

575 Madison Avenue  
New York, NY 10022-2585  
212.940.8800 tel  
212.940.6400 fax

**MERYL E. WIENER**  
meryl.wiener@kattenlaw.com  
212.940.8542 direct  
212.894.5936 fax

May 16, 2008

Ms. Nancy M. Morris  
Secretary, Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 20549-1090

**Re: SEC File Number: S7-10-00  
Proposed Amendments to Form ADV**

Dear Ms. Morris:

On March 3, 2008 the Securities and Exchange Commission (“SEC” or “Commission”) repropoed amendments to Part 2 of Form ADV (“Part 2”) and related rules under the Investment Advisers Act of 1940 as set forth in Release No. IA-2711; 34-57419; File No. S7-10-00 (the “Release”). Among other things, the amendments will require investment advisers registered with the Commission (“RIAs”) to deliver to clients and prospective clients a brochure written in plain English. Katten Muchin Rosenman LLP is pleased to have this opportunity to comment on the Commission’s proposed amendments as set forth in the Release.

Katten Muchin Rosenman LLP is a full service law firm with a substantial investment management practice. Our clients include a wide range of RIAs that provide investment advice to a large number of hedge funds, mutual funds, large institutions and high net worth individuals. Our comments are our own, and at the same time, are mindful of the interests of our clients and their clients.

We agree with the Commission’s proposed overall redesign of Part 2 to (i) provide investors and prospective investors with “clear, current and more meaningful disclosures” regarding RIAs and (ii) create a system of disclosure for easier access to such information. We agree that requiring RIAs to file Part 2 electronically, and making the information available to the public on the SEC website, will benefit the investing public by facilitating the efficient dissemination of timely and relevant information about RIAs.

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Nevertheless, we are concerned with several aspects of the reproposed amendments because we believe that some of the information is to be provided in a way that will have the opposite of the intended effect, in that it will either complicate or otherwise obfuscate the information being provided. Specifically, our concerns are with (a) the total narrative format of Part 2; (b) the requirement that RIAs provide clients with a “summary” of any material changes to Part 2 since the last annual update; and (c) the requirement that RIAs provide to certain types of clients a “brochure supplement” about the advisory personnel on whom such clients rely for investment advice.

## **Total Narrative Format of Part 2**

We believe that as presently contemplated, the revised Part 2 consisting of 19 items in a totally narrative format (even one written in plain English) will significantly increase the difficulty investors and prospective investors will have in comparing RIAs and their business practices, and pinpointing answers to specific questions they have with respect to RIAs. A narrative description of RIA practices that entirely eliminates a “check-the-box” format will make “comparison shopping” difficult, if not impossible. Indeed, an RIA could provide the required disclosure, but “bury” less than favorable information in lengthy prose in a way that it could not do in a “check-the-box” format. For example, in the current Part 2, an investor who wishes to avoid an RIA that uses “charting” as a method of analysis or who wishes to identify an RIA that provides “financial planning”, need only look at the relevant numbered items for a clear “yes-or-no” answer to those questions. An investor would not need to read a lengthy narrative of the RIA’s methods of analysis or the services it renders and then ponder the meaning of the descriptions provided to find answers to his questions.

However, if the Commission is intent on a totally narrative format for Part 2, we believe that the problem of “burying” information could be ameliorated if the Commission revised both Parts 1 and 2 of the ADV so that they worked together effectively. This could be accomplished by significantly expanding the scope of questions in the current “check-the-box” format of Part 1 and coordinating the item numbering systems of the two parts, such that the narrative responses in Part 2 amplify corresponding responses given in Part 1. In that way, for example, if an RIA checked the box in Part 1, Item 1 that it provides “financial planning” services, it would then be required to explain in the narrative Part 2, Item 1 the precise nature of those services. If both parts of the ADV used a corresponding numbering system, investors would be able to better access information relevant to them.

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We believe that a “check-the-box” format is user friendly, and recommend that the Commission use a “check-the-box” format in conjunction with a narrative description. To further ensure a clear presentation of information, we urge that a uniform format, together with a detailed index, be required such that information is presented in a standardized order with standardized titles and in standardized sections.

### **“Summary” of Material Changes**

The repropounded amendments will require an RIA to deliver an annually updated brochure within 120 days after the end of the RIA’s fiscal year and interim updates when the RIA amends its brochure to add a disciplinary event or to materially change disciplinary information already disclosed. In addition, an RIA will be required to update the electronically filed Part 2 annually and to update it promptly when any information in the brochure becomes materially inaccurate. To require RIAs to provide clients with a “summary” of any material changes made since the last annual update would unnecessarily duplicate information and result in the RIA essentially providing the same information twice in the same filing. Moreover, a summary, by its very nature, would result in too cursory treatment of important information and deflect investors’ attention from the full disclosure; or in the alternative, result in the RIA, out of an abundance of caution, merely restating the long version.

We appreciate that the purpose of the “summary” is to highlight for clients any material changes to information that is required to be disclosed. We believe this purpose is accomplished by delivering to clients an annually updated brochure, interim updates to reflect material changes to disciplinary information and on-line access to Part 2 that reflects promptly filed material changes to information. If the Commission believes that additional notice to clients is still needed, we recommend that RIAs simply be required to include in their typical monthly or quarterly letters to clients a statement, when appropriate, that Part 2 has been updated to reflect a material change, and that it can be accessed on the SEC website. In that way, there would be no danger of clients relying on “stale” information or on informational distortions that necessarily occur in a summary disclosure. Clients would be apprised of a material change and could review the full disclosure in a timely manner, obviating the need for a “summary”.

### **“Brochure Supplement” for Supervised Persons Providing Investment Advice**

The repropounded amendments will require an RIA to provide certain types of clients with a “brochure supplement” to disclose a new disciplinary event or a material change to disciplinary information already disclosed for each supervised person who (i) formulates investment advice for that client and has direct client contact, or (ii) makes discretionary investment decisions for that client’s assets, even if the supervised person has no direct client contact. We believe the

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requirement of providing a “brochure supplement” is unnecessarily cumbersome to both RIAs and their clients.

Information regarding RIA supervised persons who provide investment advice should be disclosed in Part 2 and therefore publicly available on the SEC website. To the extent there is a new disclosure of a disciplinary event or a material change to disciplinary information pertaining to such supervised persons, it should be treated the same as any other material change of a disciplinary event. We believe that public access to a promptly updated electronically filed Part 2, coupled with required annual delivery to clients of an annually updated brochure, interim updates to reflect material changes to disciplinary information and, if the Commission believes necessary, notice contained in a monthly or quarterly letter to clients that a material change has been made, obviate the need for RIAs to provide clients with yet another document – the proposed “brochure supplement”.

The problem is not ameliorated by requiring RIAs to send the “brochure supplement” only to those clients who receive investment advice from the supervised persons whose disciplinary information is being changed. If anything, the Commission’s attempt to give latitude to RIAs to target delivery of the proposed “brochure supplement” only adds an administrative burden to RIAs to discern to which clients to send which “brochure supplements”. In any event, as a practical matter, it is unlikely that an RIA could effectively target delivery of the “brochure supplement” because it is often not a single individual, but rather a team of analysts that formulates investment advice and makes discretionary investment decisions for clients; and so, as presently contemplated, RIAs would be providing clients with a “brochure supplement” for virtually all their supervised persons. Moreover, even if an RIA were able to effectively discern which clients should receive which “brochure supplements”, an RIA might be reluctant to do so, lest it unintentionally or inadvertently fail to deliver the correct “brochure supplement” to the correct client. This would likely cause RIAs to engage in a “shotgun” approach and deliver all “brochure supplements” to all clients. Delivery of a “brochure supplement” seems unnecessary since the disclosures are otherwise available, as described above.

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In addition, although not addressed in the current Release, we believe that it would be appropriate for the Commission to clarify in the final rule its position as to whether RIAs are required to provide Part 2 to investors in hedge funds and other pooled investment vehicles that they manage.

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We hope our comments assist the Commission in finalizing its proposed amendments so that the goal of providing investors with “clear, current and more meaningful disclosures” is accomplished.

Thank you for the opportunity to provide you with our comments.

Respectfully submitted,

A handwritten signature in cursive script that reads "Katten Muchin Rosenman LLP".

Katten Muchin Rosemnan LLP  
Financial Services Group