

MEMORANDUM

TO: File #: S7-18-09; Political Contributions by Certain Investment Advisers

FROM: Christian L. Broadbent
Counsel to Commissioner Walter

DATE: September 28, 2009

RE: Meeting with representatives of Monument Group

On September 24, 2009, Commissioner Walter and Christian Broadbent met with Michael Miller and Alicia Cooney of Monument Group and Sean O'Malley of Goodwin Procter regarding the above-referenced proposal. In conjunction with this meeting, Monument Group provided a presentation that is attached to this Memorandum.



**Presentation to
Commissioner Elisse B. Walter
U.S. Securities and Exchange Commission**

September 25, 2009

Monument Group

Agenda

- ❑ Introduction to Monument Group
- ❑ The Ban on Placement Agents is Unnecessary and Inappropriate
- ❑ Closed-End Private Fund Market Dynamics
- ❑ Monument Group - Origination and Due Diligence
- ❑ Monument Group - Marketing and Project Management
- ❑ Monument Group - Benefits to Stakeholders
- ❑ Suggested Alternatives to the Ban on Placement Agents

Introduction to Monument Group

- ❑ An independent, majority women-owned business founded in 1994
 - Registered broker-dealer with the Securities and Exchange Commission (SEC BD #8-47248)
 - Member of Financial Industry Regulatory Authority (FINRA CRD #36399)

- ❑ 20 employees, including 12 registered representatives with over 200 years of collective experience in the investment business
 - Average of 17 years per registered representative
 - Investment credentials include CFAs, MBAs, investment analysts and consultants
 - No turnover of senior investment team since inception; all partners are involved in day-to-day management of firm and its operations

- ❑ Monument Group's primary business is to help Investment Advisers raise capital for private investment funds
 - Asset classes include: private equity, real estate, venture capital, natural resources
 - Closed-ended vehicles only

- ❑ Unique, value-added service to both Institutional Investors and Investment Advisers
 - Buy-side experience
 - Reputation for in-depth due diligence
 - Long-term relationships with institutional investors

The Ban on Placement Agents Is Unnecessary and Inappropriate

The proposed ban on third parties to solicit government business will have significant, negative consequences for:

❑ Investment Advisers and Capital Formation

- Most investment advisers to closed-end private funds lack internal marketing capability
- Internal marketing capabilities are difficult, if not impossible, to internally replicate
- Investment advisers unable to raise capital will go out of business, reducing investment options for government entities

❑ Government Entities

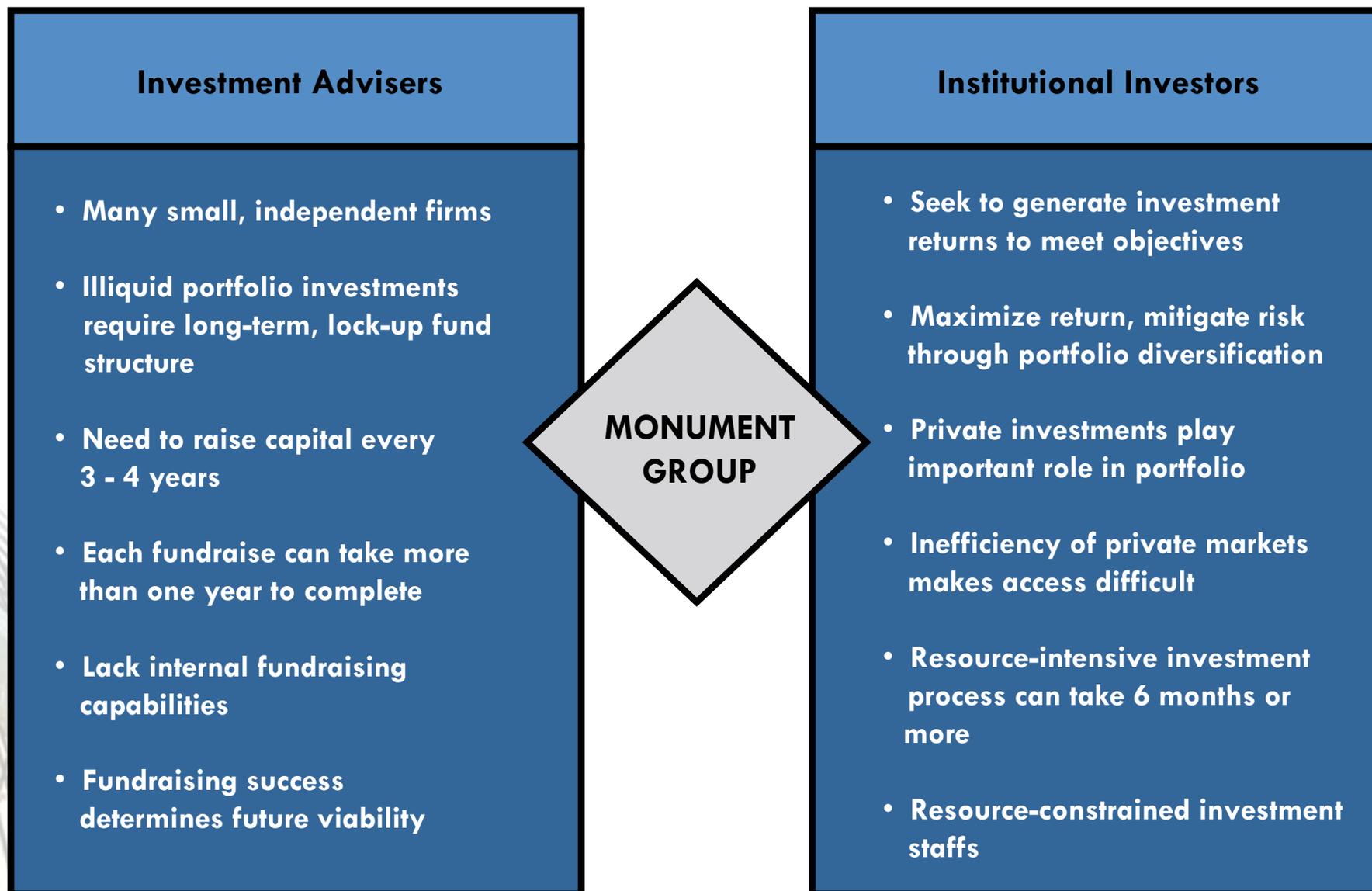
- It will reduce the number of available investment opportunities
- Selectivity and maximizing access to the investible universe is critical to maximizing investment results
- Government entities benefit from the quality screen and comprehensive due diligence information provided by registered placement agents

❑ The Economy and Small Businesses

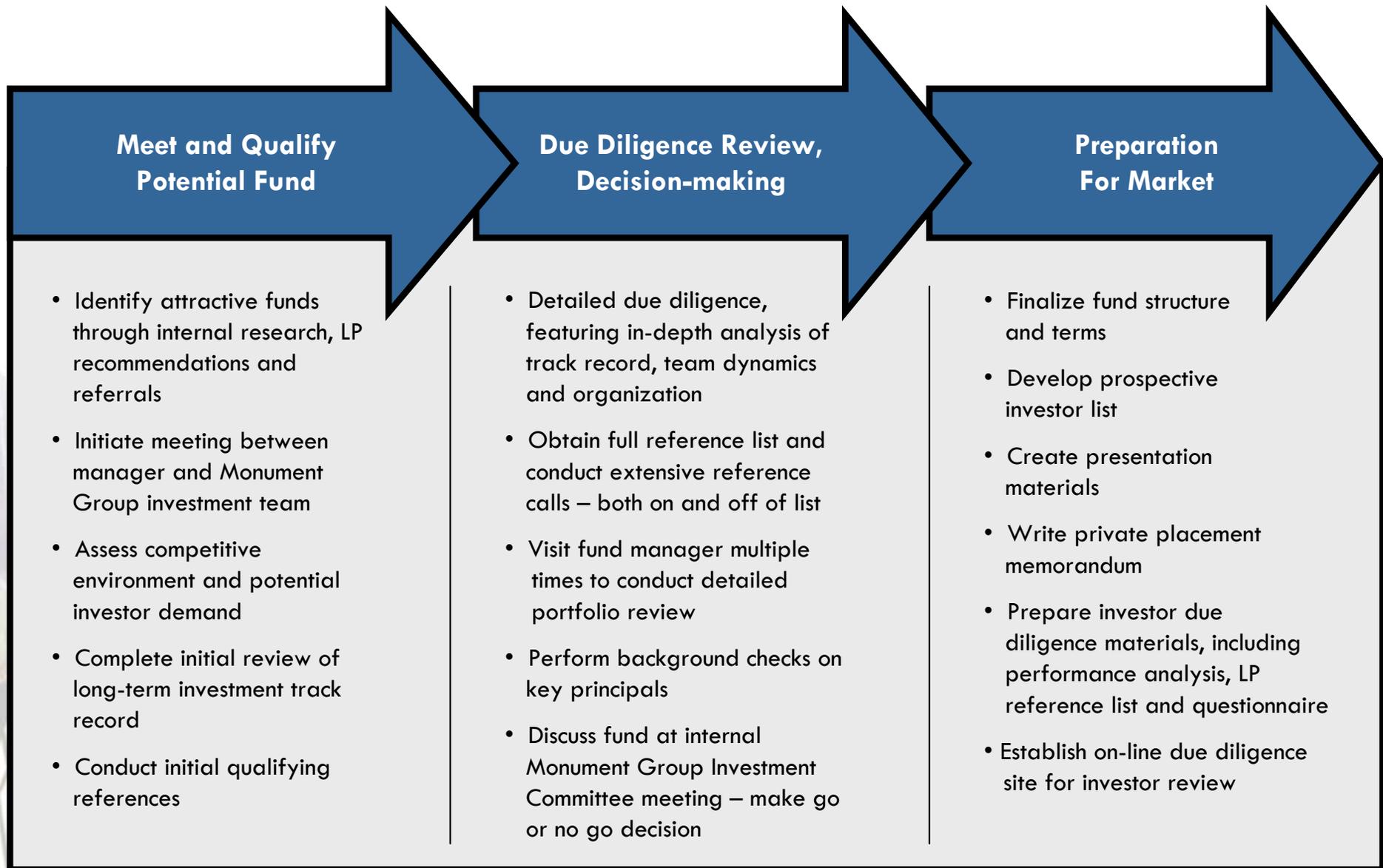
- Many small, independent investment advisers and placement agents will risk going out of business
- The annual direct effect on the economy would far exceed \$100 million, making this a major rule

Alternatives to the proposed rule would accomplish the Commission's goals without an outright ban on placement agents

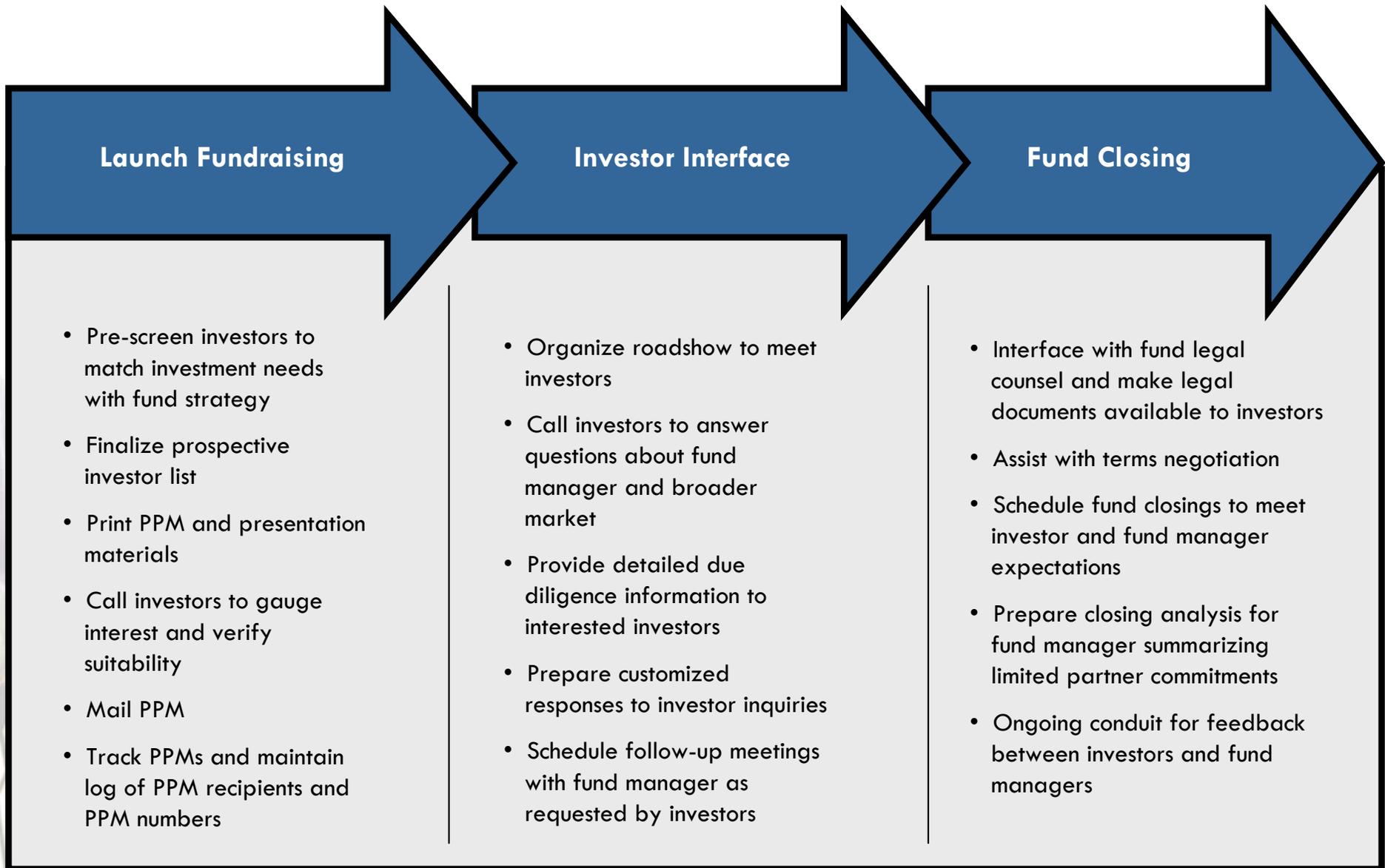
Closed-End Private Fund Market Dynamics



Monument Group - Origination and Due Diligence

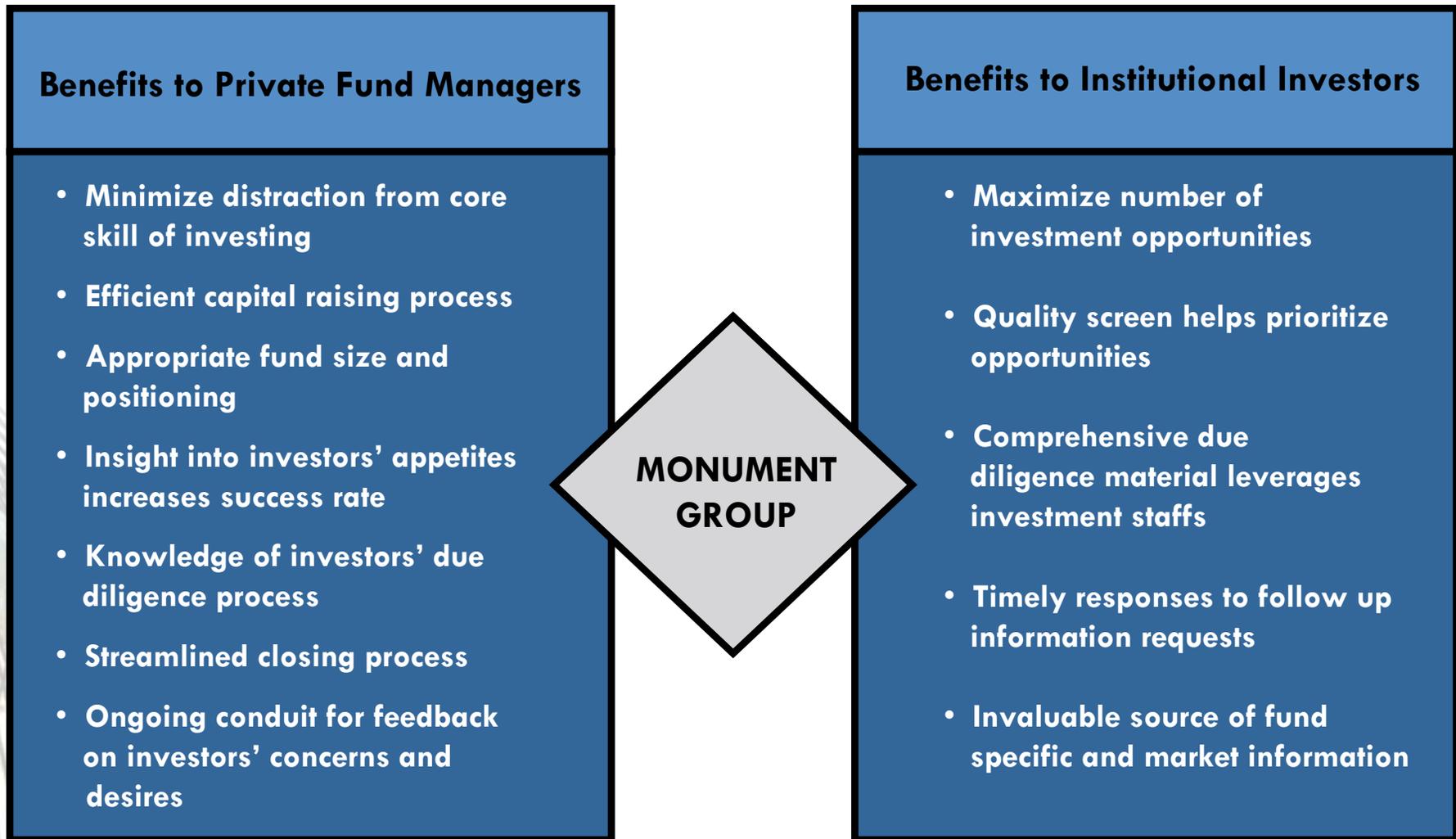


Monument Group - Marketing and Project Management



Monument Group - Benefits to Stakeholders

A value-added, registered placement agent creates significant value for both private fund managers and institutional investors, including government entities.



Suggested Alternatives to the Ban on Placement Agents

Placement agents should be allowed to solicit government entities if they:

- ❑ Avoid political contributions to government entities that they are soliciting on behalf of an investment adviser seeking investment advisory business from that government entity
- ❑ Are registered with the SEC, are FINRA members and are, along with any sub-agents, clearly identified in the fund's private placement memorandum
- ❑ Include in their contract with their investment adviser clients a mutual and express obligation to refrain from pay to play activities
- ❑ Institute a written policy regarding political contributions by employees
 - Prohibit contributions by employees if the employee cannot vote for the candidate
 - Limit contributions to a reasonable level (\$250) in situations where the employee can vote for the candidate

Suggested Alternatives to the Ban on Placement Agents (continued)

Placement agents should be allowed to solicit government entities if they:

- Follow adequate record-keeping requirements and incorporate these requirements in their annual compliance review as registered broker-dealers
- Forfeit any contingent fees on any investment resulting from pay to play contributions
- Are, along with their investment adviser clients, subject to a two year ban on soliciting government entities in states where they have made pay to play contributions
- Are banned for at least two years from receiving payment for soliciting government entities if they hire a former employee of that government entity

Suggested Alternatives to the Ban on Placement Agents (continued)

Institutional investors, including public pension plan trustees, should:

- ❑ Be held to fiduciary prudent person standards
- ❑ Be held to anti-fraud standards
- ❑ Add independent trustees at all public pension funds:
 - Serving on a completely volunteer basis
 - Similar to the use of independent directors for mutual funds, but without the compensation
 - Hold liability for violations of prudent person standards

