

October 6, 2009

Ms. Elizabeth M. Murphy, Secretary  
Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 20549-0609

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

Dear Ms. Murphy,

I have been in the private equity real estate industry for over 8 years. I have my Series 7 and Series 63 and have been involved in over \$3 billion of private equity real estate transactions on both the investment/acquisition side and the capital raising side of the industry. In my current professional role as a vice president of an investment banking firm that provides financial advisory and placement agents services to the real estate industry, I am compelled to rebut Mercer Bullard's comment letter dated October 6<sup>th</sup>, 2009. Mr. Bullard supports the SEC's proposal and agrees with the SEC that "...placement agents play a key role in pay to play practices...". On page 2 of his letter, he even goes so far as to state that "...there are still some who do not understand the insidious influence of placement agents."

To support these bold claims against placement agents and in support of the SEC's proposed ban, Mr. Bullard provides the following items as support for his position:

- A link to his website where he provides his documented record of pay-to-play abuses on a state-by-state basis (page 1)
- A reference to the pay to play scandal involving Henry Morris and New York Common<sup>1</sup> (page 2)
- A reference to a pay to play scandal in the State of Connecticut involving a former state treasurer (page 4)
- A 2007 GAO Report – Private Pensions: Conflicts of Interest<sup>2</sup> (page 3)
- A 2005 SEC Pension Consultant Study<sup>3</sup> (page 3)

Personally and professionally, I take umbrage to Mr. Bullard's claims and it incited me to look into his aforementioned "evidence". Given my experience as an honorable and creditable financial advisory/placement agent and being reasonably informed of the circumstances surrounding the New York State scandal, I was not surprised to learn that Mr. Bullard's claims are completely baseless and without merit. Here is what I found of Mr. Bullard's evidence:

- Mr. Bullard's website contains 78 different articles/legal briefs on actual and purported pay to play incidences in 19 states dating back to 1995. I took the time

to review each and every one of these documents and, interestingly enough, ***I did not find one mention of placement agents in any of these documents.***

- Mr. Bullard references SEC v. Henry Morris as “...recent enforcement actions involving placement agents who obtained pension business for investment advisors.” However, Henry Morris never acted as a legitimate placement agent. This is supported by the SEC as demonstrated in following statements released by the SEC on March 19<sup>th</sup>:
  - “Morris, who was a professional political strategist, had little, if any, experience in the investment field, set himself up as a purported “finder” or “placement agent” for private equity and hedge fund managers seeking investors.”
  - “Morris did not perform any bona fide finding, placement or other services in exchange for the payments.”
  - “The typical role of a legitimate finder or placement agent is to identify and introduce the client to potential investors and help the client solicit the investors for business. Genuine placement agents or finders often perform a variety of specific services, such as helping create a marketing materials and presentations to investors”
  
- Mr. Bullard references the pay to play incident involving former Connecticut State Treasurer, Paul Silvester, as evidence that it is representative of “precisely the abuse that anything short of a complete ban [on placement agents] cannot prevent.” This well documented incident involved Mr. Silvester soliciting \$1.5 million in fees from two investment managers (Landmark Partners and Triumph Capital Group). To accomplish this crime, Mr. Silvester set up an elaborate payment scheme via two intermediaries, who were his friends, to funnel kickbacks to himself. ***No one remotely resembling a legitimate placement agent participated in this scheme.*** In this instance, it would have been a more appropriate for Mr. Bullard to recommend a complete ban on state treasurers from having any friends!
  
- To further support his contention that the SEC completely ban placement agents, Mr. Bullard stated that “*There is more than ample evidence that the same abuses that the Commission has found in the municipal securities business are occurring in the money management business*” and referenced: (1) a 2005 SEC study that he believes “...found rampant conflict of interest” between consultants and their pension plans clients and (2) a 2007 GAO report that found “... significant undisclosed conflicts of interest” between consultants and their pension plan clients resulting in “...annual returns that were 1.3 percentage points lower than for other consultants”. I would like to note that these reports focused on consultants, not placement agents, and in no way suggested the complete banning of consultants (the way the SEC has to placement agents) or any other industry group for that matter. As such, it is hard to imagine how Mr. Bullard could even make the quantum leap that these studies in anyway lend support to a complete banning of placement agents. Interestingly, the GAO report infers greater disclosure is a potential solution to such conflict of interest scenarios, which,

ironically is exactly what the opponents of the placement agent ban are suggesting.

Personally, I am disappointed that certain politicians, industry groups and lobbyists like Mr. Bullard use false data, inference and misrepresentations in an attempt to wrap legitimate placement agents together with political contributions and pay to play acts. It is unfortunate that these same individuals are using the SEC website as the vehicle to contradict the thoughtful and concise comments from a large number of well informed professionals in the institutional investment business.

Thank you for the opportunity to express my views on this most important issue.

Sincerely,

A handwritten signature in black ink, appearing to read "C. Maduri". The signature is fluid and cursive, with a prominent initial "C" and a long, sweeping underline.

Chris Maduri

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<sup>1</sup> See SEC V. Henry Morris, 09-CV-2518 (CM) (S.D.N.Y., May 12, 2009).

<sup>2</sup> See Private Pensions: Conflicts of Interest Can Affect Defined Benefit and Defined Contribution Plans, GAO-09-503T (Mar. 24, 2009).

<sup>3</sup> See Staff Report on Examinations of Select Pension Consultants, Office of Compliance Inspections and Examinations, U.S. Securities and Exchange Commission (May 16, 2005).