

Dear Madam or Sir,

In response to the SEC's (and other agencies') request for comments on the proposed rules to implement section 956 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, we respectfully submit the following. Our company, Optcapital, specializes in optimizing incentive compensation. We are a 13-year old firm and administer \$4 billion of incentive compensation, primarily for hedge fund managers. Since the 2008 economic collapse, we have worked almost exclusively with institutional investors, such as state and corporate pensions, to design investment manager compensation that achieves true economic alignment. Our work has focused on incentive compensation for not only hedge fund managers, but private equity managers and long-only managers as well.

Mr. Frank, a co-sponsor of this Act, articulated the compensation reform goal in a CNBC interview on July 9, 2009 (see link here:

<http://www.cnbc.com/id/15840232?play=1&video=1198001818>). Mr. Frank said compensation should be equity-based, rewards and risks should be shared proportionately, and compensation should be clawed back in the event of poor performance. Simply put, compensation should be at risk during the performance period and reflect the value created.

As applied to investment management, the manager's incentive compensation should be measured and crystallized at the end of the performance period. For many decades Congress has recognized that fair market value stock options, properly designed and operated, do just that. Almost all US public corporations use FMV options to reward senior executives for long-term value creation. In 2008 Congress reaffirmed its approval of the use of FMV options for incentivizing investment managers. It added Section 457A to the Internal Revenue Code, stopping the practice of "banking" incentive compensation and tax-deferring it. Congress explicitly exempted FMV options. FMV options are not banked until they are exercised. Consequently, FMV options provide for cumulative profit sharing, or a proportionate sharing of rewards and risks over the life of the investment. Such cumulative profit sharing also means that there is an inherent claw back against the manager's compensation in the event of losses.

The attached article, authored by one of the foremost experts on executive compensation, echoes the appeal of FMV options as a way to optimize incentive compensation and avoid the pitfalls of the short-termism of the prevailing annual banking model.

Sincerely,

Rick Ehrhart
President and CEO
Optcompanies
200 S College St
16th Floor
Charlotte, NC 28202

Please follow the link below to an important disclaimer.

<http://www.optcapital.com/optcompaniesdisclaimer.php>

Copyrighted material redacted. Author cites:

Earle, James E. "Compensating Hedge Fund Managers with Stock Options: A New Path to Alignment of Interests with Investors." *Benefits Law Journal* Vol 23, No. 3, Autumn 2010: 80-93. Print.