

September 7, 2010

The Honorable Arnold Schwarzenegger
Governor, State of California
State Capitol, First Floor
Sacramento, CA 95814

RE: AB 1743 (HERNANDEZ) – PLACEMENT AGENTS: REQUEST FOR VETO

Dear Governor:

I write on behalf of my San Diego-based company Keystone Capital Corporation to respectfully request your 'VETO' on AB 1743 (Hernandez). Please consider my reasons for opposing this bill:

The bill's sponsors will tell you that small firms have adequate access to CALPERS/STERS without Placement Agents. This is simply not true. Regularly, I hear from small firms who are unable to navigate their way through the labyrinth of CA processes to put their firm in line for consideration. My ethical practice is meaningful to small and emerging managers who are, in turn, meaningful to CALPERS.

CALPERS/STERS do not pay placement agents, but they will pay for the implementation, tracking, and administration of AB 1743.

Contingency fees are the backbone of our industry. Analogously to the way the real estate professionals are compensated, small managers can afford to hire my firm because they pay only if I am successful.

Since AB 1743 was proposed, the US Securities and Exchange Commission enacted its new rule 206(4)-5, targeting exactly the same abuses through stringent and comprehensive requirements. These requirements will be effective and will cost my firm tens of thousands of dollars to implement. The significant difference between the CA bill and the SEC rule is the straw that will break the camel's back for small firms" AB 1743 prohibits contingency fees.

There are two sides to the investment scandals that have wracked CALPERS: trustees/staff, and the investment firms/placement agents. AB 1743 layers regulation onto my firm, but does nothing to address accountability on the part of the trustees and their staff.

Please, Governor, do not be fooled by the 'good government' label on this bill. Note instead the industry backers – all large firms who have hired expensive lobbyists to make their deals, and who will benefit if firms like mine go out of business.

For these reasons, I respectfully request your 'VETO' on AB 1743. Should you have any questions, I invite you to contact me at 619-283-3107.

Respectfully,

Lisa Roth
CEO

Cc: Paul Navarro, Deputy Secretary, Legislative Affairs