



CAPITAL PARTNERS LLC

January 24, 2011

Ms. Elizabeth M. Murphy  
Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090

BOSTON | NEW YORK

TAMI E. NASON  
SENIOR VICE PRESIDENT AND GENERAL COUNSEL

Re: File # S7-37-10  
Proposed Rule: Exemptions for Certain Advisors:  
Title IV Provisions of Dodd-Frank Act

Dear Ms. Murray:

In my capacity as the General Counsel of Charlesbank Capital Partners, a privately held investment firm that focuses on middle market private equity investments, I am writing to express my reservations about the Dodd-Frank Act as applied to private equity firms such as Charlesbank. As a small business, committed to the objective of creating positive investment returns for our investors, Charlesbank is deeply concerned about the imposition of burdensome and expensive regulations, especially in light of the current uncertain economic environment. Moreover, as has been reported in the press, as recently as January 18, 2011 in the *Wall Street Journal*, we understand that the SEC faces a major challenge with respect to drafting the necessary implementing rules within a relatively short timeframe and with limited resources.

With the hope of providing you with some additional perspective, I would like to describe Charlesbank and our business. Charlesbank currently employs 38 people located in two offices – one in Boston, the other in New York. We have a longstanding group of sophisticated institutional investors, and our reputation for integrity is critical to our survival as a business; consequently, we expect and demand that each of our employees acts in accordance with the highest ethical standards and duties of care. Toward that end, we operate under a personal code of conduct which includes a rigorous compliance policy. Our restrictive insider trading policy is administered by me and our Chief Executive Officer (who is also a co-founder and owner of Charlesbank).

Charlesbank invests through closed pools of capital, comprised of sophisticated institutional investors, such as endowments. We do not market to the general public. Charlesbank invests primarily in US companies, across a wide range of industries, providing capital to experienced and well-established management teams to acquire and build fundamentally sound businesses. Our senior team has worked together for an average of 18 years; since 1991 we have invested more than \$2 billion to purchase and help to build 60 companies, developing a record of consistent, superior results through several economic cycles. The vast majority of our investments are private.

Now, in addition to our restrictive internal policies and existing state and federal securities laws regulations, including the Securities Act of 1933 and Securities Exchange Act of 1934, by which we are

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regulated and with which we comply, we confront the unduly burdensome, time-consuming and expensive regulatory framework imposed by the Dodd-Frank Act. While Dodd-Frank appears to have been passed in a hurried reaction to the Madoff scandal and the recent financial crisis, Charlesbank's business model does not create systemic risk. Charlesbank (and all but the largest private equity firms generally) does not engage in frequent public trading or hedging activities. Instead, our investment process is methodical and painstaking. Each investment is the result of a lengthy due diligence process, extensively documented, and is usually vetted by Hart-Scott-Rodino filings and other federal regulatory agencies. In addition, all of our investments are governed by an exhaustively detailed and highly negotiated partnership agreement with our institutional investors. We also meet routinely with our Advisory Board, which is comprised of investor representatives, to review the portfolio and seek its input on material decisions.

While Charlesbank understands the need for regulation, we believe that it should (1) be rational, (2) serve a clear purpose, (3) have the intended effect, and (4) survive a cost-benefit analysis. The Dodd-Frank Act, regardless of how well-intentioned, fails along several of these dimensions as applied to private equity. Despite our self regulation, three major aspects of Dodd-Frank will impact us: (1) Registration, (2) Compliance, and (3) Custody. To prepare for registration, I have been appointed Chief Compliance Officer, which has diverted a significant amount of my attention from my existing actual legal and compliance duties to procedural matters relating to the proposed registration requirements. In addition, we have engaged two external consulting firms at an estimated cost of about \$500,000 and may need to hire other compliance personnel. Although we currently employ a third party custodian, we have been advised that the services it provides are insufficient under the new highly technical and burdensome custody rules. As a result, we expect that our ongoing custodial and audit costs will increase substantially. Further, we will need to expend significant resources building and monitoring a personal trading compliance system when, as discussed above, we rarely trade in the public markets and already have strict internal policies in place. Lastly, although impossible to quantify at this point given the absence of regulations, we anticipate a substantial cost associated with ongoing compliance.

As important as Charlesbank's concerns, at a time of budgetary constraints, the SEC should be permitted to remain focused on its core mandates, rather than spend its limited resources figuring out how to apply very broad regulations, designed to target major financial firms operating in the public capital markets, to private equity firms which already operate under strict contractual agreements with their institutional investors. Accordingly, we suggest a solution: we respectfully propose that the SEC grant a one year exemption for private equity firms that do not also manage hedge funds or other funds that trade in public securities until July 1, 2012. This is similar to the small company exemption that was granted under Sarbanes-Oxley and would provide the SEC with the time needed to become more familiar with private equity. The SEC would then be in a better position to determine whether traditional private equity firms should be removed from the oversight of Dodd-Frank (as was the venture capital industry) or to develop rational and appropriate rules for private equity.

Rather than devote substantial time, energy and money to an effort that we strongly believe will do little to protect public interests, Charlesbank would prefer to focus on the business of building companies, creating jobs, and generating a positive return on investment for our investors, as we have done for more than 20 years. Should you have any questions, please feel free to contact me.

Sincerely,

A handwritten signature in blue ink, appearing to read "Lamin Nason". The signature is fluid and cursive, with a long horizontal line extending to the right.