

AVOIDING COMMON DEFICIENCIES FOUND IN INVESTMENT ADVISER FILINGS

When the Registration Section of the Securities Division is reviewing an investment adviser's Form ADV and investment advisory agreements/contracts, inconsistencies between the documents are frequently noted.

Form ADV, Parts 1 and 2

To avoid the most common deficiencies, please follow these guidelines:

How often fees are paid as listed in Item 5 of Part 2 matches the investment advisory agreement/contract.

Services marked in Item 5.G of Part 1 match the services described in Item 4 of Part 2.A.

Discretionary authority marked in Item 8.C of Part 1 matches the discretionary authority described in Item 16 of Part 2.A. Additionally, you must discuss the restrictions or limitations imposed by your clients.

a non-assignment clause.

The fee schedule in the agreement should match the fee schedule disclosed in the Form ADV Part 2. Additionally, the type of compensation described in the contract must match what was described in Item 5 of Part 2.A and the form of compensation marked in Item 5.E of Part 1.

Form ADV Cross-Reference Guide

Topic	ADV I Item	ADV 2A Item	ADV 2B Item
Employees as Registered Reps	5B(2)	10A	4A
Employees are insurance agents	5B(5)	10C	4B
Use of solicitors	5B(6), 8H	14B	
Types of clients	5D	7	
Compensation	5E	5A, 5E, 10D, 14	4A, 4B
Performance Fees	5E	6, 19C	
Assets under management	5F	4 (do not have to match, but Part 2A must be w/in 90 days of brochure update)	
Services provided	5G	4	
Wrap Program	5I	4D, if so, Appendix 1 is required	
Advise on limited security types	5J	4B	
Other financial business	6A	5E, 10A,10B, 10C	
Other business or services	6B	19B	
Financial industry affiliations	5B, 7A	10A, B, and/or C, 19E	
Your interest in client trades	8A	11B, 11C, 11D	
Sales interest in client trades	8B	11B	
Discretion	8C	4, 16, 18B	
Related brokers	8D, 8F	10A, 10C	
Recommend brokers	8E	12A	