



Member FINRA/SIPC

AN ADVANCED EQUITIES COMPANY

May 16, 2008

Nancy M. Morris, Secretary
Securities Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

RE: File No S7-10-00
Proposed Form ADV Part II Amendments

Dear Ms. Morris,

Thank you for the opportunity to provide comments to the recently re-proposed amendments to the Form ADV Part 2. First Allied Securities, Inc. offers the following comments on behalf of itself, its affiliated registered investment advisers, and those registered investment advisers owned by registered representatives of First Allied Securities, Inc.

To provide a reference for the Commission, a brief description of First Allied Securities, Inc.'s ("FASI") business model may be helpful. FASI is a dual registrant with approximately 325 independent contractor investment adviser representatives conducting advisory business from approximately 230 branch locations in all 50 states. FASI utilizes a decentralized supervisory structure. FASI registered representatives own approximately 80 registered investment advisers, of which approximately 18 are registered with the Commission. In addition, FASI is affiliated with three additional advisers registered with the Commission and one additional dual registrant.

A. Part 2A: The Firm Brochure

1. Proposed Format: While in agreement that a narrative format is more meaningful than the current format, we are concerned that the absence of guidance in the sequential order of the presented items may make comparing advisers challenging to investors. We encourage the Commission to consider providing additional guidance to ensure uniformity in the disclosure documents of more than one adviser. One possible means of accomplishing uniformity would be to require the proposed index (Item 19) be included in copies of the Brochure provided to clients.
2. We agree that requiring information to be repeated if it is responsive to more than one item is not beneficial to clients and applaud the Commission for eliminating this redundancy.
3. Cover Page: Because of the decentralized method of supervision employed by many investment adviser firms, requiring the name and telephone number of a contact person could result in the necessity for retaining additional staff to maintain a service center. Would the Commission consider allowing an e-mail address in addition to or in lieu of a telephone number? This would allow requests for information to flow through a central location, which would serve to alert the corporate office of situations where intervention may be required but also allow them to pass service-oriented requests to the appropriate branch.
4. Material Changes: We agree that notification of material changes should be summarized and provided to investors. We question the value of providing a complete amended copy of the Part 2, in lieu of an offer to provide the amended Part 2, primarily because we question whether most investors read the Part 2. Most people today receive more information than they can possibly digest. We believe that receiving a 20 to 40 page document (whether in paper or electronic format) almost guarantees that it will not be read. We respectfully request the Commission consider requiring the summary to include, at a minimum, the information added to the Part 2 with an offer to provide the entire amendment at the investor's request.
5. Table of Contents: The Commission requested comments on whether to require a uniform format, standardized order, and standardized titles. We are of the opinion that the Commission should

require minimum standardized titles such as Items 4 (Advisory Business), 5 (Fees & Compensation), 9 (Disciplinary Information), 10 (Other Financial Industry Activities and Affiliations), 11 (Code of Ethics, Participation or Interest in Client Transactions and Personal Trading), 12 (Brokerage Practices), 13 (Review of Client Accounts), 14 (Payment for Client Referrals), 15 (Custody), 16 (Investment Discretion), 17 (Voting Client Securities), and 18 (Financial Information). Of the required items in the proposal, these categories are most likely to be contained in the Brochure of an adviser registered with the Commission.

6. **Advisory Business:** The Commission requests comments on allowing advisers to use a methodology to calculate assets under management that is different than the methodology required for the Part 1. While this approach will allow advisers who are dual registrants or who have brokerage business to better represent their overall business, we believe the Commission should require advisers to disclose the methodology they utilize in the Brochure. Further, unless the Commission intended to allow dually registered advisers to include brokerage assets in this calculation, we believe specific guidance from the Commission is necessary.
7. **Disciplinary Information:** The Commission requests comments on whether advisers should be required to disclose arbitration awards, settlements, claims, or civil proceedings and, if so, whether a minimum dollar amount should trigger the disclosure requirement. The purpose of requiring such disclosure would be to assist investors in determining the integrity of the adviser. We hesitate to encourage the Commission to require disclosure of claims or settlements. A claim does not necessarily indicate wrong-doing on the part of the adviser. Similarly, settlements are often offered because the cost of defending against a claim exceeds the settlement amount. Should the Commission determine to require disclosure of settlements, advisers should be allowed to rebut the materiality of a settlement that was offered to avoid legal fees of defending the claim, with proper documentation to indicate no wrong-doing was found upon the advisers investigation of the claim. This is especially crucial when an adviser may not be a party to the settlement negotiations in a case where his prior firm decides to settle a matter without the adviser's input. We offer the amount of \$50,000 as a minimum settlement amount requiring disclosure. Further, we believe that civil proceedings that resulted in the adviser's favor should not require disclosure.
8. To facilitate our recommendation of standardizing the minimum titles in the Table of Contents (A.5. above), we recommend including the index in the Brochure that is delivered to clients if the Commission does not adopt minimum standard titles for the Table of Contents.

B. Delivery and Updating of Brochures

1. **Delivery to Clients:** While we applaud the Commission's efforts to ensure clients are notified of changes in their adviser's business, we question whether requiring annual delivery of the updated Brochure would accomplish the Commission's goal. The volumes of information received by investors today negate the likelihood of a client reviewing an additional document. We believe the Commission's goal is more likely to be achieved if advisers are required to provide each client with a summary of changes to the Brochure and the offer to provide a complete updated copy of the Brochure upon request, along with instructions on how to access the Brochure(s) filed with the Commission through the Investment Adviser Public Disclosure site. Requiring delivery of the entire Brochure could significantly increase the adviser's costs which could result in clients paying higher fees, which is not beneficial to clients. We also applaud any efforts on the part of the Commission to conserve natural resources, rather than establishing requirements that are certain to needlessly squander natural resources.

Should the Commission persist with requiring annual delivery of the updated Brochure, 120 days after the fiscal year-end may not adequately meet the Commission's stated goal of minimizing costs by making delivery in conjunction with existing mailings. While many adviser's endeavor to provide clients with performance reports within 30 days of quarter-end, from time to time there are extenuating circumstances that prohibit the adviser from meeting this goal. Allowing an



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additional 15 – 30 days would ensure allowing delivery of the updated Brochure in conjunction with regularly scheduled reports.

2. Updating Part 2: Our only comment is regarding accessing historical versions of the Brochure through the Commission’s public disclosure Web site – we believe this would be beneficial to clients.

C. Part 2B: The Brochure Supplement

We applaud the Commission for recognizing the need for investors to have information about the people who directly provide investment advice to them. We would like to suggest that the Commission explore the possibility of utilizing FINRA’s BrokerCheck technology to accomplish this goal. Should this not be an acceptable alternative, we offer the following specific comments to the Brochure Supplement:

Educational Background and Business Experience: We are concerned that the Commission proposes allowing advisers the freedom to list professional designations and attainments without requiring minimum disclosure about the designation or attainment. As are many regulators, we are concerned about the proliferation of designations and the variances in meaningfulness of each designation. We recognize that limiting designations that could be listed could potentially be a disservice to clients, as new designations are introduced regularly. We encourage the Commission to require that the Disclosure Supplement contain instructions to the investor on how to locate the minimum requirements for obtaining each designation that is listed. This would allow investors to research whether the designation is meaningful to their circumstance. This could also mitigate potential embellishment of certifications that have little value.

We are also concerned that the Commission would consider requiring disclosure of any event over which a supervised person has ever resigned or otherwise relinquished a professional attainment, designation or license in anticipation of it being suspended or revoked. The language in the first paragraph on page 64 of the release appears overly broad – does the Commission intend to limit ‘licenses’ to investment related? Or would the Commission expand this definition to include licenses in other industries, particularly those aligned with investments such as insurance, law, actuarial, etc.

We also wonder how an adviser would monitor whether an investment adviser representative had resigned in anticipation of suspension or revocation? Although some certification boards may have a systematic ability to look up certified persons, do they all? Do all boards maintain their records indefinitely? If they do, do they provide public access to aged records? This seems to be a requirement that may be impossible to fulfill.

D. Filing Requirements, Public Availability, and Transition

1. While we understand the ultimate value in requiring the Brochure to be filed in eXtensible Business Reporting Language (“XBRL”), we believe this would create an unnecessary burden on smaller advisers.
2. We believe the Commission’s estimate that most firms will spend 22.25 hours during the first year the adviser responds to the new Part 2 requirements is unrealistic. For a firm the size of First Allied Securities, Inc., with approximately 325 investment adviser representatives, the mere preparation and internal handling of the Brochure Supplements alone would take a minimum of 163 hours, or 4 weeks (assuming no more than 30 minutes is spent on each representative’s supplement).

Firms that have automated systems to ensure delivery of the required disclosures to each client may have programming needs to ensure each client continues to receive the required disclosures. It is unlikely that firms who have implemented internal controls such as these will have the ability to re-program their systems to include the specific disclosures required by the amendments within six months.

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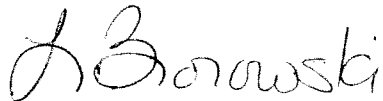
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We strongly encourage the Commission to review the estimation of time spent on implementing the amendments for each adviser (page 81 of the release).

We support the efforts of the Commission to provide meaningful disclosure to investors so informed decisions can be made. If you have any questions, please feel free to contact me at (619) 702-9764.

Sincerely,



Luanne Borowski
RIA Chief Compliance Officer