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July 17, 2009

Ms. Elizabeth M. Murphy
Secretary
United States Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

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OFFICE OF THE SECRETARY

RE: Proposed Amendments to Rule 206(4)-2
Release No. IA-2876
File No. S7-09-09

Dear Ms. Murphy:

As an investment adviser registered with the SEC under Rule 206(4)-2, we are deemed to have custody of client funds solely because we have the authority to deduct advisory fees from our clients' accounts, even though they are all maintained by an independent qualified custodian. We do not believe that advisers with this form of custody should be required to undergo an annual surprise examination. It is our understanding that abuses in the industry generally have not resulted solely because of these arrangements. The absence of such abuses supports our position that the safeguards mandated by the current Rule 206(4)-2 are a sufficient deterrence.

As required by the current Rule, the independent qualified custodians maintaining our clients' accounts deliver account statements, on at least a quarterly basis, directly to clients. These statements identify the amount of funds and securities at the end of the period, as well as, activity in our clients' accounts during the statements' time period. With these statements, our clients are able to monitor the activity in their accounts, including the advisory fees deducted directly from those accounts. We therefore believe our clients are provided with the ability to sufficiently identify and detect erroneous or fraudulent transactions.

The cost of an annual surprise examination would cause a financial strain on my company. As an industry, this cost is likely to be passed on to clients in the form of higher advisory fees. Alternatively, we and other advisory firms may be forced to stop the practice of deducting advisory fees directly from clients' accounts. Instead, clients either will need to take a distribution from their accounts in order to pay these fees, or to find other banking sources. From the perspective of billing practices for advisory firms, if we were to switch to a system whereby all clients submitted payment for advisory fees independently, a revamping of operations would be required, and an increase in overhead costs and cash flow shortfalls from the delay in accounts receivables would result.

Given that existing safeguards are adequate, and considering the adverse effects of a mandatory surprise examination on advisers as well as clients, we respectfully request that the SEC leave the current Rule 206(4)-2 intact and unchanged with respect to advisers who have custody solely because they have the authority to deduct advisory fees from client accounts.

Respectfully,

Jay B Leonard

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