



January 20, 2011

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

Re: Exemptions for Advisers to Venture Capital Funds, File No. S7-37-10

Dear Ms. Murphy:

Thank you for the opportunity to submit comments to the proposed rule implementing the venture capital fund exemption from the registration requirements of the Investment Advisers Act of 1940 that were enacted by the Dodd-Frank Wall Street Reform and Consumer Protection Act.

The Commission's definition of a venture capital fund does a thorough job capturing many of the aspects that differentiate venture capital funds from other types of private investment funds. However, in some areas the definition would restrict legitimate venture capital activities that do not pose any systemic risk to our financial system.

First, the Commission should recognize that venture capital funds invest in other funds. In some instances this involves investing in "seed" funds for introductions to new entrepreneurs and specialized technologies; in others it involves making investments through intermediate partnerships or other entities to comply with international regulations, or to benefit the specific tax needs of charitable foundations or university endowments. Additionally, some venture capital funds primarily invest in other venture capital funds. These "venture capital funds of funds" provide a valuable source of capital to small, growing businesses via other venture capital funds, and there is no reason to exclude them from the definition if they invest solely in funds that meet the Commission's definition of a venture capital fund.

Second, the Commission should recognize that venture capital funds often invest in private companies by purchasing shares from other investors (secondary investments) before or without buying shares directly from the portfolio company (primary investments). The Commission's definition should not require secondary investments to be combined with primary investments in the same company. There is no policy reason to prohibit a venture fund from buying shares from existing shareholders prior to buying shares directly from the company.

Third, the Commission should recognize that venture capital funds use capital call lines of credit, and we agree that any undrawn line of credit should not be viewed as borrowing.

Fourth, the Commission should recognize that venture capital funds sometimes need to guaranty the debt of a portfolio company for longer than 120 days. Limiting such guarantees would only serve to increase the cost of credit, and in some cases force the closure of some portfolio companies with a resulting loss of jobs.

Finally, the Commission should recognize that venture capital funds make non-convertible bridge loans to their portfolio companies. These loans provide the same working capital to technology start-up companies as equity investments without creating any systemic risk. Restricting them would unnecessarily cut off another important source of capital for creating jobs, developing new technologies, curing diseases and improving our nation's global competitiveness.

We appreciate your consideration of these important issues.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jeff Alexander".

Jeff Alexander
Chairman, Cook Children's Healthcare Foundation Investment Committee