

STATE OF ALASKA
 DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT
 DIVISION OF BANKING AND SECURITIES
 P.O. BOX 110807
 JUNEAU, ALASKA 99811-0807

<p><u>In the Matter of:</u></p> <p>Outlook, Inc. an Alaska Corporation doing business as Outlook Financial Services Sheila D. Miller, President Sheila D. Miller, individually</p>	<p>))))</p>	<p>ALASKA ORDER #06-06 S</p> <p>CONSENT AGREEMENT</p>
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I. FACTUAL SUMMARY

1. The Division of Banking and Securities (the Division) administers and enforces the Alaska Securities Act (the Act) at AS 45.55 and regulations adopted under the Act at 3 AAC 08.
2. In September 2004, the Division received information that Sheila Miller and Outlook Inc., dba Outlook Financial Services (OPS) might be conducting investment advisory business at 2525 Blueberry Road, Suite 103, Anchorage, AK, 99503.
3. The Division reviewed the records of the NASD Central Registration Depository (CRD) database and determined that Ms. Miller was not registered with the Division as an investment advisor representative (IAR) and that OFS was not registered as an investment advisor.
4. CRD records show that Ms. Miller voluntarily terminated employment as an agent for broker-dealer First Securities USA, Inc. (First Securities) on May 31, 2002. Ms. Miller was registered with the Division as an agent of First Securities from November 5, 1999 to June 7) 2002 (and with two other broker-dealers from June 1985 to

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1 November 1999). OFS and Ms. Miller were not registered to conduct investment
2 advisory business in Alaska during these time periods.

- 3 5. The Division interviewed Ms. Miller at the OFS office and determined that investment
4 advisory business was being conducted. Further investigation of OFS and Ms. Miller
5 found that the unregistered investment advisory activity began after her termination
6 with First Securities USA, Inc. on May 31, 2002. Based upon our preliminary
7 examination, the Division determined that it was in the public interest to limit OFS
8 and Ms. Miller from obtaining new investment advisory clients and allow OFS and
9 Ms. Miller to submit applications for registration under the Act.
- 10 6. On December 16, 2004, the Division received an initial application from OPS to
11 become registered as an investment advisor.
- 12 7. On January 26, 2005, Ms. Miller passed the NASD Series 65 examination, thus
13 completing the initial application requirements necessary to become registered as an
14 investment advisor representative.
- 15 8. On April 12, 2005, OFS completed the initial application requirements of 3 AAC
16 08.011(j) sufficient to allow a pre-registration examination of its investment advisory
17 business.
- 18 9. The pre-registration examination began on May 9, 2005 and concluded on June 30,
19 2005 with an exit conference where the exam findings were presented to Ms. Miller.
20 Such findings were included in a Division letter of August 1, responded to by OFS on
21 August 31 and are provided below.

22
23 II. SECURITIES EXAMINER FINDINGS AND CONCLUSIONS

- 24 10. OFS violated AS 45.55.030(c)(1) by conducting investment advisory business from
25 June 2002 to present without proper registration as a state investment adviser.

- 1 11. Ms. Miller violated AS 45.55.030(c)(1) by conducting investment advisory business
2 from June 2002 to present without proper registration as an investment adviser
3 representative (IAR).
- 4 12. OFS and Ms. Miller violated AS 45.55.020(e) and 3 AAC 08.029(a) by having
5 constructive custody of three client securities accounts by virtue of obtaining and using
6 the clients' passwords to access their accounts. *OFS and Ms. Miller have destroyed the*
7 *passwords they had for the three accounts and instructed the clients to change their*
8 *password and not provide anyone at OFS their account passwords in the future.*
- 9 13. OFS and Ms. Miller violated AS 45.55.023(8) by not disclosing to its clients that OFS
10 and Ms. Miller had custody of client funds. *OFS and Ms. Miller by rectifying number*
11 *12 above, affirm they do not currently have custody (or constructive custody) of any*
12 *client funds and therefore the requirement to disclose custody has been eliminated.*
- 13 14. OFS and Ms. Miller violated 3 AAC 08.040(i) by not having, at the time of the exam, a
14 separate financial statement for the investment advisory business (excluding the other
15 businesses Outlook Inc. conducts.) Subsequent to the examination, OFS presented a
16 separate financial statement for just its advisory business.
- 17 15. OFS and Ms. Miller violated AS 45.55.023(a)(16) by not having signed client contracts
18 in all files.
- 19 16. OFS and Ms. Miller violated 3 AAC 08.040(a)(9) by not maintaining evidence of
20 written authority allowing discretionary trading in clients' securities accounts. *OFS*
21 *and Ms. Miller affirm that no discretion will be exercised over any client 's accounts*
22 *unless and until the proper written authority has been obtained and properly*
23 *documented in the client files.*
- 24 17. OFS and Ms. Miller are cautioned that 3 AAC 08.040(a)(17) requires written
25 information be maintained for each client explaining the basis for making

1 acknowledged that there were hand-written notes on suitability, although not always
2 legible and not always maintained in the separate investment advisory client files.

3 18. OFS and Ms. Miller are cautioned that 3 AAC 08.040(a)(7) requires that the original of
4 each written communication received, and copies of all communications sent, must be
5 properly maintained, including all correspondence from clients, recommendations made
6 or proposed to be made the receipt, disbursement, or delivery of funds or securities,
7 and the placing or execution of any order to purchase or sell any security.

8 19. OFS and Ms. Miller violated 3 AAC 08.040(a)(3) by not documenting securities orders
9 and client instructions (order memorandum). *OFS and Ms. Miller agree to record and*
10 *maintain this information in the future and have provided the Division with copies of a*
11 *client log and a weekly securities log that will be used in the future.*

12 20. OFS violated 3 AAC 08.040(a)(10) by not maintaining all written business agreements
13 entered into as a state investment adviser. Subsequent to the examination, OFS has
14 obtained copies of these written agreements for its files.

15 21. OFS and Ms. Miller violated 3 AAC 08.040(a)(15)(B) by presenting performance
16 analysis or rates of return to clients without proper documentation and worksheets
17 demonstrating the calculation. *OFS and Ms. Miller affirm that they will properly*
18 *document all future performance figures and rates of return presented to clients and*
19 *maintain worksheets' demonstrating how each calculation was completed.*

20 22. OFS and Ms. Miller are cautioned that AS 45.55.023(14) requires the maintenance of
21 strict confidentiality of client records. OFS staff members share office space with a
22 third party tenant. This office has OFS file cabinets, an OFS computer station, and an
23 OFS telephone and has no room divider to separate the space. Ms. Miller has revised
24 the OFS policy manual to address the shared facility. In addition, the rental agreement
25 with the third party tenant has been revised to include the long standing verbal

agreement that neither party will access information belonging to the other and that

1 each party is bound by the Alaska Statutes on privacy and confidentiality of
2 information in this regard.

3
4 III. TERMS OF AGREEMENT

5 23. OFS and Ms. Miller agree to the factual summary set out above in Section I.

6 24. OFS and Ms. Miller agree to the securities examiner's findings and conclusions set out
7 above in Section II, admit to the violations as described and accept the cautionary
8 warnings set out in that section.

9 25. OFS and Ms. Miller state that the affirmations made in this agreement are truthful and
10 that OFS and Ms. Miller have performed, and will perform in the future, as described.

11 OPS and Ms. Miller agree that failure to dutifully follow the standards and practices
12 affirmed to in Section II will constitute a knowing violation of the Act in any future
13 proceeding or administrative action taken by the Division relating to these specific
14 standards and practices.

15 26. OFS and Ms. Miller agree to develop methods and procedures for documenting client
16 suitability information within 30 days. OFS and Ms. Miller agree to have all clients'
17 files fully documented within 90 days.

18 27. OFS and Ms. Miller agree to abide by and adhere to the Act and its associated
19 regulations in the future.

20 28. OFS and Ms. Miller agree to not violate the Act and regulations adopted under the Act
21 in the future.

22 29. OFS and Ms. Miller agree to make the appropriate disclosures of this consent
23 agreement in form ADV Part I and II and properly file the ADV with the Division and
24 the NASD-Central Registration Depository. OFS and Ms. Miller will pre-file the Form
25 ADV's DRP and ADV Part II disclosures with the Division within 10 days of this

Consent Agreement being signed.

- 1 30. OFS and Ms. Miller will inform all clients by letter of the existence of this Consent
2 Agreement, include a new ADV Part II, offer to provide a copy of the Consent
3 Agreement upon request and refer clients to Ms. Miller and/or the Division if they have
4 any questions regarding the Consent Agreement. OFS will pre-file such letter with the
5 Division within 30 days of this agreement being signed. This letter will also inform
6 clients that new investment advisory contracts will need to be obtained by OFS for
7 clients to continue doing business with the firm. OFS and Ms. Miller will obtain new
8 contracts within 90 days of the mailing of the above-described letter to clients.
- 9 31. OFS agrees to pay the Division the sum of \$2,500 as a fine under AS 45.55.920(b) for
10 the above-described violations.
- 11 32. OFS agrees to pay the Division the sum of \$500 as partial compensation for the
12 expense of the investigation and examination.
- 13 33. OFS and Ms. Miller hereby acknowledge that they have read this Consent Agreement,
14 voluntarily agree to this Consent Agreement and are aware of their right to a hearing
15 and appeal in this matter and have waived the same.
- 16 34. The Division will make effective the investment adviser registration of OFS and the
17 investment adviser representative registration of Ms. Miller as of the date this Consent
18 Agreement is signed by the Administrator of Securities. The registration of OFS and
19 Ms. Miller will be made effective contingent on the timely completion of the
20 requirements of paragraphs 26 and 29 through 32 above. Failure to timely adhere to the
21 requirements of paragraphs 26 and 29 through 32 will result in the Division taking an
22 administrative action to summarily suspend the registrations of OFS and Ms. Miller
23 under AS 45.55.060(e). If any future administrative action is taken, OFS and Ms.
24 Miller will be afforded the opportunity to request a hearing. *OFS and Ms. Miller are*
25 *cautioned to inform the division in writing of any unanticipated delays in meeting the*

above deadlines prior to the deadline dates and include a timely request and a full

1 *explanation of the substantive reasons for any requested modification of the Consent*
2 *Agreement, if needed.*

3 35. This Consent Agreement will conclude the current investigation by the Division of
4 those matters known to the Division as of the date of this agreement. The Division may
5 commence future investigations as to OFS and Ms. Miller regarding the performance of
6 obligations under this Consent Agreement and other violations of the Act.

7 36. This Consent Agreement shall remain in full force and effect and binding unless it is
8 vacated by further order of the Administrator or amended by the mutual agreement of
9 the parties.

10 37. This Consent Agreement is being executed in two original documents.

13 November 2, 2005
14 Date ..

/s/ Mark R. Davis
Mark R. Davis, Director and Administrator
Of Securities
Division of Banking and Securities

17 11-02-05
18 Date

/s/ Sheila Miller
Outlook, Inc. dba Outlook Financial Services Sheila
Miller, President

20 11-02-05
21 Date

/s/ Sheila Miller
Sheila Miller, individually

23 Contact Person:
24 Frank Lentfer
25 Securities Examiner
907/269-8140