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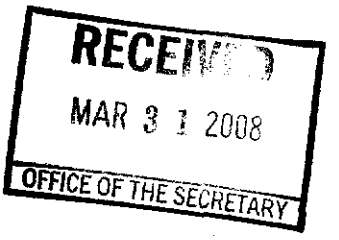


March 18, 2008

Nancy M. Morris
Secretary, SEC
100F Street NE
Washington, DC 20549-1090

Dear Ms Morris:

Ref. File Number S7-10-00

I have reviewed the materials from the SEC regarding proposed changes to Part 2 of Form ADV.

Before commenting about the individual sections of this proposal, I would suggest that although some individual portions of the proposal would improve on current practice, the overall benefits of this project do not justify the massive effort involved.

On balance, I do not find the estimation of potential costs of these changes to be convincing or reassuring, or that the burden of risk, especially placed on smaller firms, justifies this additional reach for bureaucratic power. It would be better to leave the current form as it is, and provide the option of filing Part 2 electronically.

However, given the amount of time that has been invested in the proposed changes, it would seem unlikely that my view will be accepted, so I attach some comments regarding various individual provisions, hoping they may be useful.

Examining the specific proposals leads us to the conclusion that the risks of the expanded format are greater than described, as there is little to indicate what would constitute satisfactory responses. See for example, see page 13, the requirement of a table of contents. Considerable uncertainty is opened in just a single requirement. The SEC's response to the CFA suggestion is that flexibility requires an open format. Nevertheless, we would face an extended period of discovery in determining exactly what is a sufficient and satisfactory format. It's not an issue of how hard it would be to make a table of contents. It's being handed the additional uncertainty, among dozens of other new requirements, of psyching out how the SEC will rule on one's particular table, and weighing the risks of providing one which does not satisfy the inspector's interpretation, versus making every possible effort to

be certain that whatever is produced will not be challenged. The cost of each unsatisfactory element or 'gig' at an inspection is potentially high and unpredictable. Keeping the format the same reduces this very real cost. The true cost of every regulatory change is much higher than the direct cost of producing one particular report.

For the current ADV-2, advisors, consultants, and the SEC have already hammered out a general understanding regarding the detailed specifics that are needed. Many of the other proposed changes each individually add a weight of uncertainty as to the regulatory risk and the outcome of each inspection that is not captured in the SEC's estimates of the paperwork burden.

Specific concerns:

Page 23: I support the position of avoiding a definition of 'frequent trading.' There is no adequate academic or other definition of this term, nor is it appropriate that all clients should be shoehorned into one particular policy regarding the frequency of trading. Putting this on the table would require advisors to define, track, and justify all trading in terms of some hypothetically satisfactory level.

Page 38. I oppose specifying the frequency of review of clients' accounts and financial plans. Specifying and documenting such reviews would both increase the burden on each advisor, tend to reduce flexibility in services, and increase the risk that advisors would find themselves in conflict with some specification in their brochures. I would like to address the view as expressed here and many other places, to the effect that "Commenters who addressed this item supported it as being helpful to clients." This sets the bar for new regulation extremely low. All kinds of other encroachments might be justified as possibly being 'helpful' to clients. We question whether the SEC is really charged with deciding how advisors should best market themselves to their clients.

Page 43. Item 18. We suggest that the balance sheet requirement remain unchanged except for increasing the floor from $500 to $1,200 unless the advisor has custody of client assets. We would oppose new requirements on the grounds that they would be intrusive and unnecessary. A similar argument might be made that the SEC should require the disclosure of the results of an annual physical examination for each advisor in order to assure the client that the advisor remains in good enough health to complete the term of the contract.

Page 48. We oppose requiring annual delivery of a disclosure statement. Throughout this proposal we are asked to supply quantitative evidence regarding our response. Consider our firm's experience. In order to be sure that we satisfy the brochure rule, this firm prints a declaration that Form ADV-2 is available on request on every monthly statement, every piece of written correspondence, and some other reports. Every client sees this offer many times a year. But in the whole experience of this firm over many years and over all the relationships with its many clients, actual requests to see Form ADV have been almost nil. We believe this low level of response is a strong indicator of the very limited utility of requiring annual delivery of this form. (If the ADV were available on line, our declaration could be modified to indicate where clients could look for such information, and no delivery would be required for them.) Taking the SEC's own estimate on page 90, we see that the estimated ongoing cost of delivering a brochure annually to all SEC registered advisors'

clients as the staggering total of 2,739,405 hours per year. Unstated additional costs would accrue to advisors who will eventually, one expects, be required to prove that all clients actually received their annual mailing in a timely manner. Against these definite costs, we note on page 101, that the SEC's proposal admits, "Although we believe these benefits to advisory clients will be substantial, they are difficult to quantify." Experienced investment advisors know that an investment whose costs are both substantial and certain but whose benefits are "difficult to quantify" is often a poor one.

Page 53. Brochure Supplement. We take issue with much of the reasoning used to support these expanded requirements. Again, consider the phrase, "We believe clients of these firms are also interested in..." In a free county, clients are free to ask for whatever interests them. Letting clients decide what interests them is a more reasonable and efficient approach than creating a more complex reporting form based on a guess as to what clients are interested in, and then promulgating a set of regulations carrying the full weight of our securities laws when no means exist for determining the degree of such interest.

Page 54 contains a similar misplacement of SEC activity. "Several commenters, including those representing financial planners, investment consultants, and consumer groups, praised the supplement as a highly practical and beneficial tool for informing clients about the qualifications and background of the individuals on whom they rely for investment advice." We question whether it is appropriate for the SEC to be in the business of telling advisors how they should best market themselves to clients. We believe that the SEC should think again about how much it should be influenced in the course of its duties by what is convenient for the marketing strategies of certain influential bodies under its purview. Again, consider the wording on this page: "We continue to believe that information contained in the brochure supplement may be very important to clients." We suggest that in a fee society clients would freely exercise their right to ask directly for whatever additional information they find most useful in making their decisions. They may choose to ask for more information, or they may not.

Page 55. Delivery and Updating. Much of the argument for the current proposals goes along the lines of, "In 2000, we proposed to increase the reporting requirement from X0 to X1. Now we are proposing X2, a slightly less burdensome a requirement than X1, so therefore you should support X2." Such an argument is not very convincing support for X2 over X0.

Page 62. We suggest that there should be no requirement to define the various professional designations. This could have the unintended effect of making advisors and the SEC into advocates for these various credentials

Page 65. We believe that it is an intrusion on the client-advisor relationship to require details about how advisors may be compensated outside of the advisor relationship. We object also to the SEC's use of testimony by the CFA to bolster its own argument. The fact that a powerful body such as the CFA 'enthusiastically' supports an SEC position should actually give the SEC pause to consider who is regulating whom. If in fact the client "is in the best position to assess the significance of any other business activities," then of course the client is in the best position to inquire about and investigate such activities - not the SEC, and not the CFA.

Page 67. The CFA is cited as "strongly" supporting a proposal, while two other bodies that object to it are unnamed. The proposal basically puts on the table a full disclosure of Advisors' compensation policies and creates the burden of explanation and justification of such policies to SEC inspectors. We believe it would be a mistake to open the door to this type of review. In other portions of our filings, clients are advised of the nature of advisory fees in full detail. Breaking down which types of bonuses would require disclosure and which would not, and then convincingly documenting that information to a skeptical inspector would add a great burden to regulatory work and risk for many advisors.

Looking at the many pages beginning with page 75 about the Paperwork Reduction Act can only bring tears to one's eyes. The Act was written to help reduce paperwork requirements; here it is used to help justify greatly *increased* paperwork. We believe that the use of a consultant who reports to the SEC that the additional burden associated with Form ADV may be as little as 5 hours may suggest a poor choice of consultants. The SEC has every natural bureaucratic instinct to increase its empire. It has the financial weight to hire consultants who will tell it what it wants to hear. Have advisors hired their own consultant to consider the same issue? Through all this analysis, the work is based on a very simplistic approach – "How many hours to fill out the forms?" But in fact, there lies unstated the inherent risk of creating new forms, exploring new requirements, adapting to new modifications as the requirements are worked out and clarified, and the very real risk of inadvertently getting crosswise of some new requirement. This cost analysis is simplistic in that it ignores the marginal cost of doing additional regulatory work. A typical firm is very busy working for its clients. It does not have lots of idle hours in the day. Successful firms bend every effort to make the time spent on the job as productive as possible in terms of investment returns to their clients. Spending additional hours preparing and completing forms is not as simple as turning on a faucet and paying for more water. In reality, each hour of regulatory burden reduces the time available to provide quality investment service to clients. To some degree, direct paperwork costs will be passed through to clients, but the real cost should be measured as the lost value added for clients. Although the SEC shows some sensitivity to reducing the burden of new requirements, we don't believe it has thoroughly considered the ultimate impact on client portfolios, which is the ultimate rationale for all regulation.

Further paperwork requirements tend to have the greatest impact on small firms and on new entrants to the field. We argue that clients may select large or small firms based on their own needs and are fully qualified to do so. Regulatory burdens should not favor established businesses over new firms.

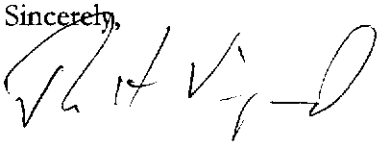
Page 102. There is a request about the percentage of clients whom advisers think are likely to take electronic delivery. Many clients have spam-blocking services where they work and so may not be able to reliably receive email of this sort. Many request a high-quality hard copy of their reports over email. We would estimate that 30-40% of clients would take advantage of electronic delivery.

Page 103. The final summary of estimated costs, ignoring the risks to advisers who may face sanctions for unwittingly failing to fully comply with new requirements, are computed as the enormous sum of $191,492,405; the potential benefits to advisory clients and to the advisory industry are both described as "difficult to quantify." We note that in addition to the

unquantified costs mentioned on this page, there is no structure in place to assure that the estimates were done in a reasonable manner or that anyone at the SEC takes ownership of the accuracy of the cost/benefit analysis.

We therefore suggest that the proposed rulemaking should be set aside in favor of a modest updating and electronic conversion of the current ADV-2.

Sincerely,



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