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Via Email to: [Rule-comments@sec.gov](mailto:Rule-comments@sec.gov)

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

Dear Ms. Murphy:

RE: File# S7-05-11 / Reporting on Form PF

Proposed Rule: Exemptions for Certain Advisors: Title IV Provisions Dodd Frank

In the preamble to Form PF in the Federal Register the SEC raises several important issues. The ostensible purpose of Form PF is to "identify potential threats to the financial stability of the United States" and "to assess systemic risk". These are lofty goals, reminiscent of Thomas Payne. The preamble asks commenters to supply empirical data to support their replies to this proposed form, yet the entire proposal, with respect to its application to Private Equity Funds, is predicated on the complete absence of any empirical data. Instead it is supported by statements like "an aspect of PE that some have identified as potentially having systemic implications" or "seller favorable financing was once a trend". The preamble expresses concern a bridge loan is a financial canary in a coal mine. A "hung" bridge loan is simply a loan not a defaulted loan nor a crisis as suggested in the preamble. A bridge loan has all, and more, of the sharp covenant protections of a normal loan. On the basis of these throwaway comments does the leading federal financial regulator perceive Private Equity as engendering systemic risk and a threat to U.S. financial stability? Simply put there is not a hint of data suggesting Private Equity activity could lead to a systemic problem.

A perfect example sits before you. The largest leverage buyout in history, \$45 billion, is teetering on the edge of bankruptcy. Can you even name it? The fact it is not a page one or even a page three story in the newspaper is testimony to the seamless integration of PE into the system. If it fails the PE firms will have a capital loss, the creditors will take ownership and the business will continue. The system will have yawned at the failure of the largest buyout in history. Yet, Form PF assumes a \$100 MM investment, the normal size investment for a \$1 billion fund, can somehow tip a multi-trillion dollar system.

The key question raised in the preamble: Is the monitoring of PE unnecessary to assess systemic risk is answered "yes". The second question: "Do PE funds not have any potential to create systemic risk?" is answered "yes". Woven throughout the preamble is a concern with leverage in the system. Leverage data, aggregated in any form you desire it relative to portfolio companies, is already received by many Federal regulators, the Fed, the OCC and the SEC, from the lenders. If one wishes to reduce leverage in the system, enforce such policies on the lenders, as leverage is your purported source of risk. To prevent forest fires, you restrict matches not trees.

The actual Form PF demonstrates your clear understanding of businesses like hedge funds involved in trading public securities and understandable unfamiliarity with Private Equity. Use of terms like gross/net assets, monthly performance and redemptions as data requests for private equity indicates the entire form was composed by people with no knowledge of the industry they propose to monitor. Choosing a threshold level of \$1 billion in assets indicates that \$100 MM investments are the SEC's new systemic risk markers in a multi-trillion dollar economy as PE firms rarely put more than 10% of assets in any one investment. This seems to be an unproductively small investment level to monitor. \$100 MM plus leverage, might purchase a \$300 MM franchisee of Taco Bell similar to one we just sold. If it were to default would a nacho shortage really be a systemic risk? We have over a billion dollar in committed PE capital yet none of the large banks will speak to us about financing as our companies are too small for them. If this is the market reality why, empirically, has the SEC concluded \$1 billion is the right threshold?

Finally, the demands of the form are inconsonant with the stated desire to look at the system. Rather than seek aggregate data the agency has requested separate Form PFs on each Fund an advisor manages. Wouldn't aggregate data be the fashion in which one would look at a system. If one accepts the SEC's "Burden Estimate" of 52 hours, or more than a week of an individual's time, to complete a form, doesn't that feel alarming? If a firm answers no to the question about leverage at the fund level the questions should end for that advisor.

The SEC has a very important job policing the complex public security activity that supports the U.S. economy. I am greatly distressed that agency's talented professionals' time would be diverted from their important work to chase rumored risk in an area, Private Equity, that is already governed by the 1935 and 1940 Acts, various federal banking agencies, Hart Scott Rodino and other commercial laws.

Please feel free to contact me with any question.

Best regards,

A handwritten signature in black ink, appearing to be a stylized 'R' or 'B' with a flourish at the end.

RSM/jbp