



October 2, 2009

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

Sent via: [rule-comments@sec.gov](mailto:rule-comments@sec.gov)

**Re: File Number S7-18-09  
Political Contributions By Certain Investment Advisers**

Dear Ms. Murphy:

This letter is submitted by Portfolio Advisors, LLC ("**Portfolio Advisors**", "**PA**" or "**we**") with respect to proposed rule 206(4)-5 (the "**Proposed Rule**") under the Investment Advisers Act of 1940 (the "**Advisers Act**"). By way of background, Portfolio Advisors is a Registered Investment Advisor ("**RIA**") under the Advisers Act and a Qualified Plan Asset Manager ("**QPAM**"). The firm is based in Darien, Connecticut, and our primary business is focused on providing private equity and private equity real estate investment advisory services to clients (including numerous funds-of-funds that we sponsor). PA's advisory client and fund-of-funds investor bases include public pension plans, corporate pensions, foundations and endowments, family offices and high net worth individuals. PA has provided advisory services resulting in more than \$20 billion of private equity commitments to more than 200 private equity and private equity real estate funds on behalf of its clients. As a RIA and a QPAM, we take seriously our responsibility to uphold and follow the rules put forth by the Securities and Exchange Commission ("**SEC**"). We support the SEC's efforts to regulate the political activities of firms and individuals seeking to do business with government entities, and the Proposed Rule's prohibitions regarding political contributions and "pay-to-play" abuses. We abhor any pay-to-play practice.

We do not, however, support the Proposed Rule's outright ban on the use of any and all third-party placement agents to secure investment capital from government entities. Being both an advisor and a fund sponsor, Portfolio Advisors has a very broad and relatively unusual perspective on the role and use of placement agents. Portfolio Advisors has retained the services of FINRA-regulated, registered placement agents in our marketing efforts, and they have assisted us in securing numerous public plans as advisory clients and/or investors in our funds-of-funds. We estimate that more than half of the commitments that Portfolio Advisors has made or advised on to date have been to private equity funds whose sponsors have similarly utilized legitimate, registered placement agents.

Private equity placement agents who are registered broker-dealers under the Securities Exchange Act of 1934 and are regulated by both the SEC and the Financial Industry Regulatory Authority ("**FINRA**") provide a valuable service to both investors in private equity and the managers who advise them. These services include: (i) helping new fund sponsors to become more established among the institutional investor community; (ii) helping sponsors to complete RFPs, provide information and respond to questions, which, in turn, gives public pension plans and other investors a broader pool of investment options; and (iii) serving as intermediaries in uniting capital with fund sponsors who can put the money to work by investing in businesses and creating value. Tens of thousands of small, medium and large

businesses have been created and/or strengthened by investments from private equity funds. As other responders have pointed out, legitimate placement services have resulted in public pension plans' ability to generate significant investment returns through commitments to private equity managers.

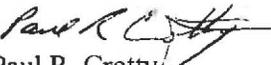
Portfolio Advisors also does not believe that an outright ban on placement agents is the best means to deter pay-to-play practices. As mentioned previously, Portfolio Advisors has employed placement agents. We have never made a payment to a state or government entity to secure investment capital, and we require the placement agents we engage to confirm that they have not done so either. Portfolio Advisors encourages the SEC to: (i) continue to uphold and enforce the existing rules regulating registered placement agents; (ii) improve legislation in order to curb payments to unregistered "finders" and other non-registered, unregulated solicitors; and (iii) enact and enforce regulations that prohibit payments between investment managers and/or government employees and their families.

We are taking the time to write this letter as we are concerned that the SEC may not fully appreciate the implications of an outright ban on all third-party marketers and placement agents. A ban on placement agents, even if only with respect to public plans, would likely dramatically reduce, if not eliminate, the providers of legitimate, valuable services. Without the benefit of legitimate, registered placement agents, we believe that public pension plans would not have access to nearly as broad an array of investment opportunities that could generate above-average returns, which would, in turn, negatively impact the financial stability upon which millions of public servants depend for their retirement benefits.

The illegal and unethical activities of a small number of "finders" and a corresponding small number of government employees should continue to be intensely scrutinized. However, the banning of legitimate, registered, well-regulated placement agents is not the right solution.

We appreciate the opportunity to comment on the Proposed Rule.

Respectfully submitted,



Paul R. Crotty  
Managing Member

