Dear SEC Chairman and Board Members:

I would like to comment on the referenced draft rule regarding certain investment advisors, specifically the provision that would ban the use of third party marketers (TPMs) and unaffiliated Private Placement Agents (PPAs) from representing asset managers who provide investment services to State and Local Government pension plans.

Prior to my retirement from General Motors in 2006, I spent 30 years as the Chief Investment Officer and a fiduciary for three large corporate pension funds (Delta Airlines, Hughes Aircraft and General Motors). I also served as Chairman of the Committee on Investment of Employee Benefit Assets (CIEBA), the Washington-based association that provides investment education and regulatory guidance for the corporate pension fund industry. During my career I was personally involved with entrusting billions of dollars of pension assets to fund managers who invested across a very broad range of strategies and asset classes. In the process I met personally with a large number of consultants and advisors who I relied on to assist my organization in the identification and qualification of asset management firms.

The vast majority of pension plan sponsors operate with very lean staffs and limited resources. In addition, the asset management industry is a highly fragmented, constantly changing and very competitive marketplace. As the CIO of a corporate pension fund I received hundreds, if not thousands, of telephone calls, emails and letters requesting an introductory meeting – so many that I was unable to find the time to provide even a courteous "no thank you" to most of these firms. At the same time, my experience in the investment markets taught me that following the conventional wisdom is seldom the road to success when managing large institutional funds. Therefore the requirement to identify and evaluate those asset managers who were operating in a different manner or in a different asset space was an important part of my responsibilities and those of my staff. Hence, an important aspect of fund management is developing relationships with various types of advisors who are willing to invest their time to understand your fund's objectives and bring to you investment opportunities that are both appropriate for your fund and potentially rewarding. These advisors may take the form of consulting firms, banks, broker-dealers, private placement agents or third party marketers. In essence most pension fund investors develop a number of respected and trusted advisors who act as helpful intermediaries in sorting through the large and complex array of investment opportunities and asset managers.

Banning the use of TPMs and PPAs with respect to state and local government pension funds, as provided for in the proposed rule, would appear detrimental to the very people you are trying to protect – the pension plan sponsors and their beneficiaries. In addition, this would be a serious impediment to small and unconventional asset managers who would find access to these investment funds extremely difficult, regardless of the merits of their process or their people. I also believe that restricting the ability to raise capital by small entrepreneurial firms would be detrimental to the asset management industry which itself thrives on innovation and creative self-destruction.

Despite these concerns regarding the proposed rule, I do agree that there is more that can be done to prevent the abuses that have occurred with respect to not only political campaign contributions but other forms of pay-to-play activities. Third party marketing firms, independent placement firms and consulting firms are an area that has been less subject to regulatory oversight than others performing similar activities. In many cases, I see very little difference between the advisory services effectively being provided by TPMs , PPAs and Consultants than banks, broker-dealers and registered investment advisors who are subject to more regulatory oversight. At the same time, the vast majority of these firms that I know conduct themselves in a manner that is highly ethical and consistent with existing regulations. The current efforts at creating greater self-regulation of this group of advisors through the formal adoption of a Code of Conduct, as has been proposed in one of the other comment letters, is an indication of the willingness of most of these advisors to strive for better transparency and ethical business practices in this industry.

In summary, treating TPMs, PPAs, and Consultants in the same manner as other advisors providing similar advice to fiduciary decision-makers appears a more effective solution than banning one or more of these groups from the important role they play for many plan sponsors.

Respectfully Submitted,

W. Allen Reed