June 13, 2022

Ms. Vanessa Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street NE
Washington, D.C. 20549

Re: Private Fund Advisers; Documentation of Registered Investment Adviser Compliance Reviews (File Number S7-03-22)

Dear Ms. Countryman:

Thank you for the opportunity to comment on the Securities and Exchange Commission private funds proposal.

I am a co-founder and Managing Director of Correlation Ventures. Correlation Ventures is one of the nation's most active venture capital firms with professionals based in multiple U.S. entrepreneurial ecosystems including San Francisco, San Diego, New York, and Charlotte. We are truly a national firm, and since we began investing in 2010 we've invested in over 350 companies in 24 different U.S. states, including in many underserved ecosystems that traditionally have had difficulty attracting venture capital. We invest across a wide range of sectors including software & technology, life sciences, business services, consumer products & services, and aerospace. Recent portfolio companies which experienced successful exits included Astra Space (Aerospace, IPO), IonQ (Quantum Computing, IPO), Gabi (Fintech, Acquired), Janux (Biopharma, IPO), and Lemonaid Health (Healthcare Services, Acquired). Our companies are large engines of job growth in the nation. As of today, 149 of our portfolio companies have a total of 3,941 open positions across 36 U.S. states for which they are hiring, most with full-stack benefit packages.

We'd like to share our concerns about the SEC proposed rules on private funds which we believe would have negative consequences on our firm and the VC industry.

The side letter provision will place a burden our firm and our peers in the industry. In each of our fundraises we have been required to provide side letters to secure investments from our largest institutional investors. The most common areas covered by these side letters involve granting of rights to designate individuals to the Advisory Boards, various ERISA requirements, and certain tax withholding obligations. Limitations on our ability to enter into these side letters pose risks to our ability to continue to raise funds from larger institutional investors, which we, in turn, intend to invest in economic and job growth in our nation.

The ban on the use of post-tax clawback provisions, which we along with many other funds in the industry currently rely on, would upset our existing economic agreements that are currently in place while increasing the number of funds entering into arrangements with no clawback at all. This would reduce investors' gains and negatively impact the ability of VC firms to raise capital. We are also concerned that many VC funds with less negotiating leverage would be hurt by this provision because they would have to slow down distributions to avoid the financial devastation caused by being forced into the incredible risky economic arrangement of pre-tax clawbacks.

The indemnification provision would also place a burden on our firm and our peers in the industry. In our Limited Partnership Agreement (LPA), our limited partners indemnify us in the event that we are sued, a standard practice necessary for the type of high-risk investment that we undertake. By prohibiting the use of indemnification clauses, the SEC will substantially increase the risks on us as general partners that we could be bankrupted by a disgruntled limited partner with deep legal pockets. This would increase both the cost and risk of creating and operating a venture capital fund. As we are not only funding innovation in the U.S., but frequently hiring and attracting new professionals to our firm, this would also make it harder for us to attract talent when candidates are also considering positions in industries with less legal liability.

Additional regulation also places burdens on our firm in terms of documentation, record keeping, and compliance. As we are operating on a fixed management fee in an inflationary environment, additional time and resources spent on these activities would detract from our ability to fund innovation and coach/mentor entrepreneurs who are significant contributors to economic growth and hiring in our nation.

Thank you for the opportunity to submit our views. Please contact me with any questions regarding these comments.

Sincerely,

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