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6 October 2009

Elizabeth M Murphy  
Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-0609

**File no.S7-18-09: Political Contributions by Certain Investment Advisors**

Dear Ms Murphy


I am managing partner of Lyceum Capital Partners LLP, a UK mid-market private equity firm with 20 employees and £300 million under management ([www.lyceumcapital.co.uk](http://www.lyceumcapital.co.uk)). We provide capital and expertise to support fast growing businesses, usually headquartered in the UK.

Our investors come from across the globe including from the US. They have enjoyed great returns over many years but as a smaller firm we cannot support an effective internal investor relations team. Instead, we choose to retain the services of a specialist placement agent to support our fundraising efforts.

In large and sophisticated markets such as the US, without support from a placement agent, Lyceum Capital and firms like ours would be unable to identify or engage with the correct handful of suitable investors at any given time. The pool of potential targets comprises thousands of potential investors spread across the continent each with an evolving strategy and with changing faces to stay in contact with. Without a placement agent, the search for suitable investors would be akin to the search for a needle in a haystack and we would concentrate our efforts elsewhere.

I refer to the recent BVCA letter in respect of File no.S7-18-09: Political Contributions by Certain Investment Advisors, a copy of which is attached. The partners of Lyceum Capital agree wholeheartedly with the observations made in the BVCA's letter and I urge you to consider carefully the likely impact of proposed restrictions; they would benefit neither US fund investors or smaller fund managers such as ourselves.

Yours sincerely



Jeremy Hand  
Managing Partner

Elizabeth M. Murphy  
Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-0609

Dear Ms. Murphy

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

I would like to provide you with our perspective on the Securities and Exchange Commission's proposals relating to the use of placement agents by public pension funds.

The British Private Equity and Venture Capital Association represents more than 450 UK private equity and venture capital firms. Our members invest predominately in UK and European businesses but service a global investor base. Indeed, over 50% of all capital raised by our members in 2008 was sourced from North American institutional investors, with £3.8bn coming from US pension funds. This equates to 54% of the total amount raised by our members from pension funds outside the UK. The importance of US public funds to private equity was further demonstrated by recent research which showed around half of US public pension funds have invested in opportunities brought to them by placement agents.<sup>1</sup> It should be noted that this figure does not account for those public pension plans which have subsequently committed capital to a firm which is raising a new fund having initially been introduced via a placement agent.

Public pension plans in the US are a vital source of capital for UK private equity and venture capital funds. We support unequivocally measures which improve confidence in the proper conduct of those engaged in placing public pension fund money and applaud action which corrects abuses. The BVCA shares the SEC's deep concerns regarding so-called "pay-to-play" activities – these activities breed damaging conflicts of interest, erode market confidence and have no place in our industry.

While we are fully supportive of measures which prohibit these "pay-to-play" arrangements, an outright ban on the use of all placement agents by public pension funds is unwarranted and the unintended consequences of such a ban would be extremely damaging for private equity and venture capital firms in the UK, Europe and indeed the US. Placement agents are not just a crude middleman in the fundraising process. They spend months working alongside a private equity firm providing advice on strategy, positioning, marketing and execution and are an invaluable partner for firms raising a fund for the first time or those without the resources to manage the process internally.

Placement agents also play a crucial role in providing pension funds with access to high quality private equity and venture capital funds, returns from which often outperform other asset classes. In the UK, private equity funds have delivered an internal rate of return over ten years of 15.4% and 20.4% over five years.<sup>2</sup> Without the use of placement agents it is likely that the majority of US pension fund money would not have made its way into UK private equity and venture capital funds, and these pension funds would not have had access to the long-term returns our industry has delivered.

The BVCA fully supports the European Private Equity and Venture Capital Association's Code of Conduct for Placement Agents which has been developed following extensive consultation with US public pension funds, gatekeepers and a broad spectrum of institutional investors and fund managers.

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<sup>1</sup> Prequin Research Report: Potential Effects of IA-2910 on the private equity industry. August, 2009

<sup>2</sup> BVCA Private Equity and Venture Capital Performance Measurement Survey 2008

The Code is in line with current SEC proposals in that it strictly and unambiguously prohibits “pay-to-play” practices and sets out a global standard of behaviour for placement agents which advise on fundraising processes.

I hope you find our views helpful as the SEC finalises the parameters of its proposed new rule. Placement agents perform a crucial function for many of our members and this proposal would ultimately hurt public pension plan beneficiaries by curtailing their access to private equity firms unable to conduct the marketing and fundraising process in-house. Outlawing legitimate market practice will not deter unethical market practices and I strongly believe that banning all public pension funds from using placement agents (regardless of certification level or compliance with regulatory bodies) harms investors in the long-run and fails to acknowledge the value that legitimate placement agents bring to the investment process.

Yours sincerely

A handwritten signature in blue ink, appearing to read "Simon Walker". The signature is fluid and cursive, with a prominent initial "S" and a long, sweeping underline.

Simon Walker  
Chief Executive  
BVCA-The British Private Equity and Venture Capital Association