

INSTRUCTION SHEET

I. LICENSING AS A STATE INVESTMENT ADVISER

Be sure to review the definition of "investment adviser" in A.R.S. § 44-3101 as well as the exemption available under A.R.S. § 44-3152 to see if licensing in Arizona is required.

To become licensed as an investment adviser, the following documents must be provided:

- A. Form ADV (Part 1A and Part 1B), filed electronically through the IARD after you have become entitled to use the IARD system. (A.R.S. § 44-3153 and R14-6-212)
- B. Part II of the ADV and Schedule F filed electronically. (A.R.S. § 44-3153, R14-6-205, and R14-6-212) [As of April 23, 2007, the IARD system allows ADV Part II and Schedule F to be filed electronically]
- C. If Part II of the Form ADV will not be used as your disclosure statement, please include a copy of the disclosure statement (brochure) given to clients. (A.R.S. § 44-3154 and R14-6-205, and R14-6-212)
- D. Audited Balance Sheet, if required. (A.R.S. § 44-3153, R14-6-206, and R14-6-212)
 - 1. CUSTODY OF CLIENT FUNDS - If the applicant will have custody of client monies or securities or requires payment of advisory fees six months or more in advance and in excess of \$500 for each client, an audited balance sheet as of the end of the applicant's fiscal year, together with the independent certified public accountant report is required. The balance sheet shall be prepared in conformity with generally accepted accounting principles and audited by an independent certified public accountant. The notes to the balance sheet shall state the principles used to prepare the balance sheet, the basis of included securities and any other explanation required for clarity.
 - 2. ALL OTHERS – no requirements.
- E. If the firm intends to have one or more offices located in Arizona, please provide a list of all Arizona offices (include DBA if applicable). The list should include the address, phone number, and name of the contact person. (A.R.S. § 44-3153 and R14-6-212)
- F. No Investment Adviser Activity Affidavit - A notarized affidavit of a principal stating that a review of the books, records, and correspondence of the investment adviser has been conducted, and whether any investment advisory services have been provided to Arizona residents during the period of September 1, 1994, through the date of application. If such services have been provided, the applicant should state which, if any, exemption was relied upon. (A.R.S. § 44-3153 and R14-6-212)
- G. Fingerprint card, if applicable - An individual who is a sole proprietor must provide a fingerprint card if the applicant's fingerprints are not on file with the Division, CRD system or the IARD. (A.R.S. § 44-3153 and A.R.S. § 44-3156). Please submit a fingerprint card and a check for \$29.00 made payable to the Arizona Corporation Commission to the Division.

**Effective October 1, 2007, the fee for processing a fingerprint card is \$24.00.*

- H. An individual who is a sole proprietor and who does not have an exemption must provide proof of compliance with written examination requirements. (*A.R.S. § 44-3153 and R14-6-204*). See Section III (3).
- I. A \$250 nonrefundable licensing fee should be sent directly to the NASD Regulation, Inc. and deposited into your firm's IARD Daily Account, along with any other states' and IARD system fees required. (*A.R.S. § 44-3181 and R14-6-212*)

Applications for licensure as an investment adviser will be processed in accordance with the terms of R14-6-105.

II. BECOMING NOTICED FILED IN ARIZONA (SEC INVESTMENT ADVISER)

Be sure to review the definition of "investment adviser" in A.R.S. § 44-3101 as well as the exemptions available under A.R.S. § 44-3152 to see if notice filing in Arizona is required.

To become a notice filer in Arizona, the following documents must be provided:

- A. If you are a new notice filer in Arizona and have not filed as a notice filer in any other state, please file Part 1A and Part 1B of the Form ADV electronically through the IARD and check the Arizona box on Item 2, SEC Registration on Part 1A of the Form ADV. [See A.R.S. § 44-3152 and R14-6-212]
- B. If you are a new notice filer in Arizona and have filed as a notice filer with another state, please submit an "Other than Annual Amendment" and check the Arizona box on Item 2, SEC Registration on Part 1A of the Form ADV. {See A.R.S. § 44-3152 and R14-6-212}
- C. Deposit a nonrefundable notice filing fee of \$250 to the firm's IARD Daily Account, along with any other states' and IARD system fees required. (*A.R.S. § 44-3181 and R14-6-212*)

III. LICENSING INVESTMENT ADVISER REPRESENTATIVES

Be sure to review the definition of "investment adviser representative" in A.R.S. § 44-3101, R14-6-210, and R14-6-211 as well as the exemption under A.R.S. § 44-3152 to see if licensing in Arizona is required.

To become licensed as an investment adviser representative, the following documents must be provided pursuant to *A.R.S. § 44-3156, R14-6-210, and R14-6-212*.

- A. Form U-4 filed electronically. Affirmative answers to questions require complete details and documentation.
- B. Fingerprint card, if applicable. (See A.R.S. § 44-3153 and A.R.S. § 44-3156.) Please submit a fingerprint card and a check for \$29.00* made payable to the Arizona Corporation Commission to the Division.
- C. Proof of compliance with written examination requirements. Pursuant to R14-6-204, all natural persons applying for licensure as a **sole proprietor - investment adviser or as an investment adviser representative** may satisfy this requirement by any of the following:

**Effective October 1, 2007, the fee for processing a fingerprint card is \$24.00.*

1. Exams taken after December 31, 1999. An individual who does not have an exemption (see Note following #3 below) must provide proof of successful completion of either (a), or (b).

- (a) Series 65 exam, or

- (b) Series 66 exam and the Series 7* or Series 2 exam.

*The Series 1 exam, if successfully completed prior to May 1975, will be accepted in lieu of the Series 7 exam.

2. Exams taken on or before December 31, 1999. An individual who does not have an exemption (see Note following #3 below) must have taken and received a score of at least 70% on the following exams:

- (a) Series 65 exam and Series 7*.

- (b) Series 66 exam and the Series 7* or Series 2 exam.

*The Series 1 exam, if successfully completed prior to May 1975, will be accepted in lieu of the Series 7 exam.

NOTE: If the applicant did not complete the required examinations as outlined above within 12 months of the date of the application, the applicant must provide documentation of having been licensed or registered as a sole proprietor -- investment adviser or investment adviser representative in at least one state within the two-year period preceding the date of the application.

3. **Professional Designation.** An applicant shall not be required to comply with A or B above if the applicant currently holds any one of the following professional designations and is currently in good standing with the associated organization:

- (a) Certified Financial Planner (CFP)

- (b) Chartered Financial Analyst (CFA)

- (c) Chartered Financial Consultant (ChFC)

- (d) Chartered Investment Counselor (CIC)

- (e) Personal Financial Specialist (PFS)

4. Nonrefundable license fee of \$40 sent directly to the NASD Regulation, Inc. and deposited into your firm's IARD Daily Account. (A.R.S. §44-3181 and R14-6-212)

NOTE: Pursuant to A.R.S § 44-3152 (C), an applicant is exempt from having to license as an investment adviser representative if the applicant is registered as a securities salesman in Arizona. Pursuant to A.R.S. § 44-3152 and R14-6-210, if the applicant is a notice filer with no place of business in Arizona, you may be exempt from having to license your investment adviser representatives. Please refer to the exact wording of the Arizona statute and Rule to determine if you qualify for the exemption.

Applications for licensure as an investment adviser representative will be processed in accordance with the terms of R14-6-105.

IV. REPORTING REQUIREMENTS

A. STATE INVESTMENT ADVISER

1. An investment adviser whose principal place of business is in the state of Arizona shall comply with the following requirements:
 - (a) All amendments to Form ADV (Parts I, II, and Schedule F) must be filed electronically through the IARD as changes occur or within 30 days after the change. [A.R.S. § 44-3159]
 - (b) If the investment adviser has custody of client monies or securities or requires payment of advisory fees six months or more in advance and in excess of \$500 for each client, the investment adviser must file with the Division an annual Audited Balance Sheet, including footnotes, together with the independent certified public accountant's report, within 90 days after the investment adviser's fiscal year end, pursuant to A.R.S. § 44-3159.
 - (c) If the investment adviser has custody of client monies or securities, the adviser must comply with the ongoing reporting requirements pursuant to R14-6-206(A)(6).
2. An investment adviser whose principal place of business is in another state, who is registered as an investment adviser with that state, and who has complied with the financial reporting requirements of that state need only file the following with the Division:
 - (a) A copy of the financial reports that the investment adviser files with the state in which it maintains its principal place of business. (A.R.S. § 44-3159)

B. NOTICE FILER (SEC INVESTMENT ADVISER)

1. A SEC investment adviser that is not required to be licensed in Arizona, but is noticed filed in this state, is not required to file additional documents unless the commission specifically requests copies of documents filed with the SEC. (A.R.S. § 44-3153)

C. INVESTMENT ADVISER REPRESENTATIVE

1. File electronically the Form U-4 through the IARD as such changes occur or within 30 days after the change. (A.R.S. § 44-3159)

V. TRANSFERRING INVESTMENT ADVISER REPRESENTATIVE LICENSES

To transfer a license, an investment adviser representative must comply with A.R.S. § 44-3158 as follows.

- A. All representative transfers will be initiated by filing a complete and updated Form U-4 through the IARD and remitting the required nonrefundable \$40 transfer fee directly to the NASD through the IARD.
- B. Termination of investment adviser representative's prior employment can be accomplished by filing a Form U-5 electronically through the IARD.

- C. Note that the license of the investment adviser representative will be automatically suspended from the time he or she terminates employment with a prior investment adviser until: (a) he/she is employed by another investment adviser, (b) the Director of Securities is notified in writing of the new employment (step #1 above), and (c) the new employer is notified of the Division's approval of the transferred license.

VI. IARD SYSTEM FEES

A. INVESTMENT ADVISER (STATE AND NOTICE FILER)

In order to request a new state registration or Notice Filing through the IARD system, a firm must have funds on deposit in its Daily Account prior to submitting the filing. If there are no funds on deposit, form filings will not pass the automated completeness check and cannot be submitted.

Please review www.IARD.com or contact the NASD regarding any IARD System fees.

VII. RENEWAL

All licenses and notice filings expire on December 31 of each year unless renewed before expiration (*A.R.S. § 44-3158*). All investment advisers and investment adviser representatives shall pay an annual nonrefundable license/notice filing fee to the state of Arizona through the IARD on or before the last working day of December as follows (*A.R.S. § 44-3181*).

Investment Adviser\$250
(Fees will be debited from the firm's IARD RenewalAccount)

Investment Adviser Representative (each)\$ 40
(Fees will be debited from the firm's IARD Renewal Account)

VII. NAME CHANGE

In the event of a name change, the following items must be provided:

A. STATE INVESTMENT ADVISER

File the firm's name change under Item 1 of Part 1A of the Form ADV electronically through the IARD.

B. SEC INVESTMENT ADVISER (NOTICE FILER)

File the firm's name change under Item 1 of Part 1A of the Form ADV electronically through the IARD.

C. INVESTMENT ADVISER REPRESENTATIVE

For each investment adviser representative, please amend the Form U-4 electronically through the IARD with the new name of the investment adviser.

VIII. REORGANIZATION

In the event of a reorganization of the investment adviser, the following must be accomplished:

A. STATE INVESTMENT ADVISERS

1. Complete an application to license the reorganized entity, pursuant to Section I above. **Fees will be debited from the firm's IARD Daily Account**

2. File the Form ADV-W for the former entity electronically through the IARD.

Please note that in order to terminate the license of the former entity, the former firm must have been transitioned onto the IARD and filed its current Form ADV electronically through the IARD before its Form ADV-W can be filed electronically through the IARD.

3. Please file a current Form U-4 electronically through the IARD on those representatives who are transferring to the new entity and a Form U-5 on those representatives who are terminating employment with the former entity.

B. NOTICE FILERS (SEC INVESTMENT ADVISERS)

1. Complete an application for registration of the reorganized entity, pursuant to Section II above. **Fees will be debited from the firm's IARD Daily Account.**

2. File the Form ADV-W electronically through the IARD to terminate the notice filing of former entity.

3. Please file a current Form U-4 electronically through the IARD on those representatives who are transferring to the new entity and a Form U-5 on those representatives who are terminating employment with the former entity.

ALL APPLICATIONS SHOULD INCLUDE YOUR FAX NUMBER AND E - MAIL ADDRESS (IF ANY)

If you have any questions, please contact the Division at (602) 542-4242.