

WATER STREET

October 5, 2009

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

Re: File No. S7-18-09
Proposed Rules to Curtail "Pay-to-Play" Practices

Thank you for the opportunity to provide perspective on the Securities and Exchange Commission's proposed rules regarding pay-to-play practices.

As a leading private equity firm focused exclusively on health care, Water Street Healthcare Partners strongly supports the Commission's efforts to curb "pay-to-play" practices. However, we do not agree with the portion of the proposed rule that bans the use of third party placement agents from representing private equity firms to state and local pension fund investors. If this ban is enacted, we believe it will have a detrimental effect on emerging private equity firms. We can best illustrate this through Water Street's experience in its initial fundraising efforts.

When we founded Water Street in 2005, we were a relatively small "emerging firm" with no dedicated fundraising staff. Our partners, who had many years of experience investing private equity funds in health care businesses with a global money center bank, had little experience with raising capital commitments from institutional investors. We retained a third-party placement agent, Credit Suisse, to assist us with fundraising.

Credit Suisse played an extremely valuable role in connecting Water Street with institutional investors. They helped us with identifying potential investors and arranging introductory meetings. With Credit Suisse's assistance, Water Street raised \$370 million in capital commitments, exceeding our original target of \$300 million. We went on to invest that capital in eight health care businesses, which we have built into market leaders. When it was time to raise our second fund in 2008, we again retained Credit Suisse, which helped us raise \$650 million.

The Credit Suisse relationship has served both Water Street and our investors very well. Several of the investors Credit Suisse introduced us to are institutions that were seeking health-care focused private equity firms. Credit Suisse played an important role in connecting us quickly and effectively, so that Water Street could focus on our primary goal of investing in and building leading health care businesses. Today, Water Street is one of the most active investors in the health care industry.

If the proposed ban around placement agents is passed, it will severely hamper the next generation of emerging private equity firms. They will be disadvantaged from raising capital, which will limit their ability to invest in and grow future businesses. I strongly and respectfully encourage you to revisit this portion of the proposed rule. It would be a shame if other firms do not have the same opportunities to establish themselves as leading investors like Water Street did.

WATER STREET

Regards,

A handwritten signature in black ink, appearing to read "TADug". The letters are stylized and connected, with a large "D" and a trailing "g".

Timothy A. Dugan
Managing Partner
Water Street Healthcare Partners
Chicago, IL