

MOHICAN

FINANCIAL MANAGEMENT

21 Railroad Ave., Suite 35 Cooperstown, NY 13326

[REDACTED]

[REDACTED]

September 26, 2008

Florence A. Harmon, Acting Secretary
Secretary, Securities and Exchange Commission
File # S7-24-08
100 F Street, NE
Washington, DC 20549

Dear Ms. Harmon

I'm writing to impress upon you as strongly and urgently as possible that any extension you consider to the short-sale ban ordered in SEC Release No. 34-58592 should exempt short-sale hedging in stocks for investors of convertible securities of the same company.

The subject release states in the final sentence of its preamble: "This emergency action should prevent short selling from being used to drive down the share prices of issuers even where there is no fundamental basis for a price decline other than general market conditions."

The temporary orders contained in the release make no distinction between (a) a short-sale bet that share price will decline and (b) a short sale that hedges a long position. Convertible arbitrage is totally dependent on a market that enables securities transactions of the latter type. The price of a convertible security is sharply sensitive to the ability of an arbitrageur to buy the convertible and partially short the stock of the same company, resulting in a net long position in the securities of the company. The price of the stock is stabilized by these arbitrageurs, who adjust their hedge by selling when the stock rises sharply and buying back when the stock drops sharply.

The orders have caused a decline in prices of convertible securities that is directly contrary to the SEC intention quoted above. This decline, over and above general market factors, has effectively shut down the convertibles market and halted issuance of the bonds as a source of capital. It is unnecessarily hurting issuers, investors, managers and

counterparties. This results from failing to distinguish a net long position in securities of a company from a short sale of one security of the company.

The present orders have mistakenly created a serious problem in convertible securities that can be easily corrected by exempting short-sale hedges from any continuing ban on short sales. The SEC should take this action to remove a market distortion created by its orders and to restore market pricing of convertible securities. In doing so the SEC would more genuinely pursue its stated purpose in writing these temporary orders.

Now for the human element. Mohican is an investment management firm of seven professionals with a combined 100 years of business experience. We manage two funds we founded with just our own hard earned savings and two accounts for other firms, all in the convertible arbitrage strategy. We attract capital from domestic and foreign investors, invest that capital to support American industry, and spend profits in an economically struggling rural part of Upstate New York. We have been in business for six years and our business has grown steadily as investors have gradually gained confidence in our firm. In a time when government should be doing everything right to revive markets, we rely on you to help keep us in business.

A handwritten signature in dark ink, appearing to read "Eric Hage", with a long horizontal flourish extending to the right.

Eric C. Hage
Chief Investment Officer

Cc: Lynn J. Taylor, Assistant Secretary