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RAYMOND H. KRAFTSON
MANAGING DIRECTOR

September 17, 2009

Elizabeth M. Murphy, Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-0609

Dear Ms. Murphy:

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

Ariane Capital Partners LLC, is a small broker/dealer registered with FINRA and the SEC [www.arianepartners.com] (“Ariane”), providing professional placement agency and other marketing services to the managers of Private Equity Funds.

We solicit only large institutions and professionally managed family offices on behalf of our clients, do not deal in any way with individual investors, do not engage in holding or trading securities or any other related activities.

Our business is largely focused on a group of managers known as “Emerging Managers” generally defined as those who seek to run first time funds or those designated as Fund III or lower. That group almost always is in very significant need of professional help in fundraising and we supply that help to their substantial benefit and that of the managers of public pension funds who otherwise would not be exposed to such up and coming funds.

The extremely selective and labor intensive process which we apply to the clients we choose to represent benefits public (and other) pension fund managers by way of a significant reduction of the time they must spend forming new relationships.

It requires highly specialized knowledge of not only the pension funds’ investment strategy, but also advising our clients on how to best position their investment strategy, design a marketing plan, identify the likely universe of investors, create offering memoranda and other marketing materials, and preparing them for the arduous task of marketing to institutional investors.

Our clients, with us, then meet with hundreds of potential investors who might never otherwise have the opportunity to see their funds. We manage most communications with potential investors, dealing with a wide variety of institutional feedback to allow the manager to adjust to market

realities. If an investor is interested in our client, we assist with the due diligence process, resolve potential issues as they arise, and help them manage the closing process.

All of Ariane's individual brokers are fully licensed and we all adhere scrupulously to the FINRA, SEC, and various state securities laws and regulations. Ariane underwent its very thorough triennial examination by FINRA last summer and received only a few minor comments with which we have promptly dealt.

With the addition in 2007 of a new Managing Director with over twenty years experience in the public pension fund world, we now have a dedicated specialty of raising funds for emerging managers from public pension funds and, over our ten year history, have raised well in excess of \$100 million from such funds for our clients.

In so doing, we do not make political contributions to any state or fund official nor made anything other than the most professional approaches to any such fund on behalf of our clients. Almost all placement agents operate the same way we do but a handful of bad apples have spoiled the barrel, not to mention the very few state/plan officials who have taken under the table payments prior to making commitments to funds participating in such activities.

This letter is in reference to your proposed rule purporting to deal with such illegalities or ethical lapses known as "Political Contributions by Certain Investment Advisers" relating to public pension funds which invest in, among other things, investment securities offered by our clients.

Your efforts to limit influence peddling by the faux Placement Agents we regard as "fixers" is certainly timely. If you limit it to a focused approach as described below, it not only will achieve your objectives but also will help the businesses of professional placement agents such as Ariane and others who provide valuable services both to our clients and the staffs of public pension funds.

However the proposed wholesale ban on the use of placement agents and investment advisers seeking to do business with public funds as set forth in SEC Rule 206(4)-5 is not appropriate and fails to address the problem it is intended to solve. Our business is founded upon relationships of trust and, over many years in the business, we have built such relationships with hundreds of pension fund and other managers. Your proposed rule, as written, would disenfranchise us from continuing all of those relationships in the public arena.

On the other hand, we strongly support a ban on campaign contributions to publicly elected officials by anyone seeking to do business with entities supervised or controlled by those same elected officials. Likewise, the imposition of severe financial and other penalties on those who bribe institutional investor representatives or otherwise corrupt the institutional investor decision-making process is wholly in order.

We have publicly disclosed our fee arrangements since our business was founded ten years ago. All persons operating as placement agents should be required to do so.

However, the spirit and pragmatism embodied in the California Public Employees' Retirement System Statement of Policy for Disclosure of Placement Agent Fees [[http://www.emalternatives.com/CalPERS%20Placement%20Agent%20Policy%20\(11%20May%2009\).pdf](http://www.emalternatives.com/CalPERS%20Placement%20Agent%20Policy%20(11%20May%2009).pdf)], May 11, 2009, with which you are undoubtedly very familiar, covers these issues very well.

California is also taking other important and relevant steps to prevent influence peddling in the public sector investment decision-making process. In September, 2009, the California Senate passed

a bill (reportedly supported by CalPERS) that aimed at increasing transparency around the fees paid to placement agents doing business with public pension plans.

The bill will require all California state and local pension funds to adopt a policy requiring the disclosure of fees paid to placement agents, campaign contributions and gifts made by placement agents to public retirement board members for the 24-month period prior to solicitation.

As a professional firm, Ariane spends a great deal of money and time to maintain our registration as a broker/dealer with FINRA and the Commission. Others who solicit public pension funds flippantly ignore that responsibility. We believe that all persons and firms engaging in the business of soliciting public pension funds (and others) should be required to register with FINRA and the Commission or operate through such a registered broker/dealer when engaging in placement activities. A ban on contact with public pension funds by any unregistered placement agent would help in this regard.

As all email correspondence from and within FINRA registered broker/dealers is monitored on a regular basis and archived by a third party permanently, a documented trail of communications between placement agents and prospective investors, helps make regulatory oversight both practical and effective.

We believe that the overwhelming majority of professional placement agents serve a vital function both for their investment advisor clients and for the institutional investors they market to. The process of marketing to institutional investors is complicated and time consuming. Generally it is only the largest investment advisors who can afford to hire and maintain in-house staff to market on their behalf.

As noted earlier in this letter, we do not engage in any of the practices which you seek to avoid by the proposed wholesale ban. The ban, as proposed, would seriously damage our business and those of our clients and disadvantage the overworked professional staffs charged with making the best possible investments on behalf of their public employee constituencies.

Please reconsider your current proposal and refocus it along the lines proposed herein.

Respectfully submitted,

Raymond Kraftson