Public FA, Inc.
FINANCIAL ADVISORS

February 22, 2011

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

Dear Ms. Murphy:

We appreciate the opportunity to comment on the notice of proposed rulemaking issued by the Securities and Exchange Commission to establish a permanent registration system for Municipal Advisors under Section 975 of the Dodd-Frank Act. I write on behalf of Public FA, Inc. a small, Municipal Advisory firm in Alabama. Public FA was founded in 2000 by Philip Dotts, formerly a member of a regional investment banking firm.

Section 975 establishes a system of dual registration with the Commission and the Municipal Securities Rulemaking Board that will require covered Municipal Advisors to comply with rules of fair dealing, ongoing education requirements, and a fiduciary duty to their municipal entity clients.

Definition of Municipal Advisor

The proposed rule states that employees and board members of municipal entities may be subject to SEC regulation as "municipal advisors" when acting for, or advising the entity in a municipal revenue bond transaction or related investing activity. We urge the SEC to exclude members of the governing boards and employees of municipal entities from the definition of "Municipal Advisor" (MA). We believe state laws, corporate bylaws and good governance practices are already in place to guide standards of conduct and address possible conflicts of interest. An appointed member of a board, committee or other governing body does not become a “municipal advisor” simply because in the course of business of the entity, financial decisions are made by the governing body.
Ignoring the costs, the requirements of registration and continuing education might be enough to deter public spirited citizens who would normally be willing to serve on boards of quasi-governmental organizations.

The approved, signed Dodd-Frank Act clearly defines the activities of a Municipal Advisor. Anyone providing the services in the Dodd-Frank Act should register as an MA or be precluded from offering advice to an issuer. As such, activities related to issuance should be the means to designate someone as an MA. Being deemed an MA is not determined by who you work for but the services you provide. This also applies to the difference between an independent MA and MA’s who are also broker-dealers. We feel the regulations need to more fully distinguish between the two.

Discussion of Need for Form ADV

Form ADV is a model that appears to be drawn from the Registered Investment Advisor field that has a completely different business model, approach to business and compensation model than that of Municipal Advisors. The scale of MA business differs from that of Registered Advisors and therefore this is not a good model in this element of registration. There is a lot of duplication of information already provided in other required forms and it will be costly for small businesses.

116 Jefferson Street South, Suite 301 Huntsville, AL 35801
256-536-3035 Fax 256-533-2501

Record Keeping

The record keeping requirements in the proposed regulation are exhaustive and unnecessary. Independent MAs hold no client accounts nor do we hold custody of or even pass through monies from clients. Therefore, there should be no need for audited financial statements. This is especially costly and burdensome for small firms like ours or for sole owner firms. The same applies for required communications materials. We do not disagree with the requirement for keeping communication material directly related to financing topics, communications directly with a client or internal communications that deal specifically with recommendations or approvals. Therefore, we suggest the Commission narrow down the record keeping requirements to communication material specifically relevant to financing topics and financing recommendations or advice.

Small Firm

The Dodd-Frank Act specifically calls that regulations "not impose a regulatory burden on small municipal advisors that is not necessary or appropriate in the public interest and for the protection of investors, municipal entities, and obligated persons, provided that there is robust protection of investors against fraud". The aggregate burden of regulation may not be keeping with provisions of Dodd-Frank. The SEC should consider lowering the small firm threshold and provide meaningful relief to those firms. The regulations imposed on small firms like ours could be time consuming and costly enough to either put us out of business or cause small firms to merge with larger firms or to create larger firms. Our clients (and the clients of other small firms similar to ours) value the hands on service they receive from working with a small firm that is localized in the communities we serve. There are many small MA firms throughout the country which perform similar valuable services in the communities in which they do business. Excessive regulation will only benefit the larger firms as well as the broker-dealer firms as smaller firms try to keep up with meeting requirements while still trying to best serve our customers. Our firm has spent countless hours simply reviewing the proposed regulations and discerning what they will mean to us. We agree that regulation is needed, but it needs to be appropriate to the size of the firm and not overburden small companies. We would like to see the proposed regulations conform with President Obama's initiative to avoid regulation that impedes economic growth and job creation.

Third Party Review

In the same spirit of requirements that are over-burdensome, we oppose any requirement that independent parties review or audit municipal advisors, either prior to the first application or on an annual or other periodic basis thereafter.

Thank you for your consideration of our comments. We hope the SEC and MSRB work together to impose regulations that are both fair and accomplish the regulation needed in the market.

Sincerely,
Public FA, Inc.

Philip C. Dotts
President

cc: Marcie Porter, Sr. Vice President