Charles J. Schreiber, Jr.
Chief Executive Officer

October 6, 2009

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

Re: Comments On Release No. IA-2910 / File No. S7-18-09: Political Contributions By Certain Investment Advisors

Dear Ms. Murphy:

Thank you for the opportunity to comment on the Securities and Exchange Commission's proposed new Rule 206(4)-5.

KBS applauds the Commission's efforts to eliminate "pay to play" practices. In furtherance of this purpose, we support most of Rule 206(4)-5. However, we do respectfully disagree with the portion of the Rule that bans placement agents from dealing with public pensions entirely. This extreme response to problems resulting from the acts of just a few bad people is overly restrictive, and will undoubtedly have serious adverse unintended consequences for the industry and parties the SEC and states are trying to protect.

KBS is a registered investment advisor, established in 1992. We have served as a commercial real estate investment advisor for over 50 private and public pensions. We have taken 11 funds full cycle, all at significant profits for our pension fund investors. We are now a large mature real estate advisory firm. We no longer use placement agents. However, we have not forgotten their importance to the establishment of our company and the significant value they continue to provide to public pensions and our industry.

Start-up and small firms are very important to public pensions. Oftentimes, they offer more attractive investment opportunities than the larger, more established firms. They often consist of individuals with significant talent who left larger advisory firms or organizations. Like KBS in 1992, they need the placement agents to help them establish relationships and opportunities to present potential investments to the public pensions. Placement agents also serve as valuable gatekeepers for the public pensions, evaluating the quality and expertise of potential advisors and their proposed investment products. Banning placement agents will significantly reduce the number of smaller firms that can enter the business, as well as remove a very important evaluative and due diligence tool for the public pensions. In the end, the industry will be dominated by large fund managers with huge internal marketing teams. Is this quasi monopoly an intended or desired consequence? Would KBS have been able to establish itself and provide the significantly beneficial returns it has provided to its public pension investors, without the kick start and introductions of a placement agent? What we do know for sure is that we are extremely glad, as are our pension fund clients that we did not have to find out. However, the benefits and reasons for not banning placement agents does not stop there.

- Placement agents provide guidance to investment advisors in the development of the types of investments and required returns sought by public pensions.

- Many public pensions do not have sufficient resources to staff research and due diligence teams to research the experience and track record of investment advisors. As stated before, placement agents serve as very valuable "gatekeepers", reviewing the experience, quality and track records of potential investment advisors, oftentimes by geography, investment product, and return criteria.

- Placement agents will also continue to monitor advisors' fund and investment performance moving forward. A very important responsibility for which, again, many public pensions do not have adequate resources or staff.

- Larger advisory firms can afford to maintain full time marketing staffs. This is cost prohibitive for the smaller investment advisory firms. Moreover, many placement agents have spent years establishing relationships with hundreds of public pension plan managers. It would be virtually impossible for smaller advisory firms (and oftentimes even larger firms) to establish the same level of service and efficiency as that they can get from the use of the network of placement firms.

- The network of placement agents has access to the most current market information, which is critical to investment advisors and their ability to effectively represent the public pensions.

- Even the large institutional public pensions that have a professional staff of analysts and/or managers do not have resources to identify and analyze all of the investment offerings. It is critical to these public pensions to have placement agents that can expand their awareness of all of the various possible investment alternatives and help with the due diligence process for identifying the most qualified investment opportunities.

- Placement agents also significantly free up public pensions' time to focus on investments versus spending time attending countless "road shows" and presentations.

- Placement agents are also extremely helpful in enhancing the efficiency and quality of advisors' presentations, by assisting advisors with their marketing presentation materials, by making sure that they effectively address all of the needs of the targeted public pensions.

- Lastly, placement agents also serve as the most cost effective resource for the public pensions because all of these benefits come at no cost to the pensions, since the placement agents are compensated by the investment advisors.

In sum, the only parties that benefit from banning placement agents are the large firms that have internal marketing departments and large advisors like ourselves, who no longer use placement agents. While reducing competition may be good for us and other large advisory firms, it is not right and not good for the industry, particularly given all of the above described benefits placement agents provide to the public pensions and the investment industry.

While we strongly support your efforts to eliminate the "pay to play" practices, with equal conviction, we strongly advise you to not ban placement agents. They are far too valuable to the industry and the parties you seek to assist and protect. Thank you again for the opportunity to comment and for the very important and significant role you play for the protection of the integrity of the advisory and investment industry.

Very truly yours,

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