Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C., 20549

RE: File No. S7-18-09, Political Contributions by Certain Investment Advisers

Dear Commission Members:

This letter is being sent on behalf of HFF Securities L.P. ("HFFS") in response to the Commission's proposed rule 206(4)-5 and proposed amendments to rules 204-2 and 206(4)-3 under the Investment Advisers Act of 1940.

By way of background, HFFS is a registered broker/dealer with the Commission and is a member of FINRA. We are a wholly owned subsidiary of HFF, Inc, a publicly owned company that is listed on the New York Stock Exchange. We provide a variety of investment banking services to our clients that are focused on raising capital for investment into real estate from a broad range of institutional investors, including public and corporate pension funds, university endowments, private foundations, commercial banks and insurance companies.

My partners and I each have 25 years of experience as real estate professionals. We have approximately 20 professionals on our staff, each of whom holds, at a minimum, Series 7 and Series 63 licenses. In addition, many of us have MBAs, law degrees, CFA designations and are active members of our industry's major organizations. As professional placement agents, we hold ourselves to the highest legal and ethical standards.

We find the underlying activities that took place in New York and precipitated this proposal to be deplorable, and we applaud the Commission's efforts to curb such activities in the future. We wholeheartedly agree with the Commission's basic premise that "pay to play" practices, among other things:

- "undermine the fairness of the selection process when advisers seeking to do business with the government of states and municipalities make political contributions to elected officials or candidates hoping to influence the selection process;"
- "violate the public trust by rewarding those who make political contributions;"
- "distort the process by which investment advisers are selected;"
- "manipulate the market for advisory services by creating an uneven playing field among investment advisers;" and
- "hurt smaller advisers that cannot afford the required contribution."

Accordingly, we endorse the political contribution restrictions in the Commission's proposal.

However, we oppose the proposed rule 206(4)-5(a)(2)(i), which would ban the use of bona fide, third-party placement agents by investment managers seeking to provide advisory services to public pension funds.

We believe the SEC's proposal to ban placement agents is misguided, unreasonable and inappropriate on several grounds:

- It would destroy a legitimate and necessary component of the investment management process and, in the process, would severely hinder capital formation in the private equity market;
- It would place small and medium-sized investment firms, many of which are minority-owned and women-owned firms that cannot afford to have a full-time sales and marketing staffs, at a severe disadvantage to larger, more established firms; in effect, the proposal would exacerbate the "uneven playing field" among investment advisers that the Commission is attempting to correct; and
- It would create serious inefficiencies within a public pension fund's "alternatives" asset class, an important and growing component of these funds' portfolios. Major public pension funds, seeking higher total returns and greater diversification within their portfolios, are increasing their allocations to "alternative" investments and their exposure to non-correlated asset classes (e.g., private equity, real estate debt and equity, hedge funds, timberland, infrastructure and "green" strategies). Since it is estimated that approximately one-half of "alternatives" firms utilize the services of a placement agent, the proposed banning of placement agents would severely limit public pension funds' access to a broad range of fund offerings and many of the best "alternative" managers and strategies, including those involving infrastructure and "green" technologies that are particularly vital to our nation's economy and our future. This would reduce competition within this very competitive asset class and provide an unfair advantage to larger firms. The end result would be lower investment returns for the public pension funds and, ultimately, higher contribution rates from their employer/public entity.

The investment advisory market has evolved from one where a relatively few professional investment management firms had exclusive access to a market that now embraces hundreds of firms. Many firms would never have established fiduciary relationships with institutional investors without a placement agent, and there should be no debate that small or emerging investment management firms need placement agents to guide them through the arduous and time-consuming process of raising capital, which can take upwards of 18 to 24 months. We help them understand the language, culture, investment objectives, fiduciary requirements and decision-making processes of institutional investors. We provide rigorous due diligence, analysis and evaluation of their management team, investment strategy and track record. We also assist in the preparation of presentation materials and legal documents; arrange and participate in conference calls or meetings; respond to the myriad of investor and consultant due diligence requests; and help coordinate the closing process.

There is an adage that "bad facts make bad law," and we believe this is what has led to the proposed rule. Hiring a placement agent is not a "pay to play" practice, as suggested at page 15 of the Commission's proposal. Hiring a "fixer" or someone who "can get the job done" at a particular pension fund, due to political influence or otherwise, is certainly a "pay to play" practice that, on its face, should be prohibited. The individuals indicted in the New York case were charged with surreptitiously coercing fund managers who sought to obtain commitments from the New York State Common Fund into using (and paying tens of millions of dollars to) intermediaries controlled by political supporters of the State Comptroller.

To the contrary, professional placement agents are not "solicitors," "lobbyists," "fixers" or "finders." We do not lurk in the shadows or get hired to "get something done" with a particular pension fund. Our role is far broader, our market spans the full range of institutional investors, and we are fully transparent. Our involvement is fully disclosed to each investor, our name and logo appear prominently on all of our documents and we are listed as the placement agent in the private placement memoranda.

The SEC has authority under Section 206 under the Advisers Act to adopt rules reasonably designed to prevent such acts, practices and courses of business as are fraudulent, deceptive and manipulative. We submit that our practice, i.e., the practice of a bona fide placement agent, is neither fraudulent, deceptive nor manipulative and that proposed rule 206(4)-5(a)(2)(i) is not reasonably designed. The Commission should no more ban placement agents than it should ban the entire hedge fund industry for the bad acts of Bernard Madoff. There are better alternatives and less radical approaches that the SEC can take.

In order to root out political corruption and ensure that investment decisions are made solely on the merits of the offering in conformity with fiduciary standards and applicable law, we ask that the Commission examine the recently enacted policies of the large state pension funds in California, Texas, Massachusetts, Connecticut and Wisconsin, among others. Each of these funds recognizes the valuable services that legitimate placement agents provide the industry, and each has rejected an outright ban. Instead, these funds have put in place policies that increase transparency and require greater disclosure from investment advisers as well as placement agents, as to fees paid, services provided and that the placement agent be registered with the SEC and a member of FINRA. Similarly, we ask that the Commission review the requirements, prohibitions and disclosure elements set for in the "Proposed Code of Conduct Supported by Leading Placement Agent Firms" that was submitted by Charlie Eaton on September 9, 2009, that we fully support.

In closing, we respectfully urge the Commission to reconsider the proposed ban on placement agents; to heed the overwhelming support in opposition to the banning of placement agents, as gleaned from the numerous, thoughtful and informative letters that the Commission has received from the public pension fund community; and, to adopt and implement a more thoughtful and reasonable response that will eliminate the abuses and preserve the valuable role that placement agents provide to investment managers and public pension funds.

Sincerely,

Thomas J. Mizo