



STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION

P.O. Box 9033 • Olympia, Washington 98507-9033
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January 29, 2009

Dear Registered Investment Adviser:

We are writing to remind you of fiscal year end requirements that must be completed by March 31, 2009.

The balance sheet, 2008 FYE Requirements form and Form ADV Part II (if an amendment is needed) should be sent to the attention of Bruce Johnson, whose contact information is listed at the end of this notice. E-mail is the preferred method of filing.

File Balance Sheet and 2008 FYE Requirements Form

You must complete the attached 2008 FYE Requirements form, which should be signed by a principal of the firm, and submit it together with the firm's balance sheet dated December 31, 2008. If your principal place of business is in the State of Washington, your balance sheet must show a net worth of at least \$35,000 if you have custody and \$10,000 if you have discretion. If your firm is headquartered in another state, you just need to check off that you are in compliance with that state's net worth requirements, if any.

Amend Form ADV Part 1

Pursuant to WAC 460-24A-205(1)(b), you must annually file a Form ADV Part 1 on the IARD system. Annual amendments are filed by accessing the IARD system at <https://www.webiard.com/iad>. Once you are on the site map, look under the Forms column, ADV, click on New Filing, and then under ADV Filing Types click on "Submit an annual updating amendment to your registration for your fiscal year ended _____". For more detailed information on this process, please consult the IARD User's Manual, Chapter Five: Organization Form Filing at http://www.iard.com/firm_users_man.asp. The IARD Help Desk at 240-386-4848 can also assist you if you have any problems.

As you may recall Washington amended its custody rules last year, which affects those firms whose principal place of business is in the State of Washington. We now request that you complete the questions concerning custody in Item 9 of Form ADV Part 1A in accordance with the instructions to that item for investment advisers that are registering or are registered with the SEC. Thus, if you deduct your advisory fees directly from your clients' accounts but you do not otherwise have custody of your clients' funds or securities, you may answer "No" to Items 9 A.(1) and 9 A.(2). Responses to these items will be reviewed along with the responses to the safeguard questions set forth in Item 2 I. of Form ADV Part 1B to ensure they are consistent.

In the past some advisers mistakenly believed they had filed the updated Form and were surprised to be contacted by the Securities Division because no Form had been received. Before you submit the filing, click on the “Completeness Check” hyperlink in the upper left hand corner and take care of any problems. Next, click on “Print Preview” and either print off or download a copy of the Form for your records. Then, click on “Submit Filing”, which opens up another screen. It should say “ADV on-line completeness checks passed successfully”. Then click on “Submit Filing” and another screen appears that should say “Filing Successfully Queued for Submission”. Click on “OK”, and then you should get a message that the filing was successfully submitted.

Because we have had difficulty getting a number of advisers to file Form ADV Part 1 on an annual basis, this year we will be strictly enforcing this rule and advisers who do not file will be referred to Enforcement for administrative action. This will be true even for advisers who determine that no information needs to be updated. In this case, all you need to do is click through each Item, pass the completeness check, and then submit the Form as outlined above.

Amend Form ADV Part II

You must review your firm’s Form ADV Part II, make any necessary amendments, and file those with the Securities Division, either directly with the Division or through the IARD. On the North American Securities Administrators Association’s website at http://www.nasaa.org/industry_regulatory_resources/investment_advisers/758.cfm, a .pdf version of the Form is available that can be filled out and saved to your computer, so that you will be able make changes to it in the future without having to retype the whole Form again. There are also instructions for uploading the Form to IARD.

There still has been no announcement from the Securities and Exchange Commission regarding converting Form ADV Part II to a brochure. Given all the issues needing to be addressed by the Commission, and the change in administrations, it is highly unlikely that a final rule will be issued anytime soon.

Review your Form U4’s

Per WAC 460-24A-205(2), investment adviser representatives must file amendments within 30 days of any event that would cause the information disclosed on the U4 to be incorrect. Since it may have been several years or more since the U4 was filed, you should review the Forms for your representatives to ensure that all the information is still current.

Send Form ADV Part II and Privacy Policy to Clients

WAC 460-24A-145(3)(a) requires advisers to deliver, or offer to deliver, a copy of their most recent Form ADV Part II to their clients on an annual basis. For your records, the best practice is to attach a copy of the Form (or your offer of the Form) to your client list and note the date it was sent (doing this via e-mail is acceptable). If only the offer was made, you need to track who requested the Form and when it was sent out.

Federal Trade Commission rules require you to annually furnish a copy of your privacy policy to your clients. Again, the best practice is to attach a copy of the policy to your client list and note the date it was sent.

Warning to late and non-filers

As a registered investment adviser you are required at all times to be in compliance with the statutes and rules regulating advisers. Although we are not required to do so, as a courtesy our practice has been to contact advisers who fail to make the proper filings and remind them of their obligations. This year the Division is instituting a zero-tolerance policy for tardy or non-filers.

Absent some extenuating circumstance, which should be communicated in writing to the Division, advisers who fail to file the required documents by March 31st can expect to be referred to Enforcement for administrative action, which may include the suspension or revocation of your registration and fines.

Questions?

If you have any questions regarding this notice, please contact Bruce Johnson at:

Phone: 360-902-8781

E-mail: bjohnson@dfi.wa.gov

Fax: 360-704-6981

Regular Mail

Department of Financial Institutions

Securities Division

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Express Delivery

Department of Financial Institutions

Securities Division

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