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13-203. Recognized Securities Manuals.

The following securities manuals are recognized under the provisions of Section 35-1-202(2)(D) of the South Carolina Uniform Securities Act of 2005, and the inclusion in any one of these manuals of the information specified in this Section concerning the issuer of the security, exempts such security from the requirements of Sections 35-1-301 through 35-1-306 and 35-1-504 of the South Carolina Uniform Securities Act of 2005: ~~Standard & Poor's Corporation Records~~S&P Capital IQ Standard Corporation Descriptions; Mergent's Manuals.

13-206. Intrastate Offering Exemption.

A. The offer or sale of a security by an issuer, conducted solely in this state to residents of this state, shall be exempt from the requirements of Sections 35-1-301 through 35-1-306 and 35-1-504 of the Act, if the offer or sale is conducted in accordance with each of the following requirements:

(1) The issuer of the security shall be a for-profit business entity formed under the laws of the state of South Carolina and registered with the Secretary of State.

(2) The transaction shall meet the requirements of the federal exemption for intrastate offerings in Section 3(a)(11) of the Securities Act of 1933 (15 U.S.C. Section 77c(a)(11)), and SEC Rule 147 (17 C.F.R. 230.147). As such, prior to any offer or sale pursuant to this exemption, the seller shall obtain, from each prospective purchaser, documentary evidence that provides the seller with a reasonable basis to believe that such investor is a resident of the state of South Carolina.

(3) The sum of all cash and other consideration to be received for all sales of the security in reliance upon this exemption shall not exceed one million ($1,000,000) dollars, less the aggregate amount

received for all sales of securities by the issuer within the 12 months before the first offer or sale made in reliance upon this exemption.

(4) The issuer shall not accept more than five thousand ($5,000) dollars from any single purchaser unless the purchaser is an accredited investor as defined by Rule 501 of SEC Regulation D (17 C.F.R. 230.501).

(5) The issuer must reasonably believe that all purchasers of securities are purchasing for investment purposes.

(6) A commission or other remuneration shall not be paid or given, directly or indirectly, for any person's participation in the offer or sale of securities unless the person is registered as a broker-dealer or agent under the Act.

(7) All funds received from investors shall be deposited into a bank or depository institution authorized to do business in South Carolina, and all of the funds shall be used in accordance with representations made to investors.

(8) Not less than five days prior to the use of any general solicitation, or within fifteen days after the first sale of the security pursuant to this exemption (provided no general solicitation has been used prior to such sale), whichever occurs first, the issuer shall provide a notice to the Securities Commissioner in writing. The notice shall specify that the issuer is conducting an offering in reliance upon this exemption and shall contain the names and addresses of the following persons:

(a) The issuer;

(b) Officers, directors, and any control person of the issuer;

(c) All persons who will be involved in the offer or sale of securities on behalf of the issuer; and

(d) The bank or other depository institution in which investor funds will be deposited.

(9) The issuer shall not be, either before or as a result of the offering, an investment company as defined in Section 3 of the Investment Company Act of 1940 (15 U.S.C. Section 80a-3), or subject to the reporting requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. Section 78m and 78o(d)).

(10) The issuer shall inform all purchasers that the securities have not been registered under the Act and, therefore, cannot be resold unless the securities are registered or qualify for an exemption from registration under the Act, subject to the provisions of Subsection (e) of SEC Rule 147 (17 C.F.R. 230.147(e)). In addition, the issuer shall make the disclosures required by R. 13-204E.

(11) This exemption shall not be used in conjunction with any other exemption under these Rules or the Act, except for offers and sales to officers, directors, partners, or similar controlling persons of the issuer. Sales to such controlling persons shall not count toward the limitation in subsection A(3) above.

(12) Disqualifications. This exemption shall not be available if the issuer, or any of its officers, controlling persons, or promoters is subject to a disqualifying event specified in Subsection (d) of Rule 506 of SEC Regulation D (17 C.F.R. 230.506(d)).

(13) Nothing in this exemption is intended to relieve or should be construed as in any way relieving the issuers or persons acting on behalf of issuers from the anti-fraud provisions of the Act.

(14) Every notice of exemption provided for in Subsection A(8) above is effective for one year from the date of its filing with the Securities Commissioner and shall be accompanied by a non-refundable filing fee of three hundred ($300.00) dollars.

13-304. Underwriting Expenses, Underwriter Warrants, Selling Expenses, and Selling Security Holders.

A. An offer or sale of securities may be disallowed by the Securities Commissioner if the underwriting expenses to be incurred exceed seventeen (17%) percent of the gross proceeds from the public offering.

B. Underwriting expenses may include but are not limited to:

(1) Commissions to underwriters or broker-dealers;

(2) Non-accountable fees or expenses to be paid to the underwriter or broker-dealer;

(3) Underwriter warrants, which shall be valued using the following formula:

~~165% of the offering price – the exercise price x the number of shares underlying the warrants~~
~~2 the number of shares offered = value~~

{[(165% x Aggregate Offering Price) – (Exercise Price x the number of shares offered to public)] / 2} x [(the number of shares underlying warrants) / (the number of shares offered to public)]

The value may be reduced by twenty percent (20%) if the exercise period of the warrants is extended from one (1) year after the public offering to two (2) years after the public offering and by forty percent (40%) if the exercise period of the warrants is extended from one (1) year after the public offering to three (3) years after the public offering. Warrants may be granted to underwriters only under the following conditions and subject to the following restrictions:

(a) The underwriter is a managing underwriter;

(b) The public offering is either a firmly underwritten offering or a "minimum-maximum" offering. Options or warrants may be issued in a "minimum-maximum" public offering only if:

(i)The options or warrants are issued on a pro rata basis; and

(ii) The "minimum" amount of securities has been sold;

(c) The exercise price of the warrants must be at least equal to the public offering price;

(d) The number of shares covered by underwriter options or warrants may not exceed ten percent (10%) of the shares of common stock actually sold in the public offering;

(e) The life of the options or warrants may not exceed a period of five (5) years from the completion date of the public offering;

(f) The options or warrants are not exercisable for the first year after the completion date of the public offering;

(g) Options or warrants may not be transferred, except:

(i)To partners of the underwriter, if the underwriter is a partnership;

(ii) To officers and employees of the underwriter, who are also shareholders of the underwriter, if the underwriter is a corporation;

(iii) By will, pursuant to the laws of descent and distribution; or

(iv) By the operation of law.

(h) The warrant agreement may not allow for a reduction in the exercise price of the options or warrants resulting from the subsequent issuance of shares by the issuer except where such issuances are pursuant to a:

(i)Stock dividend or stock split; or

(ii) merger, consolidation, reclassification, reorganization, recapitalization, or sale of assets.

(4) Rights of first refusal, which shall be valued at one percent (1%) of the public offering or the amount payable to the underwriter if the issuer terminates the right of first refusal;

(5) Solicitation fees payable to the underwriter, which shall be valued at the lesser of actual cost or one percent (1%) of the public offering if the fees are payable within one (1) year of the offering;

(6) Financial consulting or financial advisory agreements with an underwriter or any other similar type of agreement or fees, however designated, which shall be valued at actual cost;

(7) Underwriter due diligence expenses;

(8) Payments made either six (6) months prior to or required to be made six (6) months following the public offering to investor relations firms designated by the underwriter; and

(9) Other underwriting expenses incurred in connection with the public offering of securities as determined by the Securities Commissioner.

C. Underwriting expenses shall not include financial consulting or financial advisory agreements with the underwriter payable at the time the services are rendered provided that such agreement was entered into at least twelve (12) months prior to the registration being filed with the Securities and Exchange Commission.

D. An offer or sale of securities may be disallowed by the Securities Commissioner if the direct and indirect selling expenses of the offering exceed twenty percent (20%) of the gross proceeds from the public offering.

E. Selling expenses may include but are not limited to:

(1) Commissions to underwriters or broker-dealers;

(2) Non-accountable fees or expenses to be paid to the underwriters or broker-dealers;

(3) Auditor's and accountant's fees;

(4) Legal fees;

(5) The cost of printing prospectuses, circulars and other documents required to comply with securities laws and regulations;

(6) Charges of transfer agents, registrars, indenture trustees, escrow holders, depositories, engineers, appraisers, and other experts;

(7) The cost of authorizing and preparing the securities, including issue taxes and stamps;

(8) Financial consulting or financial advisory agreements with an underwriter or any similar type agreement or fees, however designated, which shall be valued at actual cost, excluding financial and consulting agreements which are entered into at least twelve (12) months before the registration is filed with the Securities and Exchange Commission;

(9) Payments made either six (6) months prior to or required to be made six (6) months following the public offering to investor relations firms designated by the underwriter; and

(10) Other cash expenses incurred in connection with the public offering of securities as determined by the Securities Commissioner.

F. A public offering or sale of securities that includes selling security holders offering more than ten percent (10%) of the securities to be sold in the public offering may be disallowed by the Securities Commissioner unless:

(1) Selling security holders offering or selling more than ten percent (10%) but less than fifty percent (50%) of the securities to be sold in the public offering pay a pro-rata share of all selling expenses of the public offering, excluding the legal and accounting expenses of the public offering;

(2) Selling security holders offering more than fifty percent (50%) of the securities to be sold in the offering pay a pro-rata share of all selling expenses of the public offering; and

(3) The prospectus or offering document discloses the amount of selling expenses which the selling security holders will pay.

G. With the exception of underwriter or broker-dealer compensation, Subsections F (1), (2), and (3) above shall not apply if the selling security holders have a written agreement with the issuer, that was entered into in an arm's length transaction, whereby the issuer has agreed to pay all of the selling security holder's selling expenses.

13-401. Examinations for Securities Agents, Investment Advisers, and Investment Adviser Representatives.

A. Examinations for securities agents. A passing grade on an examination appropriate based upon the type of securities being sold, and the Uniform Securities Agent State Law Examination (Series 63) or the Uniform Combined State Law Exam (Series 66) or such other examination as may be designated by the Securities Commissioner by rule or order, must be furnished, as proof, in any application for registration as a principal of a broker-dealer or registration as an agent. No person who has passed the designated examinations shall again be required to pass another examination unless for a period of twenty-four (24) or more consecutive months immediately preceding the date of filing of the application he shall not have been registered as an agent, or as a principal, officer or director of a broker-dealer. An upgrading in the type of business being conducted by the agent or broker-dealer may require the passing of a new examination.

B. Examinations for investment advisers. As a condition of initial or renewal registration, every applicant for registration as an investment adviser, an investment adviser representative, or as a

broker-dealer acting or proposing to act as an investment adviser, shall furnish the Securities Commissioner proof that he or she has obtained a passing score on the following examinations:

(1) The Uniform Investment Adviser Law Examination (Series 65);

(2) The General Securities Representative Examination (Series 7) and the Uniform Combined State Law Examination (Series 66); or

(3) Such other examination as may be designated by the Securities Commissioner by rule or order.

C. Exceptions from examination requirements.

(1) If a person was registered as an investment adviser or investment adviser representative in any jurisdiction in the United States on January 1, 2000, and there has been no period longer than two years since that date in which the person was not registered as an investment adviser or investment adviser representative, that person shall not be required to satisfy the examination requirements for initial or continued registration, provided that the Securities Commissioner may require additional examinations if the person is found to have violated the South Carolina Uniform Securities Act of 2005.

(2) Any person who has been registered as an investment adviser or investment adviser representative in any state requiring the licensing, registration, or qualification of investment advisers or investment adviser representatives within the two-year period immediately preceding the date of filing of an application shall not be required to comply with the examination requirement set forth in subsection B above, provided that the person previously met the examination requirement in subsection B above.

(3) An applicant who has complied with the examination requirements in subsection B above within two years prior to the date the application is filed with the Securities Commissioner shall not be required to take and pass the required examination(s) again.

(4) An applicant who is an agent for a broker-dealer/investment adviser and who is not required by the agent's home jurisdiction to make a separate filing on the Central Registration Depository (CRD) system as an investment adviser representative, but who has previously met the examination requirement in subsection B above, necessary to provide advisory services on behalf of the broker-dealer/investment adviser, shall not be required to take and pass the required examinations again.

~~C~~D. Waivers. The examination requirements of Subsection B of this Rule are waived for an individual who currently holds one or more of the following professional designations:

(1) Certified Financial Planner (CFP) issued by the Certified Financial Planner Board of Standards, Inc.;

(2) Chartered Financial Consultant (ChFC) awarded by the American College, Bryn Mawr, Pennsylvania;

(3) Personal Financial Specialists (PFS) administered by the American Institute of Certified Public Accountants;

(4) Chartered Financial Analyst (CFA) granted by the Association for Investment Management and Research;

(5) Chartered Investment Counselor (CIC) granted by the Investment Counsel Association of America; or

(6) Such other professional designation as the Securities Commissioner may by rule or order recognize.

13-403. ~~Use of the NASD CRD and IARD to Receive Certain~~ Broker-Dealer, Agent, Investment Adviser, and Investment Adviser Representative Registrations, Terminations, and ~~Other Forms and Fees~~Brochure Delivery.

A. Investment Advisers.

(1) Initial Registration: The application for initial registration as an investment adviser pursuant to Sections 35-1-403(a) and 35-1-406(a) of the Act shall be made by completing the Form ADV (Uniform Application for Investment Adviser Registration) Parts 1 and 2 in accordance with the form instructions, and by filing the form electronically with the Investment Adviser Registration Depository (IARD) system. The application for initial registration shall also include the following:

(a) A consent to service of process complying with R. 13-603;

(b) Proof of compliance by the investment adviser with the examination requirements of R. 13-401;

(c) The fee required by Section 35-1-702 of the Act;

(d) The fees charged by the IARD or other designee of the Securities Commissioner for processing the filing;

(e) The proposed client contract(s) that complies with R. 13-502A(16), which shall be filed directly with the Securities Commissioner;

(f) a balance sheet and an income statement as of a date within forty-five days from the date of filing of the application, which need not be audited, but which must be prepared in accordance with generally accepted accounting principles in the United States, or such other basis of accounting acceptable to the Securities Commissioner, and represented by the investment adviser as true and accurate using a form of verification acceptable to the Securities Commissioner, which shall be filed directly with the Securities Commissioner;

(g) Proof of compliance, if applicable, with the minimum financial bonding requirements of R. 13-405, which shall be filed directly with the Securities Commissioner; and

(h) Any other information the Securities Commissioner may reasonably require.

(2) Annual Renewal: The application for annual renewal registration as an investment adviser pursuant to Sections 35-1-403(a) and 35-1-406(d) of the Act shall be filed before the current registration expires on December 31, and shall be filed electronically with the IARD. The application for annual renewal registration shall include the following:

(a) The fee required by Section 35-1-702 of the Act;

(b) The fees charged by the IARD or other designee of the Securities Commissioner for processing the filing; and

(c) Any other information the Securities Commissioner may reasonably require.

(3) Updates and Amendments:

(a) An investment adviser must file electronically with the IARD, in accordance with the instructions for the Form ADV, any amendments to the investment adviser's Form ADV;

(b) An amendment will be considered to be filed promptly if the amendment is filed within thirty days of the event that requires the filing of the amendment; and

(c) Within ninety days of the end of the investment adviser's fiscal year, an investment adviser must file electronically with the IARD an Annual Updating Amendment to the Form ADV.

(4) Complete Filing: An application for initial registration or renewal is not considered complete for the purposes of Sections 35-1-403(a), 35-1-406(a), and 35-1-406(d) of the Act, until the required fee and all required submissions have been received by the Securities Commissioner.

(5) Withdrawal: The application for withdrawal of registration as an investment adviser pursuant to Section 35-1-409 of the Act shall be completed by following the instructions for the Form ADV-W (Notice of Withdrawal from Registration as an Investment Adviser) and by filing the Form ADV-W electronically with the IARD.

B. Investment Adviser Representatives.

(1) Initial Application: The application for initial registration as an investment adviser representative pursuant to Sections 35-1-404(a) and 35-1-406(a) shall be made by completing the Form U-4 (Uniform Application for Securities Industry Registration or Transfer) in accordance with the form instructions, and by filing the Form U-4 electronically with the Central Registration Depository (CRD) system. The application for initial registration shall also include the following:

(a) A consent to service of process complying with R. 13-603;

(b) Proof of compliance by the investment adviser representative with the examination requirements of R. 13-401;

(c) The fee required by Section 35-1-702 of the Act;

(d) The fees charged by the CRD or other designee of the Securities Commissioner for processing the filing;

(e) A criminal record history in compliance with R. 13-404; and

(f) Any other information the Securities Commissioner may reasonably require.

(2) Annual Renewal: The application for annual renewal registration as an investment adviser representative pursuant to Sections 35-1-404(a) and 35-1-406(d) shall be filed before the current registration expires on December 31, and shall be filed electronically with the CRD. The application for annual renewal registration shall include the following:

(a) The fee required by Section 35-1-702 of the Act;

(b) The fees charged by the CRD or other designee of the Securities Commissioner for processing the filing; and

(c) Any other information the Securities Commissioner may reasonably require.

(3) Updates and Amendments:

(a) The investment adviser representative is under a continuing obligation to update information required by the Form U-4 as changes occur;

(b) An investment adviser representative and the investment adviser must electronically file promptly with the CRD any amendments to the representative's Form U-4; and

(c) An amendment will be considered to be filed promptly if the amendment is filed within thirty days of the event that requires the filing of the amendment.

(4) Complete Filing: An application for initial registration or renewal is not considered complete for the purposes of Sections 35-1-404(a), 35-1-406(a), and 35-1-406(d) of the Act, until the required fee and all required submissions have been received by the Securities Commissioner.

(5) Withdrawal: The application for withdrawal of registration as an investment adviser representative pursuant to Section 35-1-409 of the Act shall be completed by following the instructions on the Form U-5 (Uniform Termination Notice for Securities Industry Registration) and by filing the Form U-5 electronically with the CRD.

C. Brochure Delivery. Investment advisers must comply with the terms of SEC Rule 204-3 of the Investment Adviser Act of 1940 (17 C.F.R. 275.204-3) regarding the delivery of brochures and brochure supplements.

~~A~~D. Registration of ~~NASD~~FINRA Member Firms and their agents. ~~NASD~~FINRA member firms and their agents shall file all applications and amendments and pay all fees required for registration under the South Carolina Uniform Securities Act of 2005 with the ~~Central Registration Depository (~~CRD~~) System~~.

~~B.Registration of Investment Advisers and Investment Adviser Representatives. Federal covered investment advisers and their investment adviser representatives required to file/register in this State must file their applications and amendments and pay all fees required for registration under the South Carolina Uniform Securities Act of 2005 with the Investment Adviser Registration Depository (IARD) System. Investment advisers and their investment adviser representatives may either file their applications and amendments and pay all fees required for registration under the South Carolina Uniform Securities Act of 2005 with the IARD System or directly with the Securities Commissioner.~~

~~C~~E. Registration of non-~~NASD~~FINRA member broker-dealers and ~~their~~ agents. Non-~~NASD~~FINRA member firms and agents who cannot file via the CRD System must register directly with the Securities Commissioner, providing the information and using any form required for the filing of a uniform application and, upon request by the Securities Commissioner, by providing any other financial or information or record that the Securities Commissioner determines is appropriate.

13-404. Criminal Record Requirement for ~~Broker-Dealer~~ Agents and Investment Adviser Representatives.

Pursuant to Section 35-1-406 (a)(2), every person applying for registration as an ~~broker-dealer~~ agent or investment adviser representative in this State must request the South Carolina Law Enforcement Division to submit directly to the Securities Commissioner a criminal record history ~~obtained from the South Carolina Law Enforcement Division~~. This requirement is waived for ~~NASD~~FINRA registered broker-dealer agents.

13-406. Investment Adviser Minimum Capital and Bonding Requirements.

A. Minimum financial requirements for investment advisers.
Unless an investment adviser posts a bond pursuant to 35-1-411(e) and Section B below an investment adviser registered or required to be registered pursuant to the South Carolina Uniform Securities Act of 2005 who has custody of client funds or securities shall maintain at all times a minimum net worth of fifty thousand ($50,000.00) dollars, and every investment adviser registered or required to be registered under the South Carolina Uniform Securities Act of 2005 who has discretionary authority over client funds or securities but does not have custody of client funds or securities, shall maintain at all times a minimum net worth of thirty five thousand ($35,000.00) dollars. Should net worth fall below those levels after an investment adviser is registered, notice must be given to the Securities Commissioner by the close of business the next day. Investment activities also must cease until net worth is restored to the required levels. The term "net worth" is the excess of assets over liabilities as determined by generally accepted accounting principles~~.~~, less the following:

(1) Deferred charges, goodwill, franchise rights, organizational expenses, patents, copyrights, marketing rights, unamortized debt discounts and expenses, and all other assets of an intangible nature;

(2) Homes, home furnishings, automobiles, personal items not readily marketable, advances or loans to a related party, and assets owned or the portion of assets partially owned by another person (e.g., a spouse, if the asset is jointly owned), if net worth is being determined for an individual; and

(3) Advances or loans to stockholders and officers in the case of a corporation; advances or loans to members and managers in the case of a limited liability company; advances or loans to partners in the case of a partnership; and similar advances and loans.

B. Bonding requirements.
Every investment adviser having custody of or discretionary authority over client funds or securities and not meeting the minimum financial requirements required of such adviser pursuant to Section A above shall post cash or securities (in accordance with Rule 13-407 or such other rule or order promulgated by the Securities Commissioner) or a surety bond in the amount of fifty thousand ($50,000.00) dollars for investment advisers having custody and thirty five thousand ($35,000.00) dollars for investment advisers having discretionary authority but not custody of client funds or securities. Surety bonds required to be posted pursuant to this Rule must be posted by a bonding company qualified to do business in this State.

C. An investment adviser that has its principal place of business in a state other than this State shall be exempt from the requirements of Sections A and B above provided that the investment adviser is registered as an investment adviser in the state where it has its principal place of business and is in compliance with such state's requirements relating to net worth or bonding.

D. The Securities Commissioner may, by order, exempt certain registered investment advisers from the surety bond posting requirements.

13-408. Recordkeeping Requirements for Investment Advisers.

A. Every investment adviser registered or required to be registered under the South Carolina Uniform Securities Act of 2005 shall make and keep true, accurate and current the following books, ledgers and records:

(1) A journal or journals, including cash receipts and disbursement records, and any other records of original entry forming the basis of entries in any ledger;

(2) General and auxiliary ledgers (or other comparable records) reflecting asset, liability, reserve, capital, income and expense accounts;

(3) A memorandum of each order given by the investment adviser for the purchase or sale of any security, of any instruction received by the investment adviser from a client concerning the purchase, sale, receipt or delivery of a particular security, and of any modification or cancellation of any such order or instruction. The memoranda shall show the terms and conditions of the order, instruction, modification or

cancellation; shall identify the person connected with the investment adviser who recommended the transaction to the client and the person who placed the order; and shall show the account for which entered, the date of entry, and the bank or broker-dealer by or through who executed where appropriate. Orders entered pursuant to the exercise of discretionary power shall be so designated;

(4) All check books, bank statements, canceled checks and cash reconciliations of the investment adviser;

(5) All bills or statements (or copies of), paid or unpaid, relating to the investment adviser's business as an investment adviser;

(6) All trial balances, financial statements and internal audit working papers relating to the investment adviser's business as an investment adviser;

(7) Originals of all written communications received and copies of all written communications sent by the investment adviser relevant to (a) any recommendation made or proposed to be made and any advice given or proposed to be given, (b) any receipt, disbursement or delivery of funds or securities, or (c) the placing or execution of any order to purchase or sell any security, provided, however, (i) that the investment adviser shall not be required to keep any unsolicited market letters or other similar communications of general public distribution not prepared by or for the investment adviser, and (ii) that if the investment adviser sends any notice, circular or other advertisement offering any report, analysis, publication or other investment advisory service to more than ten persons, the investment adviser shall not be required to keep a record of the names and addresses of the persons to whom it was sent; except that if the notice, circular or advertisement is distributed to persons named on any list, the investment adviser shall retain with the copy of the notice, circular or advertisement a memorandum describing the list and its source;

(8) A list or other record of all accounts which identifies the accounts in which the investment adviser is vested with any discretionary power with respect to the funds, securities or transactions of any client;

(9) A copy of all powers of attorney and other evidences of the granting of any discretionary authority by any client to the investment adviser;

(10) A copy in writing of each agreement entered into by the investment adviser with any client, and all other written agreements otherwise relating to the investment adviser's business as an investment adviser;

(11) A file containing a copy of each notice, circular, advertisement, newspaper article, investment letter, bulletin, or other communication, including those by electronic media, that the investment adviser circulates or distributes, directly or indirectly, to two or more persons (other than persons connected with the investment adviser), and if the notice, circular, advertisement, newspaper, newspaper article, investment letter, bulletin, or other communication recommends the purchase or sale of a specific security and does not state the reasons for the recommendation, a memorandum of the investment adviser indicating the reasons for the recommendation;

(12) Records of Beneficial ownership (investment adviser or investment adviser representative)

(a) A record of every transaction in a security in which the investment adviser or any advisory representative (as hereinafter defined) of the investment adviser has, or by reason of any transaction acquires, any direct or indirect beneficial ownership, except:

(i) transactions effected in any account over which neither the investment adviser nor any advisory representative of the investment adviser has any direct or indirect influence or control; and

(ii) transactions in securities which are direct obligations of the United States.

The record shall state the title and amount of the security involved; the date and nature of the transaction (i.e. purchase, sale or other acquisition of disposition); the price at which it was effected; and the name of the broker-dealer or bank with or through whom the transaction was effected. The record may also contain a statement declaring that the reporting or recording of any transaction shall not be construed as an admission that the investment adviser or advisory representative has any direct or indirect beneficial ownership in the security. A transaction shall be recorded not later than ten (10) days after the end of the calendar quarter in which the transaction was effected.

(b) For purposes of Subsection A (12) above, the following definitions will apply:

(i) "advisory representative" shall mean any partner, officer or director of the investment investment adviser; any employee who participates or participated in any way in the determination of which recommendations shall or should be made; any employee who, in connection with his duties, obtains any information concerning which securities are being recommended prior to the effective dissemination of the recommendations; and any of the following persons who obtain information concerning securities recommendations being made by the investment adviser prior to the effective dissemination of the recommendations:

(A) any person in a control relationship to the investment adviser;

(B) any affiliated person of a controlling person; and

(C) any affiliated person of an affiliated person;

(ii) "control" shall mean the power to exercise a controlling influence over the management or policies of a company, unless such power is solely the result of an official position with such company. Any person who owns beneficially, either directly or through one or more controlled companies, more than twenty-five percent (25%) of the voting securities of a company shall be presumed to control such company.

(c) An investment adviser shall not be deemed to have violated the provisions of Subsection A (12) above because of the failure to record securities transactions of any advisory representative if the investment adviser establishes that it instituted adequate procedures and used reasonable diligence to promptly obtain reports of all transactions required to be recorded;

(13) Records of Beneficial ownership (other)

(a) Notwithstanding the provisions of Subsection A (12) above, where the investment adviser is primarily engaged in a business or businesses other than advising investment advisory clients, a record must be maintained of every transaction in a security in which the investment adviser or any advisory representative (as hereinafter defined) of the investment adviser has, or by reason of any transaction acquires, any direct or indirect beneficial ownership, except:

(i) transactions effected in any account over which neither the investment adviser nor any advisory representative of the investment adviser has any direct or indirect influence or control; and

(ii) transactions in securities which are direct obligations of the United States.

The record shall state the title and amount of the security involved; the date and nature of the transaction (i.e. purchase, sale, or other acquisition or disposition); the price at which it was effected; and the name of the broker-dealer or bank with or through whom the transaction was effected. The record may also contain a statement declaring that the reporting or recording of any transaction shall not be construed as an admission that the investment adviser or advisory representative has any direct or indirect beneficial ownership in the security. A transaction shall be recorded not later than 10 days after the end of the calendar quarter in which the transaction was effected.

(b) An investment adviser is "primarily engaged in a business or businesses other than advising investment advisory clients" when, for each of its most recent three (3) fiscal years or for the period of time since organization, whichever is lesser, the investment adviser derived from such other business or businesses, on an unconsolidated basis, more than fifty percent (50%) of:

(i) its total sales and revenues; and

(ii) its income (or loss) before income taxes and extraordinary items.

(c) For purposes of Subsection A (13) above, the following definitions will apply:

(i) "advisory representative", when used in connection with a company primarily engaged in a business or businesses other than advising investment advisory clients, shall mean any partner, officer, director, or employee of the investment adviser who participates in any way in the determination of which recommendation shall be made, or whose functions or duties relate to the determination of which securities are being recommended prior to the effective dissemination of the recommendations; and any of the following persons, who obtain information concerning securities recommendations being made by the investment adviser prior to the effective dissemination of such recommendations or of the information concerning the recommendations:

(A) any person in a control relationship to the investment adviser;

(B) any affiliated person of a controlling person; and

(C) any affiliated person of an affiliated person;

(ii) "control" shall mean the power to exercise a controlling influence over the management or policies of a company, unless such power is solely the result of an official position with such company. Any person who owns beneficially, either directly or through one or more controlled companies, more than twenty five percent (25%) of the voting securities of a company shall be presumed to control such company.

(d) An investment adviser shall not be deemed to have violated the provisions of Subsection A (13) above because of the failure to record securities transactions of any advisory representative if the investment adviser establishes that it instituted adequate procedures and used reasonable due diligence to promptly obtain reports of all transactions required to be recorded;

(14) A copy of each written statement and each amendment or revision, given or sent, to any client or prospective client of the investment adviser, and a record of the dates that each written statement and each amendment or revision, was given, or offered to be given, to any client or prospective client who subsequently became a client;

(15) For each client that was obtained by the adviser by means of a solicitor to whom a cash fee was paid by the adviser:

(a) evidence of a written agreement to which the adviser is a party related to the payment of such fee;

(b) a signed and dated acknowledgment of receipt from the client evidencing the client's receipt of the investment adviser's disclosure statement and a written disclosure statement of the solicitor; and

(c) a copy of the solicitor's written disclosure statement. The written agreement, acknowledgment and solicitor disclosure statement will be considered to be in compliance if such documents are in compliance with Rule 275.206(4)-3 of the Investment Advisers Act of 1940.

For purposes of this Rule, the term "solicitor" shall mean any person or entity who, for compensation, acts as an agent of an investment adviser in referring potential clients;

(16) All accounts, books, internal working papers, and any other records or documents that are necessary to form the basis for or demonstrate the calculation of the performance or rate of return of all managed accounts or securities recommendations in any notice, circular, advertisement, newspaper article, investment letter, bulletin, or other communication including but not limited to electronic media that the investment adviser circulates or distributes, directly, or indirectly, to two (2) or more persons (other than persons connected with the investment adviser); provided, however, that, with respect to the performance of managed accounts, the retention of all account statements, if they reflect all debits, credits, and other transactions in a client's account for the period of the statement, and all worksheets necessary to demonstrate the calculation of the performance or rate of return of all managed accounts shall be deemed to satisfy the requirements of this paragraph;

(17) A file containing a copy of all written communications received or sent regarding any complaints or litigation involving the investment adviser or any investment adviser representative or other employee, and any current or former customer or client;

(18) Written information about each investment advisory client that is the basis for making any recommendation or providing any investment advice to such client;

(19) Written procedures to supervise the activities of employees and investment adviser representatives that are reasonably designed to achieve compliance with applicable securities laws and regulations; and

(20) A file containing a copy of each document (other than any notices of general dissemination) that was filed with or received from any state or federal agency or self regulatory organization and that pertains to the registrant or its investment adviser representatives. The file should contain, but is not limited to, all applications, amendments, renewal filings, and correspondence.

(21) A copy, with original signatures of the investment adviser's appropriate signatory and the investment adviser representative, of each initial Form U-4 and each amendment to Disclosure Reporting Pages (DRPs Form U-4). Each copy must be retained by the investment adviser (filing on behalf of the investment adviser representative) and must be made available for inspection upon regulatory request.

(22) Where the investment adviser inadvertently held or obtained a client's securities or funds and returned them to the client within three business days, or has forwarded third-party checks within three business days, a ledger or other listing of all securities or funds held or obtained. Such ledger or other listing shall include the following information:

(a) Issuer;

(b) Type of Security and series;

(c) Date of issue;

(d) For debt instruments, the denomination, interest rate, and maturity date;

(e) Certificate number, including any alphabetical or other prefix or suffix;

(f) Name in which registered;

(g) Date given to the adviser;

(h) Date securities or funds were sent to client or sender, or date third-party checks were forwarded;

(i) Name and address to whom the securities or funds were sent, or third-party checks were forwarded;

(j) Form of delivery to client or sender, or copy of the form of delivery to client or sender; and

(k) Mail confirmation number, if applicable, or confirmation by client or sender of the fund's or security's return.

(23) If an investment adviser obtains possession of securities that are acquired from the issuer in a transaction or chain of transactions not involving any public offering that comply with the exception from custody, the investment adviser shall keep and maintain the following records:

(a) A record showing the issuer's or current transfer agent's name, address, phone number, and other applicable contact information pertaining to the party responsible for recording client interests in the securities; and

(b) A copy of any legend, shareholder agreement, or other agreement, showing that those securities are transferable only with prior consent of the issuer or holders of the outstanding securities of the issuer.

B. If an investment adviser subject to Section A of this Rule has custody or possession of securities or funds of any client, the records required to be made and kept under Section A above shall include:

(1) A journal or other record showing all purchases, sales, receipts and deliveries of securities (including certificate numbers) for all accounts and all other debits and credits to the accounts;

(2) A separate ledger account for each client showing all purchases, sales, receipts and deliveries of securities, the date and price of each purchase and sale, and all debits and credits;

(3) Copies of confirmations of all transactions effected by or for the account of any client; and

(4) A record for each security in which any client has a position, which record shall show the name of each client having an interest in the security, the amount or interest of each client, and the location of each security.

(5) A copy of any and all documents executed by the client (including a limited power of attorney) under which the investment adviser is authorized or permitted to withdraw a client's funds or securities maintained with a custodian upon the investment adviser's instruction to the custodian;

(6) A copy of each client's quarterly account statements, as generated and delivered by the qualified custodian. If the investment adviser also generates a statement that is delivered to the client, the adviser shall also maintain copies of such statements along with the date such statements were sent to the clients;

(7) If applicable to the adviser's situation, a copy of the special examination report verifying the completion of the examination by an independent certified public accountant and describing the nature and extent of the examination; and

(8) A record of any finding by the independent certified public accountant of any material discrepancies found during the examination.

C. Every investment adviser subject to Subsection A of this Rule who renders any investment supervisory or management service to any client shall, with respect to the portfolio being supervised or managed and to the extent that the information is reasonably available to or obtainable by the investment adviser, make and keep true, accurate and current:

(1) Records showing separately for each client the securities purchased and sold, and the date, amount and price of each purchase and sale; and

(2) For each security in which any client has a current position, information from which the investment adviser can promptly furnish the name of each client and the current amount or interest of the client.

D. Any books or records required by this Rule may be maintained by the investment adviser in such manner that the identity of any client to whom the investment adviser renders investment supervisory services is indicated by numerical or alphabetical code or some similar designation.

E. Every investment adviser subject to Section A of this rule shall preserve the following records in the manner prescribed:

(1) All books and records required to be made under the provisions of Subsections A to C (1), inclusive, of this Rule (except for books and records required to be made under the provisions of Subsections A (11) and A (16) of this Rule), shall be maintained and preserved in an easily accessible place for a period of not less than five years from the end of the fiscal year during which the last entry was made on the record, the first two (2) years in the principal office of the investment adviser;

(2) Partnership articles and any amendments, articles of incorporation, charters, minute books, and stock certificate books of the investment adviser and of any predecessor, shall be maintained in the principal office of the investment adviser and preserved for at least three (3) years after termination of the enterprise;

(3) Books and records required to be made under the provisions of Subsections A (11) and A (16) of this Rule shall be maintained and preserved in an easily accessible place for a period of not less than five (5) years, the first two (2) years in the principal office of the investment adviser, from the end of the fiscal year during which the investment adviser last published or otherwise disseminated, directly or indirectly, the notice, circular, advertisement, newspaper article, investment letter, bulletin, or other communication, including communications made by electronic media; and

(4) ~~Books and records required to be made under the provisions of Subsections A (11) and A (16) of this Rule shall be maintained and preserved in an easily accessible place for a period of not less than five (5) years, the first two (2) years in the principal office of the investment adviser, from the end of the fiscal year during which the investment adviser last published or otherwise disseminated, directly or indirectly, the notice, circular, advertisement, newspaper article, investment letter, bulletin, or other communication, including communications made by electronic media;~~

~~(5)~~ Notwithstanding other record preservation requirements of this Rule, the following records or copies shall be required to be maintained at the business location of the investment adviser from which the customer or client is being provided or has been provided with investment advisory services: (a) records required to be preserved under Subsections A (3), A (7)-(10), A (14)-(15), A (17)-(19), B and C inclusive, of this Rule, and (b) the records or copies required under the provision of Subsections A (11) and A (16) of this Rule, which records or related records identify the name of the investment adviser representative providing investment advice from that business location, or which identify the business locations physical address, mailing address, electronic mailing address, or telephone number. The records will be maintained for the period described in Subsection E (1) of this Rule.

F. An investment adviser subject to Section A of this Rule, before ceasing to conduct or discontinuing business as an investment adviser shall arrange for and be responsible for the preservation of the books and records required to be maintained and preserved under this Rule for the remainder of the period specified in this Rule, and shall notify the Securities Commissioner in writing of the exact address where the books and records will be maintained during the period.

G. Preservation and reproduction of records

(1) ~~The records required to be maintained and preserved pursuant to this Rule may be immediately produced or reproduced by photographic film or, as provided in Subsection G (2) below, on magnetic disk, tape or other computer storage medium, and be maintained and preserved for the required time in that form. If records are produced or reproduced by photographic film or computer storage medium, the investment adviser shall:~~

~~(a) arrange the records and index the films or computer storage medium so as to permit the immediate location of any particular record;~~

~~(b) be ready at all times to promptly provide a facsimile, enlargement of film or computer printout or copy of the computer storage medium which the Securities Commissioner, by his examiners or other representative may request;~~

~~(c) store separately from the original one other copy of the film or computer storage medium for the time required;~~

~~(d) with respect to records stored on computer storage medium, maintain procedures for maintenance and preservation of, and access to, records so as to reasonably safeguard records from loss, alteration, or destruction; and~~

~~(e) with respect to records stored on photographic film, at all times have available for the Securities Commissioner's examination of the records facilities for immediate, easily readable projection of the film and for producing easily readable facsimile enlargements.~~

~~(2) Pursuant to Subsection G (1) above an adviser may maintain and preserve on computer tape or disk or other computer storage medium, records which, in the ordinary course of the adviser's business, are created by the adviser on electronic media or are received by the adviser solely on electronic media or by electronic data transmission.~~The records required to be maintained and preserved pursuant to Sections A through F above may be immediately produced or reproduced, and maintained and preserved for the required time by an investment adviser on:

(a) Paper or hard copy form, as those records are kept in their original form;

(b) Micrographic media, including microfilm, microfiche, or any similar medium; or

(c) Electronic storage media, including any digital storage medium or system that meets the terms of this section.

(2) The investment adviser must:

(a) Arrange and index the records in a way that permits easy location, access, and retrieval of any particular record;

(b) Promptly provide any of the following that the Securities Commissioner, through one of its examiners or other representatives, may request:

(i) A legible, true, and complete copy of the record in the medium and format in which it is stored;

(ii) A legible, true, and complete printout of the record; and

(iii) Means to access, view, and print the records; and

(c) Store separately from the original record, for the time required for the original record, a duplicate copy of the record in any medium allowed by this section.

(3) With respect to records created or maintained on electronic storage media, the investment adviser must establish and maintain procedures:

(a) To maintain and preserve the records, so as to reasonably safeguard records from loss, alteration, or destruction;

(b) To limit access to the records to properly authorized personnel and the Securities Commissioner, including one or more of its examiners or other representatives; and

(c) To reasonably ensure that any reproduction of a non-electronic original record on electronic storage media is complete, true, and legible when retrieved.

H. For purposes of this Rule, "investment supervisory services" means the giving of continuous advice as to the investment of funds on the basis of the individual needs of each client; and "discretionary power" shall not include discretion as to the price at which or the time when a transaction is to be effected, if, before the order is given by the investment adviser, the client has directed or approved the purchase or sale of a definite amount of the particular security.

I. Any book or other record made, kept, maintained and preserved in compliance with Rules 17a-3 [17 C.F.R. 240.17a-3] and 17a-4 [17 C.F.R. 240.17a-4] under the Securities Exchange Act of 1934, which is substantially the same as a book or other record required to be made, kept, maintained and preserved

under this Rule, shall be deemed to be made, kept, maintained and preserved in compliance with this Rule.

J. Every investment adviser registered or required to be registered in this State that has its principal place of business in a state other than this State shall be exempt from the requirements of this Rule, provided the investment adviser is licensed in such state and is in compliance with such state's recordkeeping requirements.

13-409. Sole Proprietor Investment Advisers.

An individual acting as a sole proprietor who meets the definitions of investment adviser in Section 35-1-102(15) of the Act, and investment adviser representative in Section 35-1-102(16) of the Act, must register in South Carolina as both an investment adviser and an investment adviser representative.

13-410. Investment Adviser Representatives Registered with Multiple Investment Advisers.

A. An individual may apply to be registered as an investment adviser representative for more than one investment adviser or federal covered investment adviser by the filing of a separate Form U-4 application through the CRD by each investment adviser or federal covered investment adviser, and the payment of separate application fees as required through the CRD. By having multiple registration applications submitted on his or her behalf, the investment adviser representative affirmatively represents that he or she will make all disclosures to his or her clients and the affected investment adviser or federal covered investment adviser regarding potential conflicts of interests.

B. Each investment adviser or federal covered investment adviser that employs a multiple registered investment adviser representative shall comply with the requirements of the CRD and IARD regarding the multiple registrations of the investment adviser representative.

C. The Securities Commissioner may deny the multiple registration applications if he determines that it is not in the best interests of the public.

13-411. The Use of Senior-Specific Certifications and Professional Designations.

A. The use of senior-specific certification or designation by any person in connection with the offer, sale, or purchase of securities, or the provision of advice as to the value or the advisability of investing in, purchasing, or selling securities, either directly or indirectly or through publications or writings, or by issuing or promulgating analyses or reports relating to securities, that indicates or implies that the user has special certification or training in advising or servicing senior citizens or retirees, in such a way as to mislead any person, shall be a dishonest and unethical practice. The prohibited use of such certifications or professional designations includes, but is not limited to, the following:

(1) use of a certification or professional designation by a person who has not actually earned or is otherwise ineligible to use such certification or designation;

(2) use of a nonexistent or self-conferred certification or professional designation;

(3) use of a certification or professional designation that indicates or implies a level of occupational qualification obtained through education, training, or experience that the person using the certification or professional designation does not have; or

(4) use of a certification or professional designation that was obtained from a designating or certifying organization that:

(a) is primarily engaged in the business of instruction in sales and/or marketing;

(b) does not have reasonable standards or procedures for assuring the competency of its designees or certificants;

(c) does not have reasonable standards or procedures for monitoring and disciplining its designees or certificants for improper or unethical conduct; or

(d) does not have reasonable continuing education requirements for its designees or certificants in order to maintain the designation or certificate.

B. There is a rebuttable presumption that a designation or certifying organization is not disqualified solely for purposes of subsection A(4) above when the organization has been accredited by:

(1) The American National Standards Institute;

(2) The National Commission for Certifying Agencies;

(3) an organization that is on the United States Department of Education's list entitled "Accrediting Agencies Recognized for Title IV Purposes" and the designation or credential issued therefrom does not primarily apply to sales and/or marketing; or

(4) any other nationally recognized accreditation organization designated by the Securities Commissioner by rule or order.

C. In determining whether a combination of words (or an acronym standing for a combination of words) constitutes a certification or professional designation indicating or implying that a person has special certification or training in advising or servicing senior citizens or retirees, factors to be considered shall include:

(1) Use of one or more words such as "senior," "retirement," "elder," or like words, combined with one or more words such as "certified," "registered," "chartered," "adviser," "specialist," "consultant," "planner," or like words, in the name of the certification or professional designation; and

(2) The manner in which those words are combined.

D. (1) For purposes of this rule, a certification or professional designation does not include a job title within an organization that is licensed or registered by a state or federal financial services regulatory agency, when that job title:

(a) indicates seniority or standing within the organization; or

(b) specifies an individual's area of specialization within the organization, unless the facts and circumstances associated with the provision or use of a job title indicate that it improperly suggests or implies certification or training beyond that which the titleholder possesses, or otherwise misleads investors.

(2) For purposes of this subsection, "financial services regulatory agency" includes, but is not limited to, an agency that regulates broker-dealers, investment advisers, or investment companies as defined under the Investment Company Act of 1940.

E. Nothing in this rule shall limit the Securities Commissioner's authority to enforce existing provisions of law.

13-412. Fees.

Every applicant applying for registration as an agent of the issuer shall pay the below specified, non-refundable fees:

A. Agent of the Issuer (initial filing fee): One hundred ten dollars;

B. Agent of the Issuer (renewal): One hundred ten dollars.

13-502. Dishonest or Unethical Practices by Investment Advisers, Investment Adviser Representatives and Federal Covered Advisers.

A. Each investment adviser and investment adviser representative shall observe high standards of commercial honor and just and equitable principals of trade in the conduct of their business. Acts and practices, including but not limited to the following, are considered contrary to such standards and may constitute grounds for denial, suspension or revocation of registration, imposition of administrative fines, or such other action authorized by statute:

(1) Recommending to a client to whom investment supervisory, management or consulting services are provided the purchase, sale or exchange of any security without reasonable grounds to believe that the recommendation is suitable for the client on the basis of information furnished by the client after

reasonable inquiry concerning the client's investment objectives, financial situation and needs, and any other information known or acquired by the adviser after reasonable examination of the client's records as may be provided to the adviser.

(2) Placing an order to purchase or sell a security for the account of a client without authority to do so.

(3) Placing an order to purchase or sell a security for the account of a client upon instruction of a third-party without first having obtained a written third-party trading authorization from the client.

(4) Exercising any discretionary power in placing an order for the purchase or sale of securities without first obtaining written discretionary authority unless the discretionary power relates solely to the price at which, or the time when, an order involving a definite amount of specified securities shall be executed, or both.

(5) Inducing trading in a client's account that is excessive in size and frequency in view of the financial resources, investment objectives and character of the account.

(6) Borrowing money or securities from a client unless the client is a broker-dealer, an affiliate of the adviser, or a financial institution engaged in the business of loaning funds or securities.

(7) Loaning money to a client unless the adviser is a financial institution engaged in the business of loaning funds or the client is an affiliate of the adviser.

(8) Misrepresenting to any advisory client, or prospective advisory client, the qualifications of the adviser, its representatives or any employees or misrepresenting the nature of the advisory services being offered or fees to be charged for such services or omitting to state a material fact necessary to make the statements made regarding qualifications, services or fees, in light of the circumstances under which they are made, not misleading.

(9) Providing a report or recommendation to any adviser client prepared by someone other than the adviser, without disclosing that fact except that this prohibition does not apply to a situation where the adviser uses published research reports or statistical analyses to render advice or where an adviser orders such a report in the normal course of providing service.

(10) Charging a client an advisory fee that is unreasonable.

(11) Failing to disclose to a client in writing before entering into or renewing an advisory agreement with that client any material conflict of interest relating to the adviser, its representatives or any of its employees, which could reasonably be expected to impair the rendering of unbiased and objective advice including:

(a) Compensation arrangements connected with advisory services to clients which are in addition to compensation from such clients for such services; and

(b) Charging a client an advisory fee for rendering advice without disclosing that a commission for executing securities transactions pursuant to such advice will be received by the adviser, its representatives or its employees or that such advisory fee is being reduced by the amount of the commission earned by the adviser, its representatives or employees for the sale of securities to the client.

(12) Guaranteeing a client that a specific result will be achieved (gain or no loss) as a result of the advice which will be rendered.

(13) Publishing, circulating or distributing any advertisement which does not comply with Rule 206(4)-1 under the Investment Advisers Act of 1940.

(14) Disclosing the identity, affairs, or investments of any client to any third party unless required by law to do so, or unless consented to by the client.

(15) Taking any action, directly or indirectly, with respect to those securities or funds in which any client has any beneficial interest, where the adviser has custody or possession of such securities or funds when the adviser's action ~~is subject to and~~ does not comply with the ~~safekeeping~~ requirements of Rule 206(4)-2 under the Investment Advisers Act of 1940.

(16) Entering into, extending or renewing any investment advisory contract unless such contract is in writing and discloses, in substance, the services to be provided, the term of the contract, the advisory fee or the formula for computing the fee, the amount or the manner of calculation of the amount of the prepaid fee to be returned in the event of contract termination or non-performance, whether the contract

grants discretionary power to the adviser or its representatives and that no assignment of such contract shall be made by the adviser without the consent of the other party to the contract.

(17) Failing to establish, maintain, and enforce written ~~polices~~policies and procedures reasonably designed to prevent the misuse of material nonpublic information in violation of Section 204A of the Investment Advisers Act of 1940.

(18) Entering into, extending, or renewing any advisory contract which would violate section 205 of the Investment Advisers Act of 1940. This provision shall apply to all investment advisers registered or required to be registered under the South Carolina Uniform Securities Act of 2005, notwithstanding whether such investment adviser would be exempt from federal registration pursuant to section 203(b) of the Investment Advisers Act of 1940.

(19) Indicating, in an advisory contract, any condition, stipulation, or provisions binding any person to waive compliance with any provision of the South Carolina Uniform Securities Act of 2005 or of the Investment Advisers Act of 1940, or any other practice that would violate section 215 of the Investment Advisers Act of 1940.

(20) Engaging in any act, practice, or course of business which is fraudulent, deceptive, or manipulative in contravention of section 206(4) of the Investment Advisers Act of 1940, notwithstanding the fact that such investment adviser is not registered or required to be registered under section 203 of the Investment Advisers Act of 1940.

(21) Employing any device, scheme, or artifice to defraud or engaging in any act, practice or course of business which operates or would operate as a fraud or deceit.

(22) Engaging in conduct or any act, indirectly or through or by any other person, which would be unlawful for such person to do directly under the provisions of this act or any rule or order thereunder.

B. The conduct set forth above is not inclusive. Engaging in other conduct such as non-disclosure, incomplete disclosure, or deceptive practices shall also be grounds for denial, suspension or revocation of registration, imposition of administrative fines, or such other action authorized by statute.

C. The provisions of this rule apply to federal covered advisers to the extent that the conduct alleged is fraudulent, deceptive, or other conduct not excluded from regulation pursuant to the National Securities Markets Improvement Act of 1996 (Pub. L. 104-290). The federal statutory and regulatory provisions referenced in this Rule shall apply to investment advisers, investment adviser representatives and federal covered advisers, regardless of whether the federal provision limits its application to advisers subject to federal registration.

13-503. Advertising Filing Requirement.

Any prospectus, pamphlet, circular, form letter, advertisement, sales literature, or other advertising relating to a security ~~or investment advice regarding securities~~, addressed or intended for distribution to prospective investors~~, including clients or prospective clients of a person registered as an investment adviser,~~ under the South Carolina Uniform Securities Act of 2005, must be filed with the Securities Commissioner at least ten (10) business days prior to use in this State. The filing of an advertisement (or receipt thereof) does not constitute approval or a finding by the Securities Commissioner that the document is true, complete, or not misleading.

13-601. Financial Statements Submitted with an Application to Register Securities or used in a Prospectus.

A. All financial statements submitted with an application to register securities or for inclusion in a Prospectus used in this State, except a Prospectus relating to a federal covered security, shall be ~~certified~~audited by an Independent Certified Public Accountant regularly engaged in business as such; provided, however (1) that interim statements prepared since the close of the last fiscal year shall not be required to be ~~certified~~audited if prepared on a basis comparable to those ~~certified~~audited, and (2) that financial statements approved by the South Carolina Department of Insurance or the United States

Securities and Exchange Commission ("SEC") may be accepted by the Securities Commissioner in his discretion.

B. Where a company has been in business for less than one (1) year and submits one statement only which covers a period of less than one (1) year, such statement shall be ~~certified~~audited.

C. A report signed by the Independent Certified Public Accountant should accompany the statements.

D. Financial statements filed with an application for registration of securities shall be updated when necessary so that the Prospectus as finally approved and in definitive form shall contain statements as of a date not more than six (6) months prior to the date of the Prospectus.

E. A Prospectus relating to securities in registration should be amended or supplemented whenever necessary to reflect any material changes, but in any event at least once in any period of twelve (12) consecutive months, in order to bring financial data up to date. Failure of the registrant to do so shall be considered cause for suspension of registration. The Securities Commissioner shall have discretion to determine whether to require the reprinting of the entire Prospectus.

F. The Securities Commissioner by rule or order, may waive any or all of the provisions of this Order.

13-603. Consents to Service of Process

~~The filing of a Uniform Form U-2 constitutes compliance with Section 35-1-611(a) of the South Carolina Uniform Securities Act of 2005.~~The following forms constitute compliance with Section 35-1-611(a) of the South Carolina Uniform Securities Act of 2005:

A.For broker-dealers, a fully executed Execution Page of the Form BD, Uniform Application for Broker-Dealer Registration;

B.For investment advisers, a fully executed Execution Page of the Form ADV, Uniform Application for Investment Adviser Registration;

C.For agents and investment adviser representatives, a fully executed Form U-4, Uniform Application for Securities Industry Registration or Transfer;

D.For any offer or sale of securities made in compliance with Rules 501 through 508 of SEC Regulation D under the Securities Act of 1933, a fully executed Form D, Notice of Exempt Offering of Securities; and

E.For other filings, a fully executed Form U-2, Uniform Consent to Service of Process or such other form acceptable to the Securities Commissioner.