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May 9, 2008

Ms. Nancy M. Morris
Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-0609

Re: Amendments to Form ADV; File No. S7-10-00

Dear Ms. Morris:

The Cornell Securities Law Clinic (the "Clinic") welcomes the opportunity to comment on the above-referenced rule proposal (the "Rule Proposal"). The Clinic is a Cornell Law School curricular offering in which second and third-year law students have the opportunity to provide representation of public investors and public education as to investment fraud in the largely rural "Southern Tier" region of upstate New York. *See* <http://securities.lawschool.cornell.edu>.

The Rule Proposal seeks to amend Part 2 of Form ADV. Form ADV requires investment advisers to disclose certain information to clients and prospective clients. Currently, Form ADV is organized by having investment advisers' complete fill-in-the-blank questions organized in a check-the-box format. The Rule Proposal would change the format of Form ADV to require investment advisers to deliver a brochure, written in plain English, to clients and prospective clients. In addition, the Rule Proposal will require additional disclosure including disciplinary information. The Clinic strongly supports changing Form ADV to a narrative format and adding to the mandatory disclosure requirements.

For the purpose of this comment letter, we limit our discussion to the Rule Proposal's inclusion of Item 9: Disciplinary Disclosure, which will require that investment advisers disclose material facts about disciplinary information in writing. The Clinic supports requiring the disciplinary disclosure information to be disclosed in writing because that is the only way the Securities and Exchange Commission ("SEC") can verify that these disclosures are actually being made to investors. The Rule Proposal falls short, however, as to the list of presumptively material events which must be disclosed.

The SEC has requested comments on whether the proposed list of materially presumptive items should be expanded or modified. The Clinic suggests that in determining which items should be included on the presumptively material list, the SEC should look to what is required to be disclosed on Form U4. The current Form U4, which requires disclosure from representatives registered with the Financial Industry Regulatory Authority ("FINRA"), was approved by the SEC in September 2005.¹ In the course of its approval, the SEC necessarily determined which material disclosure items must be disclosed by a registered person affiliated with a broker-dealer. Since a registered person affiliated with a broker-dealer has similar interactions with the public as an investment adviser, there is no reason why a higher level of disclosure should be required by a registered person affiliated with a broker-dealer. Thus, since the SEC has already recognized what needs to be disclosed on Form U4, the SEC should conform Form ADV's presumptively material list to the substantive disclosures required on Form U4.

Appendix A (attached) compares what Form U4 currently mandates be disclosed in contrast to the presumptively material disclosures under the Rule Proposal. This analysis shows how few of the Form U4 requirements are on Form ADV's presumptively material disclosure list. One item that stands out is that currently the Rule Proposal does not include pending litigation on matters related to alleged investment fraud on the presumptively material list, although such information is required to be disclosed on Form U4. Considering that the SEC has found it pertinent to notify the public of investment fraud litigation on the SEC's website,² the SEC clearly realizes the importance of this information to the investing public. Since not all investors check the SEC's website for possible litigation pending against their potential or current investment advisers, pending litigation should be considered a presumptively material disclosure.

Another important item that is not currently listed as presumptively material in the Rule Proposal is customer complaints. Customer complaints alleging sales practice violations must be disclosed on Form U4, but are not considered presumptively material under the Rule Proposal. Since an investor would want to know if similarly situated investors have had a problem with an investment adviser, this information should be deemed presumptively material.

Accordingly, the Clinic urges the SEC to increase the list of items which are presumptively material to include the disclosures required on Form U4. Such disclosures already have been recognized as material to the investing public, and there is no good reason to require less disclosure by investment advisers.

¹ <http://www.finra.org/RegulatorySystems/CRD/FilingGuidance/p005235>;
<http://www.law.uc.edu/CCL/34ActRIs/rule19b-4.html>

² <http://sec.gov/litigation/litreleases.shtml>

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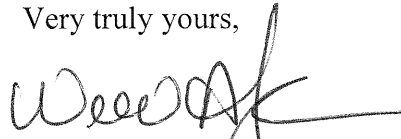
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Conclusion

The Clinic greatly appreciates the opportunity to comment on this Rule Proposal. As set forth above, while the Clinic generally supports the Rule Proposal, the Clinic urges the SEC to conform its presumptively material disclosure list to include the mandatory disclosure requirements of Form U4.

Very truly yours,



William A. Jacobson, Esq.
Associate Clinical Professor
Director, Cornell Securities Law Clinic



Jennifer Freiman, Cornell Law School, '08

APPENDIX A

FORM U4 Criminal Disclosure	FORM ADV
<p>14A. (1) Have you ever: (a) been convicted of or pled guilty or nolo contendere ("no contest") in a domestic, foreign, or military court to any felony? (b) been charged with any felony?</p>	<p>✓ ✓</p>
<p>(2) Based upon activities that occurred while you exercised control over it, has an organization ever: (a) been convicted of or pled guilty or nolo contendere ("no contest") in a domestic or foreign court to any felony? (b) been charged with any felony?</p>	<p>✓ ✓</p>
<p>14B. (1) Have you ever: (a) been convicted of or pled guilty or nolo contendere ("no contest") in a domestic, foreign or military court to a misdemeanor involving: investments or an investment-related business or any fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, extortion, or a conspiracy to commit any of these offenses? (b) been charged with a misdemeanor specified in 14B(1)(a)?</p>	<p>✓ ✓</p>
<p>(2) Based upon activities that occurred while you exercised control over it, has an organization ever: (a) been convicted of or pled guilty or nolo contendere ("no contest") in a domestic or foreign court to a misdemeanor specified in 14B(1)(a)? (b) been charged with a misdemeanor specified in 14B(1)(a)?</p>	<p>✓ ✓</p>
Regulatory Action Disclosure	
<p>14C. Has the U.S. Securities and Exchange Commission or the Commodity Futures Trading Commission ever: (1) found you to have made a false statement or omission? (2) found you to have been involved in a violation of its regulations or statutes? (3) found you to have been a cause of an investment-related business having its authorization to do business denied, suspended, revoked or restricted? (4) entered an order against you in connection with investment-related activity? (5) imposed a civil money penalty on you, or ordered you to cease and desist from any activity?</p>	<p>X ✓ ✓ ✓ ✓</p>
<p>14D. (1) Has any other Federal regulatory agency or any state regulatory agency or foreign financial regulatory authority ever: (a) found you to have made a false statement or omission or been dishonest, unfair or unethical? (b) found you to have been involved in a violation of investment-related regulation(s) or statute(s)? (c) found you to have been a cause of an investment-related business having its authorization to do business denied, suspended, revoked or restricted? (d) entered an order against you in connection with an investment-related activity? (e) denied, suspended, or revoked your registration or license or otherwise, by order, prevented you from associating with an investment-related business or restricted your activities?</p>	<p>X ✓ ✓ ✓ ✓</p>
<p>(2) Have you been subject to any final order of a state securities commission (or any agency or office performing like functions), state authority that supervises or examines banks, savings associations, or credit unions, state insurance commission (or any agency or office performing like functions), an appropriate federal banking agency, or the National Credit Union Administration, that: (a) bars you from association with an entity regulated by such commission, authority, agency, or officer, or from engaging in the business of securities, insurance, banking, savings association activities, or credit union activities; or (b) constitutes a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?</p>	<p>X X</p>

<p>14E. Has any self-regulatory organization or commodities exchange ever:</p> <p>(1) found you to have made a false statement or omission?</p> <p>(2) found you to have been involved in a violation of its rules (other than a violation designated as a "minor rule violation" under a plan approved by the U.S. Securities and Exchange Commission)?</p> <p>(3) found you to have been the cause of an investment-related business having its authorization to do business denied, suspended, revoked or restricted?</p> <p>(4) disciplined you by expelling or suspending you from membership, barring or suspending your association with its members, or restricting your activities?</p>	<p>X</p> <p>✓</p> <p>✓</p> <p>✓</p>
<p>14F. Have you ever had an authorization to act as an attorney, accountant or federal contractor that was revoked or suspended?</p>	
<p>14G. Have you been notified, in writing, that you are now the subject of any:</p> <p>(1) regulatory complaint or proceeding that could result in a "yes" answer to any part of 14C, D or E? (If "yes", complete the Regulatory Action Disclosure Reporting Page.)</p> <p>(2) investigation that could result in a "yes" answer to any part of 14A, B, C, D or E? (If "yes", complete the Investigation Disclosure Reporting Page.)</p>	<p>X</p> <p>X</p>
<p>Civil Judicial Disclosure</p>	
<p>14H. (1) Has any domestic or foreign court ever:⁴</p> <p>(a) enjoined you in connection with any investment-related activity?</p> <p>(b) found that you were involved in a violation of any investment-related statute(s) or regulation(s)?</p> <p>(c) dismissed, pursuant to a settlement agreement, an investment-related civil action brought against you by a state or foreign financial regulatory authority?</p>	<p>✓</p> <p>✓</p> <p>X</p>
<p>(2) Are you named in any pending investment-related civil action that could result in a "yes" answer to any part of 14H(1)?</p>	<p>X</p>
<p>Customer Complaint/Arbitration/Civil Litigation Disclosure</p>	
<p>14I. (1) Have you ever been named as a respondent/defendant in an investment-related, consumer-initiated arbitration or civil litigation which alleged that you were involved in one or more sales practice union violations and which:</p> <p>(a) is still pending, or;</p> <p>(b) resulted in an arbitration award or civil judgment against you, regardless of amount, or;</p> <p>(c) was settled for an amount of \$10,000 or more?</p>	<p>X</p> <p>X</p> <p>X</p>
<p>(2) Have you ever been the subject of an investment-related, consumer-initiated complaint, not otherwise reported under question 14I(1) above, which alleged that you were involved in one or more sales practice violations, and which complaint was settled for an amount of \$10,000 or more?</p>	<p>X</p>
<p>(3) Within the past twenty four (24) months, have you been the subject of an investment-related, consumer-initiated, written complaint, not otherwise reported under question 14I(1) or (2) above, which:</p> <p>(a) alleged that you were involved in one or more sales practice violations and contained a claim for compensatory damages of \$5,000 or more (if no damage amount is alleged, the complaint must be reported unless the firm has made a good faith determination that the damages from the alleged conduct would be less than \$5,000), or;</p> <p>(b) alleged that you were involved in forgery, theft, misappropriation or conversion of funds or securities?</p>	<p>X</p> <p>X</p>
<p>Termination Disclosure</p>	
<p>14J. Have you ever voluntarily resigned, been discharged or permitted to resign after allegations were made that accused you of:</p> <p>(1) violating investment-related statutes, regulations, rules, or industry standards of conduct?</p>	<p>X</p>

⁴ In April 2008, FINRA proposed adding to mandatory disclosure items to the current Form U4. The added disclosures will close a current loop hole in the reporting requirements and will raise the threshold of reporting settlements from \$10,000 to \$15,000.

http://www.finra.org/web/groups/rules_regs/documents/notice_to_members/p038384.pdf

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(2) fraud or the wrongful taking of property?	X
(3) failure to supervise in connection with investment-related statutes, regulations, rules or industry standards of conduct?	X
Financial Disclosure	
14K. Within the past 10 years:	
(1) have you made a compromise with creditors, filed a bankruptcy petition or been the subject of an involuntary bankruptcy petition?	X
(2) based upon events that occurred while you exercised control over it, has an organization made a compromise with creditors, filed a bankruptcy petition or been the subject of an involuntary bankruptcy	X
(3) based upon events that occurred while you exercised control over it, has a broker or dealer been the subject of an involuntary bankruptcy petition, or had a trustee appointed, or had a direct payment procedure initiated under the Securities Investor Protection Act?	X
14L. Has a bonding company ever denied, paid out on, or revoked a bond for you?	X
14M. Do you have any unsatisfied judgments or liens against you?	X