To:	rule-comments@sec.gov	From:	Michael Upton, Investor
Re:	File Number S7-25-06	Date:	March 2, 2007

I find the SEC's proposed new rules noted above changing the standard for being considered a "sophisticated," accredited natural investor to be both alarming and shameful. Instead, I urge leaving the current standard unchanged.

These are several reasons that should be considered for leaving "well enough alone":

1. Wealth, alone, has only some bearing on whether a person is sophisticated or not. How is it that a dunce on Monday is somehow sophisticated on Wednesday because he/she won a $5 million lottery (or received on inheritance) on Tuesday?

2. The proposal unfairly focuses on protecting natural investors from the SEC's concerns about hedge funds – without adequately emphasizing in the early part of the proposal how the (proposed) changed criteria would also preclude 95% of currently-accredited investors from further investing in subsequent private-placement opportunities, like pooled real estate, equipment leasing, energy, venture capital, etc.

   As the SEC is concerned about the huge sizes and limited disclosures of hedge funds, they should do something about that problem – like capping the size of these funds and requiring additional disclosures, but not by "throwing the (private-placement) baby out with the bathwater." Is the real reason that the SEC is over-reaching to make their job easier? If so, this is shameful.

3. No investor should be over-weighted in illiquid investments. However, there are solid reasons for having, perhaps, 30% of one's portfolio invested in illiquid, pooled private placements – especially in retirement. These reasons include:

   - Pass-through of the investment's tax benefits to the investors,
   - Greater distribution potential by saving the cost to an investment for being daily traded, and
   - Less capital and market risks by having the pooled funds to purchase either more diversified assets or better quality assets - or both, than an individual alone would be able to accomplish.

   How does getting, perhaps, a 3% taxable dividend from liquid stocks "better protect" a retiree who could get, perhaps, 9%, largely tax-sheltered distributions from a private placement investment? It doesn't!

4. While raising the standard should make the SEC's job easier – and also increase the IRS' tax collections, a serious harm comes from disenfranchising, perhaps,

95% of the natural persons who can currently invest in pooled, private-placement investments – investments that contribute to the U.S.'s economic stability, job creation, energy supply, etc.

Given that governments are operating at huge deficits, who is going to invest the funds needed to address critical sectors - if such non-liquid investments are excluded from one's net worth? No one! This is alarming.

5. Even though I consider myself to be a sophisticated investor – evidenced by having an eight-figure net worth, having had several security licenses, being a previous owner of a broker/dealer, etc., I would not qualify as being sophisticated under the proposed new standards – because I do not have $2.5 million in liquid assets. My investments, instead – for the benefits noted above, are largely in private-placement-type, hard-asset investments – which include stock holdings, energy assets and real estate used in business. I like this diversification. I do not want to be "protected" from myself.

6. The SEC's proposed new standard, I feel, is yet another government-orchestrated scheme to re-direct funds to shore-up America's traded markets – to, thereby, delay the implosion of these markets as the baby boomers start to retire, now that the government's earlier scheme to grow these markets (by motivating people to re-finance their homes) has run its course.

Herein lies more shame for the SEC's self-serving agenda. I fear these actions by the SEC a lot more than I fear making my own decisions.