



Via Email

March 5, 2026

Ms. Claudia Quiroz  
General Counsel  
California Department of Financial Protection and Innovation (the "Department")  
651 Bannon Street, Suite 300  
Sacramento, CA 95811

**Re: Request for Written Guidance Regarding Consolidated Reporting, Registration Obligations, and Survey Distribution Under the Fair Investment Practices by Venture Capital Companies Law**

Dear Ms. Quiroz:

Cooley LLP acts as primary fund counsel to more than 800 venture capital fund managers, a significant number of whom (collectively, our "Clients") are subject to the reporting obligations imposed by Division 2.5 of the California Corporations Code, commonly referred to as the Fair Investment Practices by Venture Capital Companies Law (the "Law"). We appreciate the important public interest goals that the Legislature sought to advance in enacting the Law. We note, however, that there are a number of legal and interpretive questions surrounding the Law. The interpretive positions expressed in this letter represent our current views for purposes of seeking regulatory guidance and should not be construed as admissions or as binding positions in any subsequent administrative, judicial, or other proceeding. Our Clients expressly reserve all rights with respect to each of the specific interpretive questions addressed herein, including the right to take different or additional positions as circumstances warrant.

We write today to address three specific, narrow, and particularly urgent interpretive questions. The first is whether each fund-level entity that independently qualifies as a "covered entity" under Section 27500(b) must file a separate, independently fee-bearing report, or whether a controlling business entity may file a single consolidated report on behalf of all covered entities under its common control pursuant to Section 27501(d)(3). Based on informal guidance reportedly communicated to individual industry participants, the Department appears to take the position that a separate report must be filed for each covered entity. The second question is whether a venture capital company that meets the definition of "covered entity" but made no venture capital investments during the prior calendar year is required to register with the Department notwithstanding that no reporting obligation arises. We understand that Department staff have communicated conflicting informal positions on this question to different industry participants. The third question is whether the survey distribution obligation under Section 27501(c) is coextensive with the reporting obligation (i.e., limited to businesses in which the covered entity made a "venture capital investment") or extends to any business that received any form of funding from the covered entity. Department staff communicated a specific interpretation on this third question in writing to our firm, and we respectfully disagree with that interpretation for the reasons set forth below.

We raise all three issues now because informal responses to individual inquiries, while appreciated, do not provide the clarity and consistency that our Clients (and the industry broadly) require in order to structure their compliance programs and budget accordingly. The April 1, 2026 deadline is rapidly approaching, and our Clients must make consequential decisions about how to organize their data submissions, how many registrations and filings to prepare, and how much to budget for fees and administrative resources.



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## I. Background: The Multi-Entity Structure of Venture Capital Firms

Our Clients are investment managers and advisers to venture capital funds. The venture capital industry operates through a structure that, for legal, regulatory, tax, liability, investor relations, economic, and governance reasons, typically requires the formation of multiple separate legal entities, each constituting a discrete “fund vehicle,” even where those entities share common sponsors, advisers, or investment teams. The reasons for this structure are numerous and well understood:

- **Vintage year funds.** Venture capital managers typically raise a new fund every two to four years, resulting in a family of sequentially launched funds (e.g., Fund I, Fund II, Fund III) that may invest simultaneously during overlapping periods.
- **Parallel funds.** Many managers form parallel structures (e.g., a domestic vehicle alongside an offshore one, or a separate entity for specific investor types) to accommodate the distinct legal, tax, regulatory, or other requirements of different investor classes.
- **Opportunity funds and special purpose vehicles.** It is common practice to form special purpose vehicles (“SPVs”) for concentrated follow-on investments in specific portfolio companies, each constituting its own legal entity.
- **Sector-specific or strategy-specific funds.** Some managers operate distinct funds targeted at specific sectors or investment stages.
- **Geographic or regulatory structuring.** Certain fund structures are created to comply with specific regulatory requirements, including limitations under the Employee Retirement Income Security Act of 1974, unrelated business taxable income considerations, or jurisdiction-specific regimes.
- **Co-investment vehicles.** Managers routinely create co-investment vehicles that allow specific investors to participate alongside the primary fund in individual portfolio companies.

Under Section 27500(b), “covered entity” means a “venture capital company” (as defined in paragraph (4) of subdivision (a) of Section 260.204.9 of Title 10 of the California Code of Regulations) that (i) primarily engages in investing in or providing financing to startup, early-stage, or emerging growth companies, and (ii) is headquartered in California, has a significant presence or operational office in California, makes venture capital investments in California-based businesses, or solicits or receives investments from a California resident. The definition operates at the entity level.

Given the multi-fund structures described above, it is readily foreseeable, and in our Clients’ experience common, that a single venture capital firm will have a large number of distinct fund-level entities, each of which independently satisfies the definition. At any given time, however, many of those entities will have made no venture capital investments during the prior calendar year and thus have nothing to report, whether because they are beyond their applicable investment period, they are focused on value creation activities with respect to an existing portfolio rather than deploying new capital, are in a harvesting phase managing portfolio companies toward exit, are winding down or in liquidation following the disposition of their portfolio, or have been formed to hold a single investment that has already been made. These structural realities bear directly on the three interpretive questions we raise below: (1) whether Section 27501(d)(3) permits a controlling business to satisfy the reporting obligation for all of its covered entities through a single consolidated filing; (2) whether entities with no venture capital investments to report must nonetheless register; and (3) whether the survey distribution obligation under Section 27501(c) is limited to businesses that received venture capital investments. We address each in turn.



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## **II. Section 27501(d)(3) (Reporting by a Controlling Business) Should Not Be Rendered Surplusage**

Section 27501(d)(3) provides that “[a] covered entity may satisfy the requirements of this chapter by providing a report prepared by a business that controls each covered entity at any time during the prior calendar year, if the report contains all of the information required by subdivision (b).” The plain text of this provision is significant in several respects. First, it is permissive, not mandatory. The word “may” confirms that covered entities retain the option of filing individually, but equally confirms that consolidated filing by a controlling entity is a fully recognized and legally sufficient means of satisfying the statutory obligation. Second, it is content-focused, not form-focused. The only condition the Legislature imposed is that the report contains all of the information required by subdivision (b). The Legislature did not require a separate document per fund, or that each covered entity’s data appear in isolation. Third, the provision speaks to a single act—i.e., “a report” (singular) “prepared by a business that controls each covered entity.” The natural reading is that one report, prepared by one controlling business, is sufficient to discharge the reporting obligation for all covered entities it controls.

We also note that the Legislature’s evident purpose in enacting the Law is to capture investment practices at the level of the firms and decision-makers responsible for capital allocation, and not to generate a fund-by-fund accounting of individual legal entities. A consolidated report prepared by a controlling entity fully serves that purpose. Where the Department may be concerned that a consolidated filing obscures fund-level granularity, we would note that in many common structures, including where parallel vehicles are formed solely to accommodate differing tax or regulatory requirements, the funds invest in identical portfolio companies, rendering any fund-by-fund breakdown devoid of additional informational value. Even in cases where funds have genuinely distinct investment mandates, the firm-level picture that a consolidated report provides is precisely the information most relevant to evaluating the investment practices of those who control capital deployment. The particular legal entities through which investment dollars are deployed are in a sense arbitrary, such that the demographic outcomes driven by a firm’s investment team and decision-making process are not illuminated by distributing the same firm’s aggregate investment activity across a series of legal vehicles.

In our view, the plain text and evident purpose of Section 27501(d)(3) compel the conclusion that a single consolidated report is both legally sufficient and consistent with the structure of the Law. Any contrary interpretation would render Section 27501(d)(3) surplusage: a controlling entity could nominally file “on behalf of” its covered entities, but that filing would provide no relief from the per-entity report or fee obligation, leaving the provision without any substantive effect.

This reading of Section 27501(d)(3) is further reinforced by the statute’s overarching design with respect to data collection and disclosure. Section 27501(d) expressly requires that survey response data be collected and reported in a manner that does not associate the data with any individual founding team member. The reporting obligation under Section 27501(b) is framed in terms of aggregated information about the founding teams of all businesses in which the covered entity made a venture capital investment during the prior calendar year. Section 27502(a) further provides that the Department shall make reports publicly accessible and that it may publish aggregate results or aggregate information based on the information received. The Law is thus oriented toward firm-level, aggregated, anonymized data, and not entity-by-entity granularity.

This aggregated and anonymized design has particular significance in the context of SPVs. Many of our Clients routinely form SPVs to make a single investment in a specific portfolio company. In practice, the name of the SPV often incorporates the name of the underlying portfolio company itself. If the Department were to require each such SPV to register and file a separate report, the resulting public disclosure would include, in the context of a fund vehicle whose name identifies a specific portfolio company, the demographic data, including gender identity, race, ethnicity, disability status, LGBTQ+ identification, and



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veteran status of the founding team members of that portfolio company. Because Section 27502(a)(1) requires the Department to make reports readily accessible, easily searchable, and easily downloadable on its public website, a report filed by an SPV named after its single portfolio company investment would, in practical effect, publicly associate the sensitive demographic characteristics of the founding team with that portfolio company. This outcome is in direct tension with the Law's anonymization mandate and its aggregate reporting framework. A consolidated report filed by the controlling business would avoid this result entirely: the individual SPV's investment data would be subsumed within the aggregate data of the controlling firm, precisely as the Legislature's design contemplates.

Our reading is further confirmed by the statute's fee structure. Section 27502(d) provides that fees must not exceed the reasonable costs of administering the Law and designates the applicable charge as a "fee per report" of at least \$175. That fee authority is expressly cabined: it is a cost-recovery mechanism, not a revenue-generating one, and Section 27506(b) confirms that moneys collected under the Law are to be appropriated for its administration and not retained as surplus. Where multiple funds managed by the same investment adviser operate as part of a common enterprise, the marginal administrative cost to the Department of processing each additional entity's submission is, at most, minimal. Requiring a separate \$175 fee for each such entity would produce a fee obligation bearing no rational relationship to the Department's actual administrative costs. That outcome is precisely what Section 27502(d)'s cost-recovery limitation is designed to prevent and what consolidated filing under Section 27501(d)(3) is designed to avoid.

### **III. A Covered Entity With No Reporting Obligation Is Not Required to Register**

A related interpretive question arises directly from conflicting informal guidance that Department staff have communicated to different industry participants. In one instance, staff reportedly indicated that a covered entity must register under Section 27501(a) even in a year in which the entity has no reporting obligation under Section 27501(b) because it made no venture capital investments during the prior calendar year. In another instance, staff reportedly indicated the opposite (i.e., that registration is not required absent a reporting obligation). We respectfully submit that the latter position is correct as a matter of statutory text and structure, and we ask that the Department resolve this conflict through formal written guidance.

The registration and reporting obligations imposed by Section 27501 are textually integrated, not independent. Section 27501(a)(1) requires a covered entity to submit basic identification and contact information in a manner prescribed by the Department, commencing March 1, 2026. Section 27501(a)(2), however, immediately conditions the obligation to keep that information current: the covered entity "shall keep the information provided under paragraph (1) updated by submitting any changes to that information when filing the report required by subdivision (b)." This language expressly ties the registration update mechanism to the act of filing a report. The Legislature did not provide any other occasion or mechanism by which a covered entity is to update or maintain its registration information. An entity that has no obligation to file a report under subdivision (b) therefore has no statutory occasion on which to fulfill its registration maintenance obligation, which strongly implies that the initial registration obligation was conceived of as arising in tandem with the reporting obligation, not independently of it.

This textual linkage is confirmed by the enforcement structure. Section 27501(a)(3) provides that if a covered entity fails to update its registration information in the report required by subdivision (b) by April 1 of any year, the Department shall notify the covered entity and allow a 60-day cure period before pursuing remedies. That enforcement mechanism presupposes the existence of a report: there is no parallel enforcement provision directed at a failure to register in the absence of a reporting obligation. Similarly, Section 27502(e) authorizes the Department to pursue remedies when a covered entity fails to file a report required by subdivision (b) of Section 27501, and not when a covered entity fails to maintain a standalone



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registration record. Section 27504(a)(1) likewise authorizes Commissioner action against covered entities who fail to meet the requirements of Section 27501, which, read in light of the foregoing, means the failure to file a compliant report under Section 27501(b), not the failure to register in a year in which no report is due.

The fee structure points in the same direction. Section 27502(d) designates the applicable charge as a “fee per report.” It is not a registration fee or an annual maintenance fee. The statute provides no mechanism for any fee to be charged to or collected from an entity that has no report to file. If the Legislature had intended registration to be a standalone obligation, independent of the reporting requirement, one would expect some provision addressing how a registered-but-not-reporting entity interacts with the fee structure. There is none. The absence of any such mechanism is strong evidence that the Legislature did not contemplate registration as an obligation that arises independently of the duty to report.

In short, the statute provides no coherent framework for a registered-but-not-reporting entity: no mechanism to update registration information, no enforcement clock, and no fee obligation. The better reading is that registration and reporting are integrated obligations that arise and fall together.

This interpretive question carries significant practical weight. The Department’s apparent position that registration is required even absent a reporting obligation would impose a recurring administrative burden on covered entities that have nothing to report (e.g., entities in value creation phase, harvesting phase, or wind-down or liquidation phase). These entities would be required to register with the Department, maintain registration information, and potentially respond to Department inquiries, all without any corresponding reporting obligation that would give that registration practical content or purpose. Nothing in the statute compels this result, and we respectfully ask the Department to formally confirm that it does not.

#### **IV. The Survey Distribution Obligation Under Section 27501(c) Should Be Limited to Venture Capital Investments**

A third interpretive question concerns the scope of the survey distribution obligation under Section 27501(c). In response to a written inquiry from our firm, Department staff communicated a specific interpretation of that provision: that a covered entity is required to distribute the standardized survey to founding team members of any business that received any form of funding from the covered entity, regardless of whether that funding constitutes a “venture capital investment” as that term is defined in the applicable regulation. The Department acknowledged that covered entities are not required to report on investments that do not qualify as venture capital investments, but took the position that the survey distribution obligation is nonetheless broader than the reporting obligation. We respectfully disagree with that interpretation.

Section 27501(c) provides that a covered entity shall distribute the standardized survey to “founding team members of a business that has received funding from a covered entity.” The Department reads the phrase “received funding from a covered entity” as encompassing all forms of financial support, not merely venture capital investments as defined by regulation. We submit that this reading is in tension with the statute’s text, structure, and purpose, for the following reasons.

First, the survey is the instrument through which the demographic data is collected, and the demographic data is the substance of the report. The reporting obligation under Section 27501(b) is expressly limited to information about founding teams of businesses in which the covered entity made a “venture capital investment.” If the survey distribution obligation extends to businesses that received non-venture-capital funding, the data collected from those recipients cannot be reported. It is difficult to attribute to the Legislature an intent to impose compliance obligations on covered entities for the purpose of generating data that the statute does not permit to be reported. The more natural reading is that the survey distribution



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obligation is coextensive with the reporting obligation: surveys should be sent to the founding teams of businesses in which the covered entity made a venture capital investment, because those are the businesses about which a report must be filed.

That reading is reinforced by the precise language of Section 27501(c) itself: in describing the survey obligation, the statute provides that the covered entity “shall obtain the information required by subdivision (b)” (i.e., the information required to be reported under Section 27501(b) with respect to venture capital investments) by providing founding team members “with an opportunity to participate in a survey for the purpose of collecting the information.” The natural reading of this language is that the covered entity need only survey the businesses on which it is required to report, which are limited to businesses in which it made a venture capital investment.

Second, the term “covered entity” is itself defined by reference to a venture capital company that primarily engages in making venture capital investments. The Law is built around the concept of venture capital investment activity specifically, and its data collection framework (including the survey, the report, and the public disclosure) is oriented entirely toward that activity. Reading “received funding from a covered entity” as encompassing all funding activity, irrespective of whether it constitutes a venture capital investment, would expand the survey obligation well beyond what the statutory framework is designed to address.

Third, the practical burden of the Department’s reading is significant and unanticipated. Pre-conversion instruments and small-check participations are common in the venture capital industry, and the problem is not marginal: many covered entities will have a substantial number of portfolio relationships that involve funding without any accompanying governance rights or ongoing founder relationship. In those cases, the covered entity may have no board representation, no management rights, no continuing contact with the founding team, and no reliable means of identifying or reaching the individuals the Department would require it to survey. The Department’s reading also produces consequences that are plainly at odds with the statute’s purpose. For example, where a covered entity previously provided a bridge loan or other non-equity financing to a business that has since repaid that obligation and completed a public offering, the Department’s interpretation would require the covered entity to distribute the survey to the founding team members of a publicly traded company – individuals who may have no ongoing relationship with the covered entity and no expectation of receiving such inquiries. This raises serious concerns under applicable privacy law, including California’s comprehensive consumer privacy framework, entirely apart from the absence of any statutory basis for the obligation. The proposition that the Legislature intended to impose such requirements is untenable: they generate compliance costs and legal exposure for covered entities with no corresponding informational benefit to the Department or the public.

Indeed, the Department’s own written guidance acknowledges that covered entities “will not be required to report on investments that do not meet the definition of venture capital investments.” That concession is dispositive: if the data gathered from non-venture-capital investees cannot be reported, there is no coherent statutory purpose served by requiring covered entities to collect it. We respectfully submit that the survey distribution obligation should be understood as limited to businesses in which the covered entity made a venture capital investment during the prior calendar year, consistent with the scope of the reporting obligation, the overall design of the Law, and the privacy interests of the individuals whose sensitive demographic information would otherwise be solicited without any legitimate statutory basis for doing so.



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## V. Request for Written Guidance

We respectfully request that the Department respond in writing, on the record, to the following questions:

1. Does the Department take the position that each entity independently qualifying as a covered entity under Section 27500(b) must submit a separate registration and report and pay a separate \$175 filing fee, even where all such entities are controlled by a single business?
2. Does the Department take the position that Section 27501(d)(3) permits a controlling entity to file on behalf of its covered entities but does not reduce the number of registrations, reports, or fees required, effectively rendering the consolidation contemplated by that provision surplusage?
3. Does a venture capital company that meets the definition of "covered entity" under Section 27500(b) but made no venture capital investments during the prior calendar year have an obligation to register with the Department under Section 27501(a) for that year, notwithstanding that no report would be required?
4. Does the Department maintain the position communicated to our firm that the survey distribution obligation under Section 27501(c) extends to businesses that received any form of funding from a covered entity, including funding that does not constitute a "venture capital investment," notwithstanding that covered entities are not required to report on such investments?
5. Will the Department commit to publishing formal written guidance on these questions, available to all covered entities, prior to the April 1, 2026 reporting deadline?

Our Clients must make compliance and budgeting decisions in the very near term. Formal written guidance is necessary to provide the consistency and legal certainty the industry requires. This letter is submitted solely for the purpose of obtaining regulatory guidance and without prejudice to any position our Clients may take in any subsequent proceeding, whether administrative, judicial, or otherwise. Our Clients expressly reserve all rights with respect to all issues arising under the Law, including the applicability of the Law, the validity of any requirement imposed thereunder, and the specific interpretive questions addressed in this letter.

We would welcome the opportunity to meet with Department staff at the Department's convenience. Please direct any response or inquiry to Stacey Song, [stacey.song@cooley.com](mailto:stacey.song@cooley.com), (212) 479-6820 or Selin Akkan, [selin.akkan@cooley.com](mailto:selin.akkan@cooley.com), (650) 843-5076.

Respectfully submitted,

Stacey Song and Selin Akkan