***RECENT DEFICIENCIES FOUND DURING EXAMINATIONS***

***March, 2014***

While reviewing the documentation of client agreements, it was discovered the Investment Adviser was using agreements that were referencing the state laws of another state. Agreements with New Mexico investors need to be governed by New Mexico state laws.

Another examination found an Investment Advisor representative was a signer on a client’s account. The account was used to pay the advisory fees as well as other client expenses. This created a custody issue for the firm and increasing the minimum financial requirement for the firm to $2,000,000.

***January, 2014***

An Investment Adviser had a secondary business partnership in which the firm’s Investment Advisory Agreement granted trading authorization of all client accounts to the partner. The partner was not registered in New Mexico, and this information was not disclosed to clients.

***October, 2013***

It was discovered that the Investment Adviser’s designated principal did not have the required S24 examination as required by Rule. The designated principal was changed to a person who did have the required S24 examination.

For a list of the common types of deficiencies often found in examinations please go to:

<http://www.rld.state.nm.us/securities-division/examination-program-3.aspx>