SCHIFF HARDIN LLP

233 South Wacker Drive
Suite 6600
Chicago, Illinois 60606
t 312.258.5500
f 312.258.5600
www.schiffhardin.com

Debra L. Stetter
312-258-5741
dstetter@schiffhardin.com

November 18, 2010

By Electronic Mail To: rule-comments@sec-gov

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

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

Dear Ms. Murphy:

On behalf of several clients who are single family offices, I am submitting this letter to comment on the scope and language of Proposed Rule 202(a)(11)(G)-1 (the "Rule") which the Commission is to adopt in order to implement the authority granted to it in Section 409 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Act") to define the term "family office." It is the objective of my single family office clients that they fit within the scope of the Rule and thus be excluded from the group of investment advisers that are required to register under the Investment Advisers Act of 1940 (the "Advisers Act"). Accordingly, we respectfully request that the Rule be broadened to cover common forms of family office ownership and control so that these family offices and other typical family offices like them will fit within the scope of the Rule and will not need to seek an exemption.

1. General Comments

We strongly agree with the objective espoused by both the Act and the Commission that the Rule recognize the range of organizational, management and employment structures used by single family offices and be broad enough to apply to those single family offices that have one of the common structures. However as discussed in more detail below, we believe that the draft Rule needs to be modified in order to accomplish that objective.

A typical single family office can take a variety of forms that are not currently covered by the draft Rule. Most notably such a family office may be owned and/or controlled by trusts and other entities established by family members rather than by the family members themselves. In addition, the trusts and entities that own or control the family office may be managed by entities established by family members or by individuals who are not family members rather than by the family members themselves. Furthermore, the family members benefiting from the family office's services may include the ancestors (as well as the descendants) of the individuals who established, own or manage the family office as well as the spouses, spousal equivalents and step-children of deceased family members, and the former spouses, spousal equivalents and step-children of divorced family members. Accordingly, as discussed in more detail below, it is important that the draft Rule be modified to expand the definitions of family member and family client to reflect the way that single family offices commonly define those terms, and to tie the ownership and management requirements that are imposed on family offices to family clients rather than to family members. In the absence of such modifications, many single family offices will need to either register under the Adviser's Act or seek an exemptive order from the Commission. Either result would be burdensome for both the affected family office and the Commission and directly counter to the Commission's long standing policy that the Act not interfere with the ability of families to manage their wealth privately and without undue interference.

2. Family Office Definition

The definition of the term :"family office" should be modified (i) to allow a qualifying family office to be established, owned and controlled by entities as well as by individuals, (ii) to extend the time permitted for a family office to deal with the transfer of assets to an individual or entity who does not qualify as a family client to two years, and (iii) to contemplate that a family office may be organized as a limited liability company.

(i) Allow Family Offices To Be Managed and Controlled by Entities: Family offices are commonly established, owned, and/or managed, fully or partially, by trusts and other entities that are established and managed by family members. Accordingly, the term "family office" should tie the ownership and control requirement to "family clients" rather than "family members." If a family office must be owned and controlled by the family clients that it services in order to be exempt from registration, the objectives of the Rule will be met. On the other hand, if the final Rule requires family offices to be "wholly owned and controlled (directly or indirectly) by family members" (as the draft Rule does), then it will cause a great many family offices to

either register or seek an exemption simply because their family members choose to own and control the family office through entities rather than directly.

(ii) Extend The Grace Period For Non-Qualifying Clients To Two Years: The draft Rule provides that if a person or entity who does not qualify as a family client receives assets from a family client as a result of an involuntary transaction, then those assets must be transferred to another institution within four months. Four months is not a sufficient amount of time to allow such a transfer to be made. An involuntary transfer that results in assets being transferred from a family client to a recipient other than a family client may give rise to a variety of complicated administrative issues which prevent a quick transfer of assets. An involuntary transfer also may involve assets of such an illiquid or restricted nature that the assets cannot readily be transferred or converted into cash. Accordingly, a family office should have a grace period of at least two years to facilitate the transfer of the client and the assets to a new institution.

(iii) Add A Reference To Members: The definition of "family office" should make reference to "members" as well as directors, partners, trustees and employees since a family office may be organized as a limited liability company.

Modified Language: "A family office is a company (including its directors, partners, members, trustees, and employees acting within the scope of their position or employment) that: (1) Has no clients other than family clients; provided that if an individual or an entity that is not a family client becomes a client of the family office due to the involuntary transfer of assets from a family client, that transferee must cease being such a client no later than two years from the date of the involuntary transfer; (2) Is wholly owned and controlled (directly or indirectly) by one or more family clients; and (3) Does not hold itself out to the public as an investment adviser.

3. Founder – Do Not Define

The Rule currently assumes that the family office was established by a single natural person or couple. The assumption is not a valid one and we request that the Commission eliminate the definition of founder since the definition is unnecessary and unduly excludes the many family offices that are owned and/or controlled by multiple family lines (such as those headed by several siblings or cousins) all of which have a common ancestor and all family offices that are owned and/or controlled through entities. Any family office that is established, controlled by and for the benefit of family clients should fall within the scope of the exemption.

4. Family Members Definition

The definition of "family members" should be modified (i) to include ancestors as well as descendants, (ii) to include the spouses and spousal equivalents of deceased family members and the former spouses and spousal equivalents of divorced family members to the same extent as those persons are included prior to the events of death or divorce, and (iii) to treat step-children in the same manner as biological and adopted children.

(i) Include Ancestors (and Remove Reference To Founder): The draft Rule does not include the founder's ancestors other than the founder's parents in its definition of "family members." In many instances, a family office is created at the impetus of cousins or other family members who do not share a common parent but who do share a common ancestor. Those individuals expect that the family office will be available to their ancestors as well as their descendants. Furthermore, the use of the term "founder" as a reference for determining who is a family member is unnecessarily restrictive. Accordingly, the definition of "family member" should include all persons who share a common ancestor.

(ii) Include Widowed and Former Spouses and Spousal Equivalents As Family Members: We agree that the definition of "family members" should include individuals who are spouses and spousal equivalents of family members. We note, however, that treating spouses and spousal equivalents differently in the case of death or divorce does not have any practical purpose in terms of the objectives of the Act and interferes with family relationships. We also note that trusts created by family members often name one or more such persons as beneficiaries, either alone or in conjunction with other family members. It would be a hardship for both the family office and the family clients being serviced if a family office needs to register or seek an exemption in order to keep such trusts as clients. Accordingly, we urge the Commission to treat the spouses and spousal equivalents of deceased family members and the former spouses and spousal equivalents of divorced family members in the same manner as it treats those individuals prior to death and divorce.

(iii) Treat Step-Children In The Same Manner As Other Children: We agree that the definition of "family members" should include step-children, however, we urge the Commission to broaden their inclusion and to treat such children in the same manner as other children. As noted above in connection with spouses and spousal equivalents, there is no public policy purpose served by interfering with family relationships by deciding for a family who should continue to be treated as family after a

death or divorce. Furthermore, family trusts often name step-children and their descendants as beneficiaries and requiring a family office to register or obtain an exemption in order to service such trusts would be a hardship without purpose. Accordingly, we urge the Commission to treat step-children in the same manner as biological and adopted children.

Modified Language: The term "family member" includes (i) all persons who have a common ancestor ("core family members"), (ii) the persons who are or were at any time spouses of those core family members, (iii) the parents, siblings and grandparents of the core family members and their spouses, and (iv) the spouses and descendants of any of those persons. For all purposes of this rule, (i) legal adoption shall be considered to be equivalent to a blood relationship, (ii) a child of one spouse shall be considered to be a child of the other spouse, and (iii) a spousal equivalent shall be considered to be equivalent to a spouse.

5. Family Clients Definition

The definition of the term "family clients" should be modified (i) to include trusts that are for the primary benefit of family clients, (ii) to include charitable organizations which are established and funded by one or more family clients, (iii) to include entities that are managed in whole or in part by one or more non-family members, (iv) to include former key employees, and (v) to eliminate the concept of "former" family members.

(i) Include Trusts For The Primary Benefit Of Family Clients: Trusts should qualify as family clients as long as they are for the primary benefit of one or more family clients. The draft Rule requires a trust or estate to be for the "sole" benefit of one or more family members. The requirement that a trust or estate only have family members as beneficiaries is unduly restrictive and not consistent with common practice. Many trusts designate a charitable beneficiary that is not a family client or a non-family member to receive the trust property in the event that all family members are deceased or the interests of the family members otherwise expire. Accordingly, the definition should be expanded so that a trust or estate "for the primary benefit of one or more family members" will qualify as family client.

(ii) Include Charitable Organizations Established and Funded By Family Clients: Charitable foundations and other charitable organizations should qualify as family clients as long as they are established and funded by one or more family clients. The draft Rule requires such organizations be established and funded by family members which would exclude many such organizations from being family clients.

Trusts, operating companies and other entities established and controlled by family members often establish and contribute to family charitable organizations. There is no public policy reason to exclude those entities from the definition of family client.

(iii) Include Entities Managed By Independent Advisers: Families often designate attorneys, accountants and other trusted non-employee advisers as trustees, directors or officers of their trusts and other entities. Trusts and other entities should qualify as family clients even if they are managed by such independent advisers as long as the family members control the appointment of the advisers and the trust is for the primary benefit of one or more family clients.

(iv) Include Former Key Employees: Former key employees should be treated in the same manner as current key employees and thus permitted to retain investments and to make new investments with the family office. The key employees of family offices often continue to have close relationships with the family office after retirement, and wish to retain the investments that they have with the family office. It should be up to the family office to decide whether or not its former employees may continue to have access to its investment services.

(v) Eliminate Reference To Former Family Member: The reference to "former family members" should be eliminated. As discussed above in connection with the definition of the term "family member," former family members should be treated in the same manner as current family members subject to the ability of each family office to set forth its own rules and restrictions for such persons.

Modified Language: The term "family client" means (i) any family member, (ii) any key employee, (iii) any former key employee and (iv) any trust, estate, charity, partnership, limited liability company, corporation or other entity established by, controlled (directly or indirectly) by, or existing for the primary benefit of one or more family members. By way of example, but not by way of excluding other indirect control arrangements, entities controlled by attorneys, accountants, and other independent advisers engaged by family members shall be considered to be controlled indirectly by one or more family members.

6. Profit Structure – Exclude As Consideration

In its commentary on the draft Rule, the Commission asks whether restrictions on a family office's profit structure should be incorporated into the Rule. We urge the Commission not to include any such restrictions. A family office's profitability (or lack thereof) has no bearing on the reason for exempting it from registration - which is that the family office caters exclusively to family clients and does not offer its services to the general public. In fact, it is difficult to imagine any logical reason for why a family office that operates at a loss should fall within the scope of the Rule if an identical family office that operates at a profit does not. The degree to which a family office charges its family clients and thus shifts family wealth from the accounts of the family clients to the account of the family office is a matter for the family to decide. It has no relevance to whether the family office should be exempt from registration. A family office should be encouraged to operate in an economical way that makes it financially sound over time. To restrict a family office's ability to be financially successful is not only unnecessary for purposes of achieving the objectives of the Rule, it also would serve no public policy purpose. Accordingly, we urge the Commission not to include any restrictions on a family office's profit structure in the Rule.

We appreciate the opportunity to provide comments on the draft Rule. If you wish to discuss our comments or have any questions about them, please contact Debra L. Stetter at 312-258-5741.

Sincerely,

Debra L. Stetter