

rold N. Chadwick
Investment Advisor (RIA)

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511 MARTLING AVENUE
TARRYTOWN, NEW YORK 10591
(914) 631-1084

EXECUTIVE FINANCIAL
COUNSELING SERVICES
AND INVESTMENTS

October 26, 1987

PUBLIC AVAILABILITY DATE: 12-24-87
ACT SECTION RULE
1940A 204 204-2

Mr. Gene Gholke
Assistant Director
Securities and Exchange Commission
Division of Investment Management
450 5th Street NW
Washington, D.C. 20549

Dear Mr. Gholke:

The purpose of this letter is to request a No Action Letter permitting me to prepare trial balances on only a quarterly basis, rather than monthly.

I am a sole proprietor Financial Planner, I have no employees and my office is maintained in my home. The great bulk of my revenues derive from consulting fees. I provide no portfolio securities management services, I have no authority to trade clients' securities and have no possession or control of clients' investments of any kind. Occasional ancillary income is generated by commissions on the sale of life insurance on a purely brokerage basis and mutual funds commissions as an NASD Registered Representative.

In essence, I am a small businessman for whom the fees paid for accounting services to maintain monthly trial balances and related ledgers and statements is a hardship.

I would ask you to consider the No Action Letter on the basis that:

1. An inspection of my business was conducted on October 23, 1987 by Mr. Bernard Schwartz of the New York Office of the SEC and my business records, disclosure practices and method of conducting my business were found to be in good order.
2. I account for receipts and disbursements typically on a daily basis, but never less frequently than weekly.
3. I have never owed a client money except on one occasion a few years ago when the client's Accounting Department mistakenly paid me twice on the same invoice. I immediately issued a credit to the client against another outstanding invoice.

Mr. Gene Gholke

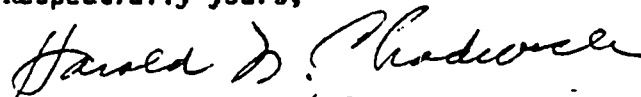
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October 26, 1987

4. Because my revenues have always substantially exceeded my expenses and all of my obligations other than my residence mortgages and installment auto loan are always paid within thirty days of receipt, I always know my general financial condition and have no personal need for monthly trial balances. On the contrary, quarterly accounting information (trial balance, general ledger, etc.) would be quite adequate for my purposes.

Your favorable consideration of this request will be much appreciated and I would be pleased to provide any additional information you desire.

Respectfully yours,



Harold N. Chadwick

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RESPONSE OF THE OFFICE OF CHIEF COUNSEL
DIVISION OF INVESTMENT MANAGEMENT

Our Ref. No. 87-623-CC
Harold N. Chadwick
File No. 801-22923

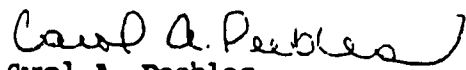
This responds to your letter dated October 26, 1987 requesting no-action assurance under the Investment Advisers Act of 1940 ("Advisers Act"). We would not recommend any enforcement action to the Commission under Section 204 or Rule 204-2(a) under the Advisers Act if Harold N. Chadwick, a sole proprietorship, prepares and keeps true and accurate trial balances, general ledgers and financial statements relating to its investment advisory business on a quarterly basis, as described in your letter.

Section 204 of the Advisers Act generally requires every investment adviser, other than one specifically exempted from registration, to make and keep for prescribed periods such records as the Commission, by rule, may prescribe as necessary or appropriate in the public interest or for the protection of investors. Under paragraph (a) of Rule 204-2, the required books and records must be kept on a current basis and must be true and accurate.

In American Asset Management Company (pub. avail. July 23, 1987) and William P. Frankenhoff, Inc. (pub. avail. August 24, 1987), the staff stated that the meaning of the term "current", as that term is used in Rule 204-2(a), will vary with the circumstances of an advisory business and the nature of the records being kept. Primary records of transactions should be created concurrently with the transaction or as soon as practicable thereafter. Secondary records, such as ledgers or other comparable records, to which transactional data are posted need not be updated as transactions occur. In those letters the staff took the position that posting transactional data to secondary records within 90 days of the transaction may be sufficient for advisers with only a few clients.

In the staff's view the adviser has the responsibility to ensure that the adviser's books and records satisfy the Rule 204-2 requirements that records be kept on a current basis and are assembled into the form necessary to facilitate inspection by Commission staff.

Please note that our response is expressly limited to, and is solely based upon, the application of the Advisers Act, and does not purport to include those applicable laws or other considerations that may be controlling for situations other than those involving an investment adviser or the Advisers Act. ^{1/} Having stated our position on this matter, we will no longer respond to interpretive requests unless a novel issue is presented.


Carol A. Peebles
Attorney

^{1/} For example, our position is not intended to provide an investment adviser who is also a registered broker-dealer with relief from the record keeping requirements of the Securities Exchange Act of 1934 and the rules thereunder, including the requirement in Rule 17a-3(a)(11) that the broker-dealer prepare at least monthly trial balances of all ledger accounts and compute aggregate indebtedness and net capital as of each trial balance date.