



September 29, 2009

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

Re: File No. S7 18 09

Dear Ms. Murphy and Commission Members,

I am writing in response to the proposed SEC Rule 206(4)-5 regarding "Pay to Play" restrictions and the ancillary "Ban on Using Third Parties to Solicit Government Business." My firm, Strategic Development Investments (SDI), is a small, woman-owned investment management firm. While we are a small company within this arena, I feel the perspective of small emerging managers should be taken into account relative to the proposed changes. There are three distinct points I would like to state on behalf of our firm:

1. We do not support the ban on third party marketing under the proposed Rule as I believe such a ban will adversely impact small firms such as mine.
2. We do support the restrictions on political contributions, and I believe these restrictions should be extended to affiliated entities such as third party marketers.
3. We greatly support increased transparency for third-party marketers as this seems to be the heart of the problem.

#### Third-Party Marketers: A Critical Resource for Emerging Managers

I founded Strategic Development Investments in 2007 fully knowing that institutional money management is an extremely competitive business. SDI and other firms of comparable size often do not have the resources to hire both portfolio management and marketing executives. A third party marketer often costs significantly less than a full-time marketing executive, and yet can be just as effective given their knowledge of the industry. From a business perspective, the hiring of a third party marketer is very compelling as it allows a firm to focus on portfolio management without also having to develop a marketing department as well.

My firm has retained the services of a third party marketer, and I have been extremely pleased with their efforts. Not only have they allowed my firm to develop a very cost effective marketing plan, but their attention to disclosure and compliance issues has been very detailed

and proactive well before the recent controversies. The relationship between investment firms and third party marketers is not the problem; the vast majority of industry participants are acting legally and ethically.

#### Political Contributions and Transparency

Under the proposed Rule, the Commission is correctly addressing the issue of political contributions influencing the investment allocation process. "Pay to Play" restrictions such as those in the proposed Rule will level the playing field between smaller firms and larger firms. The root of the problem the Commission is trying to address is that individuals are making political contributions in an effort to curry favor with those responsible for making investment allocation decisions. Given the large sums of money controlled by elected government officials, it seems sensible to restrict political contributions to those elected officials, and that is why I support restrictions on political contributions for both advisers and their affiliates. Within this scenario, third party marketers can provide their service without influencing the process through donations. By restricting political donations to those involved in investment allocation decisions, neither firms nor third party marketers are able to influence the decision-making process through political contributions. In this scenario, third party marketers are just private contractors for the firm, and they cannot legally contribute to decision makers thus influencing the decision-making process.

The problems that have recently occurred involving third party marketers are the result of illegal activities (which the Commission cannot prevent) along with a lack of transparency regarding donations and relationships (which the Commission can correct.) It should be noted that a number of instances that have made headlines around the country involved pension funds that did not even have transparency requirements in place. I believe that by correctly addressing the issue of political contributions and a blanket requirement for transparency of representation by third party marketers and placement agencies negates the need for a ban on third party marketers.

Thank you for allowing me to express my views on this matter. If you have any questions or wish to discuss in further how this proposed regulation impacts a small, woman owned firm such as mine, please feel free to contact me at 310-477-0617.

Sincerely,



Deborah La Franchi  
CEO and President

Strategic Development Investments, LLC