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James C. George

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September 10, 2009

To: The Chairman and the Commissioners of the Securities and Exchange Commission

From: Mr. James C. George

Re: Letter in Opposition to the Sec's Proposed Ban on Placement Agents, File No. S7-18-09: Political Contributions by Certain Investment Advisers

I am writing in opposition to a rule recently proposed by the SEC that, as part of a proposed ban on political contributions by investment advisers to state and local pension funds, bans the use of placement agents. This ban is illogical, bad public policy and would have unintended adverse consequences to both the state and local pension funds and to the many worthy investment funds into which they may wish to deploy their capital.

My perspective is one of someone who has been deeply involved in the investment industry, first as a commercial and investment banker, then over a 26 year career as Chief Investment Officer for the State of Oregon Public Employee Retirement System and finally as a partner in a placement agent business, where we worked with a variety of funds to introduce them to various state and local funds. I know the placement agent business from both the perspective of a state fund manager and then as an agent myself and my opposition to a ban is based on that lengthy experience.

At the outset, however, I want to say that I fully support the SEC's ban on political contributions. These have no place in the investment decision process and a ban is entirely appropriate. Indeed the SEC may like to go further to eliminate lobbyists and other influence peddlers masquerading as placement agents by requiring increased disclosure of placement agents' activities and contracts (to ensure that only legitimate services are being performed) and regulate the qualifications of placement agents (to ensure that only competent securities professionals with institutional investment experience were in this business.)

My first experience of placement agents came in the latter part of my tenure as CIO at the Oregon PERS. I realized that the fund needed to increase its allocation to alternatives if we were to get the types of returns that would ensure that we would be able to pay the pensions of the teachers, police, firefighters and other state employees. Neither I nor the investment staff had the depth of experience or the resources to sift through the literally hundreds of hedge funds, venture capital funds and private equity funds that we could potentially invest in.

We came to rely on a number of highly skilled placement agents- Merrill Lynch at the time had a particularly well run and thoughtful group – who would work to understand our investment needs, do the due diligence on the funds and only present those funds that made sense for us and what we needed. In that sense the placement agents were no different from the commercial and investment bankers I had worked with before. They were intermediaries matching in an optimal way the providers of capital to those who needed it to the advantage of both parties. Ironically, if there were no placement agents, we would still have seen the mega funds with their own internal marketing forces but would have missed many of the smaller funds that relied on placement agents to get themselves noticed by the big funds.

The alternative investment program I pioneered at Oregon PERS was a singular success and was emulated later on by many other state and local funds. But I can assure you that it would not have been as successful as it was without the hard work of placement agents bringing us the best of the alternatives that they could find.

Later, after my retirement from the Oregon PERS, I joined Wood Consulting, a highly regarded firm that represented many PE funds and other alternatives seeking investments from state and local funds. Here we did thorough research on each fund, examining the background of its principals, their experience, and the investment thesis. We only took a small percentage of the funds we looked at on as clients.

We then wrote the private placement memoranda and other marketing materials and then brought them together with state and local funds where we knew there would be the best match with their investing styles and needs. If I can be immodest for a moment, I think we played a small part in the smooth functioning of the capital markets by seeking out the best of the managers and putting them together with the major pension funds.

Placement agents are intermediaries in the capital markets, just like any other financial institution. As such they should be appropriately regulated. To ban them, however, makes no sense.

Very truly yours,

James C. George

James C, George