

To: SEC Commissioners

Subject: File No. S7-18-09

From: Ken Rogers, Arrow Partners, Inc.

Following are my comments on File No. S7-18-09 titled Political Contributions by Certain Investment Advisers.

As partner in a leading independent third party marketing firm, with more than 20 years of industry experience, I strongly oppose the proposed ban of advisors use of third party solicitors or placement agents to market to public pension funds. I believe the SEC can meet its overall objective to curb “pay to play” activities with a more balanced solution.

Third party solicitors/Placement Agents provide a value added service to important constituents of the SEC. The premise of the third party solicitor/placement agent business is to deliver sales and marketing services equal to the standards of dedicated internal teams. This provides the advisor with a viable cost-effective alternative to professionally service the sophisticated institutional market, including public pension funds. It is important to note that third party solicitors/placement agents are already accustomed to transparency, required to provide full disclosure of their compensation and services provided on behalf of advisor clients. These important disclosure rules, regulations and procedures written to ensure lawful and ethical business practices are well documented in the Investment Advisors Act and elsewhere, have been effectively enforced by authorities like the SEC and FINRA and followed by advisors and third party marketers as well as most state and local authorities for decades. Firms violating these rules, regulations and procedures are held accountable and punished to the fullest extent possible.

With regard to political contributions and pay to play activities, it makes sense that the recent violation of trust by a relative few has prompted the SEC to review and tighten industry rules and penalties. It is shocking and disappointing, however, to read the proposed unilateral discrimination against the entire third party marketing industry potentially banning them from servicing public funds. You suggest that the primary rationale for the ban is based on the inability to monitor their political contributions. On the other hand you say that political contributions are transparent and easy to track as part of public record for advisors and individuals. So, like advisors, if the majority of third party solicitors/placement agents are registered in some form or follow even greater disclosure rules and the tracking of their political contributions and the potential for fraud are equal to advisors and their employees, why shouldn't the proposed rules and penalties for servicing public entities be the same across the industry?

Finally, and perhaps a more important reason why the proposed ban is misguided, is that it hurts the public fund investor. Many third party solicitors/placement agents work

predominantly with smaller, emerging managers who although may have better investment capabilities, can not compete with the marketing force of mid to larger firms. The inability of these managers to sustain a professional marketing program is a significant disadvantage to them but more importantly to investors, including public funds, attempting to carry out their fiduciary responsibility to hire the “best” investment managers in the market. I do not think it is the intention of the SEC to hinder the fiduciary responsibilities of investors.

We appreciate you opening a platform to voice our concerns and strongly encourage you reconsider this ban. We are certainly willing to follow the same political contribution rules set out for others in the industry. Please let me know how I can get personally involved to help end up with a fair and equitable solution for all.