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CHARLES T. WINGO

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CHAIRMAN'S CORRESPONDENCE UNIT

February 14, 2007

The Honorable Christopher Cox
Chairman
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-2001

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OFFICE OF THE SECRETARY

Dear Chairman Cox:

During the past several weeks, there have been a large number of press reports saying that the SEC is contemplating raising the net-worth income requirements for hedge fund investors to $2.5 million. As a middle-class American, who invested in a conservative, intelligently run hedge fund, managed by a close personal friend, I urge you and your fellow commissioners not to do so. When I made my investment, I could not have met the proposed requirement, even after adjusting for inflation.

My investment in this hedge fund has paid off extremely well. In the fourteen years I have held my investment in this fund, my returns have averaged, year-by-year, approximately 14.7%. This investment permits me to enjoy a much more comfortable retirement than I otherwise would be able to have.

At the time I made my investment in this fund, I was not an accredited investor in the terms SEC Regulation D. However, I had an MBA from the University of Virginia, Graduate School of Business Administration and considerable knowledge of financial markets and was able to evaluate various investment opportunities. When I made my investment in this hedge fund, I was working in the information technology field and supporting businesses in the financial industry. Through my work, I gained even more knowledge and understanding of investment opportunities and risks.

A high net-worth does not, in and of itself, define a sophisticated investor. For example, consider an actor who may inherit $2,500,000 from his, or her, parents. The actor, very possibly, has absolutely no knowledge at all of finance and the financial market. He or she may not even be able to reconcile, his or her, check book. Yet, under this proposed standard, he or she is viewed as a qualified investor. Yes, he or she, can buy good advice, but how will he or she be able to recognize it? Many high net-worth investors fall prey to all sorts of foolish schemes sold by leading financial institutions.

In contrast to the actor, consider a recent graduate from a leading business school, or law school. In the course of their work, they analyze and evaluate companies and transactions valued in the millions of dollars. Because of, he or she, being out of school for a short time, he or she, has not had the opportunity to amass a large net-worth. Under the current rules, he or she could invest in a hedge fund. This person, while not having the net-worth, is very capable of intelligently evaluating the risks and rewards on a hedge fund investment, and reaping the same, or better, long-term rewards that I have. He or she, may make a good income, but most likely earns far less than the $200,000 per year defined by the proposed change.

The enactment of the proposed changes in the net-worth and income requirements will have the following negative, long-term effects. They will:

- Dramatically reduce the economic freedom of many middle-class Americans.
- Seriously inhibit many middle-class Americans in providing for their retirements, by preventing them from investing in vehicles that deliver superior long-term results.
- Seriously injure many smaller, well-managed, conservative hedge funds.
- Make it nearly impossible for entrepreneurs, to start well-managed funds whose objectives are to deliver higher returns to their investors.
- Seriously damage small business people everywhere in the country.

Therefore, I strongly urge you and your fellow commissioners not to enact these changes, and leave the current net-worth and income requirements as they are.

Thank you for your kind attention.

Sincerely,

Charles T. Wingo

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