

# LEGAL ADVANTAGE INVESTMENTS, INC.

26625 Saint Francis Rd.  
Los Altos Hills, CA 94022

July 27, 2009

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

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

Dear Ms. Murphy:

Legal Advantage Investments, Inc. appreciates the opportunity to express its views in response to the Securities and Exchange Commission's (the "Commission") request for comments on the proposed amendments to Rule 206(4)-2.

As an investment adviser registered with the SEC, under Rule 206(4)-2, we are deemed to have custody solely because we have the authority to deduct advisory fees from our clients' accounts, all of which are maintained by an independent, qualified custodian. We do not hold any client assets at our office, nor do we have any other authority to withdraw assets from client accounts at said custodian. We strongly believe that the portion of the proposed Rule, which would require advisers with this form of custody to undergo an annual surprise audit, is not warranted.

Ours is a small advisory business, with approximately 20 clients. I urge you to consider the severe impact of this proposed rule change on small firms during an economic downturn.

Allowing our advisory clients to agree to have their advisory fees deducted directly from their accounts enables Legal Advantage Investments, Inc. to keep costs low and pass the savings directly onto its clients. Should this proposed rule be adopted, the cost of the suggested annual audit to my firm would be prohibitive. Instead, I would be forced to invoice clients directly, and to pass the added cost of billing and collections on to my clients. This provision will therefore not add any more protection for my clients but simply raise their costs for our services. It will also confuse them. They will not understand why a process that has been so convenient and cost effective for them is no longer available because of SEC action.

As required by current Rule 206(4)-2, the independent qualified custodian maintaining our clients' accounts (in most cases TD Ameritrade Institutional) delivers account statements, on at

least a quarterly basis, directly to clients, identifying the amount of funds and securities at the end of the period as well as all activity in our clients' accounts. As a result, our clients receive comprehensive account information directly from the qualified custodian and are thus able to monitor the activity in their accounts. Furthermore, our clients agree, in writing, that our advisory fees will be deducted directly from their advisory accounts.

Accordingly, the safekeeping measures currently required by Rule 206(4)-2 provide our clients with the ability to sufficiently identify and detect erroneous or fraudulent transactions. It is also our understanding that abuses in the industry have not generally resulted solely because of arrangements whereby advisers have the authority to deduct fees from accounts maintained at qualified independent custodians. For example, my understanding is that Mr. Madoff did not have an independent custodian maintaining and reporting on client accounts. We strongly believe that the safeguards mandated by current Rule 206(4)-2 are sufficient to deter advisers from engaging in fraudulent conduct, while recognizing the convenience and cost benefit of the automatic deduction of fees for advisory clients.

Given that existing safeguards in place are adequate and considering the adverse effects of a mandatory surprise audit on advisers as well as clients, we respectfully request that the Commission leave 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. We thank the Commission for the opportunity to comment on this matter.

Respectfully,

David Spector  
President  
Legal Advantage Investments, Inc.