

January 21, 2011

VIA E-Mail

Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090
rule-comments@sec.gov

Re: *Release No. IA-3111; File No S7-37-10, Exemptions for Advisers to Venture Capital Funds, Private Fund Advisers With Less Than \$150 Million in Assets Under Management, and Foreign Private Advisers (the Proposed Rules)*

Dear Ms. Murphy,

We are writing to you to offer comment on the Proposed Rules with a focus on the impact to our Venture Capital Firm, SV Life Sciences, specifically and to the venture capital industry overall. We support the recommendations and comments outlined in the comment letter provided by the National Venture Capital Association (“NVCA”) to the SEC dated January 13, 2011 but will also highlight specific areas of the Proposed Rules that offer the most significant concern for us at SV Life Sciences.

Our overriding concern is the lack of flexibility and ambiguity in certain definitions that could cause our firm or other venture firms to inadvertently hold non-qualifying investments which would then cause us to become a registered investment advisor. We support the NVCA’s recommendation that the exemption should provide for some level of permissible non-qualifying activity not to exceed 15% of the fund’s capital commitments. Since venture capital firms rarely control their underlying portfolio companies, such flexibility is critical. Because many activities including borrowing and redemption of securities are outside the control of the individual venture capital fund, it is possible a portfolio company’s activities could cause the firm to not comply with such definition of a Qualified Portfolio Company and thus require registration. Given the significant cost and burden that could result from non-compliance we believe some level of flexibility is critical and will not compromise investor protection or provide added risk.

Public company investments:

We support the NVCA’s view that follow-on investments in portfolio companies after they become public companies should be considered qualifying investments. As

investors exclusively in the life sciences industry, we know firsthand that many companies use an initial public offering as a financing event rather than offer an opportunity for an exit to shareholders so flexibility in this area is critical. In addition, in the event of an exit opportunity where a public company may be acquiring stock or assets of a portfolio company, the characteristics or activities of the public company acquirer as well as the consideration received from such public company in a bona fide sale transaction of a portfolio company's stock or assets should not disqualify a private fund from venture capital status. Furthermore, we strongly agree with the Commission that there should be no limits on holding periods or size of holdings of public companies held by the venture capital fund as such limitations would severely impact the ability of the general partner to exercise judgment on timing of the sale of such holdings which could negatively impact returns to investors. As noted in the NVCA letter, our funds already have certain limits built into in the agreements of limited partnership which govern such public company investing activities.

Bridge loans:

It is imperative that flexibility to provide short-term bridge financing to portfolio companies be allowable and should qualify as permissible fund investments. There are many instances where the issuance of debt by the venture fund, including non-convertible loans, are used to "bridge" a portfolio company to the next financing round or to an M&A exit. It is important for the fund to be able to preserve flexibility in structuring terms and duration of the loan in order to retain negotiating leverage over these future events. These types of bridge loans are not used in connection with leveraged buy-outs and do not cause additional risk to the investors of the fund.

Non-US investments:

It has been critical to the strategy of SV Life Sciences to be an international investor, investing globally since our formation in 1993. While we invest exclusively in life sciences, a diversified strategy across sector, stage and geography, including a portion of investments outside the U.S., has been key to our continued success. While the funds we form are typically DE limited partnerships, in the past certain investors have mandated that the underlying funds be formed in a jurisdiction outside the U.S. (e.g. England). Therefore, it is imperative that the definition not exclude investments made or funds formed outside of the U.S.

Borrowing by portfolio companies:

Because venture funds do not control the activities of the underlying portfolio companies, we believe modifications to the borrowing limit structures are required. We support the NVCA's recommendations that certain restrictions on the borrowing activities of a portfolio company be limited to those where 1) the proceeds of such borrowing are required by the fund to be used to buy out stock from shareholders or to return capital to the fund or 2) in connection with a financing, the fund either extends a loan to the portfolio company or requires the company to borrow as a condition of its contractual obligations regarding the financing.

We believe the venture capital industry as a whole does not create a systemic risk for the financial markets and does not put our investors at risk. However, we do believe the cost and burden of having to register private investment funds could in fact have a negative impact on the overall returns of our investors and stifle entrepreneurialism and economic growth. As further support for our position, we remind you of a recent executive order signed by President Obama, which he summarized in a recent Wall Street Journal editorial (a copy of which is attached to this letter). President Obama discusses the need for federal agencies to strike the right balance in enacting and enforcing rules and regulations “without unduly interfering with the pursuit of progress and the growth of our economy.”

We appreciate your time and consideration of these comments and those provided by the NVCA and believe that appropriate refinement to the definition of venture capital will allow venture capital firms continued exemption from registration without imposing systematic risk on the financial markets. We think it would be very unfortunate if the additional cost and burden of registration were to cripple the important underlying role that venture capital firms play in providing funding to emerging companies that drive innovation, economic growth and job creation.

Yours truly,



Denise Marks
Partner & CFO
On behalf of the Partners of SV Life Sciences Advisers

Enclosure

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Obama, Barack. "Barack Obama: Toward a 21st-Century Regulatory System - WSJ.com." *Business News & Financial News - The Wall Street Journal - WSJ.com*. Web. 24 Jan. 2011.
<<http://online.wsj.com/article/SB10001424052748703396604576088272112103698.html>>.