Hamilton Lane

April 12, 2011

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

Re: File No. S7-05-11; Rel. No. 1A-3145
Reporting by Investment Advisers to Private Funds and Certain Commodity Pool Operators and Commodity Trading Advisors on Form PF

Dear Ms. Murphy:

Hamilton Lane Advisors, L.L.C. ("Hamilton Lane") is pleased to submit this letter in response to the proposal referred to above. Hamilton Lane is registered with the Securities and Exchange Commission (the "Commission") as an investment adviser under the Investment Advisers Act of 1940 and provides private equity investment management services to investors in the U.S. and abroad. Hamilton Lane manages private equity funds-of-funds, secondary funds and co-investment funds, and would be deemed a "large private fund adviser" for purposes of Rule 204(b)-1 (the "Rule") and Form PF.

The proposing release (Rel. No. 1A-3145) of the Commission and the Commodities Futures Trading Commission indicates that the purpose of the Rule is to identify potential threats to the financial stability of the U.S. The proposing release assumes that private equity funds pose a potential systemic threat but offers no evidence to support that assumption and indeed acknowledges that this assumption has been questioned. As a provider of private equity investment management services for the past 20 years, Hamilton Lane firmly believes that private equity funds do not pose such a threat. In our view, requiring advisers to private equity funds to file with the Commission the information called for by the Rule will be extremely time-consuming and expensive and will not result in identifying and controlling threats to the U.S. financial system. Nevertheless, if the Rule is adopted, we believe that amendments and clarifications are necessary and therefore submit the comments set forth below.

Funds-of-Funds. Private fund advisers are required to complete Section 1b of Form PF for each fund they advise, including funds-of-funds. A private fund is deemed to be a "fund-of-funds" only if it invests *exclusively* in other private funds. We have two concerns relating to funds-of-funds. First, we do not believe that requiring funds-of-

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funds to file Form PF is likely to yield any useful information for analyzing and controlling systemic risk to the financial stability of the U.S. Information required by Section 1b, such as gross asset value, net asset value ("NAV"), investor concentration, performance and leverage at the fund-of-funds level, while perhaps of interest for an academic study, simply is not relevant data in assessing risk to the U.S. financial system. The relevant information, if any, is at the underlying fund and portfolio company levels, and this information will be reported under the Rule on Form PF by the private equity funds that actually manage and control these investments. To the extent that funds-of-funds are required to report at all, reporting should only be required if leverage at the fund-of-funds level represents a material percentage of total NAV, e.g., a debt-to-equity ratio in excess of 25%. Further, if such a requirement is included, it should be clear that advisers to funds-of-funds are only required to report information at the fund-of-funds level and not at the underlying fund or portfolio company level. Fund-of-funds advisers typically do not receive this information from the underlying fund managers and, in any event, reporting such information would be duplicative and unnecessary.

Our second concern is that the definition of "funds-of-funds" is overly broad. It would include funds-of-funds that have *any* non-fund investments even though the non-fund investments may be immaterial to the fund-of-funds' portfolio considered as a whole. It is not unusual for a fund-of-funds to invest directly in a portfolio company alongside an underlying private equity fund that manages the company. Funds-of-funds should be excluded entirely from the requirement to file Form PF unless their non-fund investments represent a majority of their total portfolio and such information is not provided separately to the Commission by the underlying fund managers.

Reporting Fund Performance. Section 1b of Form PF would require private equity funds to report changes in NAV and gross and net performance for each month during the applicable year. Private equity is universally regarded as a long-term asset class. Investors accept that fund managers provide unaudited reports on a quarterly basis and audited reports on an annual basis. Due to the nature of the asset class, valuations often do not change significantly from quarter to quarter, particularly in the early years of an investment. For this reason, sophisticated, experienced private equity investors do not require monthly valuation and performance data from fund managers. Monthly information may be relevant for hedge funds or liquidity funds but it is wholly irrelevant for private equity funds. We believe that such information would be virtually useless in analyzing systemic risks and should be eliminated from Section 1b as applied to private equity funds.

Reporting Frequency. Under the Rule as proposed, private fund advisers that have $1 billion or more of assets under management are required to file Section 4 of Form PF quarterly. As noted above, private equity is a long-term asset class. Unlike in asset classes for publicly traded securities, valuation changes from quarter to quarter for private equity funds tend to be relatively small absent a major event such as an initial public offering, recapitalization or sale of a portfolio company. For this reason, to the extent that advisers to private equity funds are required to report at all, we believe reporting should only be required on an annual basis. We do not believe that reporting by advisers to private equity funds, even those deemed to be "large", on a quarterly basis is likely to yield any information useful to analyzing and monitoring significant risks to the U.S. financial system.

Timing of Reports. The Rule requires quarterly reports to be filed within 15 days after the end of the applicable quarter. We do not believe that 15 days is nearly enough time to permit the collection of information and preparation of reports, particularly in the case of funds-of-funds and private equity funds such as co-investment funds, which do not control their underlying investments and must rely entirely on the underlying fund managers to provide valuation and performance information. Private equity fund managers typically do not provide quarterly reports to investors until 60 days after the end of the quarter. Consequently, under the Rule and Form PF as proposed, advisers to funds-of-funds and co-investment funds could only provide the required information with respect to the quarter prior to the quarter for which the report was submitted. Advisers to funds-of-funds, co-investment funds and other private funds that must rely on unaffiliated parties to provide the required information should be given 90 days to file quarterly reports.

Valuations. As noted above, advisers to funds-of-funds and co-investment funds must depend on the underlying fund managers for information concerning their investment portfolios. To the extent that these advisers are required to file reports, Form PF should be clarified to provide that advisers may rely on the valuation and other information provided by the managers that actually control and manage the investments. It would be virtually impossible for advisers to funds-of-funds and co-investment funds to obtain accurate, reliable information on the portfolios independent of the underlying fund managers. Further, any attempts to establish independent valuations would be enormously expensive and unlikely to yield accurate or useful information.

Co-Investments. Co-investment funds invest directly into portfolio companies selected and controlled by private equity funds. As investors, the co-investment funds have rights typically given to institutional investors, such as the right to receive periodic reports and other information from the general partners, but have no rights to control or manage any of the portfolio investments. Section 4 of Form PF requires information regarding leverage at "controlled portfolio companies," which are defined as companies controlled by a private equity fund, "either alone or together with the private equity fund's affiliates or other persons that are part of a club or consortium including the private equity fund". Form PF should be clarified to exclude advisers to co-investment funds where those advisers do not have actual control over the portfolio companies. These advisers do not always have access to the leverage and other portfolio company information required to be reported. Moreover, this information will be reported separately by the private equity fund managers that actually control and manage the companies and therefore reporting by advisers to co-investment funds would be duplicative and unnecessary.

Large Private Fund Advisers. Advisers that have at least $1 billion of private equity fund assets under management are required to file quarterly reports under the Rule. Advisers are subject to this requirement if they manage, for example, several private equity funds that, in the aggregate, have assets of $1 billion or more. The fundamental purpose of the Rule is to gather information designed to identify potential areas of significant risk to the U.S. financial system. We do not believe that information provided by advisers to private equity funds that in the aggregate manage $1 billion of assets will be useful in achieving this purpose. Advisers to private equity funds typically build diversified portfolios over a number of years and intentionally avoid concentrated investments in order to reduce risk to their investors. Multiple funds managed by the same adviser generally invest in different portfolio companies, and thus the likelihood of a large, concentrated investment shared by commonly managed funds is very low. We believe that, to the extent that private equity funds pose any systemic risks, those risks are only likely to occur with very large funds that are highly leveraged and own a relatively small number of large investments. We do not believe that funds with less than $10 billion in aggregate assets under management have any realistic possibility of posing a significant risk to the financial stability of the U.S. Requiring costly and time-consuming reports from advisers with fewer assets under management would not further the purpose of the Rule of identifying and managing systemic risks.

Hamilton Lane appreciates the opportunity to respond to the proposed Rule. Please direct any questions concerning our comments to the undersigned at (610) 617-6076 or rcleveland@hamiltonlane.com.

Sincerely,

Robert W. Cleveland
General Counsel
Hamilton Lane Advisors, L.L.C.