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CHAIRMAN'S
CORRESPONDENCE UNIT

The Honorable Mary L. Schapiro, Chairman
The Honorable Elisse B. Walter, Commissioner
The Honorable Luis A. Aguilar, Commissioner
The Honorable Troy A. Paredes, Commissioner
The Honorable Daniel M. Gallagher, Commissioner

Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549

Dear Commissioners:

On behalf of the 14,000 members of the Association for Corporate Growth (ACG), and the 26,000 small and mid-market ("Main Street") businesses that they operate in the United States, we write to express our concern regarding the final rule promulgated by the Securities and Exchange Commission on June 22, 2011, (File No. S7-36-10) to require private equity fund advisers to register with the Commission based on Title IV of the Dodd-Frank Wall Street Reform and Consumer Protection Act. We believe that applying these new requirements to private equity is detrimental to capital formation and job creation and does little to protect consumers and address potential systemic risk.

We applaud the Commission for the recent changes made in its separate October 31, 2011, final rule on Form PF. The modifications reflect a clear recognition by the Commission that private equity funds have less potential to pose systemic risks than other types of private funds. Based on that recognition, we urge you to delay the March 30, 2012, registration deadline and to exempt advisers to private equity funds that are not highly leveraged at the fund level from the new registration requirements.

As you know, there has been Congressional action to address this issue legislatively. H.R. 1082, the Small Business Capital Access and Job Preservation Act, exempts advisers to private equity funds that have not borrowed and that do not have outstanding a principal amount in excess of twice their funded capital commitments. H.R. 1082 passed unanimously from the House Committee on Financial Services on June 22, 2011.

The Commission's registration requirements do not sufficiently consider the nature of private equity funds and the significant differences between private equity and other types of private investment pools. Private equity firms employ long-term investment strategies by locking in capital for multiple years. Private equity fund investors are typically highly sophisticated Qualified Purchasers who have committed capital for a fixed term and cannot withdraw from that commitment.

As Chairman Schapiro stated at the October 26, 2011, Commission meeting on Form PF, the private equity business model is based on purchasing a select group of companies and working with management to strengthen them over time. Far from exposing the financial system to systemic risk, private equity makes investments that endure market fluctuations like those we have seen in the wake of the financial crisis and contribute to the overall stability of the financial sector.

Private equity has a key role to play in our economic recovery. ACG's members' firms now employ 8 million Americans. Subjecting private equity firms to excessive regulation risks hindering our nation's economic growth. Throughout the recession, private equity's access to private capital has enabled these firms to continue investing and helped companies avoid bankruptcy, preventing substantial job losses. A March 2011 study by the University of Washington found that "portfolio company investments become less sensitive to operating losses when held by the (private equity) sponsor, suggesting that sponsors add value by loosening financial constraints during downturns." The new registration requirements would

drain private equity firms' resources and diminish private equity's ability to continue its essential investment activities at a time when we need it most.

Given the lack of systemic risk associated with private equity funds and the sophistication of the investors in private equity funds, the substantial costs of registration outweigh any potential benefits. Private equity firms will expend substantial resources for the establishment and ongoing operations of a compliance program, with many of these costs funneling down into the private equity firms' portfolio companies, creating burdens for those company managers as well.

In addition, we believe that requiring registration by private equity fund advisers not only misdirects resources at private equity firms but also at the Commission. As a result of private equity fund adviser registration, the Commission will have thousands of new firms to oversee and inspect. The Commission's resources will thus be diverted away from its core responsibilities of protecting retail investors and other new oversight priorities that can contribute in a meaningful way to financial stability.

We urge the Commission to delay the March 30, 2012, implementation of the adviser registration requirements and to use its exemptive authority to exclude advisers to private equity funds that are not highly leveraged at the fund level from the registration requirements. It is essential that the Commission provide a more streamlined regulatory approach for advisers to private equity funds that would allow these advisers to continue investing in companies and creating jobs in each of our congressional districts.

Thank you for your consideration. We look forward to your response.

Sincerely,

A handwritten signature in black ink, reading "Gary A. LaBranche". The signature is fluid and cursive, with the first name "Gary" and last name "LaBranche" clearly legible.

Gary A. LaBranche, FASAE, CAE
President & CEO
Association for Corporate Growth
71 S. Wacker Drive
Suite 2760
Chicago, IL 60606
glabranche@acg.org
www.acg.org
O: 312-957-4270
C: 312-218-8133