



February 2, 2011

Ms. Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 "F" Street, NE
Washington, DC 20549-1090
Re: File # S7-37-10
Exemptions for Certain Advisors—Title IV Provisions of the Dodd-Frank Act

Dear Ms. Murphy:

I am the Managing Partner of TZP Capital Partners I, a lower-middle market private equity firm with \$180 million of capital under management. TZP was founded in 2007 and currently employs 14 people in our New York City office.

I am writing to you today to seek your help in alleviating the unnecessary burden that the Dodd-Frank Act is having on the middle-market private equity industry. In over a quarter century of work in the regulated securities industry, I have never seen a regulatory provision that so significantly hinders small businesses.

TZP's investment premise is simple. We invest in lower middle market companies whose entrepreneurial owners and executives can benefit from our capital and operational assistance to help them accelerate the growth of their businesses. These talented entrepreneurs always retain a significant equity stake in their companies and together we partner to build larger, more sustainable companies that employ more people, contribute to the economy and increase wealth for all shareholders.

Our limited partners are all highly sophisticated investors. Most are ultra high net worth individuals and some are institutional investors, all of whom have advisors or consultants who help them protect their interests. Also, our investment partnerships and each investment we make are all subject to existing Federal and State securities laws, including the Security Acts of 1933 and 1940.

We do not make many investments— so far only one each year since our founding—but each one is critically important to us and we work hard to help each portfolio company and its employees prosper. Our investments are privately negotiated and we do not engage in any public security trading operations. We have just one office in New York City and all of our 14 employees pay considerable taxes and are fully covered by our company-funded health insurance program. Neither TZP nor any of our employees has ever been accused of, investigated, or implicated in any securities violation or other breach of conduct. We take great pride in our team of professionals and operate as model corporate citizens.

Although existing securities laws already govern our activities, Dodd-Frank has been imposed upon us as a byproduct of the government's goal of monitoring hedge funds and other similar public-trading entities. The Dodd-Frank Act was passed to avoid another financial markets collapse and to manage systemic risk. As a lower middle market private equity firm with modest capital under management that only slightly exceeds the \$150 million exemption threshold established by Dodd-Frank, (i) we do not engage in securities trading, and (ii) our modest size poses no systemic risk to the U.S. financial system. Moreover, before we buy or sell a business, we spend months undertaking an extensively documented due diligence process. As is standard in our industry, all of our actions and conduct are governed by comprehensive, thoroughly negotiated, and carefully crafted partnership contracts with our highly sophisticated investors. Our expected holding period for our investments is five years.

To register with the SEC as an investment advisor, we will be required to hire a consulting firm to assist us in developing a compliance program and create compliance manuals. As a small firm, we will need to retain a consultant on an ongoing basis to continuously monitor the program, update us on any changes to the regulations and review our company policies and marketing materials on a constant basis to ensure that we are in compliance. All this is a significant strain on a firm of our size and will cost us well over \$100,000 per year and divert an enormous amount of time and energy from our task of making good investments for our limited partners. We will need to spend less time assisting our portfolio companies to grow and meet their business challenges. As a result of these additional costs, we will postpone hiring new employees who can help us grow our business. More likely, we will need to take a closer look at our cost structure and rationalize our labor costs. All these are serious unintended consequences of Dodd-Frank and a waste of our talent, skills and resources. In the meanwhile, all the information we will compile and submit under the new regulations will prove of no value to eliminating insider trading and reducing systemic risk.

My partners and I would appreciate it if, under the authority granted the SEC under Section 206B of the Investors Advisor Act of 1940, you would grant the private equity industry a one-year exemption, until July 1, 2012. During this extra year, the SEC can further study the specific needs and requirements of the private equity industry and formulate targeted regulatory requirements that make sense for our industry. There is ample precedent for such a delay, as was granted to the venture capital subsector of

private equity and to the Sarbanes-Oxley requirements relating to small companies. The benefits to such a measured approach are many, including the elimination of unnecessary expenditures of time and money and the ability for our firm and others like us, to channel our efforts into productive pursuits which benefit our investors, employees and the economy.

Sincerely,

A handwritten signature in blue ink, appearing to read 'S. Katz', is positioned above the printed name.

Samuel L. Katz

Managing Partner