



February 8, 2023

Rob Nixon  
Capital Consulting & Asset Management  
140 North 8<sup>th</sup> Street, Suite 410  
Lincoln, NE 68508

Re: 2022 Audit Check-Up

Dear Rob,

During your 2022 audit, it was discovered that your Manual Accounts in Albridge did not meet the Geneos Written Supervisory Procedures. Your Manual Accounts did not have current copies of statements (at least within 12 months) that match the value for all the below the line items in Laserfiche under the Manual Accounts folder. Amber explained that the employee responsible for updating the Manual Accounts had just terminated, therefore we gave you until January 6, 2023, to ensure that you are maintaining your Manual Accounts in accordance with our procedures.

Upon my recent review, I discovered that some of the accounts do not have the required current copies of statements.

Manual accounts recordkeeping has been a deficiency in a number of prior years, including 2020, 2021 and 2022. Your previous responses outlining the corrective actions you were taking are included with this letter at the end.

Please explain why this ongoing violation of Geneos' procedures has not been corrected and provide a detailed explanation outlining what corrective action you have implemented to ensure the compliance of the firm's manual account policies and procedures with Section 6 of the Geneos Written Supervisory Procedures. Please confirm that your records have been corrected.

Due to the fact that you have continually failed to fully comply with the firm's procedures as they pertain to the maintenance of manual accounts in Albridge, a \$500 fine is being imposed. In addition, a member of the compliance department will be monitoring Capital Consulting's manual accounts and if they are not brought into compliance February 28<sup>th</sup>, 2023, there will be an additional \$500 fine. We will continue to review your manual accounts at the end of each month to ensure that the firm's procedures are being followed. If there are any additional deficiencies after February 28<sup>th</sup>, 2023, there will be an additional \$500 fine each month until they are in good order. If we continue to detect violations going forward, we reserve the right to disable the manual accounts feature in Albridge for your office.

Please understand that Geneos is not in the business of fining our own advisors, however, we find we have no choice but to take additional action in light of the number of years Capital Consulting has failed to comply with the firm's written procedures and have failed to take and maintain the corrective actions you have represented you would make to rectify the deficiencies.

Thank you for your cooperation through this process. Please feel free to contact me anytime with questions pertaining to Geneos' policies and procedures or any other compliance or advisory related matter.

Regards,



Caroline Hurst  
Auditor and General Compliance

cc: Jodee Brubaker-Rager, President and Chief Compliance Officer  
Rose Lawrence, Assistant Compliance Officer  
Michelle France, Sales Supervision Manager  
Steve Shipp, Transaction Supervisor

2022: It appears that you copied and pasted your response from your 2021 Audit for your 2022 response. "We are currently doing an audit of all of our Manual accounts so they will be up to date before 01/06/2023. Below is a list of all items in regard to our Manuals that we are doing going forward.

- a. If the client does not supply a statement, we will continue to change the value to \$0 or \$1 but we will maintain the stale statements (instructed never to delete an old statement)
- b. Newer Real Estate purchases, we will continue to document as the recorded purchase price and be descriptive in the definition field. It was also noted by Melissa that Zillow was an acceptable valuation but needed to be included in the description.
- c. Some manual statements will naturally be older than 12 months. For example (email Melissa with this example on 12/15), we met with Doreatha Jacobsen in March 2021 and used 12.31.2020 statements. This client only wants to meet once per year so we will not reach out to them until March/April 2022 and thus their manuals will not match for several months. Melissa responded to just add a note with the meeting date so Geneos can see there was a 2021 meeting.
- d. We will continue to use the original contract value for Fixed GIC/SPDA insurance products. Since the majority of our clients take the interest out monthly, we carry these at the original contract value since they use for income and will hold until maturity. This was a noted deficiency several times (the largest, most reoccurring deficiency) but later on Melissa's 11/01/2021 email, she acknowledged this was acceptable.
- e. Once we have completed a review which takes 1-2 weeks, we wait and run an Updated Holdings page the day of the meeting (just to see progress for the current month since we always run the Reviews as of prior month end). Therefore, the whole process can take 3-4 weeks. So, for example for item a above, in August 2021 we completed 15 Portfolio Reviews that Rob took with him when traveling to WA. If Melissa started auditing in early August, those Laserfiche manuals were not updated until late August and thus a cross-over could have occurred (audited them before we had the chance to update them). We have "updating Laserfiche manual statements" as part of our Checklist 2 which we complete for every single client review (and will be approved by Amber after the meeting date so our processes for this are already set up nicely).
- f. Per Melissa's 11/01/2021 email, a summary email from a client with values is acceptable.
- g. It is important to note that we use the Albridge Manual account feature for every single one of our 100+ clients and this will not change. It is not an option for this feature to be shut off or simply not used. We are always open to using other more efficient software than Albridge but haven't been able to find anything that correctly accounts for performance (and can import historical past data). We are happy to work with Geneos by 02/15/22 to make sure all manuals are correctly documented."

2021: "In August, we did an audit of all of our Manual Accounts, and I think we may have had a cross-over of when you checked them and when we were updating them. Below is a list of all items in regards to our Manuals that we are doing going forward:

- a. If the client does not supply a statement, we will continue to change the value to \$0 or \$1 but we will maintain the stale statements (instructed never to delete an old statement)
- b. Newer Real Estate purchases, we will continue to document as the recorded purchase price and be descriptive in the definition field. It was also noted by Melissa that Zillow was an acceptable valuation but needed to be included in the description.
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2020: "We are still working on the manual accounts and should be done by 11-30-2020. Noah, an intern who was working with our office left in May 2020 and was supposed to return in August 2020 but decided not to. This created a bit more workload and we are finally getting caught up now.