AustinVentures

January 21, 2011

Ms. Elizabeth M. Murphy
Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, DC 20549

Re: Comments to Release No. IA-3110; File No. S7-36-10

Dear Ms. Murphy:

Austin Ventures (AV) submits this letter in response to the request of the Securities and Exchange Commission (the SEC) in Release No. IA-3110 for comments on the proposed definition of "venture capital fund" and Release No. IA-3111 on proposed requirements regarding unregistered venture capital funds (collectively, the Proposals), in response to the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Act).

Austin Ventures has worked with talented entrepreneurs to build valuable companies for over 25 years. AV is the most active venture capital firm in Texas, and one of the most established in the nation. AV focuses on business services and supply chain, financial services, new media, Internet and information services, software, and Texas special situations.

AV strongly supports the proposed grandfathering provision in which a private fund that (i) represented to investors and potential investors at the time the fund offered its securities that it is a venture capital fund; (ii) has sold securities to one or more investors prior to December 31, 2010, and (iii) does not sell any securities to, including accepting any additional capital commitments from, any person after July 21, 2011, is not subject to the full registration requirements of other investment advisors. We believe that this exemption is consistent with the intent of the Act. As indicated in the Proposals, requiring venture capital funds such as AV to modify our investment conditions or characteristics, liquidate portfolio company holdings or alter the rights of our numerous investors in our funds in order to satisfy the proposed definition of a venture capital fund would have been extremely difficult for us, possibly to the detriment of AV and our investors, including state pension funds and other public funds. As a result, we agree with the exemption as it is proposed.

However, we are very troubled by the proposed filing and other requirements for advisers to venture capital funds that are not required to register. We believe that the proposed requirements, even though these funds are 'exempt' from registration, contradict the intent of the exemption included in the Act. First, the Proposals require public disclosure of confidential information for no apparent reason. There is reference to providing census-type information, but the information proposed is far more extensive than census-type information. The Proposals require disclosure of net asset values and other sensitive information, for example, when it is

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unclear how this type of information protects investors. Privately held operating companies are not, nor would they be, subject to this type of regulation, yet exempt advisers to venture capital funds will be subject under the Proposals for no valid rationale. It is one thing to require disclosure of certain limited information confidentially to the SEC, even though privately held operating companies are not subject to this type of disclosure requirement. It is another thing entirely to require public disclosure of the proposed information, which is unnecessary and intrusive, and we believe diametrically opposed to Congressional intent. We disclose information to our investors, all of whom are sophisticated investors. Requiring us to disclose sensitive information to the rest of the world is not warranted and clearly not supported by the Act.

Second, exempt advisers to venture capital funds are treated more like registered advisers than exempt ones. Exempt advisers will be required to file form ADV (abbreviated but Form ADV nonetheless) and disclose significant amounts of information. In addition, exempt advisers to venture capital funds will be subject to an SEC examination, similar to registered investment advisers. To require this level of compliance significantly eviscerates the exemption that Congress provided. Even after proposing extensive disclosure, the Proposals include questions such as "Should the reporting requirements be identical for exempt reporting advisers as they are for registered advisers?" We do not understand why disclosure should be as extensive as proposed in light of the exemption provided by Congress, not to mention identical reporting requirements. There is not a significant difference between registered and proposed exempt advisers to venture capital funds under the Proposals, and few benefits to advisers of grandfathered funds. When looking at this issue in terms of costs and benefits, there are very few benefits, yet material costs. AV runs a lean organization. We have spent what we consider to be a large sum of money on an expert to advise us on actions we would need to take under the proposed requirements, and if enacted, we will need to hire personnel to handle the required filings, work necessary to respond to an SEC examination, as well as the other work that will be required. As a result, there are substantial costs with corresponding few benefits, as proposed. Again, it is unclear how this information protects investors.

Third, there also appears to be uncertainty in terms of compliance. For example, with respect to SEC examinations, the SEC can use as broad an examination as it desires, with the only caveat being that some of the regulations will not apply to exempt advisers. Will there be a reduced scope of these examinations, or will they be as broad as the SEC dictates at the time of the exam (which is likely)? If these examinations will be the same as the current examinations for registered advisers, there is little difference between registered advisers and exempt advisers to venture capital funds that Congress specifically exempted. In addition, in light of the exemption, it is not clear on what basis the SEC has jurisdiction to conduct these examinations.

Again, we support the proposed grandfather clause, but hope the SEC reconsiders and significantly revises the proposed reporting and other requirements of exempt advisers to

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venture capital funds, so that the exemption that Congress provided remains a true exemption, and particularly when there is no clear rationale for the extent of public disclosure proposed.

Thank you for the opportunity to comment on the Proposals.

Sincerely,

John Dirvin
Chief Operating Officer

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