



CARMICHAEL HILL

July 15, 2009

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

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

Dear Ms. Murphy:

We appreciate the opportunity to express our views in response to the request by the Securities and Exchange Commission for comments on the proposed amendments to Rule 206(4)-2 under the Investment Advisors Act of 1940 or "Custody Rule". We commend the SEC for its review of current regulations as safeguarding of client assets is a major concern in today's environment.

As a small investment advisory firm with three advisors with several decades of industry experience, we feel that the SEC's proposal to deem advisory firms to have custody solely as a result of deducting advisory fees from accounts held at independent qualified custodians is unnecessary and cost prohibitive. We feel the current safeguards afford advisory clients the ability to identify and detect erroneous or fraudulent transactions as well as deter RIAs from fraudulent conduct. In our opinion, the proposed requirement of an annual surprise audit would provide advisory clients with minimal incremental protection. In addition, the cost associated with the proposed annual surprise audit would be unduly burdensome on custody RIAs. Accordingly, we believe that the annual surprise audit for such RIAs to be unwarranted.

There has been no evidence presented to suggest that the Custody Rule in its present form with regards to deducting advisory fees from accounts held at independent qualified custodians has been ineffective at preventing fraudulent misappropriations of client funds by RIAs. At a minimum, the lack of enforcement actions against RIAs in this area is an indication that custody resulting solely from an RIAs authority to deduct advisory fees does not appear to be a high-risk area of abuse.

We thank the SEC for its consideration of our comments and opportunity to provide input regarding this important matter.

Sincerely,

James Stewart, Partner
Carmichael Hill