March 12, 2007

Securities and Exchange Commission
100F Street, NE
Washington D. C., 20549-1090

Mr. Chairman & Commissioners,

Thank you for once again providing the public with the opportunity to address such important reform packages as this particular one is. In the development of securities laws there must be careful consideration for investor rights weighed against the focused activities in the growth and formation of our capital markets. When the two mandates by Congress clash in principle, it is imperative that the Commission takes into consideration the views off all involved in order to come to the proper conclusions in the rule making process.

This particular proposal set before the public for comment addresses the concerns of the Commission that more and more of the investing public, unsophisticated investing public, are investing in the risky investing pools called "hedge funds". The Commission has elected to propose protecting the "unsophisticated investors" by simply raising the financial bar for which the general public can become an investor in such an investment strategy.

In my opinion the Commission staff missed the mark with this proposal. In fact to put it into an analogy, this Commission proposal is an equivalent attempt at stopping armed robberies by attempting to remove the ability to use of a getaway car in the act of the robbery.

As has been pointed out in many different comments already submitted to the SEC, investor sophistication does not come simply with the financial well being of such an individual. If wealth and intelligence were related we would not be experiencing so many hedge fund investors being ripped off in very simple "ponzi schemes" set up by the fund managers. Some of the investors defrauded in these schemes being the very financial institutions and the professionals that work these capital markets. Not withstanding, the wealthy investors who are being ripped off still expect the Commission to dedicate limited resources on getting their investment back despite the lack of regulatory oversight of these funds.

The Commission staff should remove the blinders and open their eyes to the realities of present day markets. Focus should be to pinpoint the root causes to investor abuses and attack those issues instead of such diversionary tactics, as this proposal appears to take.

In my opinion, the Commission should stop playing politics and start playing regulator.

Hedge funds can be a godsend and hedge funds can be the death of our capital markets. The outcome our future brings is all in the way the Commission chooses to properly monitor and evaluate this investment class.

With so many financial institutions, mutual funds, and pension funds investing in these investment pools, literally every investor is likely to have a portion of their portfolio invested in a hedge fund. Thus to raise the minimum qualifications of an individual investor is a regulatory "smoke and mirrors" and a waste of time. How well will this even be managed without oversight and auditing of the funds?

Question: What is the root issue the Commission is attempting to resolve?

Most believe that the Commission is attempting to limit the harm to the investing public that hedge funds can create. If that is the case, the Commission needs to specifically address how hedge funds impact our capital markets, where all invest, and not limit the reforms to simply who can invest in a hedge fund, as they are polar opposites.

For example, limiting those who invest in a hedge fund does not address the real issue of the hedge fund ponzi scheme. News articles revealing SEC and federal authority investigations have been on the rise lately as hedge fund ponzi schemes are routinely being exposed. Would such limitations provided under this proposal have prevented:

1. International Management Associates. International was reported by the SEC as a $15 Million ponzi scheme

2. KL Group Fund, LLC, KL Financial Group Florida, LLC, KL Financial Group DB Fund, LLC, KL Financial Group DC Fund, LLC, KL Financial Group IR Fund, LLC and KL Triangulum Group Fund, LLC (collectively "the Funds"), the unregistered hedge fund investment advisers, K.L. Group, LLC, KL Florida, LLC and KL Triangulum Management, LLC (collectively "the Advisers") was a collective group of funds responsible for a $181 Million ponzi scheme over a period from 1999 to present according to the SEC.

3. Bayou Hedge Fund has been reported as a $300 Million ponzi scheme by federal authorities.

4. Daedalus Capital Relative Fund I was a $7 Million ponzi scheme according to the SEC.

5. Cornerstone Capital Management was a hedge fund fraudulently reporting returns to investors.

6. Global Crown Capital LLC and Cogent Capital Management are accused of fraudulent reporting and hiding losses from investors.

Or any of the dozens of other such Ponzi Schemes?

Hundreds of millions of dollars even billions of dollars in hedge fund exploitation took place and yet the root issue that allowed this to take place. It was not who invested that caused such losses it was the lack of regulations requiring hedge fund audits and hedge fund accounting standards. Those root issues are not being addressed in this or any other proposal set forth by the Commission. In fact, highlighting the illegality of a hedge fund manager falsifying documents is moot if such documents do not come under an audit. Without such accountability the Commission can ONLY be reactionary to fraud and not preventative.

The other area in which hedge funds impact the average investor is with regards to the conflicts of interest between the revenues these funds bring to Wall Street and the levels of fraud the Wall Street firms are willing to accept to maintain this revenue flow. Again this reform package, raising minimum investor wealth levels, will have zero impact on addressing this problem.

The Commission is presenting accelerating their investigations into so-called insider trading schemes involving hedge funds. We have already seen several cases come before the commission where hedge funds were provided confidential information and traded off that information in violation to securities laws.

Again the examples:

On March 2, 2007 CNBC's Jim Cramer publicly stated on his blog that hedge funds create rumors based on lies to move certain markets. Cramer claimed that the lies are used to create panic and fear when a hedge fund had to move or cover a position. Cramer would comment ***"On days like today when I was short, I would come in with a lot of firepower and try to blast things down at 2:45. I wasn't alone. We were never organized, but we did get the call from the trading desks that other guys were torpedoing the tape."*** Cramer identified that "torpedo" was the industry term for what was transpiring.

But Cramer did not stop there moving his stories to CNBC where he stated on the show that ***"When you are a bear you try and knock the stock down, you pick up the phone and make calls and say blah blah blah, Star is going out of business, and blah blah blah, Mack is filing for bankruptcy. It is very easy to spread those rumors. Is it illegal? When your firm is on the line you tend to do questionable things."***

The following week Jim Cramer followed up his commentary on both his blog and his TV show to chronicle an actual raid orchestrated off the fraud.

On Tuesday March 6, 2007 Cramer, started out today by blogging ***"Obviously they are about to raid the financials." Followed with "the next thing to do is try to wreck and rumor down a particular subprime mortgage company, just hit the wires and take one down."***

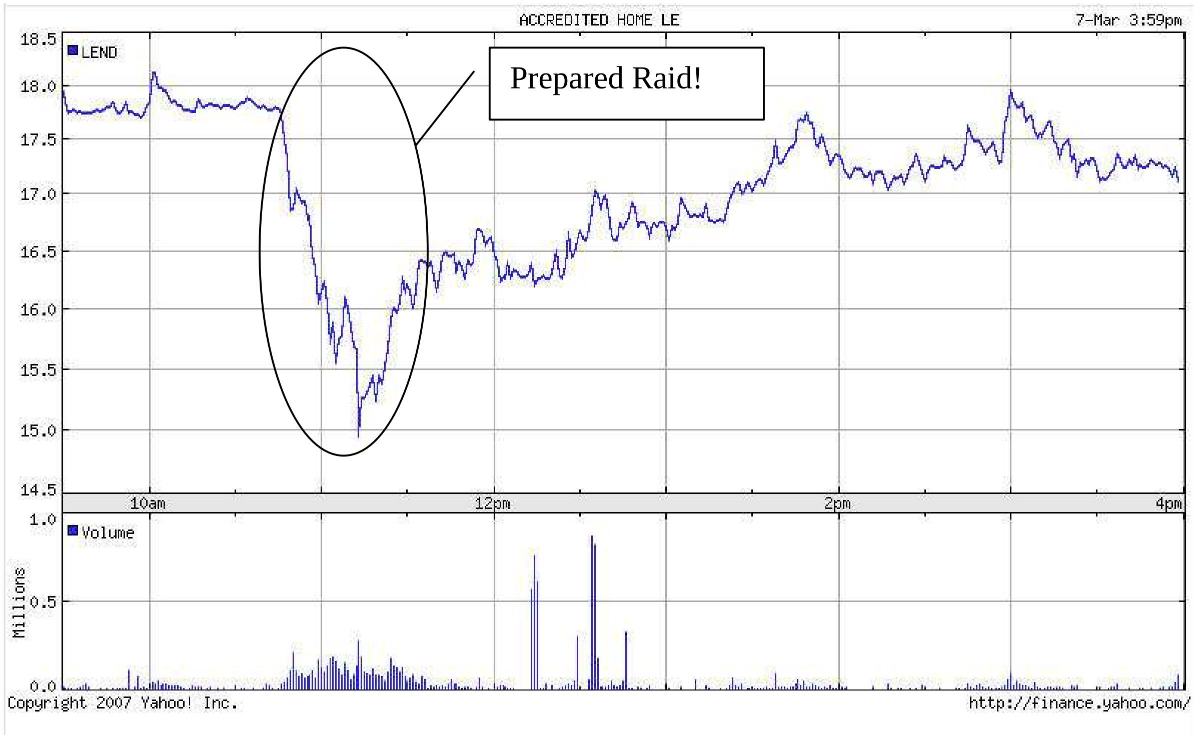
At this point Cramer has not yet identified the subprime mortgage company but was sure a raid was imminent. It was 11:18 a.m.

Jim followed up this blog with a second and a third comment where Jim's premonitions of Frida*y****, "It is very easy to spread those rumors" started.*** By 11:24 Cramer posted on his blog **"the bears are operating today on LEND. Fun to watch as LEND will be silent".** LEND was Accredited and Cramer was documenting what he saw was a bear raid orchestrated in a fashion he was well accustom to as a hedge fund manager himself.

At 3:19 p.m., Cramer was blogging about the scheme used to decimate LEND shareholders. Cramer claims that through first hand contacts he received, the rumors surrounding LEND started with, **"*they spread the story that there was an FBI raid on the place and then that second curve was liquidating."***

Jim blogged ***"these are all lies --but the hardball the shorts are playing is unbelievable."*** Only to follow up by blogging ***"with more hedge funds than ever, there are more lies than ever. If you can't handle a blatant lie about your stock and want to buy more, my suggestion: sell it."***

Did the lies introduced directly into the trading market have any influence on the market in LEND on that day? You be the judge.



LEND has 25 Million shares issued and outstanding. At $18.00/share the market capitalization in this company is near $500 Million. According to recent insider holding information, institutions and mutual funds hold institutions and mutual funds hold 106% of the total shares issued and 138% of the public float. Clearly there is a very large short position reported in this stock.

Any illegal raid by those short sellers (hedge funds) would have a direct impact on the funds that hold this security. It would also have a direct impact on any individual investor who holds the mutual fund or owns the shares outright.

For the record, the raid in this chart shows a $3.00/share drop in the market [$75 Million market cap loss] in a span of 15 minutes.

Now it is not the drop and the subsequent run up on buying that identifies the total fraud created in this raid. Consider that if those that had to cover had to do so without the benefit of a fraudulent raid, the $18.00 stock may have been $19.00 of $20.00 and would not have closed at over 10 million shares trading below $17.00. When shorts enter a market they cap upside momentum and without fraud, when shorts cover upward momentum would again occur. But when fraud creates a new baseline, the investor becomes injured twice.

But after Jim released this Wall Street trading information to the public he followed it up with additional insight based on personal experience. On Friday March 9, 2007 Jim Cramer restated stated on CNBC that ***“Bears plant stories in the media”*** identifying these bears as hedge funds. Again, talking about the near future of the financials markets, Cramer stated that the financial sector will ***"take a beating at the hands and the manipulation of the short sellers".***

If true, former hedge fund manager Jim Cramer is presenting to the members of the regulatory community the keys to how hedge funds impact our markets and every investor that trades these markets. Will the Commission have the integrity to investigate these issues or simply provide the window dressing we have seen take place over the years.

The financial sector is going to be manipulated at the hands of hedge funds? How many individual investors own Goldman Sachs, Bear Stearns, and Lehman? Is it acceptable that these investors are being defrauded by hedge funds without actually being an investor in a hedge fund? Will the rules you propose solve this growing problem?

Then there are the issues about hedge fund activists.

Earlier this week hedge fund activist David Einhorn resigned from position of board director of New Century Financial (NEW). Einhorn resigned after less than a year of service in which New Century lost a significant amount of market capitalization and after New Century came under SEC and Federal investigations.

Einhorn had harassed New Century executives and board members both publicly and privately over their business operations and forced the company to position him in a spot as a board member for the company. News of Einhorn taking on this position was seen positively while the year's long public harassment by Einhorn created market losses in the security as the negativity this hedge fund created had on the market was apparent.

Einhorn's desires impacted all involved in this stock and not just the hedge fund investors.

With the resignation of Einhorn from this board in less than a year the act illustrates the short-term objectives of the hedge funds. Einhorn had distracted the board and company executives from their responsibilities for years yet, when put into position to create change he bailed at the first sign of trouble. Einhorn was looking at his investment first the corporation and fellow shareholders second. This type of short-term interest is something most executives and most investors do not believe in. Providing such activists the power without the commitment again impacts all investors because they only look for the short term and leave trails of destruction behind them when the funds choose to move on.

Ironically, New Century became listed on the Regulation SHO threshold security list just weeks before this collapse took place. In late December, with trading taking place near $35.00/share the stock became attacked by the bear's. Soon settlement failures ratcheted up created excessive short sellers and, by default, excessive long shareholders holding the $35.00 security. Only weeks later the news broke and the collapse started.

At the time of this memo, the stock is trading near $1.70/share revealing a $33.00 profit on those fails executed only months earlier. Who knew about this collapse ahead of time? Did hedge funds obtain inside information and sell into the market excessive shares that created future losses to unsuspecting investors? If so, if the hedge funds benefited at the expense of the general investing public, how does this proposed rule change prevent future occurrences of that problem?

David Einhorn is not alone as an activist with more pomp than circumstance either.

Only recently former SEC Chairman Richard Breeden became an activist publicly threatening the executives of Applebee's over their most recent performances. Breeden demanded board seats and, after Applebee's provided him with a position he refused. Instead Breeden wants full board control despite his commitment to make this a long-term interest on behalf of all investors of Applebee's.

When Breeden has decided his profits are at their peak he will just as easily move on past Applebee's and this board responsibility leaving the company and shareholders to deal with the results of such negativity. Imagine the headlines when the board Breeden proposes suddenly leaves.

To conclude, the investing public has seen beyond your smoke and mirrors. We are seeing that the actions being taken by the SEC are simply window dressings intended to manipulate our minds into believing that the efforts of the Commission are in sync with the largest population of investors (middle class America).   This reform package is a perfect example of that.

For once I actually agree with Jim Chanos. Let him keep his investors that would otherwise fall below the proposed minimum threshold levels the Commission is proposing here. Instead of focusing on the threshold levels, focus on the real root issues on how hedge funds injure the investing public. Address the "ponzi schemes", market manipulation schemes, and insider trading rituals that impact all investors regardless of their participation in these funds.

The Commission should take actions against the robber with the gun and not the storeowner that simply carried the inventory the robber wanted.

I have provided each member of this staff with a recorded audio in which regulators were identified in a conference call aiding in the acts of fraud. Those acts involved hedge funds and involved our prime banks violating securities laws to please such clients. Instead of addressing these issues you propose this garbage.

Transcripts of the opening dialogue in that audio come from the General Counsel of a prominent prime broker and he states:

"To give you that brief introduction in Reg SHO, the history (of) how we got to where we are today. For the past few years we have been hearing from many different regulators *regarding their concerns about the* increase in the level of fails *that they are seeing. They believe, and they have stated on numerous occasions, that one of the primary causes of the* high level of fails *was that various participants in the short sale process, prime brokers, executing brokers, clients, were not following already established rules."*

Who are the clients that are being referenced here and if they are the hedge funds we now speak of, what does this proposed rule change due for the average investor outside of restrict them from obtaining the same special privileges seen by the wealthy? If the market is to be rigged for these players, why does the Commission propose to restrict more and more investors from playing on the rigged side of the fence?

I urge you to shut your doors from SIFMA and their lobbying capital and begin the process Congress requested of you when they appointed each of you to such ranking positions.

Begin protecting the investing public by getting to the root issues that harm the general public and deal with them conclusively. If you do not, our capital markets will disintegrate as quickly as they developed. The Internet is as much your enemy as your friend and it can be easily seen how a lack of investor confidence is spiraling through the Internet. Thousands of investors go to their computers daily and blog about how much they distrust this Commission.

That is something you cannot control so deal with what you can. Gain their confidence by getting out of the politics and into the protection.

As always thank you for this opportunity to respond,

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