



September 22, 2008

Senate Committee On Finance  
219 Dirksen Senate Office Building  
Washington, DC 20510-6200

Dear Chairman Baucus and Ranking Member Grassley:

We write in regards to your amendment to H.R. 6049, a bill to extend expiring tax provisions.

Your amendment has only one offset, the elimination of offshore deferred compensation. Even though we have opposed this proposal, we have worked closely with your staff as well as staff from the Ways & Means and Joint Tax committees to ensure that it be prospective only and not retroactively penalize existing agreements and arrangements.

We are concerned that the deferred compensation proposal in your amendment continues to impact many existing agreements in a retroactive manner.

The current language of the bill, while grandfathering in existing deferred compensation plans, does not provide transitional relief to existing "side-pocket arrangements." Side-pocket arrangements are contractual agreements involving illiquid or hard-to-value assets that are accounted for separately from the rest of an investment fund until the assets' values can be realized. The lack of a transitional rule could force a restructuring and unwinding of these side pocket arrangements long before the underlying assets are ready for sale, adversely impacting all investors who participate in these arrangements, be they an employee of the fund, or more importantly, public investors of the fund (e.g., pension funds, etc).

We worked in good faith with your staff on a narrowly-drawn transitional rule that is completely consistent with the generic transitional rules laid out in the bill and also consistent with ending any new deferred compensation for hedge fund managers. For that reason, we are somewhat dismayed that our rule was not included in your amendment.

In light of the above, we ask that you please reconsider this issue and modify your amendment to ensure that this \$25-billion-revenue-raising proposal is truly prospective in nature. Thank you for your consideration.

Sincerely,

Marc Charon  
Executive Vice President and C.O.O.