

9 March 2007

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

**File Number S7-25-06: Accredited Investors in Certain Private Investment Vehicles**

Dear Ms. Morris:

We are members of the general partner of a hedge fund established in 2005. As with many of our peers, we are concerned about the limitations a new definition of "accredited investor" would place on our ability to assist our clients in fulfilling their investment objectives.

In the Proposed Rule, the SEC seeks to raise the minimum level of net worth required to invest in private investment vehicles such as ours. We believe this is an unfair burden on our entrepreneurial venture and will have the unfortunate effect of reducing the number of excellent investment choices available to investors. It will further likely destroy the growth a very important and productive industry to the US economy. This cannot be in the best interests of the investors or our country. It certainly does not serve to protect sophisticated investors. On the contrary, it tells many sophisticated investors that they are not sophisticated because they are not among most wealthy in the country. Net worth is hardly the only criterion that determines one's sophistication.

From our perspective, it is unclear how excluding access to the highest quality portfolio managers and investment vehicles to all but the most wealthy serves the SEC's objective of protecting investors. It is no secret that hedge funds are attracting the best portfolio managers, due to the ability to earn performance fees under the hedge fund structure. How could it possibly be in the best interest of our country to only allow the very rich access to these managers? Does the SEC really want to be responsible for making the income and wealth distribution in this country even more skewed towards the very wealthy?

There needs to be a way for investors who are sophisticated enough to understand and are willing to accept the risk to be able to invest in hedge funds. While in principle we support the idea that only sophisticated investors should be involved in private investment vehicles, we note that many investment vehicles, such as mutual funds, have increasingly complex investment strategies and techniques. There is no logical reason for the SEC to single out this class of investment vehicles as being unfit for the public at large. Moreover, the exception for certain Venture Capital investments is inconsistent with the objective of investor protection: many Venture Capital investments are highly illiquid and volatile, oftentimes much more so than many hedge fund strategies. Our global macro strategy, for example,

predominantly invests in highly liquid securities. We have a level of flexibility and liquidity that is unmatched by Venture Capital vehicles.

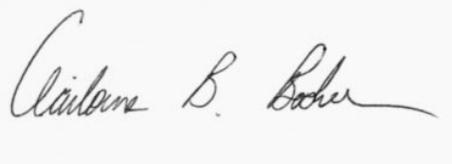
We ask that SEC not change its net worth requirements, but instead make net worth one possible criterion among several objective measures of sophistication, including a college degree, a minimum of ten years of business experience, and ten years of investing experience. With a more complete range of criteria to define sophistication, the SEC would be serving investors, the hedge fund industry, and our country much better. If an investor could attest to any one of these, they should qualify as a sophisticated investor.

We think the current proposal would be a major step backwards for the SEC in terms of protecting and serving investors. It would shrink the hedge fund industry substantially and would have a substantial negative impact on the economy. It would create a backlash among current hedge fund investors who would likely be excluded by the rule change. It would publicly acknowledge a level of inflation in what defines a wealthy investor that would be shocking and potentially destructive to the financial markets.

Instead of merely increasing the net worth requirement, the SEC could take this opportunity to make hedge fund market available to more sophisticated investors rather than fewer by redefining the criteria for a sophisticated investor along the lines we have suggested above and allow the industry to continue to grow responsibly for the benefit of investors and the growth of our economy.

We believe this is the best way to ensure a broad array of investment strategies and vehicles for individuals and institutions.

Yours very truly,  
Crescat Partners LLC

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Claiborne B. Booker  
Partner

A handwritten signature in black ink, appearing to read "Kevin C. Smith". The signature is more stylized and less legible than the one above, with a prominent horizontal stroke.

Kevin C. Smith  
Partner