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September 14, 2009

Ms. Elizabeth M. Murphy, Secretary
United States Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-1090

Re: File No. S7-18-09, Political Contributions By Certain Investment Advisors

Dear Ms. Murphy:

It is with great urgency that I submit this letter in opposition to the proposed rule placing a ban on placement agents from working with U.S. public pension plans.

As a smaller private equity manager currently investing Littlejohn Fund III with $850M of committed capital, I am well aware that the proposed policy will limit small and mid-sized funds from being considered for investment by public pension plans. My firm has worked with three placement agents over the past decade because in contrast to larger private equity shops, we cannot afford to hire an in-house marketing team. Furthermore, the placement agents we have worked with have longstanding relationships with the U.S. pension plans and as a result of those relationships, pensions have considered our fund for investment when they otherwise might have overlooked us. Finally, fundraising is not only costly, but it is also time-consuming. Public pensions perform in depth due diligence and we rely on our placement agent to help with information requests in order to ensure that the pensions receive all the data they need, and in a timely manner. Hiring a placement agent has allowed us to avoid being distracted by fundraising efforts and to instead, remain focused on generating returns and on upholding our fiduciary responsibility to existing investors.

Beyond the aforementioned personal concerns for my own business, I would argue that the proposed rule will be equally detrimental to the pension plans themselves. It is my understanding that the Securities and Exchange Commission is primarily concerned with the "interests of the millions of pension plan beneficiaries" in the United States, as declared by Andrew J. Donohue, Director of the SEC's Division of Investment Management.(1) Please see below for reasons why the proposed ban will *not* be in the best interests of pension plan beneficiaries, but rather, will work to their disadvantage:

Due Diligence
Placement agents provide a valuable service to public pensions because they perform extensive due diligence on funds before taking them on as mandates. Agents perform detailed background checks, make reference calls and evaluate strength of team and legitimacy of track record performance to determine which funds are likely to make the most sound investments. This saves

(1) http://www.sec.gov/news/press/2009/2009-168.htm

the public pensions time and money. When an agent presents a pension plan with a fund, the pension benefits greatly from that introduction because the fund has already been screened for quality and authenticity.

Access to Funds
Public pension plans receive hundreds of offering memoranda and calls from fund managers every year. Pensions have limited resources and greatly benefit from the due diligence performed by registered agents. Placement agents play an important role acting as liaisons of information flow between fund managers and public pensions. Agents meet with and evaluate countless funds before determining the "best in class" managers they want to represent. Agents then bring these select high-quality funds to the attention of public pensions. Furthermore, these high quality managers often include emerging funds and minority and/or women-owned funds. Banning agents will not only create an unfair playing field for smaller and minority-owned funds to compete with larger, more well-known managers, but it will severely limit public pensions' access to some of the best funds in market.

My hope in submitting this letter is that the SEC will revise the proposed rule so that it does not preclude third party advisors from working with public pension plans. While I commend your efforts to curtail "pay to play" practices and am disgusted by the alleged actions of those involved in the "Hank Morris" scandal, a ban on placement agents will unfairly disadvantage small and mid-sized fund managers and will greatly disservice millions of U.S. pension plan beneficiaries. In addition, I do not believe the ban would eliminate unscrupulous practices by dishonest individuals. I sincerely hope that the SEC modifies its proposal so that adequate disclosure and harsh penalties will stop any abuses from occurring while at the same time permitting honest and legitimate placement agents to perform their valuable services.

Sincerely,

Michael I. Klein, President
Littlejohn & Co., LLC