



3PM News

Second Quarter
2010

Sponsored by Third Party Marketers Association, Inc.

*A forum for third party
marketers and
investment managers*

Letter from the Chairman

Donna DiMaria, Chairman

Dear Members,
Just a couple of weeks ago I had the opportunity to catch up with several of you at the Spring Forum. It was a great event that reviewed many of the current issues facing our members and the industry. The highlight of the day was hearing from Gary Goldsholle from FINRA who discussed FINRA's plans to create regulations that should put an end to any unscrupulous behavior while still giving third party marketers an opportunity to work and earn a living. While we have to wait for the SEC to give FINRA the go-ahead to actually put these rules in place, I was glad to learn that FINRA actually gets it. Gary was even willing to listen to our members' feedback and consider their suggestions.

It is truly unfortunate however, that there are still so many out there that obviously just don't get it. The only thing that we can really do is explain it to them – and the way to do it is by all of us working together through the Association and leading the industry by example. We need to restore credibility to the third party marketing arena and show investors, legislators and regulators that although we may be a small group, we are a force to be reckoned with – we will not give up our roles without a fight.

At the 3PM Spring Forum, our Strategy Committee rolled out 3PM's newest document called, "Principles and Best Practices." For those

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► Save the Date:
October 13-14, 2010

Join Us at the 3PM Annual Conference
A Two-Day event on the evolving landscape for 3PMs
Chicago, Illinois

Letter from the 3PM Office

Barbara Swanda, Executive Director

A big "thank you" to all who attended the recent 3PM Spring Forum at the New York Society of Security Analysts in New York City! It was truly a great experience for us, and feedback was very positive. Most importantly, the morning's sessions on the proposed 3PM Placement Agent Ban were deemed immensely beneficial to those in attendance.

We are also excited to remind everyone that logistical planning for 3PM's 2010 Annual Conference in Chicago, Illinois is well underway. The hotel site has been established, and the Conference agenda is in development. It will prove to be another comprehensive program of relevant and extremely useful information. Watch www.3pm.org in late June for registration information for this exciting and critical Conference.

As 3PM membership continues to grow, and regulatory issues become more critical to the profession, our efforts to feed that growth continue as well. Recently, 3PM's membership structure was revamped to specifically pinpoint differences between our membership types. When renewing your membership for July 1st, you will be asked to reassess which category best fits your needs. Please read the information on our website thoroughly; if there are questions, we're happy to assist you with this new process.

From all of us here at the 3PM Office, we look toward to the future and your continued success with 3PM! And remember, it all starts with you!

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Membership Committee Report

Sandra Powers, Membership Committee Co-Chair

As many of you know, we have been very actively engaged in monitoring what is occurring in our industry. Our association of industry professionals provides critical services to the market as we seek to maximize our value to our clients. Looking ahead, it has become apparent that encouraging best practices alone will not afford us the assurances we need to represent the Third Party Marketers Association (3PM) as a body of industry professionals dedicated to best practices.

As a result, 3PM has adjusted its criteria for membership for this next renewal period, which is upon us. In an effort to educate members and potential members of 3PM, we felt this issue of *3PM News* should be dedicated to a review of the benefits and criteria of membership, as well as the alternative programs available to organizations who may wish to benefit from 3PM, but do not meet our membership criteria.

We encourage you to review these highlights carefully, to ask questions, and to assist us in maximizing the effectiveness of the organization by encouraging membership and program participation of other industry colleagues. As an active participant in the investment management marketing industry, we appreciate your support of 3PM. As always, the association welcomes and encourages existing and potential marketing organizations who seek to engage in industry best practices for the betterment of all market participants.

What are the benefits of 3PM membership?

In addition to the many networking and industry advocacy benefits, 3PM offers the following specific benefits solely to our 3PM Member Firms:

1. Firm listing on 3PM's website Member Directory
2. Eligible to receive referrals from 3PM, based on firm profile
3. Eligible to participate in 3PM events: conferences, webcasts, and other events
4. Eligible for 3PM vendor discounts
5. Permitted to list 'Member of 3PM' or

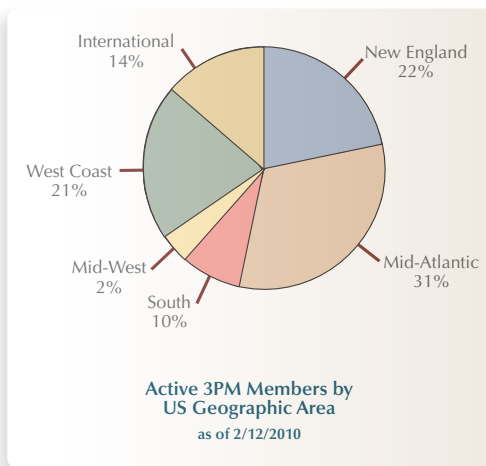
'Member of the Third Party Marketers Association, Inc.' on firm collateral, email signatures, etc.

6. Eligible to receive 3PM's newsletter – *3PM News*
7. Eligible for firm profile in *3PM News*

What are the criteria for 3PM membership?

3PM offers membership in the association for a period of one year (July 1 – June 30), provided the following criteria are met:

1. Membership is available solely to sales and marketing organizations in good industry standing.
2. All sales professionals of the firm must be registered and licensed with the appropriate regulatory authorities where they are selling products, whether in the United States or abroad.



3. All active firm owners and principals must have a minimum of five years of direct investment management and/or financial services related business experience.
4. All employees and owners, or at least two management team members (CEO, CFO, CCO and/or COO), must attest via signature that they, their firm, and/or any of their employees or owners, have NOT been the subject of any revocation, censure or litigation by the regulatory bodies that govern the financial services industry, including

the SEC, FINRA, the individual States, or (for those located and selling outside the U.S.), the appropriate regulatory entity (for example the FSA in the U.K.). If this has occurred, a detailed explanation must be attached for which 3PM will determine eligibility on a case by case basis.

5. Any exceptions require Board approval via negative consent; exceptions are rarely granted.
6. Firms seeking membership must complete the application process and all required attachments in their entirety.
7. Firms seeking, and approved for membership, must pay annual membership dues of \$850 USD per firm for 2010-2011 year.

What if we do not meet the criteria for 3PM Member Firm membership?

Firms interested in participating in 3PM, who do not meet the criteria for membership, may complete an application to participate in either the 3PM Mentor Program for a period of one year; or, if the firm is an organization that does not offer sales activities, but rather performs marketing related services or other services not requiring licensing and/or registration, the firm may submit an application for Industry Associate membership. Both applications are available on the 3PM website.

What if we are existing members of 3PM?

Based on the changes in membership requirements implemented by the 3PM Board of Directors in May 2010, all firms seeking membership in 3PM, even firms who have been members in the past, must complete a new membership application. Once received, all Firm Member applications will be carefully reviewed, and notification of membership acceptance will be provided upon approval. It is anticipated, for this year only, that the membership approval process may take several months. As such, firms who are currently members will continue to be able to receive benefits.

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If the application is denied, the firm will be removed from the 3PM Member List and will no longer be eligible to participate.

What if I am aware of other firms who may be great candidates for 3PM Firm Member, Mentor Program, or Industry Associate participation?

We encourage you to share this article and the application forms on www.3pm.org

with firms you believe to be strong candidates for participation. From the feedback received from our members over the years, we know 3PM adds tremendous value to organizations at all three levels of participation.

We encourage you to complete the appropriate application for your firm immediately so you may begin benefiting from the many aspects of 3PM. If you

have any immediate questions, please do not hesitate to contact the Membership Committee directly, via Sandra Powers (powers@arkglobalonline.com) and/or Lisa Roth (lroth@keystonecapcorp.com). For help with the application process, please contact Christopher Decker, Association Coordinator of the Third Party Marketers Association, Inc. (cdecker@3pm.org).

Trends in Investment Manager Searches

Sean Fitzgibbon, Communications & Marketing Committee Member

1. Alternative searches nearly doubled on a qtr/qtr basis, but they remained flat yr/yr. Alternatives were still low relative to searches for the past three years on average. Traditional searches were up slightly qtr/qtr, but they were flat compared to 1Q in the past few years.

2. Overall, traditional searches reported by FIN were at the highest level since 2Q'07. This was driven by large cap, which doubled qtr/qtr, and mid cap which posted a decent increase off of a small base. Int'l and Emerging searches also contributed to the rise in activity. On the flip side, Other mandates, almost halved on a YoY basis. Recall that Other includes mandates, or potential searches, that weren't specific to the equity class as well as All-Cap, 130/30, etc.

3. The overall increase in alternative activity was driven by significant increases in all categories except for commodities. Hedge fund searches are still down YoY, while private equity searches are even with the same period 1 yr ago. It is not surprising that both categories are still only half way to levels reached in 1Q'08. Real estate searches are up markedly qtr/qtr and about flat with levels a year ago. The Other Alternatives category, which includes alternative asset studies, infrastructure, overlays, etc. was also up significantly Qtr/Qtr, and up slightly YoY.

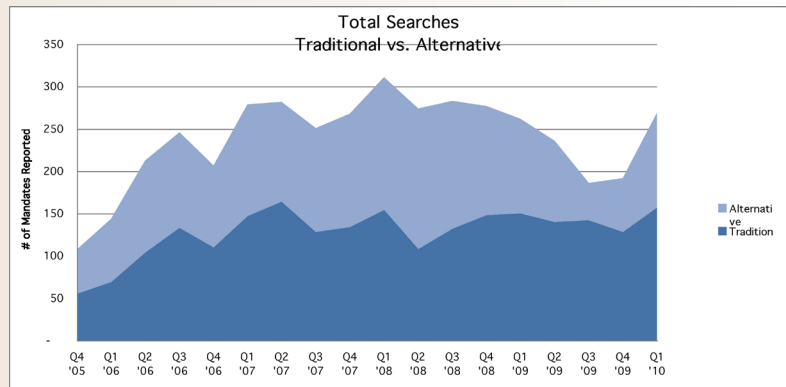
* includes mandates, or potential searches, that weren't specific to the equity class as well as All-Cap, 130/30, etc...

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

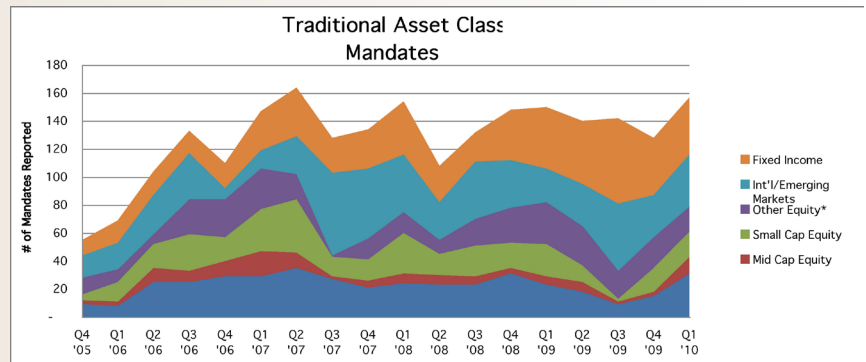


Source data: FINdaily – Matt McCue
mmccue@fin-news.com (646.810.1075)

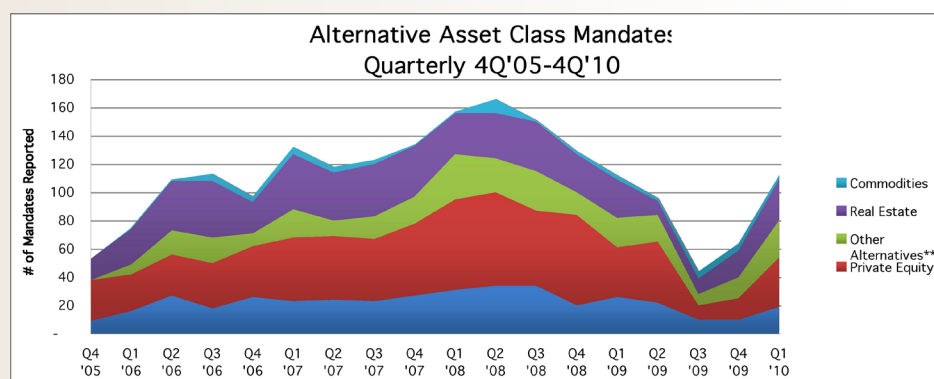
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of you who were not at the event, you should have also received a copy of this document along with a note explaining the thoughts behind it. This document is our first step towards making 3PM stronger. More information about this is also available in the Strategy Committee article on page 5, in the session summaries from the 3PM Spring Forum which start on page 8, and on the 3PM website at www.3pm.org.

This year, the Association has been stretched to the limit in terms of its resources – and when I say resources I mean not only money, but also the time of our Board and Committee members. In the past year, we have had to spend time defending our industry from:

- A Regulatory Ban,
- Several State bans,
- Pension Plan bans, and
- Now, even in jurisdictions where 3PMs are permitted to be a part of the investment process, our method of payment is coming under fire in the form of bans on contingency fee payments.

As such, 3PM is making several changes to deal with these issues. First, the Membership Committee has implemented some new changes. The Committee has developed a list of criteria which will specifically determine who is eligible to become a member of 3PM and who is not. Some new categories were also created to give those not eligible for membership a way to continue working with the Association. Unfortunately, this means that every firm must go through the application process again and meet the new requirements to continue their membership in 3PM. We are sorry for this, but it is necessary for us to know what we are saying about our Association is truthful.

You will also see a change in the structure and pricing for membership. We have done away with the past system of individual versus firm memberships. There is now only one type of membership, the cost of which is \$850 per annum. While this will result in a small increase for most, for some of you, this new price will be more than double what you were paying. While we are sorry that we have needed to raise the cost, we believe

that 3PM will now be more in line with what other industry associations charge for membership. All of you should have received an email from the Membership Committee outlining these changes. More information is also available in the Membership Committee report on page 2 or on the 3PM website.

Our Membership Committee will also be initiating an important recruitment effort. We need to try to bring on as many new members as possible. Not only does this show strength and solidarity, but it will also help increase the capital needed to advocate for our members on issues facing the industry, implement important Association level campaigns to combat negative regulation and legislation, provide quality events where they can network and learn about important issues facing the industry, and offer them huge savings and vendor discounts through our member benefit program. If you know of any firms in the industry that are not yet members, please encourage them to join. You can also send a list of these firms to our Membership Committee and they will reach out to the firms.

We are asking all of our member firms to now get involved with 3PM. I know that we are all busy, but if we don't all work for the common goal we won't have an industry to work in. If you have not gotten involved yet, please step up and support 3PM. You can help on a limited basis and it really doesn't require much time. We are in desperate need for more people to join our committees – not just the Strategy Committee, but the Membership Committee, the Events Committee, the Sponsorship, Partnership & Member Benefits Committee, and the Communications & Marketing Committee. We are asking each member firm to have at least one representative working with the Association. This person does not have to be a partner, but can be a junior person or an internal marketing associate - anyone who can devote a couple of hours per month. This would really go a long way to helping 3PM. By the way, if any of you are really adventurous, there are also some positions available for those wanting to chair one of our committees. Feel free to email us at info@3pm.org if you are interested in either participating on or chairing a committee.

We are also making changes to the Board of Directors and bringing in some new blood. One of the changes is that after nearly five years of serving as 3PM President, I will be stepping down. It is a role that I have truly enjoyed, but it is time for me to embark on some new journeys in my life. I am not really going far since I will still serve as the Chairman of the 3PM Board, and was recently voted in as the new Chair of the Communications & Marketing Committee. I will also remain active as part of the Strategy Committee, and continue to help where I can to accomplish our goals.

In one of my last roles as President, I am pleased that I was able to nominate several new Board Members and to institute a new position as well. All of these changes were voted on unanimously by the current Board. As of June 1, 2010, Stacy Havener of Havener Capital Partners, LLC will be taking on the role as the new President of 3PM. Stacy has held several roles on the Board over the years including Secretary, Chair of the Events Committee, and most recently, Co-Chair of the Membership Committee. I have no doubt that she will continue on with all of the work we have started and lead 3PM successfully into the future.

We have also added Charlie Bartz to the newly created Board position of VP, Governance. In addition to his work on the Strategy Committee, Charlie will now be offering his knowledge and experience to help guide 3PM's Board and administration in to the next stage in its evolution. He will also help us to formalize and implement new policies and procedures where they are needed which will help 3PM to work more efficiently and effectively.

Lisa Roth will also be joining the Board as Co-Chair of the Membership Committee. Lisa's previous experience on the Boards of FINRA and NAIBD will be extremely helpful to 3PM as we try to make membership in 3PM more meaningful and exclusive.

I will also be taking over as the new Chair of the Communications & Marketing Committee. Having served as the President of 3PM, no one is more aware of how important communication with our members is. We are all hoping to make

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Strategy Committee Report

Frank Minard, Strategy Committee Chair

During this quarter, there has been a lot of activity on the “Placement Agent Ban” issues at FINRA, in the City of New York and the State of California. The story has some very good news, some good news and some not-so-good news.

Let’s start with some partially good news that unfolded as recently as Wednesday, May 19, 2010. We have learned that AB 1743 did not pass the Assembly Appropriations Committee and was actually voted down. Regrettably, they will be taking it up again on Wednesday, May 26, 2010.

For those that may have missed what was happening in California, Ed Hernandez introduced AB 1743 with the support of the Treasurer and Comptroller of the State of California with additional support from CalPERS and CalSTRS. This proposed bill would have required all individuals involved in the solicitation of business from these two entities, and perhaps all Public Funds in the State of California, to have to register as lobbyists with the State. While there were some provisions that are not overly onerous, there is a prohibition against receiving any contingency fees or success fees which, as we know, is how third party marketers and other intermedi-

aries in the investment manager selection process are actually paid if, in fact, they are selected to run money for these funds. This Bill had passed two of the three Assembly Committees and seemed on its way to approval by the Appropriations Committee who would have passed it on to the entire State Assembly for approval. The future of the Bill as of this writing is unclear but the membership will be apprised of its future as soon as possible.

In New York City, there was some partial good news with the “partial lifting” of the ban by John Liu, the new Comptroller of the City of New York. The initial set of minimum requirements for third party marketers to be allowed to help investment managers market their products was particularly onerous. Donna DiMaria and I had an opportunity to meet with Larry Schloss, CIO for all five New York City Funds and suggested some changes in their proposed minimum requirements. He did change his proposal that has to be approved by all five city Boards based on our discussion. The one “rule” that was not in his original proposal and therefore we did not discuss with him was a “new rule” prohibiting contingency fees. We were, needless to say,

shocked, dismayed (read furious) that they had “slipped this in” after our meeting. The Boards have not approved this as far as we know and we are awaiting further information as to where this stands.

On the good news front, FINRA is in the process of writing the rules and regulations that will impact third party marketers on behalf of the SEC. As you know, the SEC has backed off its ban and FINRA is busy writing – their key person attended 3PM’s Spring Forum and, we think, learned a great deal about who we are, what we do and the value we bring to the entire industry. We are going to try to work with him to influence his final deliberations.

The Drafting Committee, which is a subset of the Standards Committee, spent a great deal of time writing the 3PM Principles and Best Practices document which is now completed; presented to the 3PM Board; approved; and introduced to those attending the 3PM Spring Forum on May 11, 2010. This is, of course, a “living document” and will be constantly reviewed and updated to reflect changes in the industry, regulations and the way we work with our clients in the future.

Communications & Marketing Committee Report

Donna DiMaria, Communications & Marketing Committee Chair

Given all that is currently going on in our industry and at the Association, it is imperative that we keep in communication with our members. As always, 3PM News will continue to be an important source of information. We also plan to increase our communication through e-mail blasts and through our member-only group on LinkedIn.

For those of you who are not yet part of the LinkedIn group, I encourage you to join. While we have not actively used this

forum in the past, we are going to change that! Going forward we will try to post important information and start discussions on the site. Using LinkedIn, anyone who is a part of the group can start a discussion if they have questions about how other members are doing something or if they have ideas to make 3PM better. Anything that you want to share can be posted here. I hope all of you will help us by improving communication and making it a two-way street.

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the Communications & Marketing Committee the voice of 3PM – keeping our members current on the initiative we are working on, as well as on changes that are occurring in the industry and at the Association, provide our members with updates on new vendors participating in our member benefits program, as well as making everyone aware of new events that we are hosting.

I would also like to give my special thanks to all of the members of our Board, both past and present, to the 3PM Office, to those who have worked on our committees and to our members. It has been my sincere pleasure to get to know each and every one of you and I appreciate all the help and support that you have given me through my tenure as President. It is a time that I will never forget.

Warmest Regards,
Donna DiMaria

Events Committee Report

A special thanks to all of the attendees of the 3PM Spring Forum. It was an extremely informative event. The entire morning was devoted to the placement agent issue happening across the country. The day kicked off with Gary Goldsholle discussing FINRA's plans for rule-making. FINRA is getting prepared so when they get the go-ahead from the SEC, they will be ready to get this done quickly. More information about this and the rest of the Spring Forum sessions is available beginning on page 8. From there, Frank Minard gave us an update on 3PM's efforts to deal with all of the industry issues facing us. Charlie Bartz then rolled out 3PM's new "Principles and Best Practices" document and discussed the reasons why it was developed. Lisa Roth and Donna DiMaria then gave an update

on the changes occurring in the regulatory arena and discussed ways to prepare for a FINRA examination.

During lunch, the attendees got a chance to network and see a demo of Meridian-IQ, the new database product which gives information on all registered investment advisers including management of manager programs and investment consultants. After lunch, the sessions were a bit lighter. Cerulli gave us a presentation which focused on changes affecting some distribution channels. We also heard from some panelists about different ways technology could be used to make our jobs more efficient. The afternoon closed with an investor panel and included Adam Geiger from New Legacy Capital, a hedge fund of

funds; Thomas Lynch from Cliffwater, an institutional investment consultant focusing on private equity and hedge funds; as well as Dominick Trapasso who covers long-only strategies in CSFB's wealth management research group. It was a great way to end the day and to learn about the products each of these distribution channels are focusing on. The day ended with a great cocktail reception hosted by Ashland Partners.

For all of you who missed the event – no need to worry, planning is already underway for 3PM's Annual Conference which will be held in Chicago on October 13th & 14th at the Hyatt Regency O'Hare. Watch your inbox for more information regarding this event or visit the events page on the 3PM website.

Sponsorship, Partnership & Member Benefits Committee Report

Jeremy Bach, Sponsorship, Partnership & Member Benefits Committee Chair

First, we would like to thank all of our sponsors for the 3PM Spring Forum once again. The Forum was a great success and we could not have done it without the support of our sponsors. Special thanks to Meridian-IQ, Ashland Partners, Northern Lights, Patrick Capital Markets, A.S.A.P Advisor Services and the Lloyd Group. Thank you also to Compass Institutional Marketing, JG Advisory Services and Markov Processes International for listing in the Program Brochure.

Going forward, the Sponsorship, Partnership & Member Benefits Committee will continue to find ways to work with select vendors. This includes finding new vendors who want to work with our members negotiating group pricing available only to our members. As always, the best ideas come from our members, so if you work with a vendor which other third party marketers could benefit from working with, please let us know.

New 3PM Profiles

Southport Harbor Associates

Southport Harbor Associates provides consulting and advisory services that help you maximize your capabilities by separating client support from fund administration. Southport Harbor Associates uses our familiarity with all components of the service provider universe (e.g., prime brokers, fund administrators, third party marketers) when crafting the appropriate business model that meets the expressed needs of your organization. While the portfolio managers concentrate on portfolio performance, Southport Harbor Associates will provide a full suite of support services designed to enhance your clients' experience.

Southport Harbor establishes the operational framework that nurtures the development of your business model by building on the four pillars of *administration, compliance, risk control, and operational transparency*. As a fund's dedicated service provider, Southport Harbor leverages our familiarity

with all components of administrative support and assists you with the selection of legal counsel, accounting, prime brokerage, and a custodian that fit a fund's needs from both a client support and financial perspective.

To learn more about how Southport Harbor can assist in your business development, please contact us at (203) 292-8166 or online at info@southport-harbor.com.

Stellate Partners

Founded in 2005 by John Mathai, Paul Greenwood and Rob Mathai, Stellate Partners is an institutional marketing boutique. Our goal is to align ourselves with a select group of investment organizations sharing the following traits: a passion for investing; a moral compass unaffected by success or failure; and an unwavering commitment to clients.

Introduction to Industry Associates

David Rondeau, Treasurer, and Industry Associate

As part of our ongoing efforts at providing comprehensive coverage of all aspects of the placement agent universe, we have developed a newly created category for those specific organizations that provide outsourced marketing and operational support throughout the life cycle of a manager's development. Entitled Industry Associate, these designated participating firms focus on differing aspects from general administrative and outsourced operational support to supplying technological infrastructure and access to all components of the service provider universe.

One of the leading purveyors of these packaged services is Southport Harbor Associates. Southport Harbor Associates specializes in assisting managers during the initial phases of their launch by providing them with a clearly delineated business plan that outlines the steps necessary to achieve success. "Success is measured by helping managers reach identified goals throughout the early stages of development," said Managing Principal, David Rondeau.

By enabling the product managers to concentrate on establishing their portfolio track record, Southport Harbor Associates is able to ensure all the component pieces are tied together in one comprehensive offering that will enable the manager to attract the seeder capital so critical during their initial development. "We provide them with the branding necessary to help position themselves within their marketplace, as well as the appropriate visual tools through website development and creation of integrated collateral material," David said. By assisting the manager further with the creation of the Due Diligence questionnaires and RFP's for consultant review, Southport Harbor Associates helps position them to work with the appropriate placement agents when they get ready for their capital raise.

"Being familiar with the 3PM organization, we are delighted they have chosen to provide a venue for us to participate in their industry leading efforts. We look forward to establishing closer relationships with the third party marketers in order to provide them with appropriate manager flow on a go forward basis."



Upcoming Industry Events

Sean Fitzgibbon, Communications & Marketing Committee Member

Date	Conference	Location
Jun 16	2nd Global Distressed Debt Investing Summit	New York, NY
Jun 14-17	16th Annual GAIM International	Monaco
Jun 16-18	OPAL - Investment Trends Summit	Santa Barbara, CA
Jun 22-23	Dow Jones Limited Partners Summit (Keynote by NYC CIO Larry Schloss)	New York, NY
Jun 28-30	SuperReturn Emerging Markets	Geneva, Switzerland
Jun 28- Jul 2	FUNDFORUM 2010	Monaco
Jul 15-16	India Private Equity and Venture Capital Conference	London, UK
Sept 13-16	Hedge Funds World, Asia 2010	Hong Kong, China
Sept 26-28	11th Annual Family Office Wealth Conference	Laguna Beach, CA
Sept 27-30	SuperReturn Asia	Hong Kong, China
Oct 13-14	3PM Annual Conference	Chicago, IL

3PM Board Members

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Havener Capital Partners, LLC

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Donna DiMaria
Tessera Capital Partners, LLC

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William Hoover
AMS Group, LLC

Treasurer

David Rondeau
Southport Harbor Associates, LLC

VP Governance

L. Charles Bartz
BerchWood Partners

Communications & Marketing Committee Chair

Donna DiMaria
Tessera Capital Partners, LLC

Membership Committee Co-Chairs

Sandra Powers
ARK Global, LLC

Lisa Roth
Keystone Capital Corp.

Events Committee Chair (Vacant)

Strategy Committee Chair

Frank Minard
XT Capital Partners

Sponsorship, Partnership & Member Benefits Committee Chair

Jeremy Bach
Bach Capital Advisors

3PM Office

Barbara Swanda
Executive Director

Christopher Decker
Association Coordinator

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3PM

Spring Forum

A new event, the 3PM Spring Forum, was held in New York City on May 11, 2010. This well-attended, day-long event focused on “The Future of Third Party Marketing.”

For those who could not attend, we are offering abbreviated summaries of the presentations below. You may find the complete summaries in the Members-Only section of the 3PM website, www.3pm.org.

Summaries provided by Stacy Havener, Havener Capital Partners, LLC

Keynote Presentation: FINRA’s Role in Third Party Marketer Regulation

▲ Gary Goldsholle, Vice President and Associate General Counsel of Financial Industry Regulatory Authority (FINRA)

For a copy of Mr. Goldsholle’s bio, please click [here](#).

At FINRA, Mr. Goldsholle is responsible for matters of regulatory policy, interpretation, and rule development. He is active in areas of corporate finance, derivatives, sales practices, and banking issues. Of greatest importance to 3PM’s, Mr. Goldsholle has been appointed as the primary author of proposed FINRA regulation to govern placement agents. Although the SEC has not yet published revisions to IA-2910, it is anticipated that its adopted rules will stop short of a ban on placement agents to the extent that they are subject to FINRA regulation and, provided FINRA adopts new rules to target, specifically, placement agent activities.

Mr. Goldsholle presented the following general concepts for his proposed rules:

- In general, FINRA would impose requirements on BD/placement agents consistent with those proposed in SEC IA-2910 for investment advisers. For instance, BDs acting in the capacity of placement agents would be prohibited from receiving fees from a public entity within two years after making a related political contribution.
- Disclosure would be required consistent with current rules for solicitors under the Adviser’s Act.
- Rules would be designed to prevent

circumvention such that all compensation would be required to be consistent with offering document and/or other governing documents available to investors at or before the point of sale.

- 3PM members in attendance encouraged Mr. Goldsholle to consider additional regulations or guidance including:
 - placement agents must be registered as BDs
 - defined category on Form BD
 - specified licensing requirements
 - prohibitions or limitations on former or current government officials or others entrusted with public confidence acting as placement agents
 - clearly defined guidelines that differentiate among true placement agents/third party markets and finders and fixers
- Mr. Goldsholle noted that penalties for non-compliance would be severe, and described the following likely penalties:
 - Disgorgement penalty. Fees would be either returned to government entity or remitted to a charity.
 - Limits or suspension of activity (likely a two-year window). This would extend beyond the circumstances of the sanction and would include all activity in all jurisdictions for the prescribed term.

(FINRA’s Role– continued on next page...)

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In addition, according to Mr. Goldsholle, FINRA believes in robust disclosure to government entities including the following elements:

- Soliciting on behalf of IA (named advisor)
- Member of FINRA and subject to rules and regulations
- Nature of relationship – affiliated or no
- Compensation received
- How much the government entity would be paying (especially in relation to 3PM)
- Relationship between 3PM and government entity
- Policies with respect to political contributions

Mr. Goldsholle noted he had not yet determined the specific timing at which disclosure should be made.

He expressed that all of the above (disclosures and policies) should apply with equal weight to affiliated and unaffiliated marketing firms.

Members of 3PM expressed a desire to participate and support the FINRA rulemaking process. Mr. Goldsholle responded that FINRA was waiting on its action until the SEC releases the final rendition of IA-2910. He cautioned that although it appears that placement agents in good standing with FINRA would not be banned, that doubt remained over the final form of the rule. As such, he noted FINRA is not in a position to move forward. He noted that FINRA was not an advocate, but rather was a regulator, and encouraged the members to reach out to SEC commissioners to move the process along.

Following his presentation, Mr. Goldsholle remained in the audience. During 3PM's Principles and Best Practices session, Goldsholle praised 3PM's commitment to putting together guidelines, requiring our members to be registered, and clarifying our role as 3PMs.

FOLLOW-UP: Since Mr. Goldsholle's presentation, 3PM has taken the following action: Lisa Roth has contacted Elise Walter, SEC Commissioner to arrange a meeting to discuss the apparently stalled IA-2910. She has also communicated with Mr. Goldsholle and Mr. Rick Ketchum, FINRA CEO, to reiterate 3PM's interest in organizing a FINRA-sponsored ad hoc committee or task force to participate in and/or add relevance to the rulemaking process.

Current Proposals, Principles & Best Practices

▲ Frank Minard, Charlie Bartz

NYC Retirement System Update

3PM engaged in conversations/meetings with New York City regarding their proposed requirements for placement agents if they were to lift the ban currently in place. Although this is positive, some of the requirements are particularly hard on small 3PM firms.

Initially all placement agents –

1. Must be registered with SEC or FINRA, and
2. Must have raised \$500 million in each of two of the last three years.

Donna and Frank met with New York City and explained challenges related to their proposal including the difficulties for some firms to register, as well as the asset hurdle which not only establishes a high watermark during one of the most difficult

market environments, but also shows a heavy bias toward larger firms as many placement agents work with boutique managers or a very select client base and are not intending to raise that level of dollars.

NYC listened to 3PM's suggestions and made some concessions acknowledging the difficulties for some firms to register. They changed the requirement that a third party marketer could also be registered with the State of N.Y. if they were not eligible for registration with either the SEC or FINRA. They also changed the \$500 million asset hurdle to be in each of two of the last four years – which was a step in the right direction, but was not sufficient from the association's perspective. BUT, they also introduced something which was

neither discussed in any communications, nor in the meeting – a proposed ban on the payment of contingency fees. When introducing the revised placement agent policy to the NYC Boards, the Comptroller's office indicated that this policy which included such a ban had been "approved" by 3PM. This was clearly a misrepresentation since the issue never came up in Donna and Frank's meeting.

After learning about the inclusion of a ban on contingency fees, 3PM responded with a letter explaining our position, which was posted to the 3PM website for our members. The Comptroller's Office subsequently informed us they received the letter and that they would no longer meet with us to discuss these issues.

(CURRENT PROPOSALS– continued on next page...)

(..CURRENT PROPOSALS– continued from page 9)

California Update

3PM Board members participated in various meetings with regulators, legislators, and plans regarding the proposed ban during which it became clear there is a gap in understanding our business.

CalPERS' policy was initially palatable – heavy on transparency and disclosure. However, AB Rule 1743 which has been proposed and is moving through the necessary legislative branches is more challenging for our industry:

AB Rule 1743:

1. Requires placement agents to register
2. Definition of placement agent includes third party marketers and internal sales professionals
3. Requires transparency and disclosure (which we are not against)
4. Prohibits the use of contingency fees (which we are totally against)

This legislation is picking up steam and is crucial in its ability to set precedent as other states will likely follow suit. It is imperative that 3PM's membership write

letters and engage on this legislation with the same intensity we showed during the initial weeks of the SEC's proposed rule which would ban the participation of third party marketers in any business with public pension plans. 3PM has posted guidelines for the letters – general in nature and illustrating the critical element that contingency fees play for 3PMs. In addition, 3PM clients are extremely important in this matter – emerging and boutique managers – so letters from them will have significant impact.

Best Practices

Developed by 3PM's Strategy Committee to ensure our members are of a single mind – this is the definitive piece on what we do. Not a "how to" manual; it tries to be agnostic to product type, geography and changing regulation. Click here for a copy of 3PM's Principles and Best Practices.

Membership criteria for 3PM will become more stringent, specifically around the areas of compliance.

Third party marketing is a real business with requirements and obligations. 3PM wants to obtain validation from our members of correct and proper conduct – easiest way to do that is to ensure our members are registered with the appropriate entities. Being registered with a regulatory agency is more than

filing reports; it's also monitoring activity on an ongoing basis.

Section 8 in Principles and Practices document – Activities – is an important element in the clarity it provides around what we do – one of the least understood aspects of our business.

The Definitions section should also provide clarity around some misconceptions. In general, we all need to be clearer in our language.

The current environment is wrought with confusion and there will likely be continued uncertainty for the next 12-24 months. Emerging managers may have less of a chance to succeed if 3PMs aren't there to

assist them. Over half of what we do as 3PMs is advisory. Contingency fees are based only on commitments, and are not reflective of all the work we do on the "non-wins." It's all wrapped together and bigger than just making an introduction to an investor. Future compensation arrangements may need to reflect this dichotomy more directly.

Twist – suitability is a concern for investors, quid pro quo? Public funds should also disclose their process; their decision making; which managers they invest with; fees; etc. There is alleged misbehavior on the investment side as well.



Compliance in Time of Regulatory Change

▲ Lisa Roth and Donna DiMaria

With the ever-changing regulatory landscape, Lisa and Donna shared their views on the current regulatory environment as discussed in two earlier sessions – “FINRA’s Role in Third Party Marketer Regulation,” presented by Gary Goldsholle; and “3PM’s Principles and Best Practices” session led by Charlie Bartz and Frank Minard. In addition, Lisa and Donna provided an overview of what to expect in a FINRA exam, a sample document request handout was circulated which members can access on our website by clicking [here](#).

In general, the panel suggested that FINRA exams will be changing to accommodate various industries and types of firms, which is a positive for third party marketers as our business has often been misunderstood by examiners. 3PMs should expect more questions about advertising and sales literature, to which they reminded the audience that Registered Reps still have a responsibility. It is not solely the responsibility of the broker dealer; reps

must also work to ensure materials meet the standards of regulators.

Regarding the oft discussed disclosure regulation, Roth shared the mantra, “If you didn’t document it, you didn’t do it” which is how the regulators will approach the business practices of 3PMs. “Make sure you have a process for ensuring you are disclosing your role as a solicitor; follow it; and document it,” she advised. Some suggestions from the panel and the audience were to include the solicitor disclosure in an email signature, or on all sales and marketing materials.

DiMaria shared insight from a recent exam conducted by FINRA of her business. She stated the examiner conducted an in-depth review of her firm’s continuing education program. What materials did she circulate? What articles? Wise for all firms to again provide detailed documentation of their processes and procedures related to continuing education. Roth seconded this idea and said the good news is that the examiner may not ask you

about irrelevancies as much as they once did, BUT, they will now really dig into what you do is relevant to your business. The session provided detailed information regarding DiMaria’s exam including the review of her firm’s due diligence procedures. This is another area that is important to examiners – especially in light of recent industry events. See summary of FINRA notice by clicking [here](#).

The panel concluded by reviewing additional changes potentially heading our way including changes to broker check – violations and infractions may remain permanent on your public record; Anti-Money Laundering procedures will likely adopt a new template; and there will likely be changes to privacy rules. MA has already adopted strong policies around the encryption of information.

M&A Friend or Foe?

▲ Bing Waldert, Cerulli Associates

Bing Waldert from Cerulli Associates shared insights on both the retail and institutional channels “post-crisis” as outlined in a presentation which members can access on 3PM’s website by clicking [here](#).

In a survey of managers, Waldert shared that the greatest challenge managers face is differentiating their offering in a crowd – which represents a significant opportunity for third party marketers.

In the retail space, merger activity has been relatively high and a handful of firms are picking up marketshare of client assets and of financial advisors. Waldert stated that 2/3 of affiliated advisors can now be rolled up to 25 firm/parent companies. Firms cited for strong growth include

BoNY Mellon, Northern Trust, Bessemer Trust, Genspring, Eaton Vance, JP Morgan, DeutscheBank, Credit Suisse and independent RIAs.

Institutional merger activity has not materialized as anticipated with headline deals falling apart in final stages. Trends facing institutions include a move toward open architecture programs as well as a scramble for the top 20 consultants to retain market share. Many clients felt let-down by the consultants during the crisis, specifically with respect to knowledge and expertise around alternatives. Firms like Albourne, Cliffwater, and Hammond with boutique expertise in alternatives have an advantage; while Mercer, Callan,

and Russell are quickly trying to restructure their alternative groups. In general, there is a trend favoring smaller regional consultants.

Investment activity was also reviewed revealing that U.S. Fixed Income clearly led the way in institutional flows with \$139.5 billion in 2009 while Global Fixed Income and Emerging Market Equity garnered \$60 billion and \$31 billion respectively. On the losing end, U.S. Equities had outflows of \$111 billion in 2009.

Technology Panel

▲ **Michelle Brusyo, Digital Brand Expressions; Russell Chamberlin, Diamond Technologies; Andy Phillips, Hamersley Partners; Moderated by David Shepherd, Managers Global LLC**

The panelists shared insights on many aspects of technology including social media and CRM system choices and design. Presentations are available for members on 3PM's website or by clicking here.

Social media is complex both in its newness and in the uncertainty of the regulatory environment. Michelle Brusyo was strong in her advisement that all 3PMs work with their compliance officer regarding usage of social media outlets such as Twitter, Facebook and/or LinkedIn. Even blogging faces regulatory scrutiny – so all 3PMs are advised to research these avenues thoroughly before proceeding.

Brusyo suggested that like any marketing initiative, a cohesive message and unified brand is important to successfully using social media. 3PMs should establish naming protocols for their business presence online, determine the voice of the communications – is it the firm or is it you, the principal? And, most importantly, she advised the audience to use social media

as a way to connect, share expertise, but not to sell or ask for help without giving anything useful in exchange.

By limiting participation to 1-3 communities, 3PMs can actively engage with the group. Financial sites she mentioned included Hedgehogs and Investment Network. However, of the social media outlets discussed, LinkedIn seems to resonate the most with attendees.

Many attendees were unaware that 3PM has a group on LinkedIn which members can join by searching 3PM in the Groups directory. In addition, attendees shared that they've used LinkedIn to reconnect with contacts after they leave a firm.

Russell Chamberlin shared insights related to CRM systems highlighting options for firms to think about including whether the system is on-premise or hosted, which led to a discussion about cloud computing and popular CRM systems such as Salesforce.com. Chamberlin said with cloud computing sales and marketing activity is real time.

An important consideration for firms is business intelligence – accurate, timely, and actionable information as he urged 3PMs in the audience to consider whether their CRM systems and processes utilized business intelligence effectively.

Chamberlin mentioned a few CRM systems for consideration including: Maximizer, Salesforce.com, ACT, Microsoft Dynamics, and Net Suite.

One of the many hats Andy Phillips of Hamersley Partners wears is that of resident tech-guru. Charged with revamping Hamersley's CRM system and process, Andy led the Salesforce.com design and adoption process for the third party marketing firm. His recommendation to attendees was to spend time upfront defining what you want to use the CRM system for, what information is useful to you and worth tracking, and from there, work to achieve those goals.

Investor Panel

▲ **Adam Geiger, New Legacy Capital; Thomas Lynch, Cliffwater, LLC; Dominic Trapasso CPA, Credit Suisse; Moderated by Jeremy Bach, Bach Capital Advisors**

After introductions by each panelist, moderator Jeremy Bach asked the group to discuss changes they've seen within their businesses given the recent market environment.

Both Tom Lynch and Adam Geiger discussed the evolution in the alternative space including moves away from fund of funds to single strategy, with an uptick in hedge strategies. In addition, Lynch added that private equity demand is flat with a shift toward distress and secondaries. The secondary market is clogged, but new vintages will need to be added. What needs to happen, in his opinion, is that endowments need to be willing to take losses and the biggest driver of that, he

believes, are impending capital calls. In addition, Lynch shared the need for liquid vehicles that access natural resources and commodities. Dominic Trapasso gave a perspective from the private banks' side where he stated that clients are going back to basics with an emphasis on the suitability of strategies and best of breed managers.

Bach then asked the group if they are seeing any changes in types of hedge fund managers that are winning business – is it still large institutions or are boutiques gaining ground?

Geiger said they are seeing a trend that favors boutique managers which to them means smaller firms under \$1 billion in assets. His firm is spending a lot of time in

that space. Lynch shared that he sees hedge funds as the broadest opportunity set with the various types of strategies employed within that class. He also mentioned that many institutions are looking for “the next big short” (which he joked means it will never materialize) but the search is leading investors to firms with significant experience in global macro hoping they can capitalize. Trapasso explained that Credit Suisse has looked to more creative strategies for investors such as hedge ETFs or inverse ETFs – strategies that can offer absolute return or alternative exposure without lock-ups or K1s.

He sees a real trend toward hedge-like strategies in other formats.

(Investor Panel– continued on next page...)

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In discussing what types of managers are interesting, the panel all expressed willingness to consider “boutique” firms but had differences in their definitions. Geiger was the most open to firms and shared New Legacy’s willingness to seed a manager. Lynch said that minimum assets for hedge funds is \$250 mm; on the PE side they like to see an experienced team that has worked together before – same for real assets. Trapasso shared a preference for private owned firms where the owners are investors with firm assets anywhere from \$200 million to \$3 billion in assets. As he said, managers go through a lifecycle: from start-up to five years during the asset gathering phase, they see significant opportunity. Their annual manager turnover is about 12%, four adds and four subtracts per year. He also said they need SMA format and is always on the lookout for strong U.S. small cap managers with concentrated portfolios.

The investment criteria conversation continued with Geiger stating it’s easier to pick a good manager after a bad market in his

opinion. He likes to review performance in the bad years like 2008 and ask managers, how did you achieve this – is it real, repeatable? Also, what was responsible for any asset growth or deterioration during that time? He’s generally less interested in the heft of the infrastructure, more focused on what managers learned and how they are better.

When asked what role the third party marketer plays in the due diligence process for these investors, both Lynch and Trapasso shared that 3PMs have their reputation at stake – conduct quality due diligence and continually present good ideas. The investors ultimately will conduct their own due diligence as well, but 3PMs should be able to tell the story.

Lynch continued by saying 3PMs’ role is vital to smaller/newer firms or firms in the PE space where capital raises are cyclical. He urged 3PMs to be diligent on compliance and operations and mentioned a penchant for spin-offs of other firms. Trapasso added that Credit Suisse relies on marketers to present to advisors/clients, so knowledge of

the firm and the story as though you are an insider is important, in an opinion which Geiger seconded.

The panel concluded with Bach’s question of what marketing techniques the panel likes/dislikes. Geiger shared his dislike of “aggregate years of experience” in pitchbooks stating that it’s irrelevant and misleading. As he said, “Is it six guys with 10 years of experience or one guy with 30-40 plus three newer people?” Lynch spoke to the heart of the audience when he shared his dislike of corruption in the space, but applauded 3PM’s efforts with the “Principles and Best Practices” document. Trapasso shared that he doesn’t appreciate any name dropping when marketers try to arrange meetings with his group. In general, the panel agreed that the “best” technique for 3PMs is knowing the story in and out including what hasn’t worked and why, and approaching investors with honesty and integrity.

New 3PM Vendor Profile

Meridian-IQ

3PM Spring Forum Platinum Sponsor - 2010

Meridian-IQ is the first system of its kind to deliver both the data and workflow software tools needed to efficiently maximize your business with advisors.

Our mission is to provide the highest level of data, intelligence, tools and service so you can most effectively sell, market, analyze and understand the advisor marketplace. Meridian-IQ has been developed by a team

with decades of combined experience working with hundreds of financial institutions with a specific focus on helping firms use data and tools to target, identify and connect with advisors.

Meridian-IQ is ideal for helping those 3PM members who are already distributing to advisors do so more efficiently. And, for those who are potentially interested in expanding your distribution efforts into the advisor marketplace, we can offer a great value in helping provide insight and

understanding of the potential opportunities and optimal distribution strategy for your business and the investment products you represent within the advisor market. To learn more about Meridian-IQ and the special pricing packages available for 3PM members, please visit us at www.Meridian-IQ.com or call 646/ 867-6460.

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