Jefferies

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October 5, 2009

Via Overnight Mail
Elizabeth M. Murphy, Secretary
United States Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: File Number S7-18-09 – Political Contributions by Certain Investment Advisors

Dear Ms. Murphy:

This comment letter is being submitted to the Securities and Exchange Commission (the "SEC") on behalf of Jefferies and Company, Inc. with respect to proposed rule 206(4)-5 (the "Proposed Rule") under the Investment Advisors Act of 1940 (the "Advisor's Act").

I am a Managing Director and Head of Jefferies Helix. I have more than 30 years experience in corporate finance and private equity investment and fundraising, including managing the private equity fundraising group at Salomon Brothers and as a general partner in a venture fund in the United Kingdom. I joined Jefferies Helix in 2007.

Jefferies Helix is the specialist private equity fundraising unit within Jefferies and Company, Inc. ("Jefferies"). The unit has its roots in Europe having been founded as Helix Associates, a London-based boutique. Jefferies acquired Helix Associates in 2005 and has since expanded the operations to include offices in New York, London, San Francisco and Singapore. The business represents 5 to 10 general partners per year across a variety of investment strategies, including buy-outs, venture capital, infrastructure, emerging markets, mezzanine finance, natural resources and special situations. Jefferies Helix has a history of thoughtful fund selection, deep due diligence and investor sensitivity. Our primary role is to assist general partners in properly organizing their marketing materials, including their private placement memorandum, data rooms, and due diligence questionnaires. We then assist in placing the fund across a broad market. We are compensated for our advisory work and for assisting in the completion of the fund raise without regard to participation by any specific investor. Jefferies Helix has placed funds with more than 500 investors since 2001.

I believe that the Proposed Rule raises some very important and timely issues, particularly related to disclosure and contributions. I also believe the Proposed Rule's ban on placement agents from "soliciting" government related entities, including pension funds is ill-advised. Banning placement agents will remove one of the most important and transparent information sources for pension funds in making their investment decisions. The SEC has imprudently classified all placement agents in one category without recognizing that many are professional, highly regulated entities that provide an important service, while others – so called "finders" – have roots in political influence peddling and provide no meaningful service.

There is a well-established industry and channel to market for alternative investment managers and investors to interact. It has been developed primarily during the last thirty years in an effort to bring transparency, competition and professionalism to an emerging and fragmented, yet crowded market. Investment managers in this space run the spectrum from decade's old firms to managers who are new to the industry and every possible description in between. Some of the first placement agents in this arena were the largest investment banking firms in New York, including Salomon Brothers, Merrill Lynch and Morgan Stanley. As the industry evolved and took shape, specific business units were established at some firms to provide consistency of approach, proper analysis of the manager and appropriate due diligence standards for new business.

Today, this industry includes large and small firms including Credit Suisse, UBS, Lazard LLC, Jefferies, Probitas Partners, J.P. Morgan and Greenhill & Co. Inc., just to name a few of the largest. Virtually all of these firms have developed a business based upon analytics and due diligence. Virtually all are compensated to assist the manager in achieving a successful fundraising based upon identifying the correct universe of potential investors from around the world. The business is not based upon influencing any one investor through a "special relationship," but rather educating the entire market on the competitive advantage and investment merits of the manager. Many alternative asset managers today obtain their limited partner commitments from investors in virtually every continent.

Most investors maintain a competent and transparent investment approval process. This includes a staff of analysts, perhaps supplemented by an outside advisor, and full investment committee, which typically approves all new investments. Placement agents review hundreds of opportunities each year in an effort to determine which managers to represent into this market – only a few are chosen.

At Jefferies, our process begins with a proper vetting of the manager and their track record of performance. In this process, we review the individual investments in the manager's portfolio. The analysis includes interviews with personnel at the underlying company and third parties who are aware of the investment. We typically attempt to determine to whom the performance on any individual investment may be attributed. This analysis will be prepared in a readable and standardized format and made available to potential investors in an electronic data room. The analysis is further supplemented with reference checks on facts and individuals. Additional analysis may include a value creation model that assists the investor in determining how an individual asset manager creates the performance they claim. This analysis is provided to any investor with an interest in learning more about the manager in support of potential investment with that manager.

If the SEC bans Jefferies and other placement agents from soliciting government entities and pension funds, these investors will be denied access to some of the most important data available to them in the process of engaging with a new investment manager. One could argue that the pension funds could develop the information themselves; however, most do not have adequate staff to develop such information on all of the possible investments that they may want to review and would not necessarily ever discover them on their own. Investors would expend significant costs to develop this information internally.

Further, by banning such dialogue, the pension funds will be relegated to speaking only with the largest of the investment managers who can afford to maintain a large, in-house staff of fundraisers, denying the pension funds access to some of the most unique, nimble and highest performing asset managers in the market. Many pension funds today have allocated capital for the express purpose of investing in such "emerging managers"- the next generation of high quality managers that have not yet been discovered in the main. Pension funds rely on such managers to increase their own performance and support the ever expanding claims of their pensioners.

These asset managers would find it extremely difficult to access this market without the assistance of a professional placement agent that is regulated and has experience in working with all varieties of investors. Such a move would actually reduce competition in the marketplace and penalize regulated professional firms in favor of in-house fundraisers, many of whom would be outside the regulatory review process.

Banning placement agents will not eliminate the potential for "pay to play" but will merely shift the potential problem. Combining the regulated and professional field of placement agents with "finders and influence peddlers" is not an adequate or appropriate solution. If the SEC wants to reduce the potential for pay to play in the pension fund arena; it should:

- restrict placement agents from making political contributions;
- deny anyone who has contributed to, worked for or worked with a political appointee in a position of influence over investment decisions from engaging in the business of "placement agent " for a certain period of years after such activity;
- demand disclosure in a standard format of all fees paid by any asset manager who intends to pursue investment dollars from a government entity

Jefferies appreciates the opportunity to comment on the Proposed Rule and strongly urges the SEC to consider the many deleterious consequences of a ban on placement agents.

Respectfully Submitted,

Stephen Gray