Date: August 11, 2009

To: SEC Commissioners

From: Frank Schmitz
[redacted]

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

The purpose of this letter is to offer my own personal commentary on the proposed regulations dealing with Political Contributions by Certain Investment Advisors. While I strongly support the SEC's efforts to crack down on political corruption and the desire to ban political contributions to those who control the decision making of public pension funds by those who are seeking to do business with them, I strongly oppose the parts of the regulation that would ban placement agents from doing business with public pension funds. This position of banning placement agents is overreaching and is simply throwing the baby out with the bathwater. It implies that all placement agents are corrupt or that FINRA simply cannot carry out its duties of actually regulating those legitimate placement agents that are already registered broker-dealers and subject to its oversight.

In fact, banning placement agents will actually have a negative effect on the very public pension funds the SEC is trying to protect, by limiting their access and choice of investment advisors to only those firms large enough to have their own in-house marketing teams. The largest firms are not necessarily the best performing firms and thus the pension funds' fiduciary duties to their investors could be compromised by not having access to the full universe of investment options. In addition, the placement agent ban will significantly hurt the small and medium sized investment advisors who do not have the resources to build out their own marketing staffs and need the expertise and resources offered by legitimate placement agents. Legitimate placement agents provide strategic advice and serve as the arms and legs of the small and medium sized firms in the market to allow them to compete with the large and established firms, thus helping to level the playing field for all participants.

By way of background, I am a co-founder of Park Hill Real Estate Group, a wholly owned subsidiary of The Blackstone Group and a FINRA registered broker-dealer. Park Hill Real Estate was founded in 2005 and has roughly 25 employees with offices in New York, Chicago, San Francisco and London. The professional staff of our firm are all real estate investment professionals and all have to pass the Series 7 and 63 licensing exams. In addition, the three of us who run the firm have the Series 24 license and on average, over 20 years of real estate investment experience each. In addition to meeting the strict requirements necessary to become a registered broker-dealer, our firm has a well established compliance function within the firm to ensure that we strictly adhere to all rules and regulations. Further, our firm has an extensive code of conduct which governs the activities of the firm and its employees, which among other things, prohibits political contributions (which appears to be the heart of the issue for the SEC).

In addition to being highly regulated, we take great pride in choosing only the best firms with timely investment ideas and strong platforms to represent to the investor universe. In fact, we meet with or screen over 150 different groups a year to select the 5 to 7 groups we work with annually. Our selection criteria involves elements such as investment track record, team qualifications and stability, soundness of the investment thesis, positive references and alignment of interests, amongst many others. Before we bring a group to meet investors we perform background checks on the firm's principals, audit the track record, contact extensive reference checks and work with the firm's legal counsel to prepare a complete offering memorandum. The extensive vetting of the opportunity set and due diligence done by our firm is a significant benefit to pension fund investors who understand our process and appreciate that opportunities brought forth by our firm have already been "pre-qualified" as a legitimate potential investment opportunity. With public pension funds generally under significant budgetary pressures and operating with lean staffs, coupled with a seemingly endless supply of firms looking for investment capital, legitimate placement agents perform a valuable function for pension fund staffs of pre-vetting the universe of investment managers and narrowing it down to a more manageable number of options. Even though we have done exhaustive diligence on each of our investment manager clients, if a public pension fund were to consider making an investment commitment to one of our clients, the pension fund investment staff and usually an outside investment consultant or independent fiduciary will do their own significant due diligence before an investment commitment is finalized.

From the perspective of a small and medium sized investment manager, the public pension world is a complex place in terms of understanding the pension funds' investment processes, investment goals and objectives and if the investment manager's strategy fits fits a particular fund, and who is the appropriate contact person is at each fund. While it may seem like this information should be readily available and even if a smaller investment manager could piece it together, the process of approaching the universe of public pension funds is time consuming and would take them away from their primary job of managing investments. We have worked with roughly 25 investment managers, most of them raising their first fund and successfully doing so because of the team effort that we employ with them to approach the market to find the most well suited investors for their strategy.

In conclusion, I support the efforts to reduce political corruption through eliminating political contributions from investment managers and placement agents, but strongly oppose the banning of placement agents dealing with public pension funds for the following reasons:

-The ban would be detrimental to public pension funds and their beneficiaries by reducing access to only the largest firms who can afford dedicated internal marketing staffs

-The ban would hurt small and medium sized investment advisors who cannot afford the marketing resources of the larger firms and thus would not be able to effectively compete with the large firms

-Legitimate placement agents are already registered broker dealers and extensively regulated by FINRA

-Legitimate placement agents perform a significant service to both the investment manager and public pension fund community

I would support full transparency of the role of placement agents through whatever disclosure the SEC believes is appropriate and a ban on political contributions. These measures, along with the requirement that all placement agents be registered broker-dealers, should allow for appropriate oversight about the roles of placement agents while preserving the benefits that we provide to both investment managers and public pension funds.

Sincerely-
Frank E Schmitz