actively traded

ADDENDUM A SAMPLE EXAMINATION

If Yes, please enter a description or schedule if not stated in the sample advisory contract(s) you've submitted to the Bureau *

7. Have your advisory firm's investment advisory contracts(s), including contracts used for financial planning and solicitation services, changed since January 1, 2013? *

Yes
No

If Yes, provide the following:

Upload changes to your advisory firm's investment advisory contracts(s), including contracts used for financial planning and solicitation services, since January 1, 2013 here: *

no file selected

8. Are all of your client's signed contracts in the most recent version of that type of client services contract previously submitted to the Bureau? *

Yes
No

9. Is all of the information on your advisory firm's most recently filed ADV, including Part 1, Part 2A, and Part 2B, accurate? If not, please specify what information needs to be amended. *

Yes
No

Policies and Prodecures

10. Does your advisory firm have any written policies and procedures manual(s)? *

Yes
No

11. Does your advisory firm have a written code of ethics, conflicts of interest policy, insider trading policies or procedures? *

Yes
No

12. Does your advisory firm have written policies and procedures on how to protect and safeguard client's personal information? *

Yes
No

13. Does your advisory firm use a suitability questionnaire to determine new clients' investment experience or objectives? *

Yes
No

ADDENDUM A SAMPLE EXAMINATION

If Yes, provide the following:

a. How often are these forms reviewed and updated? Please describe the frequency in terms of months or years. *

b. Does your advisory firm document the review of these forms and any updates that are made? *

Yes
No

14. Does your advisory firm have a business continuity plan? *

Yes
No

If Yes, provide the following:

a. Does your business continuity plan include a disaster recovery plan?

Yes
No

b. If your firm has a single investment adviser representative or is a sole proprietorship, does your continuity plan include a business succession plan that designates an individual to notify clients, vendors, institutions, and regulatory bodies, including filing with the FINRA IARD a Form ADV-W, in the event of the investment adviser representative's incapacity or death?

Yes
No

Personnel, Associated Persons and Other Activities

15. Upload a list of all current investment adviser representatives of your advisory firm as an attachment including their accompanying CRD number(s) and any professional designations they use. *

no file selected

Indicate any dual affiliations or registrations as a broker-dealer agent or investment adviser representative that any of your investment adviser representatives have with any other broker-dealer or investment advisory firm. Indicate which if any of your investment adviser representatives is licensed as an insurance provider.

16. Does your advisory firm employ non-registered personnel?

Yes
No

If Yes, upload a list of all non-registered personnel compensated by or otherwise working for your advisory firm, indicating their job title and any professional designations that they use. *

no file selected

ADDENDUM A SAMPLE EXAMINATION

17. Are any investment adviser representatives of your advisory firm involved in wrap and/or referral accounts with a broker-dealer firm? *

Yes

No

If Yes, provide the following:

Indicate the relevant investment adviser representative and the wrap program they are involved with: *

18. Do any investment adviser representatives have a “doing business as” (DBA) name that is different from your advisory firm’s name? *

Yes

No

If Yes, provide the following:

Any DBA name(s) for each representative and state whether or not their DBA is disclosed on the CRD/IARD. *

19. Provide the name of each individual whose employment or other work relationship with your advisory firm has ceased since December 31, 2012, and their reason for leaving the firm:

20. Is your advisory firm’s Chief Compliance Officer (“CCO”) the same as listed in your advisory firm’s response to Item 1, part J, of the identifying information section of your most recent Form ADV? *

Yes

No

21. If your advisory firm does not have a Chief Compliance Officer, indicate the designated

ADDENDUM A SAMPLE EXAMINATION

regulatory contact for your advisory firm, with that individual's title and contact information.

22. Does your advisory firm have any other entity which assists, or during 2013 assisted, your firm in completing and submitting any forms filed with the IARD or directly with the Bureau? *

Yes
No

If Yes, provide the following:

A list of name(s), address and any other contact information for each such entity. *

23. Are there any other business activities or joint ventures conducted on your premises, such as office sharing, accounting, tax services, mortgage-related services, insurance, real estate, pension or retirement plan administration, other business advisory or consulting services, etc.? *

Yes
No

If Yes, please list services here: *

24. Is your advisory firm under common control or ownership with another investment adviser? *

Yes
No

If Yes, please list the firm name(s) and CRD/IARD number(s), if applicable, here: *

ADDENDUM A SAMPLE EXAMINATION

25. Is your advisory firm associated with or does it have a business arrangement with a broker-dealer? *

Yes
No

If Yes, provide the following:

a. Enter name and CRD number of each such broker-dealer firm: *

b. Was your advisory firm ever examined by the compliance department of the listed firm? *

Yes
No

c. Please enter the date of the last exam here.

Complaints

26. Has your advisory firm received any client complaints since January 1, 2013? *

Yes
No

If Yes, provide the following:

Number of complaints. *

Please upload an explanation of each complaint, its current status and indicate the name and CRD # of any representative to whom the complaint pertains. *

no file selected

27. Is your advisory firm aware of any potential claims or complaints, or involved in any current, pending or potential litigation or arbitration, affecting or related to the advisory firm or any of its representatives? *

Yes
No

If Yes, please explain. *

ADDENDUM A SAMPLE EXAMINATION

28. Is your advisory firm aware of any pending, potential or anticipated regulatory inquiries or investigations involving your firm or any associated person? *

Yes
No

If Yes, please explain. *

Advertising and Promotional Activities

29. Does your advisory firm or any of its representatives maintain or use any website or use any social media service? *

Yes
No

30. Please list each web address that your advisory firm and/or any of its representatives uses including social media websites (such as Facebook, LinkedIn, etc.), blogs, twitter, personal websites, and business websites. Please affirmatively state that your firm does not utilize any websites, if that is the case. *

31. Does your advisory firm have policies and procedures for the use of social media by your firm and its representatives? *

Yes
No

32. Does your advisory firm conduct "seminars"? *

Yes
No

["Seminars" is a defined term. See glossary.](#)

If Yes, please provide details here, including the location and dates of seminars conducted since

ADDENDUM A SAMPLE EXAMINATION

December 31, 2012, as well as the subject matter of each "seminar" and whether or not a meal was provided. *

33. Does your advisory firm use any performance figures, such as firm-wide or specific (whether or not identified) customer performance figures or charts, when marketing its services to existing or prospective clients? *

Yes
No

Custody and Financial Condition

34. Does the advisory firm, directly or through a related person, maintain "custody" and possession, or have the authority to take possession, of its client's assets in addition to or exclusive of an unrelated custodian other than for purposes of withdrawing your advisory fees when earned and due? *

Yes
No

["Custody" is a defined term. See glossary.](#)

If Yes, Please upload a certified, audited balance for the advisory firm dated within 60 days of your completion and submission of this questionnaire or an explanation giving rise to your firm having custody of client assets and why no audit of the firm's financial statements has been performed. *

no file selected

35. Has your firm or any affiliated person under common control at any time since December 31, 2012 managed or advised any pooled investment vehicle? *

Yes
No

If Yes, Please upload a copy of each such vehicles most recent audited financial statements or an explanation as to why no such audit has been performed since December 31, 2012. *

no file selected

36. In addition to any custody that your advisory firm may itself maintain, please list the name, address and CRD/IARD number, if applicable, of all custodian firms who currently or have since December 31, 2012 held client assets for your advisory firm or clients of your advisory firm. Please affirmatively state that your firm does not

ADDENDUM A SAMPLE EXAMINATION

utilize any custodial firms, if that is the case.

37. Is your advisory firm "solvent"? *

Yes

No

["Solvent" is a defined term. See glossary.](#)

Acknowledgement and Signature

Under penalties of law, I affirm by my signature or electronic submission that this information contained herein, and attached hereto, is true, complete, and current, and that I am an authorized person to submit it.

I AFFIRM

Full Name of Preparer *

First Name

Last Name

Date: *

Month

Day

Year

Title/Positon: *

Company: *

Phone Number *

-

Area Code Phone Number

E-mail *

Submit

Addendum B: Glossary

Assets under management means “Regulatory Assets Under Management” as defined in the instructions to the FINRA Form ADV, [Instruction 5\(b\)](#), located on the 6th page.

Custody means “holding, directly or indirectly, client funds or securities, or having any authority to obtain possession of them. You have custody if a related person holds, directly or indirectly, client funds or securities, or has any authority to obtain possession of them, in connection with advisory services you provide to clients. Custody includes:

- (i) Possession of client funds or securities (but not of checks drawn by clients and made payable to third parties) unless you receive them inadvertently and you return them to the sender promptly but in any case within three business days of receiving them;
- (ii) Any arrangement (including a general power of attorney) under which you are authorized or permitted to withdraw client funds or securities maintained with a custodian upon your instruction to the custodian; and
- (iii) Any capacity (such as general partner of a limited partnership, managing member of a limited liability company or a comparable position for another type of pooled investment vehicle, or trustee of a trust) that gives you or your supervised person legal ownership of or access to client funds or securities.”

[17 C.F.R. § 275.206\(4\)-2\(d\)\(2\)](#).

High net worth individuals means any person who is a “qualified client” under Rule 205-3(d)(1) of the Investment Advisers Act of 1940:

(1) The term qualified client means:

- (i) A natural person who or a company that immediately after entering into the contract has at least \$750,000 under the management of the investment adviser;
- (ii) A natural person who or a company that the investment adviser entering into the contract (and any person acting on his behalf) reasonably believes, immediately prior to entering into the contract, either:
 - (A) Has a net worth (together, in the case of a natural person, with assets held jointly with a spouse) of more than \$1,500,000 at the time the contract is entered into; or
 - (B) Is a qualified purchaser as defined in section 2(a)(51)(A) of the Investment Company Act of 1940 (15 U.S.C. 80a-2(a)(51)(A)) at the time the contract is entered into; or

(iii) A natural person who immediately prior to entering into the contract is:

(A) An executive officer, director, trustee, general partner, or person serving in a similar capacity, of the investment adviser; or

(B) An employee of the investment adviser (other than an employee performing solely clerical, secretarial or administrative functions with regard to the investment adviser) who, in connection with his or her regular functions or duties, participates in the investment activities of such investment adviser, provided that such employee has been performing such functions and duties for or on behalf of the investment adviser, or substantially similar functions or duties for or on behalf of another company for at least 12 months.

[17 CFR 275.205-3.](#)

Seminar means a formal presentation to multiple attendees given by the firm or persons associated with, or compensated by, the firm.

Solvent means that the liabilities of the investment advisory firm do not exceed the assets of the investment advisory firm, or that the investment advisory firm can meet its obligations as they mature. N.J.S.A. 49:3-58(a)(2)(viii).