Date: October 5, 2009
Subject: File No. S7-18-09
From: Jeff Eaton
Affiliation: Director -- C.P. Eaton Partners, LLC

Dear Ms. Murphy,

I am writing in response to your proposed Rule 206(4)-5. First, I would like to thank you for your proactive efforts to eliminate corruption in the fund placement industry. I, like my peers, have been appalled by the actions of those individuals who sought to secure investments not through legitimate and professional means, but through manipulation and influence instead and look forward to the eradication of such practices in our industry. Be that as it may, I firmly disagree that barring placement agents from marketing their clients to public funds is an appropriate and effective response. I hope that my comments, along with others, may persuade you to reconsider the proposal as it currently stands and instead, craft regulations which target corruption but allow legitimate placement agents to continue rendering their valuable services.

C.P. Eaton Partners is an advisor and fund placement agent for alternative investment managers. We have been in the business raising institutional capital for top quality investment managers for over 25 years. During that time we have raised over $31 billion for 56 different investment funds. If it were not for our role in assisting these managers to legitimately raise capital from the institutional investor community, including public pension funds, many of the managers with which we have worked would have never been able to start or build their businesses. As a direct result, countless jobs at the investment managers with whom we have worked would not have been created. The indirect consequences, however, would have been even more significant and devastating.

Private capital represents an extremely significant portion of the dollars invested in our economy and it plays an absolutely vital role in maintaining a functioning economy. Much of the private capital invested every year is allocated by investment managers, such as private equity fund managers. Many of these managers would never have had the capital to invest in our economy available to them if not for the role of legitimate fund placement agents, who help to match capable managers with institutional investors looking to invest in a particular strategy or area of the economy. Without the necessary investment, a great number of commercial products and innovations would never have made it to market, negatively impacting corporations and consumers alike. Institutional capital is absolutely critical for fledgling companies launching new products and services to succeed, including those in cornerstone industries like healthcare, infrastructure and energy. We have worked with a number of managers specializing in these vital industries, having raised billions of dollars for funds focused on investments in healthcare, infrastructure, energy, and renewable energy. I am convinced that if it were not for our role, many of these managers would have never have raised the amounts of capital that they were able to with our help. Below, I attempt to highlight some of the far-reaching negative consequences that would result from an all out ban on placement agents by discussing the role of “private capital” in one such industry, renewable energy, and how by reducing the availability of capital in the space greatly impedes our nation’s abilities to achieve the goals being discussed by many of our leaders.

As we are all aware, our nation has some significant goals regarding investment in renewable energy. Government spending alone cannot accomplish these objectives and thus there is a large dependence on private capital to help us achieve our goals. We recently assisted a first-time manager in raising $1 billion for an inaugural fund whose investment thesis is directly related to meeting these challenges. It is my sincere belief that, especially given the tough fundraising environment of the past year, were not for the role we played, the fund would have had a much more difficult time getting off the ground and would not have raised even a small fraction of the capital they were able to with our assistance.

The impact of bringing a fund like this to the market is significant. Assuming typical project financing for renewable energy infrastructure projects (e.g. wind and solar power developments) a $1 billion fund could represent $4 billion of capital invested directly into renewable energy companies and projects. Were Proposal S7-18-09 implemented as is, the fund would be severely constrained in its fundraising efforts and would be challenged to raise a meaningful amount of capital. Thus, without the fund, there would be $4 billion less capital dedicated for investment in the renewable energy space, a number of companies would not get the capital necessary to survive and/or grow, the potential for innovation would be undermined and countless jobs would not be created.

Continuing this point, investors who are interested in clean energy would have had fewer options to choose from and would have been forced to have a more concentrated and less diverse portfolio of clean energy investments. Less diversification can lead some investors to feel that their risks are higher. Higher perceived risk often can lead to fewer dollars invested. Fewer dollars invested in renewable energy reduces our chances of achieving the goal of increased investment in the space.

During the course of our fund raise, we approached a number of public pensions, both domestic and international. Those who chose to invest in the fund, and even those institutions that did not choose to invest in the fund, benefitted from their dialogue with us as they became more educated about both our fund manager and the space more generally. Perhaps one day investors who refrained from investing in our manager will use some of the information they learned from our client and C.P. Eaton when analyzing and investing in a different renewable energy fund, which in turn will invest in renewable energy companies and projects, which in turn can create jobs, help reduce our dependency on fossil fuels, and help move our country more towards energy independence.

If it were not for our role assisting our client to raise the money necessary for it to execute the fund's strategy, a number of negative consequences, as highlighted above, would have resulted. I hope that we're given the chance to put future fledgling managers in business so that they can provide similar benefits, both direct and indirect, to what the recent clean energy manager with which we worked has done. By eliminating our ability to introduce managers to public funds you greatly reduce our chances of doing so.