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March 8, 2007

Ms. Nancy M Morris
Secretary
Securities and Exchange Commission
100F Street, NE
Washington, DC 20549-5041

Re: File No. S7-25-06; Prohibition of Fraud by Advisers to Certain Pooled Investment Vehicles; Accredited Investors in Certain Private Investment Vehicles

Dear Ms. Morris,

I recently sat down and read the full text of file No. S7-25-06, Prohibition of Fraud by Advisers to Certain Pooled Investment Vehicles; Accredited Investors in Certain Private Investment Vehicles, and felt compelled to voice my thoughts.

I have been in or around the securities industry my entire career, first overseas with a Japanese regional bank, then here in the US with Goldman Sachs and now at my own Chicago based software firm, Backstop Solutions Group. In making a career out of servicing large and small managers of mutual funds, hedge funds, funds of funds, private equity, real estate and venture capital funds, I have seen, heard, and learned first hand a great deal about the pros and cons of both public and private investment vehicles. Further, given the size of the financial services industry and the complexity of the products it sells, I can appreciate the Commission's desire to provide protection to all consumers of those products. However, I have to say I believe the Commission is taking the wrong approach with this proposal.

I have no qualms with the first half of the proposal to prohibit advisers from making false or misleading statements. Indeed, it seems to me you would be hard pressed to find many people who would disagree with such a rule. My concern is with the proposal to erect new barriers to entry for would-be investors in pooled investment funds.

Creating rules that further restrict access to financial products that are designed to reduce risk and curb volatility is, in a word, absurd. I find it hard to believe that the investment portfolio of the average individual is better off today – let alone twenty years from now – devoid of exposure to alternative asset classes. In fact, I believe you should be lowering, not raising the minimum acceptable wealth requirements for individuals. Myriad studies demonstrate the positive impact alternative asset allocations have on the long term health and performance of a portfolio. I don't understand how our nation is better off by limiting direct access to these products to 1.5% of the population.

In the proposal, you assert that the creation of the "accredited natural person" category would "help ensure that investors in these types of funds are capable of evaluating and

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bearing the risks of their investments." One could make a valid argument that many individual (and institutional) investors, whether they're investing $2,500 or $25,000,000, don't understand the inherent risks associated with index or mutual funds. What makes the SEC think that a person's ability to evaluate and bear the risks of investment decisions is directly tied to the thickness of his wallet?

As I see it, regulators should be more worried about preventing criminals and fraudsters from getting into business in the first place than they are about the number of zeros an investor has in his bank account. If what keeps you awake at night is the worry that somebody's grandmother is going to get ripped off by a bad guy selling interests in a hedge fund looking to scoop up ocean front property in South Dakota, then you should focus on finding the bad guy. I think the first half of the proposal can help in this regard. If, however, you're waking up worried that somebody's grandma can't comprehend the difference between a mutual fund and a hedge fund because she's not a multi-millionaire then, I have to say I believe the proposal is completely off base.

Based on many products and services readily available today, it appears the Commission isn't overly concerned about average investors fiddling with risky options – not to mention margin based long and short positions – in their online brokerage accounts. Ultimately, many of the strategies individual investors are attempting to use are similar (if not identical) to those employed by sophisticated professionals. I see absolutely no reason why the Commission should not be comfortable having individual investors place their money with managers who get paid to monitor and control risk.

I believe in order to provide investors the highest level of protection the Commission should expend more energy looking into the backgrounds of the people seeking to create privately held pooled investment partnerships, not the people interested in investing in them. You have my sympathies and my support for any decision that helps level the playing field for all investors. However, I believe that to discriminate against 98% of the American public is, well, un-American.

Sincerely,

Jeremie J. Bacon

Jeremie Bacon
President, CEO
Backstop Solutions Group, LLC