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Newport Beach, CA 92660

May 16, 2008

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

**RE: File Number S7-10-00;  
Amendments to Form ADV**

Dear Ms. Morris:

We appreciate the opportunity to comment on the above referenced proposal. Advisor Solutions Group, Inc. is a compliance consulting firm that assists small to mid-sized investment advisers with registration and ongoing compliance needs. Our investment adviser clients typically have twenty or fewer employees and many have less than ten. Their assets under management are typically under one billion dollars and many manage less than three hundred million. Our comments stem from our experience of drafting, amending, and filing hundreds of ADVs over the past few years.

While we support investors receiving meaningful and easy to understand disclosures about an adviser's practices and conflicts of interest, we do not believe that the proposed delivery requirements are any more likely to achieve this than the current Form. In the experience of our investment adviser clients, their clients rarely, if ever, request a brochure when it is offered. Moreover, we have had several newly registered advisers report to us that their clients returned the brochure to them along with other new account paper work; even though the adviser clearly specified that the brochure was theirs to read and keep. We do not believe that the newly proposed delivery requirements are likely to lead to any more brochures being read by investors, especially given that the proposal will increase the length of the brochure. While we agree that improvements should be made to Form ADV, we also feel that getting investors to read Form ADV does not lie in the delivery of the Form, but rather in investor education. Education is the best protection for investors.

Furthermore, while we support revisions to Form ADV, we believe that revisions should have extended beyond Part II to include Part 1. While Part 1 primarily serves the purpose of registration, we believe it contains information that would be of interest to investors; and while it is publicly available, investors are often not aware of its existence. Having familiarity with Part 1 and IAPD, our firm relies on that source to quickly get an overview of a prospective or new investment adviser client. We believe this

information would also be meaningful to investors. However, there is substantial overlap between the two current forms and a number of questions are worded similarly but not exactly the same, creating confusion for advisers completing the two Forms; the duplication and confusion should be eliminated. Additionally, we would like to see a number of questions revised or clarified that have provided confusion for advisers in completing the Form. (E.g. Item 6. of Form ADV Part 1 should be clarified that it applies to the firm and not to the supervised persons of the firm. This and other items have been the source for confusion for many advisers.)

Rather than initial delivery of the brochure, we propose that the Commission consider that advisers should deliver a disclosure statement that alerts clients to the brochure and its importance with instructions detailing how to look up the brochure on IAPD. The disclosure statement might read something like:

“Before retaining the services of an investment adviser, you should carefully review and consider the adviser’s services, investment strategies, fees, management, disciplinary history, and conflicts of interests the adviser may face while serving its clients, as disclosed in the investment adviser’s brochure.

Our brochure and other information about us contained in Form ADV are publicly available on the Investment Adviser Public Disclosure web site at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search for our brochure and Form ADV by our company name, our CRD# XXXXX, or our SEC File No. 801-XXXX. You may also obtain a copy of our brochure at no cost by calling us at XXX-XXX-XXXX.”

We propose that advisers would be required to deliver this initial disclosure statement and obtain the client’s signed acknowledgement of receipt.

Thereafter, we propose that advisers would be required to send a summary of any material changes to their brochure to their clients with a description of how to obtain a copy of the full brochure on IAPD or by contacting the adviser. We support material changes being communicated to clients as they occur and not just annually. We believe advisers are already required to disclose material changes to clients. They currently do this by sending a new ADV II often with a cover letter summarizing the change or by sending a letter detailing the change. Currently material disclosures are made promptly to clients, and not just at the end of the year.

Annually, advisers would remind their clients of the availability of the brochure and Form ADV through the delivery of a notice again with the same description of how the client can obtain the full brochure. Advisers would be required to retain records of delivery of the summaries and annual offers of the brochure.

We believe that permitting advisers’ delivery of the brochure in the manner prescribed above would accomplish the disclosure currently sought under the proposed rule, potentially facilitate investor

education about investment advisers by introducing them to IAPD, and would have the added benefit of helping our environment by reducing the amount of paper the proposal would create.<sup>1</sup>

Additionally, by directing investors to IAPD, we believe they will be more likely to also view Form ADV, Part 1. Form ADV, Part 1 already allows for the relatively easy comparison of advisers with respect to the information contained in that form. However, we would suggest that a reader and printer friendly version of the Form be created for the public web site that would eliminate unnecessary instructions or content. For example, a printed version might only include the positive responses to a question while removing all other possible responses. We will be happy to submit more detailed comments on amendments for Form ADV, Part 1 and propose formatting changes in response to a proposed rule of form amendments, should those be proposed in the future.

We offer the following comments with respect to the content of Part 2 as proposed:

- **Part 2A. Item 1. Cover Page.** Under the proposed rule, an adviser would have to disclose its business address on the cover page of the brochure. Currently, on Form ADV Part 1, an adviser whose principal place of business is a personal residence can check a box indicating that the address is a personal residence so that this personal information does not appear on Form ADV publicly available on IAPD. This same method of protecting the personal privacy is not feasible with an attached PDF of Part 2 listing the adviser's principal address on the cover. We propose that investments advisers whose principal place of business a personal residence, in order to protect their privacy, be permitted to replace the street address on the cover page with a statement that the adviser's place of business is a personal residence and that they will provide that address to any prospect upon becoming a client. Those advisers should continue to include the city and state where they are located so that they know the general geographic area where they are located.
- Since the adviser's web site URL is already disclosed on Part 1, additional reference is not necessary and should be optional. A web site is generally created for advertising and marketing purposes, not for disclosure purposes.
- **Item 2. Material Changes.** As proposed above, we support advisers sending a summary of changes to clients as they occur and therefore keeping it separate from the brochure. The method we propose also eliminates the burdensome need of advisers to keep track of which client or prospect received an older version of the brochure.
- **Item 4. Advisory Business.** As proposed above, we encourage the elimination of duplication between Part 1 and Part 2, not addition to it. We feel that directing investors to both Parts 1 and 2 on IAPD would provide investors with all required disclosure while eliminating the need for duplication between the two forms. We support adviser's ability to include information they believe is meaningful to investors in their brochure. However, if an adviser discloses its assets

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<sup>1</sup> We believe many advisers would not be able to take advantage of electronic delivery of their brochures as permitted in the Investment Advisers Act Release No. 1562 due to the technical difficulties of complying with the "evidence to show delivery" requirement, as electronic mail return-receipts are not reliable.

under management, the adviser should be required to include an “as of date” and describe in the brochure (not just in internal records) the method it used to calculate that number. We believe that advisers should not be required to disclose why they selected a different method from the one used on Part 1 of Form ADV.

- We support the proposal not to require advisers to list all wrap fee programs as we do not believe it provides meaningful information to clients and as this information is already included in Part 1.
- Item 5. Fees and Compensation. We support the requirement that advisers disclose information about mutual fund or other third-party fees, while not disclosing the range of those fees. We believe it is sufficient to inform the client that they will bear other costs in addition to advisory fees. The amounts and ranges could vary substantially among clients, so that additional disclosure would not be meaningful.
- Item 8. Methods of Analysis, Investment Strategies and Risk of Loss. We do not support prescribing specific disclosures with respect to frequency of trading and cash balances. We believe that practices may vary too widely based on strategies used and client situations and thus succinct disclosures may not be feasible. Instead, the instructions should guide advisers and give them latitude to include all material disclosure with respect to each investment strategy.
- Item 9. Disciplinary Information. We support directing investors to Form ADV, Part 1, on IAPD for disciplinary information already publicly disclosed, thereby eliminating unnecessary duplication.
- Item 17. Voting Client Securities. We suggest that the Commission propose amendments to Rule 206(4)-6 rather than require additional disclosures through this separate rule. Advisers should not have to look to multiple rules to determine their compliance requirements with respect to a single area. Disclosures of proxy voting policies in ADV 2 should be the same summary currently required by Rule 206(4)-6. We do not believe that the added disclosures proposed are necessary or meaningful. Advisers should not have to disclose how they pay for proxy voting services, with the exception that if they use soft dollars, that would be disclosed under Item 12. We believe that the identity of the proxy voting service will not be meaningful to most clients; nor would most clients be interested in knowing how much advisers pay for proxy voting services. Only institutional clients might be interested in this additional information, and they would presumably request it during their due diligence process.
- Item 19. Index. We strongly suggest the Commission remove the requirement for an index. We believe the table of contents in combination with full text-searchable PDF should be sufficient to facilitate the staff’s review for compliance with the rule. The requirement to include an index creates an unnecessary burden. The burden lies primarily in creating and maintaining the index. Requiring the index to be included only in the brochure filed on IARD creates yet another unnecessary administrative burden.
- Part 2A Appendix 1: The Wrap Fee Program Brochure. We suggest that the wrap brochure be folded into the brochure and the separate brochure be eliminated.

- **Part 2B: The Brochure Supplement.** We agree that much of the information proposed in the supplement would be meaningful to clients. We support advisers being able to include this information in their brochure and deliver it in the same manner as we have proposed above. We support the option that advisers could elect to prepare supplements for different groups of supervised persons.
- **Item 1. Cover Page.** The brochure supplement should not require a separate cover page; rather, the identifying information and the firm should be at the top of the supplement.
- **Item 2. Educational Background and Business Experience.** Advisers should be permitted to include professional designations. We suggest that advisers foot-note designations with a description and summary of requirements to obtain and maintain the designation and include a reference, such as a web site, where the client could obtain more information about the designation.
- **Item 3. Disciplinary Information.** We support prior comments that disclosures be limited to events that are the subject of a final order or judgment, and not requiring disclosure if the supervised person is named in a pending proceeding.
- We support that the use of a professional designation should be optional as discussed in Item 2 above. If an adviser elects to use professional designations, changes in status, to the extent material, would be reportable in updates to the brochure and/or supplement.

## Cost Analysis

While the proposal provides flexibility in presenting information and providing a plain English disclosure document, it substantially increases the burden on preparing and maintaining the brochure. We note that quite a number of our clients who are smaller advisers do have soft dollar, directed brokerage arrangements, and/or custody of client assets. We believe the Commission's estimates severely understate the expected burden of the proposed rule. Our firm has spent a minimum of 8 hours preparing an initial Form ADV for the simplest of our investment adviser clients to over 20 hours for small advisers with affiliates or multiple services. Our firm spends typically between 5 and 16 hours per year for minor to major amendments to the Form throughout the year. Please note that these numbers include our time to prepare or amend filings and do not include the client's time to collect information, review, or otherwise amend the Form. We believe the above numbers would increase substantially, most likely doubling, for the new Form, both initially and for amendments. Additionally, we believe states will generally adopt the changes of any Final Rule and form amendments; and therefore, this additional cost should be considered for all advisers, including state registered advisers, for whom the burden will be even higher than for a similar federally registered adviser due to the additional requirements for stated registered advisers.

We believe the delivery method we have proposed will go a long way to reducing the delivery burden, while not the burden of preparation or amendment.

We appreciate the opportunity to comment on this proposal. If you have any questions or would like to request clarification, please contact me at 949.250.1855, via e-mail, or the address above.

Sincerely,

Krista S. Zipfel, CFA  
President & CEO