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## Implementing Dodd-Frank: SEC Proposes Rules for “the Switch”

*The Dodd-Frank Wall Street Reform and Consumer Protection Act included several reforms to the Investment Advisers Act of 1940 that require the SEC to issue new and amended rules to implement. The following summary highlights a number of the proposed rules and rule amendments recently released by the SEC, including revisions to advisers’ registration thresholds and reporting requirements, and a new one-time Form ADV update in August 2011.*

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# Table of Contents

<b>Registration and Transition Requirements</b>	<b>3</b>
Dodd-Frank Changes	3
SEC-Proposed Implementation of Registration Matters	3
New Rule 203A-5	3
Form ADV Amendments & AUM Calculation	4
Rule 203A-1 Amendments	4
Rule 203A-2 Amendments	4
Rule 203A-4 Rescission	5
Mid-Sized Advisers Required to be Registered	5
Mid-Sized Advisers Subject to Examination	5
<b>Proposed Implementation of Reporting Matters</b>	<b>5</b>
Exempt Reporting Advisers	5
Expanded Information on Form ADV	5
Pay to Play	6
Advisers Act Registration & Reporting Q&A	6
Chart of Proposal Rule Changes	7

The Securities and Exchange Commission (SEC) recently proposed a number of new rules and rule amendments to implement changes to the Investment Advisers Act of 1940 (Advisers Act) contained in the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank). The new and amended rules focus primarily on registration thresholds and reporting requirements, including when advisers with less than \$100 million in assets under management (AUM) must switch their registration between the SEC and one or more states; how advisers calculate their AUM; and what information advisers (both those who do and do not meet the new venture and private fund manager exemptions from registration under the Advisers Act) must publicly file concerning the private and venture funds they manage. Additionally, a newly proposed rule requires all SEC-registered advisers to amend their Form ADV to update their AUM in August 2011. Lastly, the SEC also proposed amendments to its "pay to play" rule that expand the rule's reach and clarify who may be paid for certain client referrals.

## REGISTRATION AND TRANSITION REQUIREMENTS

Persons meeting the definition of "investment adviser" must register under the Advisers Act unless they are exempt or prohibited from registration. Dodd-Frank significantly modified the registration exemptions and prohibitions, some of which are outlined in our previous updates (SEC Proposes Dodd-Frank Say-on-Pay Rules, SEC Issues Proposed Investment Adviser Registration Exemptions).

Section 203A of the Advisers Act prohibits advisers from registering with the SEC unless the adviser (a) is "regulated or required to be regulated"<sup>1</sup> in the state where their principal office is located and (b) manages at least \$25 million in assets. However, this section's implementing rules include exceptions to the prohibition for persons identified in the rules and provide a safe harbor from federal registration for state-registered advisers that reasonably believe they do not have \$30 million of AUM.

Rule 203A-1 excuses an adviser from registering with the SEC if the state in which its primary office is located has enacted an investment adviser statute, unless the adviser has at least \$30 million of AUM or advises a registered investment company. This rule further provides that advisers with \$25 - \$30 million of AUM may choose to register either with the SEC or the state until its AUM reaches \$30 million at which time it must register with the SEC within 90 days. Finally, a federally registered adviser must withdraw its SEC registration within 180 days of the end of its fiscal year in which its AUM drops below \$25 million.

<sup>1</sup> Presently, the SEC interprets "regulated or required to be regulated" to mean that the state has enacted an investment adviser statute only, regardless of whether the adviser is actually registered as an adviser in the state. See Investment Advisers Act Release No. 1633, §II.E.1 (May 15, 1997).

The operation of these statutory and rule provisions together means that advisers must have at least \$25 million of AUM to federally register unless they have another basis to register, and once their AUM falls below \$25 million, they must deregister with the SEC and register with one or more states.

Advisers often prefer federal registration because the regulatory environment is more predictable and less cumbersome than registering in multiple state jurisdictions.

### Dodd-Frank Changes

The modifications to the Advisers Act contained in Dodd-Frank are intended to shift greater responsibility for monitoring small advisers to the states in order to allow the SEC to focus its oversight resources on large advisers that are more likely to engage in behavior that could pose a systemic risk to financial markets. Effective July 21, 2011, Dodd-Frank will add to the Advisers Act registration prohibition of §203A, advisers that (1) are required to register in the state in which their primary office is located, (2) if registered, are subject to examination by the state, and (3) have AUM between \$25 - \$100 million (unless the adviser would have to register in 15 or more states or manages a registered investment company or a business development company).

### SEC-Proposed Implementation of Registration Matters

#### *New Rule 203A-5*

Because most advisers qualify for SEC registration based upon their AUM and present law allows several ways to calculate AUM, the SEC's proposed new rule 203A-5 is an important development. The proposed rule requires all investment advisers registered with the SEC as of July 21, 2011 to amend their Form ADV and report the updated market value of their AUM by August 20, 2011 using the new AUM calculation method found in Form ADV (discussed below).

The proposed rule requires advisers that are no longer eligible for SEC registration to withdraw their registration by filing Form ADV-W no later than October 19, 2011. This deadline gives advisers 90 days from the effective date of the Dodd-Frank changes to the Advisers Act to switch their registration to one or more states. This 90-day transition period shortens the existing 180-day transition period in which advisers must withdraw their federal registration after losing eligibility.

The SEC noted in its rule proposal that since it estimates 4,100 advisers will need to switch from federal to state registration, depending on how the Financial Industry Regulatory Authority (FINRA) decides to implement the required changes to the Investment Adviser Registration Depository (IARD), the SEC may need to extend the period in which to implement the switch required by Dodd-Frank.

### **Form ADV Amendments & AUM Calculation**

The SEC has proposed amending Item 2 of Part 1A of Form ADV to reflect the Dodd-Frank changes to the criteria by which an adviser may or must register with the SEC as an investment adviser. The SEC has also proposed amending Form ADV's instructions regarding AUM calculation.

Presently, advisers do not have to include certain assets, such as proprietary assets managed without compensation and foreign clients' assets, in calculating their AUM. Because Dodd-Frank focuses on AUM as a measurement to assess systemic risks, and to acknowledge the AUM terminology distinctions between Parts I & II of Form ADV, the SEC proposed to eliminate advisers' ability to opt in or out of SEC registration through omitting certain assets in their AUM calculation. The proposed ADV instructions would require an adviser to include all securities portfolios for which the adviser provides continuous and regular supervisory or management services, regardless of whether the assets are proprietary, managed without compensation or managed for a foreign client. Further, the SEC proposal will no longer allow advisers to subtract debt and other accrued but unpaid liabilities in client accounts from their AUM. These revisions would eliminate an adviser's ability to manipulate AUM to avoid federal registration.

Dodd-Frank extends Advisers Act registration requirements to most U.S.-based private fund managers with over \$150 million in AUM. The proposed rules require advisers to include the value of any private fund<sup>2</sup> managed by the adviser in its AUM calculation, regardless of the type of assets held by the private fund. Subadvisers to private funds would be instructed to use the value of the portion of the fund's assets managed by the subadviser in their AUM. The SEC further proposed to require private fund advisers to count the value of any uncalled capital commitments to private funds they manage in their AUM. Finally, the SEC proposal contemplates using the "fair value" of the private fund's assets for purposes of reporting AUM.<sup>3</sup> This proposed methodology is intended to prohibit under-reporting of AUM by using the cost basis valuation method to avoid SEC registration.

Consistent with these changes, the SEC also proposed amending Rule 203A-3 under the Advisers Act by adding a new paragraph (d), which would provide that in calculating AUM for purposes of §203A of the Advisers Act, advisers must calculate their AUM according to Form ADV's instructions. This rule change would also apply to how foreign and private fund advisers calculate their AUM to determine whether or not they are required to register under the Advisers Act.

2 The SEC proposed to define "private funds" for these purposes as funds which would be an investment company but for the exemptions provided in Section 3(c)(1) or 3(c)(7) of the Investment Company Act of 1940.

3 If the private fund's organizational document provides a specific process to calculate fair value, such as by the general partner rather than a board of directors, the adviser may rely on such process in its AUM calculation.

### **Rule 203A-1 Amendments**

Rule 203A-1 under the Advisers Act presently provides a \$5 million buffer which permits an adviser with between \$25 and \$30 million of AUM to remain registered with a state, and also allows an adviser to rely on its reported AUM as of the end of its fiscal year for purposes of determining SEC registration eligibility. If an adviser is no longer eligible for SEC registration, Rule 203A-1 currently allows the adviser 180 days after the end of its fiscal year in which to switch to state registration.

The proposed amendment eliminates the \$5 million buffer in light of the increased federal registration threshold from \$25 to \$100 million contained in Dodd-Frank. Further, the proposed amendment provides that state-registered advisers that become SEC-eligible must switch to SEC registration within 90 days of filing their Form ADV update.

### **Rule 203A-2 Amendments**

The current Rule 203A-2 allows the following persons to register under the Advisers Act, even if they do not have \$25 million of AUM: nationally recognized statistical rating organizations (NRSROs), certain pension consultants, advisers controlled by, controlling or under common control with other registered advisers, advisers expecting to be eligible for SEC registration within 120 days, advisers who would be required to register with 30 or more states (except if the adviser is required to register with fewer than 25 states, then it must withdraw from SEC registration), and internet advisers.

The amendments proposed by the SEC eliminate the NRSRO exemption, increase the plan asset requirement for pension consultants from \$50 to \$200 million, and allow advisers who would be required to register in 15 or more states (instead of the current 30) to register with the SEC. Because Dodd-Frank reduced the multi-state exception from 30 to 15 states, the SEC proposal eliminates the five state "buffer" contained in existing Rule 203A-2. These proposed exemptions from the existing prohibition on SEC registration would apply to the new class of "mid-sized" advisers<sup>4</sup> and not "small" advisers.<sup>5</sup> The SEC requested comment on whether the proposed exemptions should also apply to small advisers.

### **Rule 203A-4 Rescission**

Rule 203A-4 under the Advisers Act presently provides a safe harbor from SEC registration for state-registered advisers who have a reasonable belief that they are prohibited from SEC registration because they do not have \$30 million of AUM. This safe harbor currently only

4 "Mid-sized" advisers will be prohibited from registering with the SEC after July 21, 2011 by virtue of §410 of Dodd-Frank, and are advisers which (1) are required to be registered in the state of their primary office, (2) if so registered, would be subject to examination, and (3) have AUM between \$25 - \$100 million (unless the adviser would have to register in 15 or more states or manages a registered investment company or a business development company).

5 "Small" advisers may not, under §203A(a)(1) of the Advisers Act, federally register, and are defined as advisers that are regulated or required to be regulated as investment advisers in the state in which they maintain their principal office and have less than \$25 million of AUM and do not advise registered investment companies.

protects against SEC enforcement actions. The SEC proposed to rescind this rule because it views as unlikely the possibility that an adviser would be reasonably unaware it had more than \$100 million of AUM.

#### ***Mid-Sized Advisers Required to be Registered***

Advisers who are not regulated or required to be regulated as investment advisers in the state in which they have their principal office and place of business must continue to register with the SEC regardless of their AUM. The SEC interprets “regulated or required to be regulated” to mean that the state had enacted an investment adviser statute, regardless of whether the adviser actually registered with the state. The practical effect of this interpretation is that advisers with a principal office in Wyoming or a foreign country must register with the SEC regardless of their AUM (unless they meet an exemption), and some smaller advisers are not subject to either state or federal registration.

The SEC believes that Congress sought to close the loophole through which advisers with between \$25 and \$100 million in AUM might escape registration and oversight by creating the “mid-sized” adviser provision of Dodd-Frank in Section 410. Accordingly, the SEC proposed new Item 2.A.(2)(a) of Part 1A of Form ADV, which would require upon application and annually thereafter that advisers affirm that the adviser is required to register with the state securities authority in the state where it maintains its principal office upon initial application and annually thereafter. Under revised Rule 203A-1, advisers unable to make such an affirmation will have to withdraw from SEC registration within 180 days of their fiscal year-end.

#### ***Mid-Sized Advisers Subject to Examination***

Even though all states except Wyoming regulate investment advisers, not all state securities authorities conduct compliance examinations of their registered advisers. Thus, Dodd-Frank requires mid-sized advisers to register with the SEC if they are not subject to investment adviser examination by the state in which they maintain their principal office. The SEC stated that it does not intend to review or evaluate each state’s examination program, but instead will correspond with the states and seek their advice as to whether registered advisers are subject to examination. The SEC indicated that based on state guidance, it will list the states which do not require examination (and thus trigger SEC registration under Dodd-Frank §410) on the IARD.

## **PROPOSED IMPLEMENTATION OF REPORTING MATTERS**

As we have noted previously, Dodd-Frank eliminated the “private adviser exemption” from the Advisers Act and directed the SEC to adopt narrower exemptions for advisers to certain types of funds. The proposed rules

create a new category of “exempt reporting advisers” and outline limited reporting requirements for those advisers falling within its parameters. The SEC also proposed that additional information be included on Form ADV to enhance the SEC’s ability to oversee all advisers and provide a level of transparency to help the SEC identify practices that may harm investors, deter advisers’ fraud and facilitate earlier discovery of potential misconduct.

#### ***Exempt Reporting Advisers***

The SEC’s proposed new Rule 204-4 would require exempt reporting advisers<sup>6</sup> to file Form ADV with the SEC on the IARD by August 20, 2011 and at least annually thereafter. The filing will include less information than registered advisers are required to submit though advisers will also incur a fee for the filing. The SEC proposal seeks to collect the following information from these advisers: contact information, disclosure of any foreign registrations, the basis on which the advisers are exempt from registration, certain organizational matters, the advisers’ business activities and affiliations, identification of all 5 percent + owners (in addition to each 25 percent indirect owner of each direct owner), disclosure of any regulatory events, and extensive information about each private or venture fund managed by the adviser.

#### ***Expanded Information on Form ADV***

In an effort to better understand the risk profiles of its registered advisers (and therefore improve the allocation of its examination resources), the proposed SEC amendments expand the scope of information that advisers must report on Form ADV.

First, like unregistered advisers, registered advisers will be required to provide extensive information about each private or venture fund managed by the adviser, including:

- the name of the fund
- jurisdiction of organization
- the name of the general partner/manager
- the fund’s exemption under the Investment Company Act of 1940
- the disclosure of any foreign registrations
- the disclosure of any master-feeder or fund-of-funds arrangements
- the disclosure of funds in which the fund invests that are managed by the adviser or a related person
- the fund’s investments in registered investment companies
- the type of fund
- the fund’s gross and net asset value
- a breakdown of the fund’s assets among three generally accepted accounting principles categories
- the minimum investment required
- the number of beneficial owners
- the percentage of insider ownership
- the disclosure of any ownership by specified industry

<sup>6</sup> Those advisers which are able to rely on the newly-proposed private and venture fund exemptions.

- participants and foreign persons
- identification of other advisers to the fund
- whether clients are solicited to invest in the fund and what percentage have so invested
- the Securities Act of 1933 exemption relied upon by the fund
- the identification of the fund's auditors, prime broker, custodians, administrator and marketers including their central registry depository (CRD) numbers

The requirement to provide the CRD number of any private fund marketers is significant for funds, their managers and marketers themselves, as each will need to carefully consider whether broker-dealer registration is required to market private fund interests.

Second, registered advisers must include additional information about the scope of their business, including the types of services they provide and types of clients they provide the services to under the amended Form ADV. Such additional information would include, for example, the amount of regulatory AUM attributable to each type of client the adviser has, and whether clients are foreign.

Third, registered advisers will be required to provide more information about pooled investment vehicles the adviser manages, the types of investments for which the adviser provides advice, and other information.

Fourth, both registered and unregistered advisers will have to publicly disclose on Form ADV expanded information about the adviser's industry affiliations and the financial services provided by the adviser. This requirement is designed, in part, to determine if affiliates that provide financial services must also be registered.

Finally, the SEC has proposed expanding the information registered advisers must provide concerning their custodial arrangements, disciplinary events, referral arrangements, and soft dollars.

### Pay to Play

Rule 206(4)-5, which was only recently adopted by the SEC under the Advisers Act, prohibits advisers from (a) advising government entities within two years after contributing to the campaign of an official associated with the entity, (b) paying persons other than "regulated persons" or advisory personnel to solicit advisory services from government entities, and (c) coordinating political contributions to government entity officials for which the adviser provides or seeks to provide services.

The SEC proposed expanding the rule to also cover advisers to private and venture funds that are exempt from Advisers Act registration and foreign private advisers; to permit only payments to Municipal Securities Rulemaking Board-registered solicitors (instead of registered brokers or advisers); and to clarify the meaning of the term "covered associate" in the rule.

### Advisers Act Registration & Reporting Q&A

The following questions represent some issues that may arise as advisers prepare for the changes brought about by Dodd-Frank:

**Q:** We currently have over \$25 million in AUM and are preparing to register federally now, but we doubt we will have \$100 million of AUM by October 19, 2011. Will we have to register federally and then switch to state registration in less than a year?

**A:** According to the SEC, advisers with between \$30 and \$100 million of AUM who are presently or newly registered with a state from January 1, 2011 to October 19, 2011 do not have to federally register if the adviser is registered with a state and has a reasonable belief that it is required to register with, and is subject to examination by, that state.

**Q:** We have over \$1 billion in AUM and it is very unlikely we would have to deregister with the SEC. Do we still have to amend our Form ADV in August 2011 to report our updated AUM?

**A:** If rule 203A-5 is adopted as proposed and you are registered with the SEC as an investment adviser on July 21, 2011, then, yes, you will have to file an amended Form ADV. The SEC explained that the purpose of requiring all SEC-registered advisers to update their AUM was to identify those advisers who will need to switch to state registration.

**Q:** If our AUM is below \$100 million on August 20, 2011 and we have no other basis on which to federally register, what happens if we fail to deregister with the SEC by October 19, 2011 as would be required by proposed rule 203A-5?

**A:** The SEC stated in its proposal that these advisers' registrations will be "cancelled" after Advisers Act-mandated notice and opportunity for a hearing.

**Q:** If we are required to switch to or from SEC registration, will there be a period in which we are subject to both the Advisers Act and one or more state laws?

**A:** Yes. The impact of the new and amended Advisers Act rules will be that while certain advisers are in the process of switching, they will be subject to multiple investment adviser regulatory regimes.

**Q:** We subadvise a private fund. If the fund's investment adviser files all of the Form ADV Schedule D information about the fund, do we also have to file the same information about that fund?

**A:** No. The SEC will only require the information about the private fund to be filed once. However, this does raise the question of culpability if the other adviser files incorrect information about the private fund.

**Q:** We advise a master-feeder fund. Would we be required to file a Form ADV Schedule D for each of the master and each of the feeder funds?

**A:** No. The SEC stated that in such cases, the adviser could include all required information about all master and feeder funds in one Schedule D.

**Q:** We are a foreign adviser. Will we be required to file a Schedule D for private funds we have organized outside of the United States?

**A:** If the adviser's principal place of business is outside of the U.S., it will not need to file a Schedule D for any private fund it manages if the fund is not organized in the U.S. and if the fund is neither offered to nor owned by any U.S. person.

The following chart summarizes the new rule and rule amendment proposals recently released by the SEC to implement the Advisers Act changes dictated by Dodd-Frank.

Topic	Current Provision	Changes	Notes
Advisers who may not register federally	<p>§203A(a)(1) of the Advisers Act prohibits advisers from registering with the SEC unless</p> <ul style="list-style-type: none"> <li>■ they are regulated in the state of their primary office, and</li> <li>■ they have at least \$25 million of AUM</li> </ul>	<p>§410 of the Dodd-Frank Act adds to this prohibition advisers which</p> <ul style="list-style-type: none"> <li>■ are required to be registered in the state of their primary office,</li> <li>■ if registered with the state, will be subject to examination, and</li> <li>■ have AUM between \$25 - \$100 million</li> </ul> <p>unless the adviser would be required to register in 15 or more states</p>	<p>§410 of the Dodd-Frank Act does not prohibit advisers to registered investment companies from registering federally, even if their AUM are below \$100 million; however, advisers to business development companies must still have at least \$25 million of AUM to register federally</p>
Advisers who may register federally	<p>Rule 203A-2 excludes the following from §203A's prohibition on federal registration:</p> <ul style="list-style-type: none"> <li>■ NRSROs</li> <li>■ pension consultants</li> <li>■ advisers controlling, controlled by or under common control with a federally registered adviser</li> <li>■ advisers expecting to be eligible for federal registration within 120 days</li> <li>■ advisers who would be required to register in 30 or more states (except that such advisers must withdraw from SEC registration if they are no longer required to register with fewer than 25 states)</li> <li>■ internet advisers</li> </ul>	<p>Revised Rule 203A-2 (as proposed) would</p> <ul style="list-style-type: none"> <li>■ Eliminate the NRSRO exclusion</li> <li>■ Increase the pension consultant minimum plan asset requirement from \$50 to \$200 million</li> <li>■ Consistent with §410 of the Dodd-Frank Act, exclude advisers who would be required to register in 15 or more states and eliminate the five-state "buffer"</li> </ul>	
Safe harbor buffer	<p>Rule 203A-4 provides a safe harbor from SEC registration for state registered advisers which reasonably believe they do not have \$30 million in AUM (and therefore would not have to register with the SEC under §203(a) of the Advisers Act)</p>	<p>Rescind the Rule</p>	
Required ADV filings and initial transition period		<p>New Rule 203A-5 (as proposed) would provide that</p> <ul style="list-style-type: none"> <li>■ All advisers registered with the SEC on July 21, 2011 must amend their Form ADV by August 20, 2011 and determine their assets under management</li> <li>■ Federally registered advisers no longer eligible for SEC registration must withdraw their registration by October 19, 2011</li> </ul>	<ul style="list-style-type: none"> <li>■ Regardless of whether the adviser may remain federally registered, they must still amend their Form ADV by August 20, 2011</li> <li>■ While an adviser is registered with both the SEC and one or more states, the Advisers Act and any such state laws will apply to the adviser.</li> </ul>

Topic	Current Provision	Changes	Notes
Transitioning to and from federal registration	<p>Rule 203A-1 provides that</p> <ul style="list-style-type: none"> <li>■ If the state in which an adviser maintains its main office has enacted an investment adviser statute, the adviser does not need to register with the SEC unless <ul style="list-style-type: none"> <li>— it has at least \$30 million of AUM, or</li> <li>— it advises a registered investment company</li> </ul> </li> <li>■ Advisers with \$25 - \$30 million AUM may register with the SEC</li> <li>■ If a state-registered adviser's AUM exceeds \$30 million, then the adviser must register with the SEC within 90 days of filing its annual ADV update</li> <li>■ If a federally registered adviser's AUM falls below \$25 million, then the adviser must withdraw from SEC registration within 180 days of the adviser's fiscal year-end</li> </ul>	<p>Revised Rule 203A-1 (as proposed) would instead provide the following:</p> <ul style="list-style-type: none"> <li>■ State-registered advisers must apply for federal registration within 90 days of filing an ADV update indicating SEC eligibility if the adviser is not relying on the venture fund or private fund exemptions</li> <li>■ Federally registered advisers not relying on the venture fund or private fund exemptions and which are no longer SEC eligible must withdraw from SEC registration within 180 days of the adviser's fiscal year-end</li> </ul>	Regardless of whether the adviser may remain federally registered, they must still amend their Form ADV by August 20, 2011
AUM Calculation	<p>Instruction 5(b) to Form ADV provides that</p> <ul style="list-style-type: none"> <li>■ Advisers do not have to include proprietary assets, assets managed without compensation, or foreign clients' assets in their AUM calculation</li> <li>■ Advisers may subtract client debt and other accrued but unpaid liabilities from their AUM calculation</li> </ul>	<p>Revised Instruction 5(b) for Form ADV provides that an adviser</p> <ul style="list-style-type: none"> <li>■ May no longer exclude such assets from its AUM calculation</li> <li>■ Must include the value of any private fund over which it provides continuous and regular supervisory or management services, regardless of the nature of the fund's assets</li> <li>■ Must include uncalled capital commitments to private funds in their AUM</li> <li>■ Must use the fair value of private fund assets</li> </ul>	Subadvisers to private funds would only count the portion of the private fund's assets over which it provides management
State Registration Affirmation	SEC interpretation of "regulated or required to be regulated" in §203A(a)(1) of the Advisers Act is that a state has enacted an investment adviser statute, regardless of whether an adviser is actually registered in the state.	New Item 2.A.(2)(a) of Part 1A of Form ADV would require advisers to affirm upon application and annually thereafter that the adviser is not required to be registered with the state securities authority in the state where it maintains its principal office.	
Subject to State Examination		In order to implement new §203A(a)(2)(B)(i) of the Advisers Act, the SEC will correspond with each state to determine if the state securities commissioner subjects advisers registered in the state to examination as an investment adviser.	
Reporting by (registered and unregistered) Advisers to Venture and Private Funds		<p>Venture and private fund advisers who are exempt from registration would have to file Form ADV and report, among other things: contact information, foreign registration, basis on which the adviser is exempt, organizational matters, business activities, identification of all 5 percent + owners (in addition to each indirect owner of at least 25 percent of direct owners), regulatory events, and extensive information about each private / venture fund advised by the adviser.</p> <p>The information filed would be publicly available, and the adviser would need to pay a small fee for the filing.</p>	Initial filing would be required by August 20, 2011
	Section 7.B. of Schedule D to Part I of Form ADV requires disclosure of private funds, whether the adviser's clients are solicited to invest in the funds, the percentage of clients invested in the fund, the minimum commitment required to invest, and the fund's current value.	Proposed Section 7.B.1 of Schedule D to Part I of Form ADV will require much more information about each private fund, including 1940 Act exemption, structuring, valuations, assets in three GAAP categories, detailed information on the fund's ownership, auditors, prime brokers, custodian, administrators, and marketers.	

For more information concerning these proposed rules and rule changes, and their impact on investment advisers, contact:

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