Pine Brook Road Advisors, LP

c/o Pine Brook Road Partners LLC 60 East 42nd Street, New York, NY 10165

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

Re: SEC Release No. IA-3111, File No. S7-37-10 ("Proposed Rules")

Dear Ms. Murphy:

On November 19, 2010, the Securities and Exchange Commission (the "Commission") released the Proposed Rules that would implement new exemptions from the registration requirements of the Investment Advisers Act of 1940, as amended ("Advisers Act") for advisers to venture capital funds, private fund advisers with less than $150 million in assets under management, and foreign private advisers.

We understand the Commission's desire, in conjunction with the Dodd-Frank Wall Street Reform and Consumer Protection Act, to provide additional oversight under the Advisers Act by requiring registration for an expanded subset of advisers and we appreciate the considerable thought and effort made by the Commission in formulating a "venture capital" exemption to the new registration requirements.

The Commission's release shows a strong desire to use expanded registration as a tool to monitor levels of systemic risk associated with certain financial markets while at the same time exempting those private fund advisors whose business is to make non-leveraged investments in early-stage companies and therefore do not contribute to that risk. We make our comments with those objectives in mind and will suggest additional clarity with respect to certain exemptions or issues that the Proposed Rules address.

Pine Brook Road Advisors LP ("Pine Brook") is a specialized investment firm that provides "business building" and other growth equity capital to new and newly-formed businesses, primarily in the energy and financial services industries. Our affiliated investment fund, Pine Brook Capital Partners LP, is our first fund. To date, Pine Brook has made equity investments totaling $442 million in fourteen portfolio companies and has entered into funding arrangements with its portfolio companies to allow up to an additional $685 million in follow-on investments to finance anticipated growth. Our fund's portfolio currently consists of nine companies which we started, three companies that we financed when they were less than 6 months old, and two financial institutions which we helped to recapitalize. We serve on the board of each portfolio company and provide continuous strategic and managerial input. In many cases, we also helped create the company's business plan. No transaction was a buyout and none of these transactions involved the purchase of secondary shares and none were financed using leverage.

We believe that, as a matter of substance, Pine Brook Capital Partners LP is a venture capital fund as intended by Congress.

Definition of a Venture Capital Fund

In response to the Proposed Rules, we respectfully request that the Commission provide further clarification on whether a "venture capital fund" is denoted as such based on substance and/or form.

> SEC: We understand that Congress sought to distinguish advisers to "venture capital funds" from the larger category of advisers to "private equity funds" for which Congress considered, but ultimately did not provide, an exemption. As a general matter, venture capital funds are long-term investors in early-stage or small companies that are privately held, as distinguished from other types of private equity funds, which may invest in businesses at various stages of development including mature, publicly held companies. Testimony received by Congress characterized venture capital funds as typically contributing substantial capital to early-stage companies and generally not leveraged, and thus not contributing to systemic risk, a factor that appears significant to Congress' determination to exempt these advisers. In drafting the proposed rule, we have sought to incorporate this Congressional understanding of the nature of investments of a venture capital fund, and these principles guided our consideration of the proposed venture capital fund definition.

We sympathize with the challenge faced by the Commission in creating a definition for a venture capital fund. It is clearly easier to recognize a venture capital fund when you see it than it is to define it.

We believe that the Commission's proposed six factor test, as drafted, may err on the side of excluding bona fide venture capital funds from qualifying, and urge the Commission to reconsider some of the tests in that light.

Representing Itself as a Venture Capital Firm

In its definition (and in its grandfathering provisions), the Commission would require a firm to affirmatively market itself as a venture capital firm. Respectfully, we believe that the Commission should focus more on substance than on form, and the requirement it call itself a venture capital firm is too limiting.

What a firm calls itself in its marketing material should be less important than what it actually does. This is especially true because "venture capital" investing is often associated with an element of product or technology risk and a number of firms that meet all of the other requirements of the Commission's definition (targeting equity investments in start-up or early-stage companies; taking an active managerial role in supporting management's desire for business growth; not utilizing meaningful leverage at the fund level or the portfolio company level to achieve returns; not permitting redemption rights to fund investors; not being a registered investment company or a business development company) intentionally avoid the use of that appellation as a way of distinguishing themselves from those firms which specialize in making high-risk, high-reward technology investments.

If the Commission feels strongly about self-identification, we believe that a firm which markets itself as a hedge fund, multi-strategy fund, fund-of-funds or buyout fund should be excluded from the exemption and that the definition should be modified accordingly.

Ironically, under the "grandfathering" section of the Proposed Rules, a private fund adviser, while failing to substantially meet those standards set forth that generally define a typical "venture capital fund" adviser, may utilize the venture capital fund exemption simply for the fact that it markets itself or its investment products with the term "venture capital". Respectfully, we think that what a firm actually does should govern.

Qualifying Portfolio Company

The proposed definition which requires a venture capital fund to invest only in equity securities issued by a Qualifying Portfolio Company is too restrictive and, therefore, does not reflect the many faceted nature of the venture capital business. Many venture capital investments take place in companies that are already public. Some investments involve debt securities as a way to create seniority compared to existing investors or to solve a debate over valuation. Other investments may involve debt securities with detachable warrants. Sometimes a company does not meet its business plan and a "bridge investment" gets extended for many years. Sometimes a venture capital firm will guarantee the debt of a portfolio company. Sometimes founders or early stage investors need to be given liquidity as part of a growth plan.

Overall, we are concerned that the proposed definition which requires an equity investment in a Qualifying Portfolio Company will cause venture capital firms to avoid certain investments that they would otherwise make and which are consistent with the goal of encouraging long-term non-leveraged investments in growing businesses and which do not contribute to systematic risk.

We think that a venture capital investment can be better understood by focusing on the use of proceeds of the investment rather than on the nature of the investee company or the form of the security. The Commission's proposal that the investee company does not borrow in conjunction with the investment is a good step in that direction, but must be carefully drafted to avoid disqualifying investments where normal operating leverage is created in a transaction.

The Commission's proposal to disqualify leveraged buyout transactions is entirely appropriate though, once again, the drafting has to be carefully done so as to not exclude transactions which are normal course of business, such as the acquisition of a building or, in the case of oil and gas companies, leasehold interests.

Overall, however, we think that a proposal which defines a buyout transaction (or similar transactions, such as a leveraged dividend recapitalization) and then excludes those transactions may be more consistent with Congressional intent than a definition which discourages venture firms from engaging in a normal range of activities associated with building new businesses.

Need for a Basket of Investments which are not Investments in "Qualified Portfolio Companies"
With respect to defining a venture capital fund for the purposes of the exemption as a fund that invests in equity securities issued by "qualified portfolio companies", we respectfully request that Commission provide for a "basket" whereby some reasonable subset of committed fund capital may be used for making investments in companies that do not meet the final "qualifying portfolio company" definitional guidelines. A venture capital company may make investments which inadvertently fall outside of whatever definition is ultimately adopted, no matter how broadly or narrowly that definition is drawn. In addition, many venture capital firms may, from time to time, make investments which do not qualify if they are compelling; indeed, they would be required to do so under their fiduciary obligations to their investors.

We do not believe that the definition of a venture capital firm should create an incentive for a venture capital firm to alter its way of doing business. Accordingly, we believe that a provision for some permissible level of non-qualifying activity would be appropriate.

Our fund documents provide for investments outside of our core investing practice of up to 25% of our committed capital. We understand this level of flexibility is quite common among our peers, and recommend that the Commission include such a basket in its definition.

Restriction of Redemptions
Investor liquidity goes to the heart of the "systemic risk" issue. Systemic risk can best be viewed as a run on the capital markets, and occurs when investors discover that the liquidity which they thought accompanied their investments was no longer available. When that happens, investors simultaneously rush for the door, panic selling begins and the markets cease functioning. By requiring venture capital firms to have restricted liquidity and a fixed term of more than a few years, the Commission's rules will effectively exclude hedge funds, mutual funds and other classes of open ended funds whose investors can contribute to systemic risk by requiring redemptions at will. Indeed, this test in itself will serve to limit the applicability of the exemption to long term investors, though it will not distinguish between venture capital firms and buyout firms. We urge the Commission to retain this provision in its final definition, with appropriate leeway for extraordinary circumstances as contemplated in the Release.

Costs and Benefits
From a cost-benefit viewpoint, we urge the Commission to consider drafting the Proposed Rules in such a way that allows for the oversight of those private fund advisers that engage in activities which may give rise to systemic risk. Private fund advisers that *do not* engage in activities which give rise to systemic risk, irrespective of how an adviser describes its investment strategy, should be subject to some significantly reduced level of oversight in the form of an exemption or be granted a registration extension for some stipulated period beyond such time that the Commission has had an opportunity to provide further clarification of the Proposed Rules. The costs associated with initial registration ($125,000 - $200,000) and ongoing compliance ($100,000 - $150,000 per annum) to those private fund advisers that do not employ in-house counsel or compliance experts is significant and not impacted by

the amount of assets a private fund adviser manages, or the management fees generated by such assets.

Private fund advisers have a fiduciary responsibility to their investors and those investors consist primarily of private and public pension and retirement assets. These same investors trust that the private fund advisers, the stewards of their capital, will utilize the management fees paid to them in ways that seek to increase risk-adjusted investment returns by (i) employing highly-qualified professionals and support staff, and by (ii) investing in research and technology that will allow for information to be analyzed in a timely manner in order to support the private adviser's desire to achieve exceptional investment returns.

For many advisers, some measurable portion of their annual expense budget will need to be redirected from compensation, research and technology and instead be earmarked for expenditures relating to initial registration and ongoing compliance including, but not limited to, the hiring of specialized compliance consultants (attorneys and former SEC examiners), the custody of non-marketable and illiquid securities and the implementation and adherence of certain policies that are generally associated with broker-dealers and fund managers that actively engage in the trading of marketable securities.

We welcome the opportunity to further discuss these matters and to provide the Commission with additional input and we appreciate the Commission's consideration of the specific matters set forth above.

Sincerely,

Rob Jackowitz
Executive Vice President and Chief Financial Officer