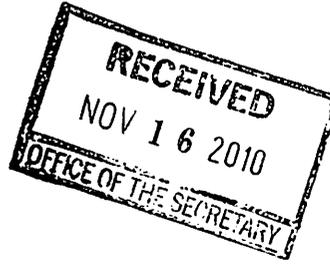


Vinson & Elkins

Yolanda Chavez Knull yknull@velaw.com
Tel 713.758.2152 Fax 713.615.5780



November 15, 2010

By Federal Express

Elizabeth M. Murphy, Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-1090

**Re: Proposed Rule 202(a)(11)(G)-1 under Investment Advisors Act of 1940
File Number S7-25-10**

Dear Ms. Murphy:

We represent the members of many families with single family office structures. We respectfully submit the following comments to Proposed Rule 202(a)(11)(G)-1 under the Investment Advisors Act of 1940. We greatly appreciate the Commission's efforts to craft a fair rule to exempt single family offices from the registration requirements under the Investment Advisors Act of 1940. In general, the Proposed Rule is consistent with the description of the persons who would be the usual clientele of a family office. However, based on our experience with the various structures employed by families which we represent and the unique nature of each family office, we offer some suggestions that we believe should be included in defining a family office for purposes of the exemption.

Founders

The commentary to the Proposed Rule makes the assumption that the founder of a family office is the individual who generated the wealth. However, we find that this is not always the case. The founder or founders could be one or two generations removed from the main producer of the family's wealth. The founders could be a husband and wife, one or both of whom have inherited family wealth, siblings or even cousins. The founders could also be trusts created for the benefit of family members.

The commentary sometimes refers to the founder in the singular but at other times in the plural. A clarification is needed that the family office can have one or more founders.

The commentary also suggests that the family office is founded at a particular point in time. However, the "founding" of an office may not be a distinct point in time. For instance, is a family office formed when employees are hired to serve the family interests or when a

separate legal entity is incorporated or otherwise formed or when a separate office structure is designated? When is a family office founded when the initial employees are shared by a family and a business enterprise? The focus should not be on when the family office was founded, but for whose benefit the family office is operated.

Because of the complexities of determining who is the founder and when a family office is founded, we suggest that that the family involved should be given the flexibility to define which persons are the "founders" of a family office and when the family office is "founded". The family lines can then be drawn based on the designated founders of the family office.

Parents and Grandparents

We support the inclusion of parents of the founders in the definition of family member. However, we believe that the inclusion of parents should be broadened to also include spouses of the founder's parents. Second marriages are commonplace in our society and like stepchildren, step parents have close ties to the other family members and should be permitted as part of the family office clientele.

As mentioned above, the founders of the family office could be one or two generations removed from the individual who produced the family wealth. In such a case, it would seem that an eligible client of the family office should include such individual. Therefore, we suggest that the definition of family member include grandparents and their spouses.

Spouses and Former Family Members

It is unclear whether widows and widowers of family members continue to be treated as a spouse of a family member or are considered former family members. We suggest that the Commission specifically provide that widows and widowers of family members continue to be treated as spouses of such family members and are not former family members. The widow's or widower's assets may have been managed by the family office for many years and his or her financial relationship with the family office would not cease upon the death of his or her spouse. It would seem unfair to require that such individual seek separate investment advice solely because of the death of his or her spouse. Further, a widow or widower's personal relationship with the family likely does not cease as a result of the death of his or her spouse.

Family Trusts Including Charitable Organizations

The Proposed Rule includes in the definition of "family client" (i) trusts existing for the sole benefit of one or more family clients and (ii) charitable organizations established and funded exclusively by one or more family members or former family members. Many trusts exist that have all family clients as current beneficiaries but have a contingent remainder beneficiary that is a public charity in the highly remote event that no family member survives at termination of the trust? Exclusion of these trusts from the definition of family client seems unusually and overly restrictive. Contingent remainder beneficiaries should be excluded when making the determination as to whether the trust exists for the sole benefit of one or more family clients. Of course, if a non-family controlled charitable contingent remainder beneficiary did receive the trust assets upon termination of the trust, it would be appropriate that such beneficiary could not be a client of the family office and would take the assets distributed elsewhere for investment advice.

Common estate planning vehicles utilized by individuals with charitable intent include so-called "split-interest" trusts where a public charity and family members are the beneficiaries of the trust. For example, a family member may create (i) a charitable remainder trust with family members as the current beneficiaries and a public charity as the remainder beneficiary or (ii) a charitable lead trust with a public charity as the current beneficiary and family members as the remainder beneficiaries. Distributions from these trusts are not discretionary. Rather, during the term of the trust, the current beneficiaries receive each year either an annuity or a specified percentage of the trust's assets valued annually. Under the definition of "family client", these "split-interest" trusts would be excluded as eligible clients of the family office. As these types of split-interest trusts are commonplace and the beneficial interests are specifically defined, we would suggest that these types of split-interest trusts be included in the definition of family client. Any distributions received by a non-family controlled charity should not however continue to be managed by the family office. Rather, with respect to any distribution to such a charity, management by the family office would cease at the time the distribution is made.

Trustees

May family trusts have as their trustees third parties who are unrelated to the family members? Technically, such trustees are the clients of the family office, as the trusts themselves are not legal entities and title is vested in the trustees. We ask that the Commission clarify that as long as the beneficiaries of the trust are eligible family clients, the identity of the trustee is irrelevant and such trusts will be family members.

Conclusion

Incorporating our suggested changes, the definitions under the Proposed Rule should be modified as follows:

- The definition of "founders" should be deleted. The family should be allowed to determine who are the founders based on the specific facts and circumstances.
- "Family member" should be expanded to include the parents and grandparents of the founders and the spouses of the parents and grandparents of the founders.
- The meaning of "spouse" should be clarified to include widows and widowers. The definition of "former family member" should be revised to clarify that widows and widowers are not treated as former family members.
- "Family client" should be expanded to include:
 - Any trust for the sole benefit of one or more family clients, notwithstanding that a charitable foundation, charitable organization, or charitable trust that is not a family client is a remote contingent remainder beneficiary.
 - Any trust in which all of the current beneficiaries are family clients or all of the remainder beneficiaries (other than a remote contingent remainder beneficiary) are family clients.

If the above changes are not implemented, many of our family offices will be required to apply for an exemption from registration as an investment advisor.

Sincerely,



Yolanda Chavez Knull