



3PM News

First Quarter
2010

Sponsored by Third Party Marketers Association, Inc.

A forum for third party
marketers and
investment managers

Letter from the President

Donna DiMaria, 3PM President

Dear Members,

Happy New Year to you all. While all of us are hoping that 2010 will turn out to be better for our industry than the previous year, it is only mid-February and already we are seeing some mixed signals about what the future holds for 3PMs.

In California, new legislation was introduced at the behest of CalPERS which would require all 3PMs to register as a lobbyist if working with many of the public pension plans in the State. Articles are circulating that Senator Chris Dodd who in February wrote a letter to the SEC regarding the importance of 3PMs and urged the Regulator to find a way to keep us in business, is now proposing legislation that would move our

industry under the purview of the Municipal Securities Rulemaking Board.

On the more positive side, we have seen some indication that the SEC is encouraging FINRA to accept responsibility for the oversight of 3PMs - which is a much better approach than an all out ban, the direction in which the SEC seemed to be heading.

But what would this shift in regulation mean for our members? What happens to those currently operating as State registered investment advisors with no affiliations to a BD or FINRA? What about our members who are already registered with FINRA and who may be getting ready to crack open their bottles of champagne in

(PRESIDENT – continued on page 4...)

► Save the Date:
May 11, 2010

Join Us at a special 3PM Spring Forum

A One-Day event on the evolving landscape for 3PM's

New York City

Letter from the 3PM Office

Barbara Swanda, 3PM Manager

The new decade brings new events for 3PM members! 3PM is entering 2010 with a positive mindset and solid plan to enhance the experience of professionals in the third party marketing arena.

We are excited to announce 3PM's return to New York City with a new one-day seminar – the Spring Forum. This event will occur at the NYSSA in mid-town, on May 11, 2010. Planning is underway; watch for online registration on 3PM's website by March 1st. We encourage you to check back frequently for updates concerning this event.

Excitement is also building around 3PM's 2010 Annual Conference. Sure to be another crowd-pleasing event, third party marketers

from around the country will convene once again in Chicago. The 3PM Office is hard at work with logistical arrangements, while the Events Committee is assembling a stellar agenda for the two-day meeting.

The 3PM Office joins the Board of Directors in welcoming David Rondeau from Southport Harbor Associates, LLC as 3PM's newest Board member and Treasurer. We also take this opportunity to thank Bob Callaghan for his service as 3PM's Treasurer for the past two years.

We look forward to another successful year for 3PM. And remember, it all starts with you!

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Membership Committee Report

Sandra Powers & Stacy Havener 3PM Membership Committee Co-Chairs

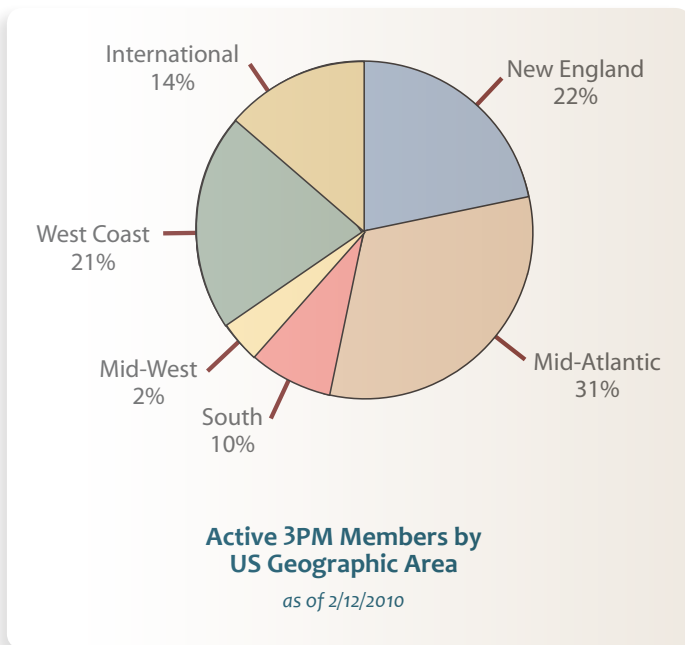
3PM Members Unite!

As our industry continues to face headwinds from the market environment and from proposed regulation, it's more important than ever for our membership at 3PM to band together. As the Membership Committee continues to work on increasing and retaining members, we are also collaborating with other committees to improve the benefits of membership. We have heard from members that opportunities to network with other members at 3PM events are one of the key benefits of being a member of the organization.

Mentor Program to facilitate networking between members. The Mentor Program provides new members with the opportunity to be connected with an established 3PM firm to help them make the most of their 3PM membership, mentor them through the firm development process, and establish a strong peer connection. If you are interested in taking advantage of this program please contact us at info@3pm.org to get on the list.

As mentioned in our last update, the Membership Committee continues to pursue a variety of projects including:

- ◆ Refining membership criteria and the application form to further qualify potential 3PM member organizations
- ◆ Enhancing our membership kit to introduce new members to 3PM services, discounts, events and operations.
- ◆ Expanding referral discounts for membership and event attendance to encourage existing members to spread the word about our organization



Together 3PM committees are responding to that important need.

As such, we look forward to spending time with current and prospective members at our first Spring Forum in New York City on May 11th. The Events Committee is putting together a day of informative and useful sessions, so please join us in May to explore many issues affecting our industry. Visit our Events page on the 3PM website for more information.

Remember as well that we have a

The above inset shows a geographical snapshot of our current membership which continues to grow in numbers and expand in geographic representation.

We look forward to talking with you soon and hope to see you this May.



Communications & Marketing Committee Report

Darien Gould, 3PM Communications & Marketing Committee Chair

We are pleased to bring you 3PM's first newsletter of 2010 with important information on the activities of our organization and a new networking opportunity. I am pleased to welcome a new member of the Communications and Marketing Committee, Donna Holmes of AUM Consulting LLC, who is assisting with this newsletter and will be a welcome addition to our team.

Thank you to FinOp Services, LLC for a full year of support to our newsletter. We now have an opportunity for another sponsor to have a promotional banner prominently featured in each newsletter for a year. Please contact Jeremy Bach

To measure up to all that is demanded of him, a man must overestimate his capacities.

—Johann von Goethe



Trends in Investment Manager Searches

Sean Fitzgibbon,

**3PM Association
Communications & Marketing
Committee**

1. Traditional searches continued to decline in the past 12 months and in the last quarter, while Alternative Searches displayed a positive inflection during the fourth quarter of 2009.

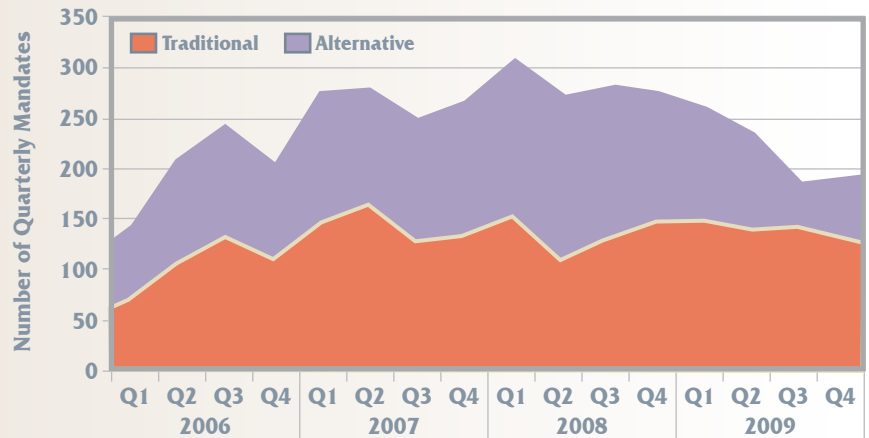
2. While large cap searches are still down since last year, they have inflected upwards in the fourth quarter. Small cap searches saw a significant boost during fourth quarter, while both International and Fixed income had sizeable declines for the quarter. Fixed Income searches were approximately flat over the past year despite a bump in third quarter.

3. Overall Alternative searches were still at half their level versus 4Q 2008. However, we have seen our first positive inflection after the dip in the third quarter. Increases in Private Equity, Other Alternatives, and Real Estate searches drove this move. The Private Equity and Real Estate categories are still down significantly from the past year, while Other Alternatives were flat year over year. While it is positive to see a bounce off the bottom, it is clear that search activity is still slow, and investors have yet to fully loosen their purse strings.



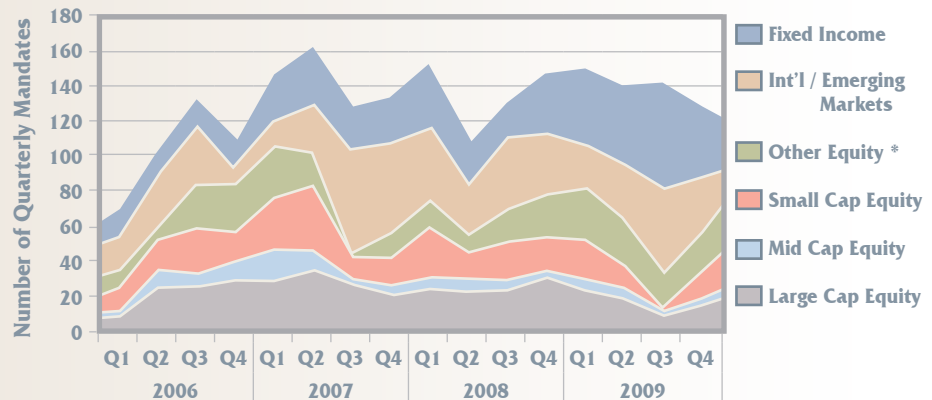
1

Total Searches: Traditional vs. Alternative



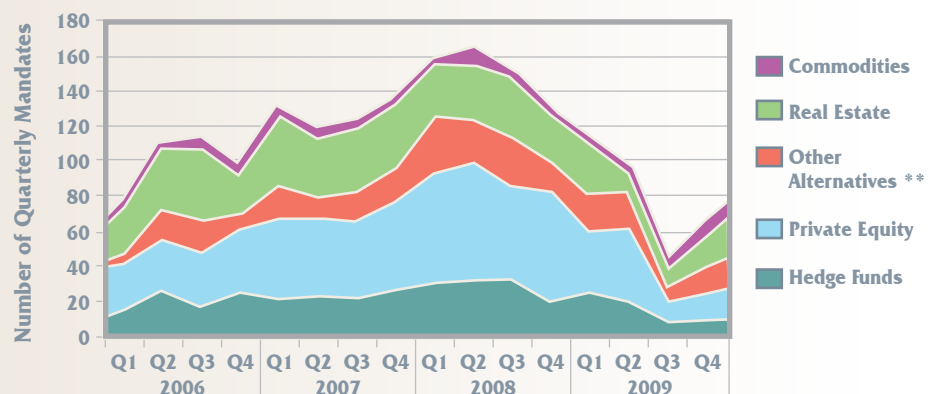
2

Traditional Asset Class Mandates



3

Alternative Asset Class Mandates



* includes mandates, or potential searches, that weren't specific to the equity class as well as All-Cap, 130/30, etc...

** alternative asset studies, infrastructure, overlay, etc...

fin|news

Source data: FINdaily – Matt McCue
mmccue@fin-news.com (646.810.1075)

Industry News of Note

► A recent Fundfire article by Jay Cooper in December 2009 reported on a survey conducted by ACA Beacon Verification Services in conjunction with the eVestment Alliance database on GIPS compliance. Their results show that compliance is driven by size of firm, marketing requirements and whether targeted clients are institutional or retail:

- 75% of respondents (333 firms who input data to eVestment Alliance) claim GIPS compliance.
- 94% of larger firms (>\$50 billion) claim GIPS compliance.
- 88% say the primary reason for GIPS compliance is for marketing to institutional clients.
- 84% claiming compliance are obtaining third party verification.

► For those didn't get the memo, Towers Perrin and Watson Wyatt have officially combined to form Towers Watson. This was announced in an email blast from Watson Wyatt January 5th,

2010.

► If you know anyone still looking for that perfect marketing or communications job in the investment industry, or a company for an additional team member, tell them to check out PAICR's new [JOB BOARD](#).

► Casey Quirk and eVestment Alliance have announced their fourth annual survey of investment consultants in the United States and Canada, predicting search activity in 2010. (2010 Consultant Search Forecast, Annual Survey; released February 2010).

- Consultants expect a 13% increase in assets awarded to managers over 2009 levels.
- 80% of consultants expect strong or moderate search activity for hedge funds or funds of hedge funds.
- International and global equity searches are expected to dominate in 2010.

- Turnover is expected to fuel most searches in long-only equity and bonds.
- More consultants are placing less emphasis on style boxes.



Quips & Quotes: PHILOSOPHY

A wise man will make more opportunities than he finds.

- Francis Bacon

Honesty is a good thing, but it is not profitable to its possessor unless it is kept under control.

- Don Marquis

(...PRESIDENT – continued from page 1)

celebration? How do we know that FINRA will not put in place a new category of registration that will require all of us to re-file our membership applications and that would require all of us to have to pass a new qualifying exam? (There is definitely precedent here, it is what happened to the investment banking industry.)

The one thing we can all say is that the future for all of us is still very uncertain. While I believe in my heart that 3PMs will still be around, I cannot honestly say what the industry will look like in a year from now. I believe that it will be considerably different than it is today. Who knows, maybe it will even be better and these changes will reinforce the confidence the investors have in the investment process and 3PMs in general. If this happens more and more managers may be reaching out to 3PMs to help them market their strategies. And then we all may be better off. One can only hope!

Given the reality of all of this, how do we get through? The answer in short is by sticking together and by becoming more active in the Association. 3PM has been at the forefront in opposing the proposed industry ban for nearly a

year now and our efforts are continuing. Many other groups came on strong, but their work has all but evaporated. Here at 3PM our efforts have increased.

Just last week Frank Minard, Chair of the Strategy Committee was in California attending the CalSTRS' Board of Governance meeting discussing the validity of 3PMs. Frank made an impassioned plea for the Board to continue working with 3PMs and to not support the new legislation being pushed by CalPERS. For more information on Frank's presentation and the work of the Strategy Committee, please see the committee summary on page 5.

Some of our members and I have been working with FINRA and have been in contact with the SEC as well as proponents of New York's efforts to ban 3PMs, spending both time and money, to make our case heard. While some of our efforts to educate people about the industry have fallen on deaf ears, the majority of the people have listened intently, understand the value we bring to the investment process and are looking for ways to work with us, not against us. Our efforts have been and will continue to be beneficial to all third party marketers!

The changing regulatory environment is

so important that it will be the focus of our upcoming Spring Forum which will be held on May 11 in NYC. Conference sessions will include many important topics regarding the current state of the 3PM Industry, the direction it appears to be heading as well as ways attendees can weather the storm and come out even stronger. See the Events Committee write-up on page 7 for more information.

Our initiatives are extremely important and can't be done without the help of our members. This is the perfect time to get more involved and be a part of what we are trying to accomplish. Why not join a committee? The time commitment is only a couple of hours per month. If you want to do more, why not become the Chair of one of our committees or join the Board of Directors. We do have some open positions and we would welcome any help our members can provide to keep our efforts alive.

Thanks to all of you that continue to work hard to support 3PM and make our industry a better place to work. I hope to see all of you at the Spring Forum in a couple of months.



Strategy Committee Report

Frank Minard, 3PM Strategy Committee Chair

This last quarter has seen a flurry of activity around the SEC's proposed ban on the use of placement agents by investment advisory firms promulgated by the SEC in their Proposed Rule 206(4)-5. 3PM's Operation Outreach was carried out by the Strategy Committee members and others and resulted in over 200 submissions to the SEC during the Comment Period on the Proposed Rule. Approximately 99% of the submissions voiced their clear opposition to the Proposed Rule for many of the reasons we cited in our Position Paper: the unintended consequences for the Industry if such a ban were enacted would be seriously deleterious to all three stakeholders, money owners, money managers and consultants.

Thanks to Operation Outreach and the personal interaction by many of you, money owners, money managers, and consultants wrote the SEC opposing the Proposed Rule. A great debt of gratitude is hereby extended to all of you for your Herculean effort. The Investment Management Division of the SEC has publicly supported the idea that FINRA should serve as the regulator, including the oversight of intermediaries as part of their overall Broker/Dealer regulatory responsibilities. In fact, it has been reported that the SEC is rethinking its proposed ban on 3PMs

Also, during this quarter, I met with Karon Green, the Chief Consultant to the Assembly Committee on Public Employees, Retirement & Social Security for the State of California. She is charged with putting forth the legislation that will require 3PM's and placement agents to register as lobbyists in California. A registered lobbyist is prohibited from collecting any contingency or success fees. This proposed change in legislation is being driven by CalPERS, the State Treasurer and the State Comptroller. A proposed law has been introduced, but most likely there will be significant amendments to it.

A possible compromise solution to the legislation, which I suggested to Karon, would be to bifurcate the players into two groups: one affinity group would be finders and lobbyists who would be required to comply with all the rules and regulations currently in place, including the prohibition against receiving

contingency fees. The second affinity group would include placement agents and third party marketers who perform a very different function especially in the investment management selection process. This latter group would be required to follow all regulations in the current law, except they would be allowed to receive contingency or success fees as such fees have been and are the endemic methodology used for compensation. Moreover, this form of compensation reflects a direct link between the services rendered and the value of the service received. Finally, other professionals in our industry such as in-house sales resources and portfolio managers are compensated with such fees.

I also presented on behalf of the 3PM Association at a special session of the Board Governance Committee, a subset of the CalSTRS full Retirement Board. In

addition to my presentation (A copy of the outline of my remarks is available for anyone interested.), Luke Bierman, Chief Counsel to the State, Tom DiNapoli, Comptroller of New York State, and Susan Dugan, Special Counsel on Ethics for the State Comptroller spoke about the "ban" by NYSCRF, how and why it came about.

Finally, David Perez, Chairman, National Association of Investment Companies who was very supportive of Placement Agents/3PMs stated our position. Each speaker was given 10 minutes to "state our case".. There were approximately 150 people in the audience in addition to the Committee and their lawyers. A lively Q & A followed our prepared remarks giving me an opportunity to reinforce our position.



**Experience is not what happens to a man.
It is what a man does with what happens to him.**

— Aldous Leonard Huxley



Partnership, Sponsorship & Member's Benefit Committee Report

Jeremy Bach, 3PM Partnership, Sponsorship & Member Benefits Committee

The first purpose of the Sponsorship, Partnership & Member Benefits Committee is to use the strength of our collective organization to provide members with true benefits from vendors. As small businesses, we all have many of the same needs. 3PM's member benefits program currently has negotiated discounts with a variety of service providers including compliance firms, software providers, conference providers and more. We are reviewing all of the benefits currently provided as well as reaching out to new vendors who might want to participate in the program. If you use a vendor who can benefit other members, please feel free to have

them contact us or forward their contact information to:

info@3PM.org

We are also working on a new sponsorship initiative. We have begun offering sponsorship opportunities to vendors who recognize the business value in reaching our members. Right now, we are busy promoting the Spring Forum to sponsors, which will help to keep costs down for our members. If you know of businesses who might be interested, please let me know.



Compliance Update from Ashland Partners:

▲ Custody of Funds or Securities of Clients by Investment Advisors

**Timothy M. Simons,
CPA, CFA, CFP, CIPM, CSCP**

Ashland Partners

On December 30, 2009 the U.S. Securities and Exchange Commission (“SEC”) adopted amendments to the Custody Rule with an effective date of March 12, 2010. Initially these amendments were anticipated to require an annual surprise examination by an independent public accountant to verify client assets of all investment advisers who maintained custody of client assets, to include the ability to debit client fees directly from the client’s custodial account. The SEC received over 1,300 comment letters on this proposal, the majority of which opposed the requirement, including those of the major accounting firms and the AICPA.

The SEC explained the purpose of the amendments and some of the requirements in a recent Release that follows:

“The amendments are designed to provide additional safeguards under the Advisers Act when a registered adviser has custody of client funds or securities by requiring such an adviser, among other things: to undergo an annual surprise examination by an independent public accountant to verify client assets; to have the qualified custodian maintaining client funds and securities send account statements directly to the advisory clients; and unless client assets are maintained by an independent custodian (i.e., a custodian that is not the adviser itself or a related person), to obtain, or receive from a related person, a report of the internal controls relating to the custody of those assets from an independent public accountant that is registered with and subject to regular inspection by the Public Company Accounting Oversight Board.”

(SEC Release No. IA-2968, Custody of Funds or Securities of Clients by Investment Advisers)

For those advisers who choose to send account statements to their clients, in addition to the account statement that the custodian sends to the client, the rule requires the adviser’s statement to include a legend urging the client to compare the statement received from the adviser to that received from the custodian.

The amendments did not change the definition of custody, but has excepted two groups from the requirement for

the annual surprise examination: (i) advisers with the ability to debit client fees directly from the client’s custodial account; and (ii) advisers to pooled investment vehicles that are subject to an annual financial statement audit by an independent public accountant, and distribute the audited financials to investors, if that accountant is registered with, and subject to regular inspection by the Public Company Accounting Oversight Board (“PCAOB”).

Those advisers with custody and the ability to directly debit fees are exempted from the surprise examination because they should have policies and procedures in place to address the risk of overbilling clients.

The new requirements come to bear when client assets are maintained by the adviser itself or by a related person other than an independent qualified custodian. In addition to the surprise examination, the adviser must obtain, or receive from its related person, a written report, on at least an annual basis, that includes an opinion from an independent PCAOB registered public accountant with respect to the custodial firm’s controls

relating to custody of client assets. There is also an exception allowed for an adviser deemed to have custody solely as a result of a related person holding client assets and the adviser can demonstrate that it is “operationally independent” of the custodian.

Buried in the footnotes (139) is the continuation of another exception to the custody rule that was buried in the footnotes (15) of the 2003 custody rule. Although a trustee for a client trust would generally be considered to have custody of those assets, a supervised person of an adviser who serves as a trustee solely because the supervised person was appointed as a result of a family or personal relationship with the decedent, grantor, or beneficiary (and not as a result of employment with the adviser) the SEC would not view the adviser to have custody of the assets of the trust.

Form ADV Part 1 will be amended, adding new items or expanding current items for those advisers with custody of client assets



New 3PM Member Profile

▲ Assets Under Management Consulting, LLC, Donna Holmes, Esq.

The focus of our practice is twofold. First, AUM Consulting provides educational, advisory and marketing services to alternative investment asset management firms. And second, we introduce asset management firms to a broad and diverse network of investors interested in unique investment opportunities.

AUM Consulting understands that the finance community has experienced a period of great uncertainty, and as a result, managers are required to provide significant communication and transparency to investors and prospects. The principal of AUM Consulting has significant experience working with managers and investors and is able to render prospects with the necessary information to evaluate investment choices and implement investment decisions.

Our target market is small to mid-sized asset management firms that do not have internal marketing departments, but are committed to growth through the capital raising process, taking the firm to the “next level.”

AUM Consulting seeks prospects that have the same investment objective as the firm we represent, thereby aligning interests and creating a long-lasting partnership between the firm and its investors. We prepare institutional quality investor materials, as well as advise firms on presentations and implement an effective follow-up process with prospective investors.

AUM Consulting is in an exceptional position to introduce asset managers to prospective investors seeking unique alternative investment opportunities, as well as providing advice about the capital raising process.



Events Committee Report

David Shepherd, 3PM Events Committee Chair

Following up on the momentum of a terrific fall conference in Chicago, is our first spring conference in New York City on May 11th. Join your colleagues from 3PM for a full day of informative sessions; learn about product and services to improve your business and network with your colleagues in the Big Apple. The event will be held at NYSSA's new conference facility in mid-town Manhattan and will feature a number of speakers and panelists and end with a cocktail reception that evening. Help make the conference a success by suggesting speakers and topics to any member of the 3PM board and potential sponsors to Jeremy Bach jbach@bachcapitaladvisors.com. This is a great opportunity to encourage colleagues who might be considering joining our organization

to find out more in person, so be sure to pass details of the event along and mark your calendars for May 11th in Manhattan.

Other events not to be missed in 2010 will be informative webinars and it is not too soon to start thinking about our annual conference this October in Chicago. We're eager to get your ideas for both so please contact me directly dshepherd@managersglobal.com with your suggestions and consider volunteering for one or more events.

We have a great year planned for 3PM events and we hope you can participate in all of them!



Upcoming Industry Events

Sean Fitzgibbon, 3PM Communications & Marketing Committee

Date	Conference	Location
Mar 15-17	Asset Allocation Summit Asia 2010	Hong Kong, China
Mar 22-23	Asian Family Office Forum 2010	Singapore
Apr. 16-17	OPAL - Police, Fire and Public Pensions Forum	Jacksonville, FL
Apr 19-21	20th Annual Defined Contribution Forum	Coral Gables, FL
Apr 19-23	4th Annual FundForum Asia	Hong Kong, China
Apr 21-22	EuroHedge Summit 2010	Paris, France
Apr 26-29	Infrastructure Investment World, Americas 2010	New York, NY
May 11	3PM Spring Forum	New York, NY
May 12-14	OPAL - Emerging Managers Summit	Chicago, IL
May 13-14	II: Family Office Wealth Management Forum	Greensboro, GA
May 17-18	Asset Allocation Summit, USA 2010	New York, NY
Jun 2-4	SuperReturn U.S.	Boston, MA
Jun 14-17	16th Annual GAIM International	Monaco
Jun 16-18	OPAL - Investment Trends Summit	Santa Barbara, CA
Jun 28-30	SuperReturn Emerging Markets	Geneva, Switzerland

Please submit information on upcoming conferences to INFO@3PM.ORG

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