

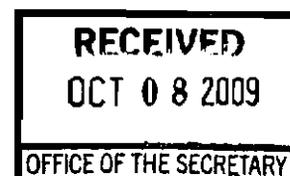
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October 2, 2009

Ms. Elizabeth M. Murphy, Secretary
United States Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-1090



Re: Proposed Changes Affecting Placement Agents in the Private Equity Industry

Dear Ms. Murphy:

My firm, Shoreview Industries, LLC (Shoreview), is the manager of two private equity partnerships, with aggregate capital commitments of \$600 million. We are based in Minneapolis, Minnesota and acquire and grow lower middle market businesses primarily located in the United States. These businesses are often neglected by Wall Street and the capital markets, yet serve vital employment and industrial markets.

We hired a well-known placement firm when we raised our first partnership and believe that the role played by professional placement agents is critical to the efficient functioning of our industry. Accordingly, this letter is intended to add our perspective to your comment period regarding the Commission's proposed rule 206(4)-5 and proposed amendments to rules 204-2 and 206(4)-3 under the Investment Advisers Act of 1940, 15 U.S.C. 80b.

Background

Prior to 2002, the founders of Shoreview were senior executives at another private equity firm. In 2002, we decided to start our own firm, Shoreview, and raise our first partnership, Shoreview Capital Partners, L.P. We had many years of experience successfully investing capital in growing U.S. businesses. Our investment program has consistently produced improved businesses that benefit our economy through higher profits (and tax base), additional employment, and the ability to better compete internationally. These investments have consistently produced strong investment returns to the institutions involved. However, in starting our firm, we had limited human resources and did not have meaningful knowledge of the fundraising landscape. So, we needed professional assistance to help us. The placement agent did the following (among other things):

- 1) Determined whether we had the requisite minimum experience, team, and strategy to be a viable candidate to address the institutional investor community. As part of the process, the placement agent conducted six months of due diligence prior to formal fundraising to pre-qualify our opportunity for investors.

- 2) Drafted, produced, and distributed marketing materials which allowed institutional investors to have a clear understanding of the investment opportunity and efficiently review the offering.
- 3) Advised on legal documents, along with counsel, which address the requirements of institutional investors.
- 4) Identified a target list of potential institutional investors to approach.
- 5) Introduced Shoreview partners to pre-qualified investors in terms of regulatory qualifications (qualified investor, blue sky laws, Patriot Act compliance, etc.), investment interest and capital availability.
- 6) Coordinated the logistics of approaching a very large number of potential investors, attended the meetings, and assisted with the follow-up on literally dozens of meetings.
- 7) Provided necessary resources to answer investor due diligence requests (which would have been overwhelming to our firm at the time).
- 8) Assisted with the co-ordination of the closing process for our fund, which was an exceptionally time-intensive event.

My partners and I did not have the human resources internally at Shoreview to do the aforementioned activities, nor the knowledge base to successfully raise our first partnership alone. However, with the assistance of our placement agent, we were able to close our fund at \$300 million. A significant public pension plan invested in Fund I and has subsequently invested in Fund II. These funds went on to be very successful.

Please note that it was crystal clear to every investor approached (approximately 150 separate institutions) that we were represented by a professional placement agent that would receive compensation for their role in the transaction. The placement agent always acted in strict adherence to regulatory standards in the marketing of Fund I.

Comments/Concerns Regarding Proposed Rules

The following comments are respectfully submitted for your consideration:

- 1) Smaller private equity firms, such as Shoreview Industries, provide a valuable role in our economy in building small and medium-sized businesses. But this activity can only occur after forming our capital base. Many such small firms, including Shoreview, lack the knowledge or internal human resources to successfully complete a fundraising process without a professional placement agent.
- 2) Many of the “mega-funds” do have the legacy investor base, internal resources, and knowledge to perpetuate their investment programs without placement agents. Accordingly, any new restrictions on the appropriate activities of placement agents could potentially disadvantage small private equity firms relative to the large firms.
- 3) We, and the placement agent that we used, fully disclosed all activities and relationships to the potential investors, and any new rules requiring full disclosure of same, seems to be appropriate.
- 4) The services provided by the placement agent add value for both the private equity firm and institutional investors. I previously describe the benefits to the private equity firm. Additionally, the institutional investor market is provided with higher quality, reviewed information to analyze

opportunities and make better investment decisions. Moreover, the placement agents have generally led the effort to provide more detailed and complete information, resulting in higher disclosure standards within the industry.

- 5) There is a big difference between the appropriate activity of professional placement agents and some of the publicized situations that have occurred where individuals have received payments for lending their personal relationship influence and then failed to disclose such business relationship. It is entirely appropriate that you consider rules to eliminate any inappropriate dealings. However, we strongly urge you to conclude any new regulations in a manner that specifically addresses potential identified abuses, while avoiding any sweeping changes that might prevent small private equity firms from being able to effectively raise capital and continue their business-building programs.

Thank you for allowing us the opportunity to comment.

Best Regards,

A handwritten signature in black ink, appearing to read "David J. Wakefield". The signature is stylized with a large, sweeping initial "D" and "W".

David J. Wakefield
Managing Partner
Shoreview Industries