

# RIVERWOOD

October 5, 2009

Re: File No. S7-18-09: Political Contributions by Certain Investment Advisers

To whom it may concern:

This letter is being sent in response to the above noted proposed regulation by the SEC (the "Proposed Regulations"). Please accept this correspondence as the comment of Riverwood Capital, LLC to the Proposed Regulations that would ban any third party from marketing investment options to public entities.

Riverwood is an investment firm focused on investments in high-growth businesses, primarily in the global technology, technology-enabled and related growth industries. We have made approximately twenty-five investments globally out of our initial fund and are currently in the process of raising our second fund. The investor base of our initial fund was primarily comprised of personal contacts of the founders. Over the next few years, however, institutional investors including public pension funds will likely become a more significant portion of our capital base as we continue to grow our business and as public funds continue to increase their focus on specialized strategies. For the second fund, we are seeking ~\$750 million in capital commitments and anticipate investing both in the United States and internationally.

We strongly support efforts currently underway that seek to expose and eliminate corruption in the administration of public pension funds and other investment funds. The recent "pay to play" abuses involving state pension funds have brought all aspects of the administration of these funds under increased scrutiny, and have clearly demonstrated a need for reform. Corruption like this has no place in the investment world and we must work together to put in place rules and regulations that will eliminate such abuses. However, we strongly object to the proposed ban on the use of placement agents to help fund managers solicit investments from public or government entities.

For many small and first-time funds similar to Riverwood, among other things, a placement agent is often utilized to introduce the general partnership to potential institutional investors. A little over a year ago, our firm hired a placement agent to help raise our second fund. This fund will likely be sponsored by a series of institutional investors including private and public pension funds, foundations, endowments, banks and insurance companies. In this process, the placement agent has been providing an invaluable amount of advice, counsel and support. Over the last year, the placement agent has helped us draft, design and execute a marketing plan for a technology focused fund reaching out to the institutional community for the first time. Perhaps most importantly, though, the placement agent has contacted over 500 institutional investors that they have maintained relationships with and identified a potential fit with the Riverwood platform. Of those 500+ investors who were contacted, we have been able to meet in-person with over 100 and are now working toward a first close on the fund

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later this year. After a year of time, effort, energy, expertise and commitment, we still have not paid the placement agent a fee of any sort, and will not do so until a successful fundraise has been achieved. As a small investment firm, we could not have managed this process and garnered the interest from the number of institutional investors without the services of a reputable placement agent.

We think it is also worthwhile to note that the larger firms typically do not need assistance from third-party placement agents. Their scale and access to resources usually allow them to staff an internal team responsible for these functions. Smaller firms are able to leverage the resources of a third-party placement agent at the critical stage of fundraising, thereby eliminating some of the inherent advantages larger firms have with respect to raising capital. Prohibiting placement agents from dealing with public pension funds would be detrimental to those particular funds and their beneficiaries by reducing access to only the larger investment firms with the scale and resources available to have an internal marketing team focused on fundraising.

Undoubtedly, there are instances of placement agents behaving in an inappropriate, corrupt, or even illegal way. This should not be tolerated and we must work together with the Commission and other legislators to put in place regulations to address these problems. However, the Proposed Regulations, which would prohibit legitimate placement agents from providing introductions to public pension funds, have the potential to do more damage to the pension funds and to the public in general, than the problem that it claims to address. An effective solution should help eradicate all abuses while still allowing placement agents to provide their much needed services to the community of investment firms seeking capital from institutional investors.

We would be more than happy to discuss any of these matters further. Please do not hesitate to contact us should there be any questions or other follow-up to the points we have made.

Sincerely,



Michael Marks  
Partner  
Riverwood Capital



Chris Varelas  
Partner  
Riverwood Capital

Michael Marks and Chris Varelas are founding partners of Riverwood Capital, a globally-focused firm that invests in high-growth businesses in the technology and services industries, across a variety of verticals and geographies.