



STATE OF CONNECTICUT
DEPARTMENT OF BANKING

260 CONSTITUTION PLAZA • HARTFORD, CT 06103-1800



Howard F. Pitkin
Commissioner

VIA ELECTRONIC MAIL
rule-comments@sec.gov

March 8, 2007

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

Re: File Number S7-25-06
Comments on Release No. 33-8766; IA-2576, Prohibition of Fraud by Advisers to
Certain Pooled Investment Vehicles; Accredited Investors in Certain Private
Investment Vehicles

Dear Ms. Morris:

As Banking Commissioner of the State of Connecticut, which is home to a significant number of hedge funds, I wish to commend the Commission on raising a number of important regulatory issues concerning hedge funds and other pooled investment vehicles. In particular, I believe that enhancing the Commission's antifraud authority to protect investors in pooled investment vehicles is a laudable goal.

My comments herein focus on the Commission's proposal to require that accredited investors in Section 3(c)(1) funds be "super-accredited" while leaving the Regulation D non-accredited criteria unchanged. Some would argue that this approach does not address concerns with the retailization of hedge funds raised by state and local elected officials. In fact, the Commission remarked in the proposing release that "a decrease in accredited investors [attributable to the \$2.5 million investment holdings requirement] may result in either issuers reducing the number of offerings they make or increasing the number of non-accredited investors in their pools." Whether hedge funds would be deterred from taking the latter route due to additional disclosure requirements imposed by Regulation D for sales to non-accredited investors remains to be seen. Whether hedge funds should be precluded from selling to non-accredited investors or whether alternative investments should be available to a wider segment of the market are topics that should be further scrutinized in a collaborative manner at the federal and state levels.

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In my view, the proposal's investment holdings test is more meaningful than the net worth and income measures that currently define "accredited investor" status for Regulation D purposes because the investment holdings test considers the impact of inflation and does not include residential real estate. However, the proposal's \$2.5 million threshold may be too high. Consideration should be given to reducing the \$2.5 million investment holdings requirement to \$1 million to minimize any adverse effect on existing hedge fund investors. In the same vein, the Commission should consider applying a grandfather provision to Rules 216 and 509 to allow existing hedge fund investors to continue to purchase shares in the fund.

Ultimately, while the proposal represents an incremental step in addressing hedge fund concerns, a truly effective regulatory approach would require consistency, uniformity and the input of federal, state and international regulatory bodies.

Very truly yours,

A handwritten signature in black ink, appearing to read "Howard F. Pitkin", with a long horizontal flourish extending to the right.

Howard F. Pitkin
Banking Commissioner