

SCHEDULE I

Schedule for Declaring Eligibility for SEC Registration

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Applicant:	SEC File No. 801-	Date: MM/DD/YY
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Part I Eligibility for SEC Registration

Section 203(h) of the Investment Advisers Act of 1940 (“Advisers Act”) authorizes the Commission to cancel or deny the registration of any investment adviser that does not meet the criteria for SEC registration set forth in section 203A of the Advisers Act. This Part I requires applicant to declare whether it is eligible, or continues to be eligible, for Commission registration.

Complete Schedule I in full, circle amended items and file with execution page (page 1 of Form ADV)
and any other amended pages of Form ADV.

Check either (a) or (b):

(a) Applicant is eligible (or will remain eligible) for SEC registration.

For an applicant to be eligible (or remain eligible) for SEC registration, applicant must respond affirmatively (by checking the appropriate box or boxes) to at least one of the items (i) through (x) below:

Applicant:

(i) has assets under management of \$25 million (in U.S. dollars) or more;

Report assets under management in Part II if “assets under management” is the sole basis of applicant’s eligibility for SEC registration (i.e., this item (i) is checked, and none of items (ii) through (x) below is checked).

(ii) has its principal office and place of business in Ohio, U.S. Virgin Islands, or Wyoming (*See Instruction 3*);

(iii) has its principal office and place of business outside the United States (*See Instruction 3*);

(iv) is an investment adviser to an investment company registered under the Investment Company Act of 1940 (*See Instruction 4*);

(v) is a nationally recognized statistical rating organization;

(vi) is a pension consultant that qualifies for the exemption in rule 203A-2(b) (*See Instruction 5(a)*);

(vii) is an investment adviser that controls, is controlled by, or is under common control with, an investment adviser eligible to maintain its registration with the Commission, and whose principal office and place of business is the same as the eligible investment adviser (*See Instruction 5(b)*);

(viii) is a newly formed investment adviser relying on rule 203A-2(d) (*See Instruction 5(c)*);

(ix) has received an order of the Commission exempting applicant from the prohibition on registration with the Commission;

Application number: 803- _____
Date of Commission’s order: _____

(x) is a multi-state investment adviser relying on rule 203A-2(e) (*See Instruction 5(d)*).

(b) Registrant is no longer eligible for SEC registration. (*See Instruction 6*)

Applicant:	SEC File No. 801-	Date: MM/DD/YY
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Page 3

Part II Assets Under Management

Report assets under management if required by Part I (i.e., if item I(a)(i) is checked yes “(x)” and is the sole basis for applicant’s eligibility for SEC registration).

State the amount of applicant’s assets under management (in U.S. dollars): *(See Instruction 7)*

\$ _____ .00 (in U.S. dollars)

Applicants are reminded that it is a violation of Section 207 of the Advisers Act to make any untrue statement of material fact in any report filed with the Commission or willfully to omit to state in any such report any material fact that is required to be stated therein.

SCHEDULE I INSTRUCTIONS

Instruction 1. *General Instructions*

(a) **SEC's Collection of Information.** An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid control number. Sections 203(c)(1) and 204 of the Advisers Act authorize the Commission to collect the information on this Schedule from applicants. See 15 U.S.C. §§ 80b-3(c)(1) and 80b-4. Filing of this Schedule is mandatory. The principal purpose of this collection of information is to enable the Commission to determine which investment advisers are eligible to maintain their registration with the Commission. The Commission will maintain files of the information on this Schedule and will make the information publicly available. Any member of the public may direct to the Commission any comments concerning the accuracy of the burden estimate on page one of this Schedule, and any suggestions for reducing this burden. This collection of information has been reviewed by the Office of Management and Budget in accordance with the clearance requirements of 44 U.S.C. § 3507. The applicable Privacy Act system of records is SEC-2, and the routine uses of the records are set forth at 40 FR 39255 (Aug. 27, 1975) and 41 FR 5318 (Feb. 5, 1976).

(b) **For Further Information.** Additional information about the rules referred to in this Schedule is found in the Commission's adopting release, *Rules Implementing Amendments to the Investment Advisers Act of 1940*, Investment Advisers Act Rel. No. 1633 (May 15, 1997).

Instruction 2. *Principal Place of Business*

Applicant's principal place of business reported in Form ADV, Part I, Item 2.A. is the applicant's principal office and place of business, *i.e.*, the executive office from which the officers, partners, or managers of the applicant direct, control, and coordinate applicant's activities. See rule 203A-3(c).

Instruction 3. *Advisers in Ohio, U.S. Virgin Islands, or Wyoming; Foreign Advisers*

Under the Advisers Act, an applicant whose principal office and place of business (*see* Instruction 2) is in a State that does not register investment advisers is required to register with the Commission, even if none of the criteria for SEC registration (*e.g.*, \$25 million of assets under management) is met. Currently, these States are Ohio, U.S. Virgin Islands and Wyoming. Applicants that have their principal offices and places of business in one of these States should check the box in item (a)(ii) of Part I.

An applicant whose principal office and place of business is located in a country other than the United States (*i.e.*, not in the United States, the District of Columbia, Puerto Rico, or any other possession of the United States) also is required to register with the Commission. Such an applicant should check the box in item (a)(iii) of Part I.

Instruction 4. *Advisers to Investment Companies*

An applicant should not check item (a)(iv) of Part I unless applicant currently provides advisory services pursuant to an investment advisory contract to an investment company registered under the Investment Company Act of 1940. The investment company must be operational, *i.e.*, have assets and shareholders (other than just the organizing shareholders).

Instruction 5. *Exemptions*

(a) **Pension Consultants.** An applicant that provides investment advice to employee benefit plans, governmental plans, or church plans with respect to assets having an aggregate value of \$50 million or more during the 12-month period ended within 90 days of filing this Schedule may register with the Commission. An investment adviser seeking to rely on this pension consultant exemption must aggregate: (i) the value of assets for which it provided advisory services at the end of the 12-month period, and (ii) the value of any other assets for which it provided advisory services at the end of its employment or contract (if terminated before the end of the 12-month period). See rule 203A-2(b).

(b) **Affiliated Advisers.** An applicant that controls, is controlled by, or is under common control with, an investment adviser that is eligible to maintain its registration with the Commission ("eligible adviser") is itself eligible to register with the Commission if the principal office and place of business of the applicant is the same as that of the eligible adviser. See rule 203A-2(c).

(c) **Newly Formed Advisers.** A newly formed investment adviser may register with the Commission at the time of its formation if the adviser has a reasonable expectation that within 120 days of registration it will become eligible for Commission registration. At the end of the 120-day period, the adviser is required to file an amended Schedule I. If the investment adviser indicates on the amended Schedule I that it has not become eligible to register with the Commission, the adviser is required to file a Form ADV-W concurrently with the Schedule I, thereby withdrawing from registration with the Commission. An applicant registering with the Commission in reliance on this exemption must include on Schedule E of Form ADV an undertaking to withdraw from registration if, at the end of the 120-day period, the investment adviser would be prohibited from Commission registration. See rule 203A-2(d).

(d) **Multi-State Advisers.** An investment adviser may register with the Commission if it is required to register as an investment adviser with the securities authorities of 30 or more States. To rely on this exemption, an applicant must (i) attach to this Schedule a representation that it has reviewed the applicable State and federal laws and has concluded that it must register as an investment adviser with the securities authorities of at least 30 States within 90 days prior to the date of filing this Schedule, and (ii) include on Schedule E to Form ADV an undertaking to withdraw from Commission registration if it would no longer be required to register in at least 25 States when it files its annual amendment to Form ADV revising this Schedule. Each year (and for so long as the investment adviser continues to rely on the multi-state investment adviser exemption), when the adviser updates its Schedule I, it must attach a new representation that it has concluded that, but for the exemption, it would be required to register with the securities authorities of at least 25 States within 90 days prior to the date of filing Schedule I. In addition, each time the adviser makes such a representation, the adviser must create and maintain a list of the States in which, but for the exemption, it would be required to register. This list must be maintained in an easily accessible place for a period of not less than five years from the date each representation is filed as an attachment to this Schedule. See rule 203A-2(e).

Instruction 6. Part I, Item (b)

If item (b) of Part I is checked, registrant's investment adviser registration with the SEC must be withdrawn within 90 days after the date this Schedule I was required by rule 204-1(a) to have been filed with the Commission. Thus, registrant's registration must be withdrawn no later than 180 days after the end of its fiscal year. If registrant's registration is not withdrawn within this time period, registrant will be subject to having its registration cancelled pursuant to section 203(h) of the Advisers Act. See rule 203A-1(c).

Instruction 7. Determining Assets Under Management

Not all applicants are required to provide the amount of their assets under management. An applicant must report its assets under management in Part II only if item I(a)(i) is checked yes "(x)" and the amount of assets applicant has under management is the sole basis for applicant's eligibility for SEC registration (*i.e.*, applicant has not checked any of items I(a)(ii) through (x)).

In determining the applicant's assets under management, include the "**securities portfolios**" (or portions of those portfolios) for which applicant provides "**continuous and regular supervisory or management services**" as of the date of filing this Schedule.

(a) **Securities Portfolios.** An account is a securities portfolio if at least 50% of the total value of the account consists of securities. For purpose of this 50% test, applicant may treat cash and cash equivalents (*i.e.*, bank deposits, certificates of deposit, bankers acceptances, and similar bank instruments) as securities.

Applicants may include securities portfolios that are: (i) family or proprietary accounts of the applicant (unless applicant is a sole proprietor, in which case the personal assets of the sole proprietor must be excluded); (ii) accounts for which applicant receives no compensation for its services; and (iii) accounts of clients who are not U.S. residents.

(b) **Value of Portfolio.** Include the entire value of each securities portfolio (or portion of the portfolio) for which applicant provides "continuous and regular supervisory or management services." If applicant provides continuous and regular supervisory or management services for only a portion of a securities portfolio, include as assets under management only the portion of the securities portfolio that receives such services. Exclude, for example, a portion of an account:

- (1) under management by another person; or
- (2) that consists of real estate or businesses the operations of which are "managed" on behalf of a client but not as an investment.

No deduction is required for securities purchased on margin.

(c) **Continuous and Regular Supervisory or Management Services.**

General Criteria. An applicant provides continuous and regular supervisory or management services with respect to a securities portfolio if the applicant either —

- (1) has discretionary authority over and provides ongoing supervisory or management services with respect to the account; or
- (2) does not have discretionary authority over the account, but has an ongoing responsibility to select or make recommendations, based upon the needs of the client, as to specific securities or other investments the account may purchase or sell and, if such recommendations are accepted by the client, is responsible for arranging or effecting the purchase or sale.

Factors. Applicants should consider the following factors in evaluating whether continuous and regular supervisory or management services are being provided.

- (1) **Terms of the advisory contract.** A provision in an advisory contract by which the applicant agrees to provide ongoing management services suggests that the account receives such services. Other provisions in the contract, or the actual management by the applicant, however, may rebut such a suggestion.
- (2) **Form of compensation.** A form of compensation based on the average value of assets under management over a specified period of time would suggest that the applicant provides continuous and regular supervisory or management services. On the other hand, a form of compensation based upon time the applicant spends with a client during a client visit would suggest otherwise. A retainer based upon a percentage of assets covered by a financial plan would not suggest that the applicant provides continuous and regular supervisory or management services.

- (3) **The management practice of the applicant.** The extent to which the applicant is actively managing the assets or providing advice bears on whether the services are continuous and regular supervisory or management services. However, infrequent trades (e.g., based on a “buy and hold” strategy) should not alone form the basis for a determination that the services are not provided on a continuous and regular basis.

Examples. To assist applicants, the Commission is providing examples of accounts that may receive continuous and regular supervisory or management services, based upon the criteria and factors discussed above. These examples are not exclusive.

Accounts that may receive continuous and regular supervisory or management services:

- (1) Accounts for which the applicant allocates assets of a client among mutual funds (even if it does so without a grant of discretionary authority, but only if the general criteria for non-discretionary accounts is satisfied and the factors suggest that the account receives continuous and regular supervisory or management services); and
- (2) Accounts for which the applicant allocates assets among other managers — but only under a grant of discretionary authority by which it may hire and fire managers and reallocate assets among them.

Accounts that do not receive continuous and regular supervisory or management services:

- (1) Accounts for which the applicant provides market timing recommendations (to buy or sell) but has no ongoing management responsibilities;
- (2) Accounts for which the applicant provides only impersonal advice, e.g., market newsletters;
- (3) Accounts for which the applicant provides an initial asset allocation, without continuous and regular monitoring and reallocation; and
- (4) Accounts for which the applicant provides advice only on an intermittent or periodic basis, upon the request of the client, or in response to some market event, e.g., an account that is reviewed and adjusted on a quarterly basis.

(d) **Value of Assets Under Management.** Calculate the total amount of applicant’s assets under management by including the value, as determined within 90 days prior to the date of filing this Schedule, of securities portfolios (or portions of those portfolios) for which applicant provides continuous and regular supervisory or management services as of the date of filing this Schedule. Current market value should be determined using the same method as that used to determine the account value reported to clients or fees for investment advisory services.

(e) **Example.** To assist applicants, the Commission is providing an example of the method of determining whether a client account may be included as “assets under management.”

Example:

A client’s portfolio consists of the following:

\$ 6,000,000	stocks and bonds
\$ 1,000,000	cash and cash equivalents
<u>\$ 3,000,000</u>	non-securities (collectibles, commodities, real estate, etc.)
<u>\$10,000,000</u>	Total Assets

First, is the account a “securities portfolio?” The account is a securities portfolio because securities as well as cash and cash equivalents (which the applicant has chosen to include as securities) (\$6,000,000 + \$1,000,000 = \$7,000,000) comprise at least 50% of the value of the account (here, 70%). (See *Instruction 7(a)*)

Second, does the account receive “continuous and regular supervisory or management services?” The entire account is managed on a discretionary basis and is provided ongoing supervisory and management services, and therefore receives continuous and regular supervisory or management services. (See *Instruction 7(c)*)

Third, what is the entire value of the account? The entire value of the account (\$10,000,000) is included in the calculation of the investment adviser’s total assets under management.