COZEN O'CONNOR

A PROFESSIONAL CORPORATION

1900 MARKET STREET PHILADELPHIA, PA 19103-3508 215.665.2000 800.523.2900 215.665.2013 FAX www.cozen.com

Larry P. Laubach
Direct Phone 215.665.4666
Direct Fax 215.701.2346
llaubach@cozen.com

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VIA E-MAIL: RULE-COMMENTS@SEC.GOV

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

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

Dear Ms. Murphy:

We are submitting this letter in response to the solicitation by the Securities and Exchange Commission (the "Commission") for comments on proposed Rule 202(a)(11)(G)-1 ("Proposed Rule") under the Investment Advisers Act of 1940 ("Advisers Act"). We appreciate the opportunity to comment on the Proposed Rule and support the Commission's efforts to timely adopt a rule under Section 202(a)(11)(G) of the Advisers Act that will exclude single family offices from the definition of "investment adviser." Our comments are based on the applicability of the Proposed Rule to one of our clients, a single family office. We respectfully submit the following comments for the Commission's consideration.

1. Family Office

a. *Definition of Family Office*

The definition of Family Office in Section (b) of the Proposed Rule indicates that a family office is a "company (including its directors, partners, trustees and employees acting within the scope of their position or employment)." Footnote 16 to Release No. IA-3098 (the "Release") notes that the Proposed Rule would exclude those named persons from regulation under the Advisers Act. Limited liability companies are a form of entity often utilized. The persons excluded from regulation under the Advisers Act (identified within the parentheses) should also include managers and members of a limited liability company. Adding that language would make it clear that the persons who manage a family office organized as a limited liability company (in the same manner as a director manages a corporation, a partner manages a partnership, etc.) would also be excluded from regulation under the Advisers Act.

b. Involuntary Transfers -- Section (b)(1)

Section (b)(1) provides a four-month grace period for persons that are not a family client who become a client of the family office as a result of an involuntary transfer. If a family member whose assets are being managed by the family office died and his or her will included a bequest to a non-family member, under the Proposed Rule the family office would not be permitted to manage the assets of the estate following the four month anniversary of the death of such family member (even if the balance of the estate passed to family members). To continue managing the assets of the estate, the estate would be required to pay the bequest within the four month grace period. Typical estate administration practice is not to make distributions within four months of death. A one-year period would be more appropriate.

Family offices often invest a portion of the family assets under management in illiquid securities, such as interests in a hedge fund or a private equity fund. Such investments are governed by agreements which do not permit redemptions of the investment until termination of the fund, or if redemptions are permitted, they are only permitted based on certain fund liquidity levels and at certain periods of the year. Thus, if an investment is made on behalf of a family client in a hedge fund or a private equity fund and an involuntary transfer subsequently occurs to a person who is not a family member, the family office will need sufficient time to obtain liquidity with respect to such investment or the portion of the illiquid investment indirectly owned by the non-family member. Upon obtaining such liquidity, the non-family member can be paid the amount to which it is entitled so that the family office would no longer manage those assets. Our client does not believe that four months is a sufficient time to obtain such liquidity.

Therefore, in connection with any involuntary transfer to a person who is not a family member, a grace period of one year should be permitted. One year would allow the family office to dispose of illiquid assets (perhaps by locating a purchaser of those interests), pay bequests from an estate in an orderly manner or otherwise seek exemptive relief from the Commission.

2. Former Family Member

The definition of the term "former family member" in Section (d)(4) of the Proposed Rule should be clarified. That definition provides that a family member becomes a former family member "due to divorce or other similar event." It is unclear whether death is "a similar event." The death of a person who is the founder or a lineal descendant should not cause his or her spouse to become a former family member. Therefore, the words "or other similar event" should be deleted from Section (d)(4) of the Proposed Rule.

3. Ownership and Control

The Proposed Rule requires ownership and control solely by family members for the family office entity under Section (b)(2) and solely by family clients for an entity to be a family client under Section (d)(2)(v). These ownership and control requirements, when read in conjunction with the definition of control under Subsection (d)(1), do not adequately encompass the variety of organizational and management structures and arrangements that are already in place for family offices and which cannot be readily changed. Specifically, a common organizational structure for a family office includes ownership at least in part by a trust which is established for the benefit of a family member, but has a non-family member serving as a trustee (or as a co-trustee with a family member). Often, the non-family member trustee is a long-time family adviser or a bank or other financial institution. Use of an independent non-family member trustee to administer a trust for a family member may provide the family member for whom the trust is established the opportunity to take advantage of certain federal estate tax benefits under the Internal Revenue Code and state inheritance tax laws, as well as provide protection for the assets of the trust from creditors of the trust beneficiary. Having independent persons who are not family members participate in the control of the family office is often beneficial to the family members. However, under the Proposed Rule, a trust established for the benefit of a family member that has a non-family member trustee cannot be an owner of a family office because the family office is not wholly controlled by family members. Similarly, a family office organized as a corporation, which is wholly owned by family members, could not have one of the members of its board of directors be a non-family member.[1]

As stated in Footnote 53 to the Release, in 1998 the Commission granted an exemptive order to a family office owned by a trust in which half of the trustees were non-family members and half of the trustees were family members. See Moreland Management Company, Investment Advisers Act Release Nos. 1700 (Feb. 12, 1998) and 1706 (Mar. 10, 1998). The Commission should follow the same approach and include within the definition of family office entities that are owned by a trust operated for the benefit of one or more family clients, even if one or more of the trustees is a non-family member. We would propose that section (b)(2) be revised to read as follows: " Is wholly owned (directly or indirectly) by, or operated for the sole benefit of, family members."

Section (d)(2)(iv) of the Proposed Rule defines family client to include a trust existing for the sole benefit of one or more family clients, without regard to the identity of the trustees. However, if such trust had a non-family member as a co-trustee and its assets under management by the family office were owned by an entity such as a partnership or a limited liability company, under section (d)(2)(v) that entity may not qualify as a family client if the non-family member co-trustee was a director, partner or manager of the entity. We think that result is illogical. The reasons discussed above for permitting a non-family member trustee in the context of ownership of a family office apply equally to those entities defined as family clients. As a result we would propose that section (d)(2)(v) be modified to read as follows: "Any limited liability company,

[1] The Commission has taken the position that a member of a board of directors is presumed to be an affiliate of the corporation.

partnership, corporation or other entity wholly owned (directly or indirectly) by, or operated for the sole benefit of, one or more family clients."

4. Conclusion

Our comments are intended to provide guidance to the Commission so that, consistent with Section 409 of the Dodd-Frank Act, the Commission can properly recognize "the range of organizational, management and employment structures and arrangements employed by family offices." The Commission recognizes in the Release that some family offices may be forced to consider whether to restructure their business to meet the conditions in the Proposed Rule. We strongly urge the Commission not to insist on unnecessary restrictions in the Proposed Rule that would force single family offices to seek to restructure. We also urge the Commission to understand that all unnecessary restructuring will be expensive.

In addition to the comments raised in this letter, our client supports the views expressed in the letter submitted by Martin E. Lybecker of Perkins Coie dated November 11, 2010 on behalf of The Private Investor Coalition, Inc.

We appreciate the opportunity to participate in this process and would be pleased to discuss our comments or any questions the Commission may have with respect to this letter.

Sincerely yours,

COZEN O'CONNOR

Larry P. Laubach

By: Larry P. Laubach

LPL/pwc