

Drexel Burnham Lambert  
New York, NY

September 28, 1981

Mr. George A. Fitzsimmons  
Secretary  
Securities and Exchange Commission  
500 North Capitol Street  
Washington, D.C. 20549

Re: File No. S7-891

Dear Mr. Fitzsimmons:

I am responsible for our firm's ventures capital investments. During the past two and a half years, we have participated in private venture capital placements, aggregating approximately \$30 million. We admire the efforts of the Commission over the last several years to simplify regulations. The proposed regulation D is an excellent step in this direction. We do have two minor comments.

Regulation 230.501 - Definitions - includes as an accredited investor, any natural person having individual adjusted gross income in excess of \$100,000. We are not quite sure how this test would be applied in the case of a joint return or in community property states. Perhaps the definition should be changed to individual or joint adjusted gross income. Secondly, an instability is introduced in the case of financings in the spring. Since many people do not have their tax returns ready until early April, it is possible that investor eligibility could change between early April and late April. Perhaps the cut-off date should be at the time of solicitation of the investor, as opposed to the actual closing date.

Regulation 230.502 - General Conditions - Information Requirements, Section (b)(1)(ii) speaks of an accredited investor's right to request written information. We are concerned that a placement could violate the rule if, at the last moment, an individual should suddenly request information. Perhaps the election should be made binding at the time the prospective investor receives any information with respect to the offering.

As venture capitalists, we have one final comment. The \$100,000 investment test requires a letter of credit where subsequent payments are made beyond 60 days

after the initial investment. Sometimes placements are structured where money is advanced in several stages depending upon the portfolio company meeting certain defined requirements. We usually provide that any investor defaulting on a subsequent call for funds be penalized by adjustment of his stock interest. We do not, therefore, require letters of credit. Since two years is such a short time, we would suggest that either the requirement be dropped, or else require that the initial investment be at least \$75,000.

Sincerely yours,

Anthony M. Lamport  
Managing Director