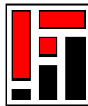

Friedberg Investment Management, Inc.

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July 27, 2009

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

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

Dear Ms. Murphy,

Friedberg Investment Management, Inc. appreciates the opportunity to express our views in response to the SEC's request for comments on the proposed amendments to Rule 206(4)-2, Adviser Custody Rule.

As an investment adviser registered with the SEC, under the proposed amendment to Rule 206(4)-2, we are deemed to have custody of clients' assets on the basis that we have the authority to deduct advisory fees from our clients' accounts, all of which are domiciled at TD Ameritrade, Fidelity or Schwab. We strongly believe that this change to the existing Rule, which would require advisers with this form of custody to undergo an annual surprise audit, is not warranted.

As required by the current Adviser Custody Rule, the independent custodians maintaining our clients' accounts deliver statements, on at least a quarterly basis, to our clients, identifying the amount of funds and securities at the end of the given period along with a list of all activities in the clients' accounts. Therefore, our clients receive comprehensive account information directly from the custodian and are thus able to monitor the activity in their accounts. Furthermore, we have written authorization from our clients that we may deduct our advisory fees directly from their brokerage accounts. In addition, we provide a monthly statement for our clients detailing all account activity including the debit of investment management fees. Our clients are also provided with a copy of the invoice for every fee posted to their 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 financial investment industry have not generally been the result of advisers having authorization to deduct management fees from their clients' accounts. Therefore, we feel that the current guidelines as mandated by Rule 206(4)-2 are sufficient to deter advisers from engaging in fraudulent conduct.

We feel the cost associated with an annual surprise audit would place an unnecessary financial and time burden on our company. We could choose to absorb the added cost or pass it on to our clients in the form of higher advisory fees, neither of which would be in the best interest of our clients. We could also choose to avoid the surprise audit by billing our clients directly. As an adviser, having to bill each client directly entails additional paperwork and recordkeeping. For the investor, there is the unnecessary inconvenience of having to write and mail checks or set up some form of online bill payment. Not all of our clients have access to computers or online payments. For our clients who travel, having management fees deducted from their accounts is the most economical and convenient way to pay for our services. Occasionally clients do not have the funds readily available to pay their advisory fees and thus require the additional (unnecessary) burden of having to transfer funds from one account to another just to pay their bill. Our clients strongly prefer that we debit their brokerage accounts directly rather than having to transfer funds, write and mail checks and keep records. As is probably the case with other investment management firms, directly debiting clients' brokerage accounts is a very efficient digital process and a great source of bookkeeping as clients receive statements documenting each advisory fee debited from their accounts. In general, debiting the clients' accounts assures us of timely, hassle-free payment of management fee invoices.

We feel that the existing safeguards under Rule 206(4)-2 are adequate and the adverse effects of a mandatory surprise audit on all advisers would heavily outweigh the presumed added level of investor protection. We respectfully request that the SEC leave the current Rule intact and unchanged with respect to advisers who have custody of clients' assets on the basis that they have authority to deduct advisory fees from clients' accounts. We thank the Securities and Exchange Commission for this opportunity to comment on the matter.

Respectfully,
Jeffrey L. Friedberg, CEO
Friedberg Investment Management, Inc.