

August 20, 2009.

SEC File No. S7-18-09: Political Contributions by Certain Investment Professionals.

From: Réal Desrochers, previously Director of Alternative Investments at California State Teachers' Retirement System "CALSTRS".

I have spent the last two decades directly involved in the public pension alternative investment area and the most recent eleven years running the CALSTRS alternative investments team until February 2009.

It is my personal belief that SEC registered and licensed placement agents serve a valuable role to the alternative investors. The best way I can make my point is to comment on certain parts of the investment process and give examples of certain placement agents.

I was very fortunate in my tenure at CALSTRS to have very bright and experienced investment professionals and very capable consultants to help us make alternative investment decisions. Even surrounded by very competent resources, certain placement agents provided me with very valuable insights into potential alternative investment opportunities. We decided not to pursue the vast majority of those opportunities shown to CALSTRS but their efforts forged a sense of trust with our team.

The manager selection process is a critical element for a successful programme given the large dispersion of returns among managers as experienced over the years, and empirical studies have also demonstrated the best performing managers tend to continue performing well over time. In my experience, certain registered placement agents acted like investors and understood the private equity manager's team structure and culture as well as: how the manager conducts its investment business, how well its many processes have been developed, the manager's expertise and ability in finding the best deals available in any given vintage year, and how the manager's corporate governance procedures stand up to close investigation. These skill sets of certain placement agents streamlined what they brought to our attention and made our internal process much more efficient.

In my experience, certain placement agents really possess the requisite insight needed to understand the importance of process and most importantly point out the deficiencies and give their rationale or mitigating reasons, why they think a particular private equity opportunity is poised to be successful. This skill set of understanding deficiencies, which almost all firms have, and providing mitigating rationales is a value adds I greatly appreciated.

The most valuable placement agents know the actual composition of the Investment Manager's holdings through their long experience in the private equity marketplace and

can bring intelligent dialogue to the investor that helps map out differences in strategy and overlapping strategies that can help investors in our analyses of multiple exposures.

Although the placement agent is paid by the Manager, the best agents spend considerable time with the GP on the alignment of interest concerns of investors

I am a big believer in transparency and disclosure for both the Manager and the placement agents. All managers should disclose at the inception whether they are using an agent, what are the cost and time line for payment and the services rendered by the agent.

In summary, private equity will never be able to return to the days of making its money from leveraging companies and flipping them for huge profits. The private equity industry has rightly become more accountable to a broader range of stakeholders. Private equity is here to stay and grow but it will also need to change and adapt too. I believe that registered placement agents can be a catalyst to the change and are a necessary and value added service to all potential alternative investors.

Réal Desrochers