BOOKS AND RECORDS DOCUMENT REQUEST

Every registered investment adviser shall make and keep such accounts, correspondence, memoranda, papers, books and records as the Administrator by rule prescribes. All the records are subject at any time or from time to time to such periodic, special, or other examinations by representatives of the Administrator as deemed necessary or appropriate in the public interest or for the protection of investors *[North Carolina General Statutes § 78C-18(a),(e)].*

Pursuant to 18 North Carolina Administrative Code 06A.1706 *Recordkeeping Requirements for Investment Advisers*, please have the following books, ledgers, and records available for examination:

Records to be maintained by every investment adviser:

- Journal or summary journals; general and auxiliary ledgers
- Order memoranda
- All check books, bank statements, canceled checks and cash reconciliations
- All bills or statements, paid or unpaid
- Trial balances, financial statements and internal audit papers
- Written communication sent or received
- A list of discretionary accounts
- Powers of attorney and discretionary powers
- Written agreements
- Advertisements and other sales literature
- A record of every transaction in a security in which the adviser has any direct or indirect beneficial ownership
- A copy of the current Form ADV Part 2 (or other disclosure document) given to clients and prospective clients
- A memorandum describing any legal or disciplinary event presumed to be material and the explanation why it is not disclosed in the Form ADV Part 2 (or other disclosure document)
- A record of the delivery dates of the Form ADV Part 2 and privacy policy
- All accounts, books, and internal working papers that form the basis of any performance or rates of return used in advertisements or reports to clients
- All written communication received or sent regarding any litigation or complaints involving the adviser or its employees
- Written information for each client that forms the basis of suitability determinations
- All documents filed with or received from any state or federal agency or SRO
- Copies of U-4s with original signatures and each disclosure amendment
- Minutes of the board of directors' meetings, articles of incorporation, bylaws, and stock transfer records or partnership or other organizational related documents, where applicable
- Written policies and procedures of the investment adviser
- Employee personal securities transaction records

Records to be maintained by every investment adviser (continued):

- Brokerage account statements and transactions for all proprietary trading or investment accounts
- Currency transaction reports filed with the IRS
- A list of all parties to whom cash referrals have been paid during the last three years
- Current written agreements concerning soft dollar arrangements
- Separate ledgers and journals recording trading in client accounts to satisfy soft dollar arrangements
- Records of due diligence conducted on other advisers and/or investments

If the adviser has discretion or custody, the following additional records are required pursuant to 18 North Carolina Administrative Code 06A.1704 *Minimum Financial Requirement for Investment Advisers*; and .1705 *Bonding Requirements for Certain Investment Advisers*; and .1708 *Financial Reporting Requirements for Investment Advisers*:

- Proof of capital requirements or surety bond
- Balance sheet as of fiscal year end (for advisers with custody the balance sheet must be audited)
- Proof the balance sheet was reported to the Division annually as required

If the adviser has custody, the following additional records are required pursuant to 18 North Carolina Administrative Code 06A.1802 *Custody/Client Funds or Securities by Investment Advisers*:

- A record reflecting all purchases, sales, receipts and deliveries of securities and all debits and credits to such accounts
- A separate ledger accounts for each client showing purchases, sales, receipts and deliveries of securities
- Copies of all confirmations
- A record for each security in which any client has a position, reflecting name of client, amount of interest and location of security
- Report of the surprise examination conducted by the CPA

If the adviser uses solicitors, review *18 North Carolina Administrative Code 06A.1717 Cash Payments for Client Solicitations*.

- The contract between the adviser and the solicitor
- The solicitor's disclosure document signed by the client
- The acknowledgement of receipt signed by the client (acknowledging receipt of the solicitor's disclosure document and Form ADV Part 2)
- Supervisory procedures for solicitors

If the adviser charges performance fees, review 18 North Carolina Administrative Code 06A.1805 *Performance-Based Compensation Exemption*.

Review the statutes and rules governing investment advisers in their entirety from our website www.sosnc.gov using the following path: http://www.secretary.state.nc.us/sec/statutes.aspx#