

Sirs,

As a financial advisor dealing with a wide range of people, both high net worth individuals and those with less than accredited investor status, it has become more frustrating over the years to see investments which would be appropriate for many of my clients only be available to a few.

I am well aware of the risks in many hedge funds, not the least of which is the inability to accurately determine how much risk they are accepting in return for the level of returns they generate. However there are many funds that give excellent returns in the process of lowering the clients risk level to a minimum. Many of these funds are not investing exclusively in derivatives or various exotic strategies, but simply are buying everyday securities that anyone could buy through a mutual fund, but use short selling and a small amount of derivatives to lower the risk in their fund and at the same time increase returns.

It seems to me that we are in an age of wide spread general acceptance of the role equities play in most investor's portfolios. Combined with the move by those of us in the investing community who try to properly diversify portfolios to lower the risk to our clients, raising investor net worth minimums decreases our ability to properly diversify the risk in our clients portfolios, to the detriment of the investing public. The proposed rule is simply taking away many low correlated assets from a larger number of people.

The real truth is, many investors with less than accredited investor status today are far more sophisticated than accredited investors twenty years ago. Between the media and the internet, there is very little information that an astute but not necessarily wealthy investor cannot avail themselves of.

It seems that this is a case of throwing the baby out with the bath water. There are certainly many funds in the hedge fund universe that should not be invested in except by those with an extremely high level of sophistication. But there are many more funds which do deliver on the promise of lower volatility with reasonable returns, in a way that mutual funds, for many reasons, can not duplicate.

I would think you should be able to find a better way to control those hedge funds which take high amounts of risk, as well as protecting those investors who need protecting, without removing the best chance that many investors have to lower their portfolio risk through low correlated investments. It is my hope that you can find a way to monitor the hedge fund industry and control those funds taking large amounts of undisclosed risk, rather than penalize those investors who often need exposure to the types of investments only currently available in hedge funds.

Thank you for your time,

James Miller