

February 22, 2011

Ms. Elizabeth Murphy, Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-0609

Re: S.E.C. Release No. 34-63576: File No. S7-45-10 (Dec. 20, 2010)
Proposed Regulations: Registration of Municipal Advisors

Dear Secretary Murphy:

We are writing on behalf of (i) the Philadelphia Authority for Industrial Development (“PAID”) and its management and administrative agent, the Philadelphia Industrial Development Corporation (“PIDC”) and (ii) the Chester County Industrial Development Authority (“CCIDA”) and its management and administrative agent, the Chester County Economic Development Council (“CCEDC”) to offer the following comments on (i) the SEC’s decision not to include appointed government officials or board members among those individual excluded from the definition of “municipal advisors” as proposed in SEC Release No. 34-63576, and, *more importantly*, (ii) to request clarification or expansion of the definitions of “municipal advisor” and/or “municipal entity” to assure that employees of management and administrative agents of traditional municipal entities are also entitled to the same exemptions from registration as “municipal advisors” as those enjoyed by direct employees of such municipal entities.

You have already received numerous comment letters from other government entities, public officials, interstate agencies and others acting on their behalf, such as the Delaware River Joint Toll Bridge Commission (“DRJTBC”) and the Pennsylvania Association of Bond Lawyers (“PABL”), objecting to the inclusion in the definition of “municipal advisors” of appointed (or non-elected) board members of governmental entities such as PAID or CCIDA. Those comment letters cover a range of objections, including comments (i) questioning the SEC’s rationale for distinguishing between elected and appointed board members, (ii) explaining that all board members perform the same function of policymaking and decision-making on behalf of the entity they govern regardless of the method of their selection, (iii) identifying the numerous legal and political safeguards already in place both to deter and to penalize conduct by a board member that exceeds the scope of his/her governing function, and (iv) observing that appointed board members are fully accountable to the public through the election of the public officials who appoint them. The comment letters almost universally lament that imposing a

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regime of SEC regulation on appointed members of governing bodies, especially at the local level, is likely to significantly deplete the numbers of talented people who will be willing in the future to commit to public service. These appointed board members are typically citizen-volunteers who are interested in serving for the public good, often at little or no pay and often having special expertise that is critical to the effective functioning of a governing body. It is likely that they will be deterred from serving because they will not want to subject themselves to the additional registration, regulation and reporting requirements, and other duties and responsibilities, that would be imposed on them by the proposed rules. For purposes of brevity, each of PAID, PIDC, CCIDA and CCEDC endorses such letters and incorporate the objections set forth therein within this letter.

Each of PIDC and CCEDC are Pennsylvania nonprofit corporations that have been formed, *inter alia*, to promote economic development activity in Philadelphia, Delaware County and Chester County, Pennsylvania, respectively, and to provide management and staffing services to PAID and CCIDA, respectively. Neither of PAID or CCIDA has any employees.

The history of PAID and PIDC is illustrative of how an effective and cost-efficient arrangement has been developed in the Commonwealth of Pennsylvania over the past four decades in order to provide support and staffing services to industrial development authorities (i.e. governmental entities) that meet the definition of "municipal entities" under the rule. City and County governments and local chambers of commerce have established nonprofit corporations (such as PIDC and CCEDC) to provide all of the staffing and administrative services for the governmental authorities (such as PAID and CCIDA), thus providing non-political and professional management and staffing without burdening taxpayers with these costs.

PIDC is a private, nonprofit Pennsylvania corporation founded jointly in 1957 by the Greater Philadelphia Chamber of Commerce and the City of Philadelphia (the "City") to promote economic development throughout the City of Philadelphia. PIDC's clients include, among others, commercial and industrial businesses, developers of public purpose facilities, other nonprofit corporations, and various governmental bodies. PIDC was created to serve as a cooperative effort between the private business community, on the one side, and the City and its public agencies, on the other, to address the challenges of industrial renewal and economic development in the City.

From the outset, PIDC worked extremely closely with the City of Philadelphia to promote economic development in the City and to use tax exempt industrial development bonds to achieve these purposes. In 1967, based on a private ruling from the Internal Revenue Service, PIDC's role in the use of tax exempt industrial development bonds was eliminated. As a result, the Commonwealth of Pennsylvania in 1967 adopted the Economic Development Financing Law, 73 P.S. §371 *et seq.* (the "EDF Law"). Pursuant to the EDF Law, the City of Philadelphia created PAID. Unlike PIDC, PAID is a public instrumentality and body corporate and politic of the Commonwealth of Pennsylvania created by the City pursuant to the EDF Law, organized for the purpose of acquiring, holding, constructing, improving, maintaining, operating, owning, financing and leasing industrial, commercial or specialized development projects all as permitted

under the EDF Law. PAID has the power to issue tax-exempt obligations under Section 103 of the Internal Revenue Code.

Similarly, CCIDA was created by Chester County, Pennsylvania, under the EDF Law. PAID and CCIDA are without question each a “municipal entity” as proposed in SEC Release No. 34-63576, as currently drafted, however, it is unclear as to whether PIDC or CCEDC would meet the definition of “municipal entity.” The history and relationship and functions of CCIDA and CCEDC are quite similar to that of PAID and PIDC.

There are contractual relationships between PAID and PIDC and CCIDA and CCEDC, respectively, pursuant to which PIDC and CCEDC provide all required staffing assistance when and as needed for PAID and CCIDA, respectively. For example, under the agreement between PAID and PIDC, PAID designates PIDC “as its management agent and administrator of such of its routine administrative and operating affairs which may be lawfully delegated.” By outsourcing its staffing needs, PAID and CCIDA reduce their respective overall expenses because they do not need to hire and maintain employees on its payroll during periods of limited activity, do not need to increase staff to accommodate periods of increased activity, and do not need to maintain a physical location which would carry its own rental, utility and related expenses. As noted above, neither PAID nor CCIDA has any direct employees.

Through the contractual relationships in place, the employees of PIDC and CCEDC, when and as necessary, perform the functions, services and responsibilities of PAID and CCIDA. If employed directly by PAID or CCIDA, such employees would without question each benefit from the exclusion from the definition of “municipal advisor” set forth in Section 15B(e)(4) for “a person (who is ... an employee of a municipal entity)...” As proposed in SEC Release No. 34-63576, as currently drafted, however, it is unclear as to whether employees of PIDC and CCEDC would be entitled from such exemption. Furthermore, inclusion of such employees within the definition of “municipal advisors” will subject these nonprofit corporations which support the governmental activities of the cities and counties of the Commonwealth of Pennsylvania to unnecessary costs and regulatory burdens without in any way promoting the public purposes of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Accordingly, for the reasons discussed above, on behalf of PAID, PIDC, CCIDA and CCEDC, we hereby respectfully request that the rules be changed to **exclude** from the definition of “municipal advisors”:

- ◆ appointed board members; and
- ◆ in instances where a “municipal entity” has no direct employees, those employees of a nonprofit corporation that is formed, *inter alia*, to provide management and administrative staffing services to such “municipal entity.” Such exclusion may be properly limited to the actions of such employees during the course of their provision of services to the “municipal entity” and the clients (e.g., conduit borrowers) of such “municipal entity” and not to unrelated functions.

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Thank you for your courtesy and consideration.

Sincerely,

Stradley, Ronon, Stevens & Young, LLP

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