September 27, 2009

Ms. Elizabeth M. Murphy, Secretary
United States Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090

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

Dear Ms. Murphy:

On behalf of Champlain Advisors, LLC ("Champlain"), please accept this comment letter with regard to the "pay to play" rule proposals set forth by the SEC. While we support the proposed ban on political contributions per SEC Rule 206(4)-5, we oppose the outright ban on the use of placement agents by investment advisers seeking sponsorship by public pension funds.

Limited Response by Public Pension Plans
Please note that many public pension funds will not be able to comment on the aforementioned SEC proposals within the 60 day comment period, if their organizations permit or approve a response at all. Given their internal public relations processes and policies, it is a challenge to organize a response, obtain a quorum and complete their internal processes, while complying with internal policy within this timeframe, particularly when half of this comment period includes the slow summer month of August. We hope you will use the comments of those that are able to submit them as a sample for broader representation for those that cannot do so.

Overview of Respondent
Champlain is a Connecticut-based, FINRA-registered, broker-dealer that was formed in 2003. Prior to forming Champlain, the co-founders were investment bankers at Credit Suisse, Bank of America, and Deutsche Bank. All employees are Registered Representatives holding the requisite securities licenses (Series 7, 63 and 24) in good standing. Collectively, the firm has 80 years of private placement and investment banking experience. Over their careers, Champlain's partners have executed 30 placements for alternative investment vehicles representing in excess of $18 billion, raised from hundreds of investors from around the globe. Since inception, our entire business has focused solely on fund placements in the private markets arena.

Support for a Ban on Political Contributions per SEC Rule 206(4)-5
We support the proposed ban on political contributions to certain state officials as it removes the potential conflict that could influence an elected official to reward an investment manager for its political contributions rather than to make a qualification-based decision.

Support for Enforcement of Current Rules
We applaud your review of the policies currently in place to address the criminal acts conducted by unlicensed influence-peddlers, who merely utilized their political positions and connections to extract payments for access and influence. Violating parties should be prosecuted and punished. Regulations already exist, but enforcement needs to be increased. Disclosure procedures and internal policies consequently need careful review and enhancement.

Opposition to a Ban on Placement Agents
The plan to ban legitimate placement agents, already registered with FINRA and already overseen by the SEC, would have unintended consequences that would negatively impact and

unfairly disadvantage all core constituents involved: (i) emerging and small / mid-size fund managers, including a growing number of women and minority-owned funds, are hard pressed to conduct a fund placement on their own, given the time-intensive nature of a fund placement and without the expertise of a dedicated team of full-time capital markets specialists; (ii) state pension plans and their pensioners who benefit directly from the performance of such "up and coming" fund managers (whose performance typically surpasses that of larger, more stable and mature fund managers) would see fewer managers of this type and would be disadvantaged by the subsequent lack of diversity of investment options; and (iii) the law-abiding, registered bulge-bracket and boutique placement agents would be decimated as a result.

Systemic Risk of Impropriety
Inappropriate and illegal influence can confront a public pension fund, or any individual or firm, when outsourcing is present. In the normal course of business this situation might involve: auditing, accounting, payroll processing, 401(k) management, information technology, building maintenance, advertising, public relations programs, and similar functions. To our knowledge, laws are not in place to require public pension plans to staff all of these tasks internally to avoid the possibility of improper dealings, nor would it be prudent to force them to do so. Pension plans, like most businesses, are allowed to maintain discretion over their businesses as they see fit, even when elected officials overstep certain bounds and commit fraud or some other illegal action.

Likewise, when a staff member or elected official involved in a public pension plan violates securities laws or internal procedures, the plan typically does not terminate the program and outsource it because of a violator. Instead, the individuals in violation are reprimanded, fined, or imprisoned accordingly based on their actions. The judicial process often results in disciplinary action that serves to inhibit and discourage the wrongdoing of others and to protect against further violations.

A ban on placement agents would not allow fund managers to effectively manage their businesses. In fact, it would specifically prohibit fund managers from outsourcing private capital markets fundraising from public pension plans, which, for many, is the lifeblood of their core existence. These restrictions are overreaching and the proposed blanket ban will have negative repercussions across not only the placement industry but also the entire private equity universe of money managers and institutional investors.

Capital Markets Specialists
Asset management firms are no different than other companies that require stable capital markets to maintain and grow their businesses. Companies of all types hire intermediaries with specific capital markets expertise to advise them on how to prepare for, approach, manage, negotiate and complete financings and other investment banking services. A placement agent is hired to execute exactly the same services in the private capital markets arena. It is no different than a company filing for a bond offering or an IPO to secure capital from institutional investors with the help and advice of an investment bank. Such banks and the firms involved in the transactions on behalf of all parties must be properly registered and regulated and abide by the rules like any other.

Enhancing Performance Returns for Public Pension Plans
The continued utilization of placement agents is in the best interest of public pension funds for three key reasons. First, the fund managers that are most in need of the services of an agent are typically small / mid-sized firms that have historically generated the best returns for public pension funds and their pensioners.

Second, should fund managers be forced to raise their own capital without the assistance of a placement agent, they will likely need to allocate budget dollars away from their investment team to hire full-time marketing staff, or do the fundraising themselves in order to survive. In either case, this means less time and capital can be devoted to performance and performance will likely suffer as a result, negatively impacting the returns of the very pension funds and pensioners that hired them to generate superior returns. Fundraising is a very time-intensive process. Requiring investment teams to act as investment bankers to execute a capital markets role in a vast market that requires a long and continuing presence is not what they have been hired to do by institutional investors. Their fiduciary duty is not to raise the money, but rather to invest the capital and deliver the best performance possible to their investors.

Third, placement agents serve as a valuable source of deal flow to public pension plans. To ban them will have unintended consequences. With a placement agent ban, private equity fund opportunities will be marketed away from public pension funds and will be funded by the majority of other institutional investors that do not ban agented transactions. As a result, public pension funds will see fewer quality opportunities and their returns will be unfairly impacted.

SEC and FINRA Rules are in Place; Enforcement is Critical
Active registered representatives who must be in compliance with FINRA know, through their certification and Continuing Education, what rules govern their conduct. A failure to abide by these rules will result in disciplinary action, fines or the loss of one's ability to continue in the securities industry. This has always been the case. As with insider traders and others that disobey the law, it is time for the rules in place to be enforced to punish those that are guilty.

Conclusion
While we remain confident that FINRA and the SEC possess the tools to enforce the laws in place, it is clear that the alleged misconduct of these individuals will require time for the regulatory and judicial investigations and procedures to be completed. The political reaction to swiftly "right the ship" with broad sweeping reform is understandable in light of the misconduct, however it is nonetheless shortsighted.

If certain pension funds believe that these scandals are worth disadvantaging themselves and their pensioners in light of the circumstances, it is their right to impact their plans as such. However, as evidenced by comment letters already put forth by numerous other state plans (Missouri, Wisconsin, Minnesota, Connecticut, Massachusetts PRIM, South Dakota, State Association of County Retirement Systems of California, Georgia Firefighters'), an industry-wide placement agent ban enforced by the SEC is not in the best interest of all state pension plans and their pensioners. We hope this letter has helped communicate some of the reasons why such a ban is not appropriate.

Respectfully Submitted,

Terence M. Crikelair
Managing Partner