



DATE: July 30, 2022

TO: Vanessa Countryman, Secretary US Securities and Exchange Commission

RE: SEC Rel. No. IA-5955; File No. S7-03-22

My concern about this rule change is that imposing the high cost of a financial audit for my alternative investment funds would effectively shut us down. Family Wealth Consultants, Inc is an RIA with 2 funds investing in alternatives exclusively for our clients. Our combined value under management is less than \$12M. I have been told by Cohen Funds, who does our surprise audits now, that a financial audit could easily more than double the auditing costs. We chose to do surprise audits when we started these funds because of this high cost for a financial audit.

As noted in the 2 statements I have included below, mandating financial audits for a fund my size creates both a barrier to entry and sustainability.

I am not engaged enough in this topic or your agenda to recommend a different solution. Please just know that the costs of a financial audit will cause us to close down our funds.

Several of the comments submitted by others on your site agree with this grave concern. I have included a copy of their statement for ease of your review:

Cal Alts and 4 other similar alternative associations letter to Vanessa Countryman, Secretary US Securities and Exchange Commission dated April 25, 2022

While we appreciate the efforts of the Commission to improve regulation of advisers to private funds, we believe the Proposed Rules (i) have a number of fundamental flaws from a policy perspective and from the perspective of the Administrative Procedures Act (“APA”), (ii) will harm rather than protect investors in numerous ways, (iii) will needlessly upset the carefully constructed commercial relationships that private fund advisers and their sophisticated investors have negotiated over many years, (iv) **will create significant barriers to entry for smaller and newly-formed advisers, thereby reducing the investment choices available to investors**, and (v) plainly exceed the Commission’s authority under the Investment Advisers Act of 1940 (“Advisers Act”) and other applicable law.

I agree with a lot of the IAA letter below:

Investment Adviser Association letter to Vanessa Countryman, Secretary US Securities and Exchange Commission dated April 25, 2022

Craig Martin / [REDACTED]

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Family Wealth Consultants, Inc., A Registered Investment Advisory Firm



Mandatory Private Fund Adviser Audits Proposed Rule 206(4)-10 would require a Commission-registered adviser to obtain from an independent public accountant an annual audit of the financial statements of all of its managed or advised funds. As a general matter, we are concerned that the proposed audit requirement effectively attempts to amend the Custody Rule, which we do not believe would be appropriate without an explicit proposal that is put out separately for notice and comment. The IAA has long called for a complete review of the Custody Rule. We are pleased that modernization of that rule is on the Commission’s regulatory agenda and look forward to engaging with the Commission on that proposal.⁵² In addition, as proposed, the new audit rule would substantially overlap with the requirements of the Custody Rule and be duplicative and likely to cause industry confusion. The Proposal appears to be aimed at advisers that do not procure audits over private funds because they: (i) do not have “custody,” as defined by the Custody Rule; (ii) are located outside the United States and subject to legacy exemptions from the Custody Rule or key Custody Rule requirements; or (iii) procure surprise examinations rather than audits of pooled investment vehicles. **The Proposal has not sufficiently identified advisers falling into these categories as a source of the fraudulent conduct at the heart of the Commission’s concern.** We believe the Commission also underestimates the impact the Proposal would have on sub-advisers (which due to their role seldom have even the ability to engage in valuation misconduct or misappropriation)

Sincerely

Craig Martin, MSFS, CFP®, ChFC
 President, FWCG

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