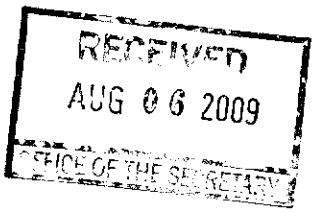

July 29, 2009

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

Re: Custody of Funds or Securities by Clients of Investment Advisors
Release No. IA-2876
File No. S7-90-09

Dear Ms. Murphy:

Waterline Partners, LLC ("Waterline") appreciates the opportunity to express its views in response to the request by the Securities and Exchange Commission (the "SEC") for comments on the proposed amendments to Rule 206(4)-2 under the Investment Advisers Act of 1940 (the "Custody Rule").

Waterline is an investment adviser registered under the Investment Advisers Act of 1940. Waterline does not custody client assets but does deduct advisory fees from clients accounts in accordance with current rules and regulations. Accordingly, we believe we are positioned to have insight into the potential effectiveness of the proposed amendments.

We do not believe that the proposed amendments to the Custody Rule are an improvement over the existing rules and regulations for the following reasons:

(1) The current safeguards afford advisory clients the ability to sufficiently identify and detect erroneous or fraudulent transactions and deter deemed custody RIAs, such as Waterline, from harmful conduct.

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(2) The proposed requirements of an annual surprise audit would provide advisory clients with only incremental additional protection.

(3) The costs for investment advisors associated with the surprise audit, in time and money, would be unduly burdensome relative to the theoretical benefit afforded clients.

(4) The annual audit for deemed custody advisors would not be an effective use of the SEC's finite resources.

Please do not hesitate to contact the undersigned directly if you have any questions or comments (310.256.2575).

Sincerely,

Jason Lawit, Director
Waterline Partners, LLC