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April 14, 2003

VIA FEDERAL EXPRESS

Mr. Jonathan G. Katz
Secretary
United States Securities and Exchange Commission
450 Fifth Street, NW
Washington, DC 20549

Re: Release Nos. IC-25925, IA-2107, File No. S7-03-03

Dear Mr. Katz:

Consistent with a number of philosophical points set forth in the Commission's recent release referred to above, I founded a firm approximately 27 months ago which has been focused on providing pro-active compliance and operational support services to a small group of hedge funds and their managers. We believe that a solid, pro-active compliance and operational infrastructure is in the best interests of investors, and therefore in the best interests of hedge fund sponsors.

On a daily basis, we work with our manager clients (made up of both SEC-registered and exempt advisors) to ensure that a solid compliance infrastructure, based upon written manuals and procedures, is: (1) properly built; (2) regularly monitored and adhered to; and (3) regularly reported on and documented in writing. A sound, functioning compliance program that provides useful feedback about a manager's activity has two practical benefits. First, it gives investors confidence that managers are working within the scope of their investment mandate and the law. Second, it frees advisers to focus energy and resources in achieving investment returns. Although investors should care greatly about a manager's compliance infrastructure, investment performance was the overwhelmingly most important consideration for investors. Notwithstanding the focus on investment returns, the events of the past couple of years have shown us that when both of these goals are not achieved, investors tend to become dissatisfied and dissatisfied investors tend to express their displeasure by "voting with their feet" (i.e., through redemptions), or worse, suffer losses. It is clearly in the best interests of investors and the industry as a whole to make sure that every effort is made to ensure that investors are totally satisfied from all angles.

We believe that widespread adherence to the Commission's proposed rules[1] will serve to strengthen the industry that we are very proud to be a small part of. In fact, our firm has grown because managers are beginning to recognize the multifaceted benefits of strong compliance regimes and have been, in effect, "adhering" to the tenets of the proposed rules for quite some time.

One issue that we noted in both the release and in some of the comment letters that we have reviewed (especially those submitted by smaller firms) is the concern related to the costs of expanding a compliance infrastructure (including the costs associated with adopting written compliance procedures and arranging for annual compliance reviews). Notwithstanding the possible appearance of our self-interest (as we are in the business of providing compliance support services), we believe that the Commission should expand the "soft dollar" safe harbor of Section 28(e) of the Securities and Exchange Act of 1934, as amended, to allow for the payment of *compliance-related* expenses. Although, advisers and hedge fund managers are free to go "outside" the soft dollar safe harbor to work with soft dollar brokers to pay for such expenses (provided that such services are clearly disclosed to investors and advisory clients in ADVs and offering documents), the overwhelming majority of our clients make what we believe is the wise business decision to limit their use of soft dollars to those enumerated in the safe harbor. We believe that the rationale for the original design of the scope of the safe harbor (i.e., that better research and brokerage services that are obtained consistent with a duty to seek best execution provides value to investors and is in their best interests) is furthered by expanding the safe harbor to cover compliance-related expenses, helping smaller firms especially adopt the compliance infrastructures that the Commission correctly believes are needed to ensure that investors' interests are best served.

Please feel free to contact me at (212) 515-2800 to discuss the comment raised in this letter.

Sincerely,

William G. Mulligan
Chairman & CEO

/lmc

[1] New Rule 38a-1 under the Investment Company Act of 1940, as amended, and New Rule 206(4)-7 under the Investment Advisers Act of 1940, as amended.