



***RIA Compliance Consultants, Inc. to Provide Comments to SEC Regarding
New Form ADV Part 2***

FOR IMMEDIATE RELEASE (Omaha, NE) March 9, 2008 – Bryan Hill, President of RIA Compliance Consultants, Inc. announces it intends to submit formal comments to the U.S. Securities and Exchange Commission (SEC) regarding proposed changes to Part 2 of Form ADV. The “re-proposed” changes were announced earlier this month after an initial attempt to change Part 2 of Form ADV was made in 2000. RIA Compliance Consultants is encouraging its clients to read the proposed rule release and provide their own comments. Comments must be received by the SEC on or before May 16, 2008. The proposed rule release can be viewed on the SEC’s website at <http://www.sec.gov/rules/proposed.shtml>. Clients of RIA Compliance Consultants can also forward their comments to us for inclusion into our comment letter. Comments should be sent to RIA Compliance Consultants by April 30, 2008.

A. Form ADV – Registration and Disclosure Document. The Form ADV is the registration document for investment adviser firms registered with the SEC and state securities authorities. The new Part 1 of Form ADV has been in effect since 2001 and is filed electronically through the Investment Adviser Registration Depository (IARD). Part 1 is a “check-the-box” form and while made publicly available through the IARD system, investment advisers are typically not required to provide the Part 1 to clients. The current Part 2 is provided to clients and is considered an investment adviser’s disclosure brochure. The SEC’s amendments to the Part 2 are intended to require investment advisers to provide regulators and clients with a brochure written in plain English. The brochure must describe the investment adviser’s services, fees, business practices, and conflicts of interest.

The new Part 2 brochures will need to be filed through the IARD system in PDF format. Investment advisers will prepare and make changes to their brochures using their own computers and then simply submit versions of the brochure through IARD. Currently, the SEC provides a standard form that must be used when preparing the Part 2. Under the proposed rules, the SEC will just provide instructions to complete the brochure, but will not provide a standard form that must be used. According to the proposed rule release, the SEC will implement a transition schedule requiring investment advisers to comply with the new Part 2 requirements by the date they must make their next annual updating amendment to Form ADV following the date the revised form becomes effective. Under SEC rules, investment advisers must submit an annual updating amendment within ninety (90) days after their fiscal year ends. However, investment advisers would not be required to comply with the new requirements no earlier than six (6) months after the rules become effective. State registered investment advisers will need to comply with the applicable state authority transition schedules.

B. Form ADV – Brochure Delivery Requirements. Proposed changes would also require investment advisers deliver a copy of the brochure within 120 days after the firm’s fiscal-year end. Currently, investment advisers are required to “offer” the

brochure and the timing can be decided by the investment adviser as long as it is consistent from year to year.

According to Jarrod James, Senior Compliance Consultant of RIA Compliance Consultants, "the annual delivery requirements will be an additional burden for investment advisers that do not currently have similar procedures. However, the SEC originally proposed delivery requirements any time a material change is made. The SEC is seeking a middle ground on this issue by only requiring an annual delivery. It should be noted however, that an investment adviser's fiduciary duty may require it to deliver updated brochures if there are material changes throughout the year."

The SEC is also proposing changes to the timing of the initial delivery requirements to clients. Currently, investment advisers need to provide the brochure to clients at least 48 hours prior to entering into a contract with a client or at the time the contract is entered into. If the brochure is provided at the time the contract is signed, investment advisers must provide clients a five (5) day "free look" period whereby the client can cancel the contract without penalty. Under the proposed rules, the investment adviser would provide the brochure at or before the contract is signed and does not need to provide a "free look" period.

C. Form ADV – New Part 2. "The SEC should be commended for proposing updates to the new Part 2", according to Tammy Emsick, Senior Compliance Consultant of RIA Compliance Consultants. "Changes are needed and long overdue. However, complying with the new rules will not be easy. Investment advisers are going to need to take time to fully understand new questions required which will also mean correctly interpreting the SEC's intent for changing existing Part 2."

The SEC has essentially overhauled the existing Part 2. No longer will the Part 2 contain questions in a check-the-box format. The new brochure will now entirely be a true brochure written in plain English. An outline of the proposed structure to the new Part 2 is provided below.

Item 1 – Cover Page. The brochure would have a cover page which must include a contact person and the firm's website, if one has been created for public consumption.

Item 2 – Material Changes. The brochure would need to provide a summary of any material changes since the last update of the brochure. This is a significant change and may be viewed by investment advisers as burdensome.

Item 3 – Table of Contents. The brochure must have a table of contents. The SEC is not providing a standard table of contents and is leaving the construction of the table of contents to the discretion of the investment adviser.

Item 4 – Advisory Business. Among other things, an investment adviser must provide a description of its advisory business and describe if it specializes in any type of service. The SEC would allow instruct investment advisers to disclose the amount client assets it manages. Investment advisers would not be required to use the asset under management methodology on Part 1, but instead could include assets not counted on Part 1.

Item 5 – Fees and Compensation. Similar to the existing Part 2, this item would require an investment adviser to describe how it is compensated for services and the types of other costs a client can expect to incur in connection with the investment adviser’s services (e.g. brokerage, custody fees, and fund expenses).

Item 6 – Performance Fees and Side-by-Side Management. This “new” item specifically requires firms to describe performance fees charged and conflicts of interest relating to such charges.

Item 7 – Types of Clients. Similar to the current Part 2, a description of the firm’s types of clients would be required.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss. Similar to the existing Part 2, this section would require the investment adviser to describe its investment process and methodology. It would also require the firm to disclose to clients to potential risks associated with the investment adviser’s services.

Item 9 – Disciplinary Information. This section will require an investment adviser to disclose any legal or disciplinary event that is material to a client’s evaluation of the integrity of the investment adviser. Currently, investment advisers are required to provide written or oral disclosure to clients regarding these types of events under Rule 206(4)-4. According to the proposed changes, Rule 206(4)-4 will be rescinded and disclosure must be provided in the brochure. “The exact types of disciplinary events are still open for comment and consideration” according to Mr. James. “This proposal was controversial in 2000 and will likely prove to be controversial in 2008. I would think investment advisers with a reportable event on the Part 1 will have a special interest in this new requirement.”

Item 10 – Other Financial Industry Activities and Affiliations. Similar to the existing Part 2, material relationships or arrangements with related financial industry participants will need to be disclosed along with conflicts of interest regarding those relationships and how the adviser addresses the conflicts of interest.

Item 11 – Codes of Ethics, Participation or Interest in Client Transactions and Personal Trading. Similar to the existing Part 2, the new rule will require disclosure regarding the firm’s code of ethics, personal trading procedures, and conflicts regarding those procedures.

Item 12 – Brokerage Practices. Similar to the existing Part 2, this section will require the investment adviser to describe its brokerage arrangements. Specifically, soft dollar arrangements, client referrals from brokerage firms, trade aggregation, and client directed brokerage arrangements must be described.

Item 13 – Review of Accounts. Similar to the existing Part 2, this section would require an investment advice to disclose whether, and how often, it reviews clients’ accounts or financial plan, and identify who reviews the accounts.

Item 14 – Payment for Client Referrals. Similar to the existing Part 2, this section would require the investment adviser to describe arrangements it has for paying cash or other payment for client referrals.

Item 15 – Custody. This new section would require investment advisers to disclose if the client’s qualified custodian sends account statements or if the investment adviser generates and delivers account statements.

Item 16 – Discretion. Similar to the current Part 2, the investment advice would be required to describe its discretionary authority and arrangements.

Item 17 – Voting Client Securities. This new section would provide instructions on how to describe and disclose the firm’s proxy voting procedures.

Item 18 – Financial Information. Similar to Item 10 above, this section would require the investment adviser to disclose certain financial information about the adviser when material to clients. Adviser’s that require prepayment of more than \$1,200 and six (6) or more months in advance, will still be required to provide a balance sheet to clients. Additionally, the proposal would require disclosures of financial conditions reasonable likely to impair the investment adviser’s ability to meet contractual commitments to clients if the firm has discretion, custody or requires prepayment of more than \$1,200 in fees per client and six months or more in advance. The proposal also seeks comments on requiring the disclosure of investment advisers subject to a bankruptcy petition during the past ten years.

Item 19 – Index. The SEC is proposing an index that must be submitted to the SEC, but does not need to be given to clients.

D. Form ADV – Supplements for Supervised Persons providing Investment Advice. Investment advisers will also be required to provide supplemental brochures for each supervised person that provides advice to clients. This is similar to the old Part I, Schedule D requirement. These supplements would not need to be submitted through IARD, but would need to be given to clients for which the supervised person provides advice. There are exceptions to when the supplement needs to be given and would not be included in the annual delivery of the firm brochure requirement. The content of the supplements would include business background, education background and disciplinary information.

E. Conclusion. RIA Compliance Consultants intends to post to its website a full summary of the Part 2 changes along with commentary by the end of the month. The Part 2 comment letter drafted by RIA Compliance Consultants will also be posted on its website.

Located in Omaha, Nebraska, RIA Compliance Consultants, Inc. is a compliance consulting firm dedicated to helping investment advisors identify regulatory and risk management challenges. The firm works with investment advisors throughout the country to build and implement practical solutions that protect their clients and meet their regulatory responsibilities.¹

¹ Although RIA Compliance Consultants, Inc. is an affiliate of a law firm and RIA Compliance Consultants may have an individual on its staff that is also licensed as an attorney providing legal services in a completely separate capacity, RIA Compliance Consultants is not a law firm and does not provide legal services. A compliance consulting relationship with RIA Compliance Consultants is not provided those legal and professional protections that normally exist under an attorney-client relationship.

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