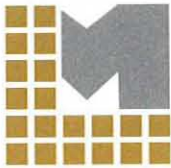

LOVELL
MINNICK
PARTNERS
LLC

Jeffrey D. Lovell
Chairman/CEO

James E. Minnick
President/Managing Director

Jennings J. Newcom
Managing Director

Robert M. Belke
Managing Director

October 5, 2009

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

RE: Proposed pay-to-play Rule 206(4) 5

Dear Ms. Murphy:

Lovell Minnick Partners LLC ("LMP") appreciates the opportunity to comment on the Securities and Exchange Commission's proposed Rule 206 (4) 5 under the Investment Adviser's Act of 1940, published for comment on August 3, 2009. LMP is an independently-owned private equity firm which specializes in investments in the financial services sector. LMP was founded in 1999 and since then we have raised three funds and over $700 million in capital for investment in lower middle market companies.

LMP strongly supports the efforts of the SEC to limit political contributions to state and municipal officials and to stop "pay-to-play" abuses, such as those that have surfaced in New York and New Mexico. We do, however, believe care should be taken to recognize the meaningful and beneficial role that legitimate placement agents play in the distribution of investment products to the public sector. Removing the legitimate placement agent from the process would be detrimental to public funds, as well as to smaller and emerging fund managers, such as LMP.

We concur with the comments that have previously been posted outlining the negative impact a ban on placement agents will have on public funds. Most importantly, it will limit access to smaller investment advisors who have added both compelling returns and elements of diversification to public plans. In addition, smaller private equity firms tend to invest in smaller companies that have higher rates of growth and, as a result, create jobs. As a matter of policy, public funds should not be hindered from investing in vehicles that support these fast growing businesses.

During our careers, executives at LMP have had extensive experience working with investment professionals at larger public funds. We have found these professionals to be dedicated and knowledgeable investors. While we recognize that abuses have occurred, we believe the professional staff members at public funds fully recognize the difference between legitimate placement agents, who add value to the investment process, and individuals seeking to use their connections for kickbacks or favors.

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For smaller investment advisors, such as our firm, a limitation on the use of placement agents would create a significant competitive disadvantage. In order to cover this large market we would need to develop a major internal sales capability or allocate the time of our professionals away from the investment process in order to cover this market sector. Given these choices many smaller firms will be forced out of the market. A legitimate placement agent has knowledge of the investment profiles of institutional investors and provides firms such as ours with introductions to prospects where we fit the funds' investment needs. Moreover, the extensive and recognized level of due diligence conducted by a professional placement team provides smaller managers a level of credibility which allows them to compete with larger, higher profile firms.

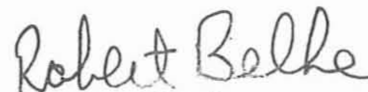
Again, we favor strong and appropriate regulation addressing pay-to-play abuses, including proper registration of placement agents and disclosure of compensation arrangements. We believe these regulations can be put in place without the unintended negative consequences that place a burden on smaller investment advisors and limit investment opportunities for public funds.

Respectfully submitted,

James E. Minnick

Jeffrey D. Lovell

Jennings J. Newcom



Robert M. Belke