

# AMERICAN INDUSTRIAL PARTNERS

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September 9, 2009

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

RE: File No. S7-18-09, Political Contributions by Certain Investment Advisors

Dear Ms. Murphy;

Please accept this letter as a comment on 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 ("the Proposed Rules"), submitted on behalf of American Industrial Partners. While it is not our firm's custom to participate in public comment, nevertheless, after listening to the current debate and reviewing the Proposed Rules, we thought it was important to your process that we share our experiences and views, about which we feel strongly.

Although we are a private equity firm, often our business feels a world away from Wall Street. American Industrial Partners' strategy is sharply focused on investing in and improving US-based industrial businesses. We are a firm of engineers and operators implementing engineering and manufacturing best practices in distressed but fundamentally attractive American companies to rehabilitate them. Many of our investments have been unprofitable divisions of larger corporations or bankrupt businesses that required deep restructuring by our firm in order to achieve commercial successes. American Industrial Partners has preserved thousands of jobs and hundreds of millions of US industrial exports by recreating and revitalizing world leading manufacturing companies. In the process, our firm has also consistently achieved attractive returns for our institutional investors.

We are, however, a lean and flat organization. Our investment professionals are solely focused on creating value for our investors and we have no internal resources tasked with marketing. We recently closed our fourth fund, American Industrial Partners Capital Fund IV, LP, with commitments slightly above \$400 million – something we could not have done without an experienced placement agent. We selected our placement agent after an extensive interviewing process and the firm that we chose performed the same thorough diligence on us. Our placement agent reflected our firm's culture of substantive analysis versus a more sales and distribution oriented organization.

More specifically, our placement agent (registered with the Commission and a member of FINRA/SIPC) was integral to the success of our fundraising primarily through:

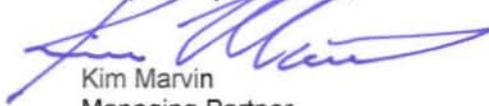
- Assisting in the production of materials required by investors to understand our strategy and performance
- Introducing us to most relevant limited partners from among thousands of investors
- Providing insight into investors' programs based on continuous dialogue
- Explaining our operationally focused investment approach and our engineering-centric organization
- Articulating our organization and governance model
- Orchestrating the closing process

Without our placement agent, we would not have had the inclination, time, or capability to perform most of the fund raising functions that were elemental to our fund raising success. As we seek to expand our business with future funds, we cannot foresee undertaking the task of raising monies without an experienced, knowledgeable, and value-adding agent. In our industry, there is no substitute for specialization, experience and expertise – and so it is with fundraising.

While American Industrial Partners does not currently include direct investments by government pension funds nor government entities of any kind, we do however feel that the Commission's proposed ban on the use of regulated placement agents to market investment funds to government entities would be harmful to the asset class, to pension plans' investment programs, and ultimately to American competitiveness. In particular, we believe the Proposed Rules would disadvantage newer, smaller, or more focused funds versus larger mega-funds with in-house marketing teams.

We believe that there is a fundamental need for greater regulation in capital markets as well as stricter application of existing regulations in order to avoid abuses and costly economic dislocation. However, it is obviously paramount that regulation be well considered and endorsed by the financial services industry – one of the areas of continued US leadership. As part of the American financial services industry, we feel an obligation to share our insights and experiences if they can help enact more targeted and effective regulation. The competitiveness of US industry – manufacturing or financial – is something we value most highly. It is in that spirit that we strongly urge you to reconsider the Proposed Rules and to pursue a more focused and effective set of rules that will not unduly constrain nor perhaps fatally disadvantage smaller, focused, and highly effective firms.

Respectfully submitted,



Kim Marvin  
Managing Partner  
American Industrial Partners