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September 21, 2009

Elizabeth M. Murphy, Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549- 1090

Re: File Number S7-18-09 – Political Contributions by Certain Investment Advisers

Dear Ms. Murphy:

This comment letter is being submitted to the Securities and Exchange Commission (the "SEC" or the "Commission") on behalf of Park Hill Group LLC and its affiliates (collectively, "Park Hill") with respect to proposed rule 206(4)-5[1] (the "Proposed Rule") under the Investment Advisers Act of 1940 (the "Advisers Act").

Park Hill is a leading global alternative asset placement agent. It is an affiliate of The Blackstone Group L.P. (together with its affiliates, "Blackstone"), one of the world's leading global alternative asset managers. Park Hill was founded with the mission of representing "best of breed" investment managers in connection with raising capital for their private equity funds, real estate funds, hedge funds and other alternative investment funds. Park Hill has served as a placement agent to approximately 70 private equity, real estate and hedge fund clients that have raised in excess of $100 billion of committed capital. Park Hill has assisted these clients in obtaining over 1,500 separate investment commitments from institutional and other investors, including approximately 200 investment commitments from U.S. state and local public pension funds.

Park Hill has 90 employees located in its offices in New York, London, San Francisco, Chicago, Dallas and Tokyo. Its 60 professionals each have an average of over 15

[1] Political Contributions by Certain Investment Advisers, 17 C.F.R. 275.206(4)-5) (proposed Aug. 3, 2009).

years of experience in the financial services industry, almost all of them having worked at major investment banking firms and other leading financial services firms prior to joining Park Hill. Park Hill is a registered broker-dealer under the Securities Exchange Act of 1934 (the "1934 Act") and is therefore regulated by both the SEC and the Financial Industry Regulatory Authority ("FINRA"). All of Park Hill's professionals have Series 7 and 63 licenses and its supervisory personnel also have Series 24 licenses.

The leading placement agents serving the U.S. alternative asset management industry – who include Park Hill, Lazard Capital Markets, Credit Suisse and UBS – are all registered broker-dealers regulated by the SEC and FINRA and all of these firms operate in an environment of rigorous compliance oversight and controls.

The Proposed Rule is intended primarily[2] to prohibit an investment manager from providing investment advisory services to a government entity, including a public pension fund, for two years after the manager or certain of its executives or employees make a contribution to certain elected officials or candidates for any public office if the person in that office can influence investment decisions made by that government entity. Park Hill agrees with the Commission that action should be taken to prevent investment managers from engaging in such pay-to-play practices and supports the Commission's decision to take steps to address the pay-to-play abuses that have recently come to the fore in some states. However, the Proposed Rule goes much further than barring inappropriate political contributions because it would also prohibit an investment manager from providing, directly or indirectly, payment to any third party for solicitation of investment advisory business from any government entity, including public pension funds (the "Placement Agent Ban").

Since Park Hill agrees with the Commission that measures to prevent pay-to-play abuses are needed, it believes there should not only be a prohibition on specified political contributions by investment managers as the Commission has proposed, but also by placement agents themselves. Park Hill also believes that as a further means of preventing inappropriate activity, all placement agents (i.e., paid intermediaries that raise capital for private funds from third parties in the United States) should be required to be registered as broker-dealers under the 1934 Act. Any unregistered placement agents should be prohibited from soliciting any investment advisory business from public pension funds. However, Park Hill believes that the Commission's proposal to ban all third party placement agents – both unregulated firms and individuals as well as those regulated by the SEC and FINRA as registered broker-dealers – from representing investment manager clients before public pension funds is ill-advised and should not be included in the Commission's final rule. There is clearly a need for appropriate regulatory measures, but a limited number of cases of individual malfeasance should not result in the abolition of the entirely legitimate activities of responsible placement agent firms that are fully regulated by the Commission and FINRA

[2] *See* Mary L. Schapiro, Chair, SEC, Statement at SEC Open Meeting (July 22, 2009) (noting that the "core" element of the Proposed Rule is that it prohibits an investment adviser who makes a political contribution to an elected official in a position to influence the selection of the adviser from providing advisory services for compensation to government entities for a period of two years).

and that provide important services that are of value to both investment managers and public pension funds.

The Placement Agent Ban would deny public pension funds the opportunity to access the broadest range of alternative asset managers, since most of them have limited internal resources to seek alternative asset managers out independently. As recently noted by the executive director of the Massachusetts Pension Reserves Investment Management Board, many public pension funds are "used to placement agents bringing the better-performing managers to [their attention]" and it is anticipated that the Placement Agent Ban "would reduce the number of investment opportunities that [public pension funds are] able to screen."[3] Park Hill believes that having access to the broad array of qualified alternative managers presented by full-service placement agents has contributed to the favorable overall investment results that many public pension funds have experienced over the last few decades.

Further, adoption of the Placement Agent Ban would have a disproportionate impact on new and smaller investment management firms (including minority and women-owned firms) by impeding their ability to raise new capital and expand their businesses since they do not have their own in-house marketing and investor relations groups – which are typically present in larger firms – to help raise capital. The fact that the Placement Agent Ban would have the perverse consequence of delivering a significant competitive advantage to larger alternative investment fund complexes at the expense of new and smaller firms should be an independent reason for the Commission to reconsider its proposed Placement Agent Ban. Similarly, the Placement Agent Ban would also constrain newer venture capital funds' capital-raising efforts, which would limit their ability to invest in the start-up and early stage companies that represent a meaningful part of the U.S. economy and are responsible for significant job creation.

Discussed in more detail below are several reasons why Park Hill believes the proposed Placement Agent Ban should not be implemented. Also set forth below for the Commission's consideration is Park Hill's alternative proposal for comprehensive regulatory reform of the private fund placement agent industry, which Park Hill believes accomplishes all of the Commission's desired objectives of curtailing pay-to-play abuses without banning the important services that registered, full-service placement agents provide.

I. Benefits to Investment Managers and Public Pension Funds

Park Hill and other registered, full-service placement agents provide important services that are of value not only to the managers of alternative investments funds (collectively, "Fund Sponsors") but also to public pension funds (collectively, "Public Pension Investors") from which Fund Sponsors seek to raise capital. Park Hill's services can be summarized in three broad categories: (i) due diligence, screening and proprietary research, (ii) experience of professionals and market awareness of the institutional investor community, and (iii) relationship and process facilitation.

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[3] *See* Daisy Maxey, *Opposition Lines Up to SEC Rule*, WALL ST. J., Sept. 5, 2009.

Rigorous Due Diligence, Screening and Proprietary Research. Park Hill conducts rigorous due diligence, including quantitative and qualitative analysis of the track records and investment strategies of Fund Sponsors. Park Hill employs a thorough screening process which includes comprehensive on-site visits and interviews of Fund Sponsors and their personnel. As part of its screening process, Park Hill also conducts extensive reference checks and frequently engages third parties to undertake further background checks and other inquiries. This screening process weeds out Fund Sponsors that do not have the requisite capabilities or track record to be successful in raising capital from discerning institutional investors. As a result of its extensive screening process, Park Hill reviews hundreds of potential engagements by Fund Sponsors every year, of which only a small percentage are accepted. This diligence process and Park Hill's proprietary research also provide Public Pension Investors with the differentiated information about Fund Sponsors that they require for their own internal review processes.

Full-service placement agents such as Park Hill must be discriminating in the Fund Sponsors they choose to represent because it is their reputation of representing only high-quality managers that causes Public Pension Investors and other institutional investors to value their investment fund recommendations.

Experience of Park Hill Professionals and Market Awareness. Park Hill's professionals have significant industry experience and maintain global relationships with a broad institutional investor base, including over 100 Public Pension Investors. Full-service placement agents such as Park Hill enable Public Pension Investors to make more well-informed decisions in selecting Fund Sponsors, providing valuable recommendations concerning particular investment funds that are well-suited to the Public Pension Investor's particular needs and regularly interacting with their investment staffs to help them better understand and evaluate potential managers. It is important to note that the costs of the important services provided by full-service placement agents that are of value not only to Fund Sponsors but also to Public Pension Investors are borne by Fund Sponsors. Park Hill's fees are paid by its Fund Sponsor clients and no fees are paid to Park Hill by Public Pension Investors.

Relationship and Process Facilitation. Park Hill's services to Fund Sponsors are far more extensive than merely providing introductions to institutional investors. Park Hill and other registered, full-service placement agents provide Fund Sponsors with assistance with all aspects, and throughout all phases, of the fund-raising process. This typically includes helping to develop a marketing and fund-raising plan, helping to prepare fund marketing materials and private placement memoranda, responding to investors' due diligence inquiries and assisting Fund Sponsors through prospective investors' internal investment approval processes. This assistance from Park Hill through every stage of the process is of critical value, especially for first-time Fund Sponsors and those that need to raise capital only once every several years.

Park Hill's and other registered, full-service placement agents' relationships with a broad institutional investor base, together with their extensive institutional and market knowledge and representation of vetted, high-quality Fund Sponsors, position them well to provide qualified, appropriate and necessary introductions to prospective investors. These introductions give firms of all sizes – but most notably new and smaller firms that do not themselves have the internal resources to source sufficient amounts of capital – the opportunity to raise needed capital and expand their business, while at the same time affording Public Pension Investors and other institutional investors the opportunity to invest in funds managed by these pre-vetted Fund Sponsors. Full-service placement agents bring attractive investment opportunities to the attention of Public Pension Investors, using their experience and knowledge of both the alternative investment industry and the institutional investor community to match Fund Sponsors with the needs and investment objectives of institutional investors, including Public Pension Investors. Knowing what types of investment funds a Public Pension Investor is looking for and bringing the right funds to its attention is an important service that is of considerable value to the Public Pension Investor, provided at no cost to the Public Pension Investor. Although they are retained by the Fund Sponsor, but for the role of full-service placement agents such as Park Hill, many Public Pension Investors would not have learned about or had access to many of the higher-quality Fund Sponsors that Park Hill believes have significantly contributed to the favorable investment results that many Public Pension Investors have enjoyed over the past several decades.

The role of the full-service placement agent in marketing an alternative asset investment fund is no different from that of an investment banking firm acting as underwriter for a small company's initial public offering, serving as placement agent for a large company's senior note offering to institutional investors or handling any other type of securities offering for its corporate clients. It makes little sense to deny Fund Sponsors access to the same valuable services of an experienced placement agent for their securities offerings simply because of improper activities by a limited number of aberrant individuals.

II. The Analogy to the Municipal Bond Industry is Not Appropriate

The Commission has indicated that it based the Proposed Rule on two specific rules which were adopted in the 1990s to address pay-to-play abuses by some municipal bond underwriters and their third party agents, including lobbyists and other "consultants". These abuses generated a need for reform in that area and ultimately led to the adoption of Municipal Securities Rulemaking Board ("MSRB") rules G-37 and G-38. Park Hill submits that this analogy is inappropriate. There are fundamental differences between the alternative asset management industry and the municipal bond industry and, more importantly, there are significant differences between the "consultants" or political influence peddlers whose improper activities generated the need for reform of the municipal bond underwriting process, and the fully regulated, full-service placement agents such as Park Hill that introduce Public Pension Investors to high-quality, pre-vetted Fund Sponsors. These meaningful differences are outlined below.

Background. Adopted in 1994, rule G-37, like the Proposed Rule, prohibits broker-dealers from engaging in any municipal securities business with an issuer for two years following political contributions to an official of that issuer. In its original form, rule

G-38 required only that municipal dealers publicly disclose the terms of agreements with third parties entered into in connection with soliciting municipal bond business. However, that rule proved to be ineffective in curtailing pay-to-play abuses that occurred in the underwriting of municipal bonds, as some market participants arranged for third party agents to conduct activities – such as making political contributions on their behalf – that they were prohibited from doing themselves. Seemingly out of concern that the MSRB and SEC might have lacked the authority to subject these third party agents to rule G-37, the SEC did not extend that rule's prohibitions on political contributions to third party agents or otherwise attempt to directly regulate them in connection with rule G-38. Instead, it resorted to the only solution that it felt was available to it and caused rule G-38 to be amended to prohibit broker-dealers from making any payments to third parties for soliciting municipal securities business.

When the SEC first sought to address pay-to-play abuses involving Public Pension Investors in 1999, it looked to this history of the MSRB rules as a precedent and proposed a rule that would have triggered a two-year "time out" on an investment manager's providing advisory services to a Public Pension Investor if one of the investment manager's solicitors or any other third party acting on its behalf made proscribed political contributions. But this attempt by the SEC to hold investment managers responsible for the actions of third party agents elicited considerable opposition on the ground that investment managers were in no position to control third party agents.[4] The SEC withdrew its 1999 rule proposal.

In issuing the Proposed Rule, the SEC has concluded that since the initial version of rule G-38 (the disclosure-only approach) was unsuccessful and when it introduced its 1999 rule proposal investment managers objected to being responsible for the actions of their third party agents, it should refrain from attempting to directly regulate the activities of third party agents of Fund Sponsors and instead ban third party agents entirely, which is the solution it adopted in the municipal securities context.

Looking back at the circumstances surrounding the implementation of the MSRB rules, a ban on the use of third party agents may have made sense, particularly given the fact that so many of the third party agents acting for municipal securities underwriters in the 1990s were nothing more than political influence peddlers.

In addition, given the role played by securities underwriters in helping source demand for municipal bond offerings, the true intermediaries of the municipal bond market are the underwriters themselves. Just as it would have been unwise to ban underwriters from the municipal bond industry – thereby forcing municipalities to find buyers for their bond offerings themselves – it similarly does not make sense to ban full-service placement agents that are fully regulated by the SEC and FINRA from providing valuable placement services to the alternative asset management industry. The malfeasance of a limited number of individuals should not result in the total prohibition of an entire industry comprised largely of fully law-abiding firms from performing an important service to Fund Sponsors

[4] Political Contributions by Certain Investment Advisers, 17 C.F.R. 275.206(4)-5 (proposed Aug. 10, 1999).

and Public Pension Investors alike. In that regard, to Park Hill's knowledge, of all of the inappropriate activity that has come to light regarding Public Pension Investors, there has been no involvement by any registered, full-service placement agent firm.

The Placement Agent Ban is the wrong way to address pay-to-play practices. Instead, Park Hill believes the SEC should require that placement agents and other intermediaries must register as broker-dealers under the 1934 Act and prohibit any unregistered placement agents from soliciting investments by Public Pension Investors on behalf of Fund Sponsors. This approach, coupled with the prohibitions on political contributions encompassed in the Proposed Rule and the various other reforms suggested below, is clearly within the Commission's rule-making authority and is consistent with the transparency and disclosure requirements of the anti-fraud provisions of the Advisers Act. Park Hill believes that its proposed approach would effectively curtail pay-to-play abuses and allow the Commission to achieve all of its desired objectives without needlessly eliminating an entire industry comprised largely of legitimate firms and depriving Fund Sponsors and Public Pension Investors of the valuable services currently provided by registered, full-service placement agents.

Different Selection Processes. There are significant differences in the selection process for municipal underwriters compared to alternative asset investment managers. Municipalities use either a competitive bid process or negotiated sales to select an underwriter for a municipal bond issuance. While a municipality may consider the underwriter's reputation, market reach and general track record, all of the principal municipal bond underwriters are well known to most municipalities and they therefore do not have to make the same inquiries a Public Pension Investor must undertake when selecting an investment manager. The diligence process with respect to the investment of a Public Pension Investor's capital is far more rigorous and complex, as it is choosing a firm to manage its capital for an extended period of time (as much as ten years or more), in contrast to a municipality merely raising capital in the municipal bond market at one point in time. In further contrast to a municipal bond issuance, for which the choices to be made by the municipality as to the nature and specifics of the offering are limited and uncomplicated, there are numerous different types of alternative asset investment funds and the terms, structures and objectives of those funds vary significantly. Each investment fund represents a distinct investment opportunity which must be carefully evaluated separately by a Public Pension Investor to match its investment objectives over the long term. In addition, while municipal bond underwriters assist in the preparation of offering memoranda and other marketing-related materials for municipal bond purchasers, virtually all of the underwriters are large institutions with extensive in-house staffs that perform those tasks and there is no need for third party agents to assist with those functions. The same is not true in the alternative investment management industry, where even most established mid-sized Fund Sponsors do not have the solicitation and marketing-related resources and infrastructure to help produce the documentation and conduct the solicitation activities required to effectively market their funds to Public Pension Investors and other investors.

Competition Among Market Participants. There are currently more than 1,500 Fund Sponsors seeking to raise capital for a variety of alternative investment funds.

In contrast, in the 1990s when the MSRB and SEC were considering rules to address improper activities in the municipal bond industry, the market for underwriters available to municipal issuers was heavily dominated by just 17 large and well-known broker-dealers.[5] Given the volume of potential funds and investment opportunities and the understaffed nature of the investment teams of many Public Pension Investors, the role of the qualified placement agent in helping to match suitable Fund Sponsors with Public Pension Investors is essential. Given the small group of underwriters serving the municipal bond market, there is no comparable need for the market awareness, matchmaking function and other services that qualified placement agents provide in the alternative asset industry.

Existing Regulation and Compliance Controls. Unlike the unregulated third parties who were involved in municipal bond issuances in the 1990s, Park Hill and all other full-service placement agents serving the alternative asset industry are not only registered broker-dealers fully regulated by the SEC and FINRA, but also employ extensive internal compliance controls to ensure rigorous compliance by all of their personnel with all applicable laws, regulations, policies and procedures, including for example internal restrictions on their professionals' ability to make gifts and political contributions.

Municipal Finance Consultants Do Not Provide Comparable Services. In contrast to the extensive value-added services provided to both Fund Sponsors and Public Pension Investors by Park Hill and the other registered, full-service placement agents who serve the alternative asset industry, the consultants and other third parties engaged by municipal securities underwriters provided no discernible services to municipal bond issuers.

These substantial differences demonstrate that the Commission's analogy to the municipal bond industry as a basis for the Placement Agent Ban is not appropriate and that there is no justification for an outright ban on firms such as Park Hill dealing with Public Pension Investors.

III. Other Reasons Why the Placement Agent Ban Should Not be Adopted

Services Provided at no Cost to Public Pension Investors. Fund Sponsors bear the full costs of soliciting investors, including the fees of the placement agents they retain, but as discussed above Public Pension Investors receive significant benefits from the involvement of full-service placement agents. The Commission has commented that if the Placement Agent Ban is adopted, Public Pension Investors can seek to engage placement agents themselves in order to continue to have access to their services in helping to find the best Fund Sponsors.[6] However, that would impose costs on Public Pension Investors that they do not currently incur. Moreover, as the Commission has acknowledged in its

[5] *See* Jonathan Fuerbringer, *Credit Markets; Curbs on Political Donations To Cover Bond Consultants*, N.Y. TIMES, Nov. 22, 1993 at D1 and Jonathan Fuerbringer, *17 Big Underwriters Bar Campaign Gifts Aimed at Bond Sales*, N.Y. TIMES, Oct. 19, 1993, at A1.

[6] *See supra* note 2.

cost/benefit analysis, if the Placement Agent Ban were adopted, Fund Sponsors who do not have in-house marketing staffs would be disproportionately disadvantaged relative to larger firms that have those internal resources in the competition for obtaining access to Public Pension Investors and other institutional investors.[7]

Most States and Pension Plan Investors Have Not Implemented Bans. The Commission mentions in the Proposed Rule that some states support its adoption of rules prohibiting investment managers from participating in pay-to-play practices. However, the overwhelming response from state officials and Public Pension Investors has been that a ban on placement agents is not appropriate and that greater and more uniform regulation and disclosure would be a more effective approach. Although a full or limited ban has been the subject of official action in Illinois, New Mexico and New York, three states that recently uncovered inappropriate pay-to-play practices involving public pension funds in their states, in many more other states that have focused on the matter the apparent consensus regarding the use of placement agents is that they serve a legitimate role in the fund-raising process and so long as they are adequately regulated and investors are informed of their involvement, there should not be any bar to their continued participation in the marketing of investment funds to Public Pension Investors. For example, the California State Senate recently passed legislation requiring heightened disclosure from placement agents seeking to win state and local government pension fund business.[8] Moreover, some of the largest and most influential Public Pension Investors, including, without limitation, the California Public Employees' Retirement System ("CalPERS"), California State Teachers' Retirement System, Connecticut Retirement Plans and Trust Funds, Massachusetts Public Reserves Investment Management Board, Minnesota State Board of Investment, Missouri State Employees Retirement System ("MOSERS"), New Jersey Division of Investment ("New Jersey"), Ohio Public Employees Retirement System, Pennsylvania State Employees' Retirement System, Teacher Retirement System of Texas ("Texas Teachers") and the State of Wisconsin Investment Board, have either formally or informally opposed a ban on the use of placement agents and/or only require disclosure of the arrangements with placement agents.[9] In addition, CalPERS, Texas Teachers and New Jersey have also imposed the

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[7] *See* Proposed Rule, 17 C.F.R. 275.206(4)-5 (discussing the costs that may be borne by investment managers without current infrastructure to conduct placement activities).

[8] *See* Michael B. Marois, *California Senate Approves Placement Agent Disclosure Rules*, BLOOMBERG, Sept. 4, 2009 (discussing A.B. 1584, 2009-10 Reg. Sess. (Cal. 2009)).

[9] *See* Press Release, CalPERS Adopts Placement Agent Policy–Requires Disclosure of Agents, Fees (May 11, 2009) (requiring disclosure of placement agents and fees paid and registration of placement agents with the SEC or FINRA); Addendum to the Teacher Retirement System of Texas Investment Policy Statement (effective July 1, 2009) (requiring each placement agent "fully disclose" the terms of its arrangements with a fund for any fee and any political contributions to certain Texas elected officials and registration of placement agents with the SEC or FINRA); Jeff Nash, *New Jersey adds requirements for placement agents*, PENSIONS & INVESTMENTS, July 10, 2009 (reporting that New Jersey added requirements applicable to placement agents including transparency requirements and registration with the SEC, FINRA and/or state regulators); Laura Kreutzer, *Placement Agents Get One More Defender*, WALL ST. J., Aug. 25, 2009 (reporting that Calstrs adopted a policy in 2006 requiring disclosure of third party relationships); Laura Kreutzer, *Placement Agent Ban: Barking Up The Wrong Tree?*, WALL ST. J., May 5, 2009 (reporting that certain public pension funds continue to consider funds that employ placement agents); Letter from Howard

requirement that all placement agents be registered with applicable federal or state regulatory agencies.[10]

The fact that states have been addressing the pay-to-play issue themselves – three imposing bans on the use of placement agents but most others specifically rejecting a ban and instead adopting a different approach – raises the separate question whether there is a need for the Commission to take additional action in this area. While Park Hill believes that it is appropriate for the SEC to seek to implement an appropriate federal regulatory regime of registration and disclosure of placement agents in an effort to curtail pay-to-play abuses (as outlined elsewhere herein), it feels equally strongly that a ban on placement agents is ill-advised and in any event is a decision that should be left to individual states given the particular facts and circumstances therein.

Placement Agent Ban Will Decrease Opportunities for Public Pension Investors to Achieve Attractive Returns. Many Public Pension Investors depend on the recommendations of registered, full-service placement agents such as Park Hill to help them more effectively identify suitable investment opportunities that satisfy their investment objectives and allocation guidelines. The Placement Agent Ban would deprive Public Pension Investors of that valuable service and would likely reduce the number of attractive investment opportunities that Public Pension Investors are able to consider. The Chief Investment Officer of MOSERS has said: "Prohibiting legitimate placement agents from working with public pension funds is an extreme measure that will have unintended consequences; that is, it will reduce the ability of governmental investors to access some of the best managers throughout the world and ultimately result in lower investment returns for our members."[11]

IV. A Comprehensive Regulatory Alternative to Curb Pay-to-Play Abuses

Park Hill believes that the Placement Agent Ban is a drastic regulatory overreaction to the inappropriate conduct of a limited number of state governmental officials and private individuals. Rather than imposing a complete ban on placement agents and preventing registered, full-service placement agents from continuing to deliver the valuable services they provide to Fund Sponsors as well as Public Pension Investors, a more tailored regulatory approach requiring full registration and regulation would be more appropriate and more effective. Park Hill submits the following alternative regulatory approach for the Commission's consideration.

Bicker, Executive Director of the Minnesota State Board of Investment, to Mary L. Schapiro, Chair, SEC, (Sept. 8, 2009); Letter from Denise L. Nappier, Treasurer of the Connecticut Retirement Plans and Trust Funds, to Mary L. Schapiro, Chair, SEC, (Sept. 10, 2009); Letter from Rick Dahl, Chief Investment Officer of the Missouri State Employees Retirement System, to Mary L. Schapiro, Chair, SEC, (Aug. 13, 2009); and Letter from Keith Bozarth, Executive Director of the State of Wisconsin Investment Board, to Mary L. Schapiro, Chair, SEC, (Aug. 31, 2009).

[10] *See supra* note 9.

[11] *See supra* note 9.

Full Registration and Licensing Requirements. Park Hill proposes that the SEC require that all placement agents be registered as broker-dealers under the 1934 Act (thereby subjecting them to the full regulatory oversight of both the SEC and FINRA), as well as with appropriate state and local authorities (to the extent applicable). Park Hill proposes that such registration be a prerequisite to raising capital from Public Pension Investors and that any unregistered placement agent should not be permitted to represent Fund Sponsors before Public Pension Investors. Park Hill further proposes that all placement agent professionals who have contact with Public Pension Investors be required to hold all requisite Series 7 and Series 63 licenses and that all such professionals be required to meet specified minimum service requirements and hold requisite Series 24 license to be considered for supervisory positions.

Zero Contributions and Two-Year "Time Out". Park Hill endorses the Commission's proposal to impose a two-year "time out" on conducting investment advisory business with a Public Pension Investor after a political contribution to a public official who can influence the award of that business is made by an investment manager or its covered associates. Park Hill believes that in addition this two-year time out should be extended to political contributions made by placement agents, so that contributions by a placement agent or its covered associates would prevent the placement agent from engaging with the Public Pension Investor for two years. Further, to the extent the conduct of a placement agent causes a Fund Sponsor to be unable to solicit business from one or more Public Pension Investors under the Proposed Rule, Park Hill believes that it would be appropriate for that Fund Sponsor to have meaningful legal remedies against that placement agent with respect to such activities.

No Coordinating or Indirect Contributions. Park Hill also endorses the Commission's proposal to make it unlawful for an investment manager or its covered associates to solicit or coordinate political contributions by third parties which the manager cannot make itself or otherwise to do anything indirectly which, if done directly, would result in a violation of the political contributions rules. Park Hill proposes that these measures also be made applicable to placement agents.

Six-Month Employee Look-Back and Exemptions by Application. Park Hill submits that the Commission's proposed two-year look-back requirement is overly harsh. As previous commentators have stated with respect to rule G-37, firms must rely on a new employee's representations as to any past political contributions and should not be unduly disadvantaged if a new employee were to fail to disclose a past contribution. Park Hill submits that a six-month look-back rule will adequately serve the Commission's objectives. Regardless of the duration of the look-back requirement, Park Hill supports the Commission's proposal that exemptions from the "time out" requirement of the Proposed Rule may be granted in certain situations. Park Hill generally agrees with the proposed criteria for exemptions in the Proposed Rule and believes that they should be readily granted where warranted by the particular facts and circumstances of an exemption application. In that regard, Park Hill supports the notion set forth by the Commission that it would be appropriate to grant an exemption in a situation where the contributor was not employed by a placement agent at the time of the political contribution, the placement agent that subsequently hired the contributor had no actual knowledge of the contribution when made, has taken steps to cause a return of the contribution and otherwise has in place policies and procedures designed to prevent violations of the rules as adopted.

Full Transparency and Disclosure. Park Hill supports full disclosure to Public Pension Investors of a placement agent's relationships with Fund Sponsors, including disclosure of all of its fee arrangements. Park Hill also endorses the Commission's proposed recordkeeping amendments and believes that most registered, full-service placement agents already have meaningful recordkeeping policies and procedures in place. Moreover, since as the Commission notes the selection of investment managers is often made or ratified by one or more elected or appointed trustees of Public Pension Investors and in some recent instances such individuals were involved in allegedly inappropriate conduct, Park Hill believes that disclosure solely to such individuals is insufficient and that disclosure should also be required to be made to a state's attorney general, ethics commission or another similar independent body detached from the investment decision-makers. By providing disclosure to officials in a position to objectively measure compliance and take action where any wrongdoing is identified, pay-to-play practices can be more effectively addressed.

Codes of Ethics and Compliance Policies. Park Hill encourages the Commission to amend the code of ethics and the compliance rules under the Advisers Act to address pay-to-play practices and also to require annual certifications from executives as to compliance with applicable policies and procedures.

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Park Hill appreciates the opportunity to offer comments on the Proposed Rule and would be pleased to discuss any of the points made in this letter in more detail. Should you have any questions, please contact Michael Wolitzer at (212) 455-7440.

Very truly yours,

/s/ SIMPSON THACHER & BARTLETT LLP

SIMPSON THACHER & BARTLETT LLP
on behalf of Park Hill