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Wednesday, September 18, 2013

Ms. Mary Jo White, Chair
U.S Securities and Exchange Commission.
100 F Street NE
Washington, DC 20549-1090

Subject: **Executive Compensation vs. Median Wage - Normalizing Big & Small Businesses**

Dear Chair White:

Normalizing for business size would increase the value of disclosing the ratio of a company's CEO's compensation to their median worker compensation.

In an independent study done by Mentor Capital, we determined that on average for a large number of companies, the CEO compensation doubled (2x) when the business increased by a factor of ten (10x).

If normalization is not pursued, the results will generally just say that small companies pay CEOs well, medium companies pay more and large companies pay the most because they are bigger.

With normalizing, assuming equal median compensation, the following CEOs all have equal pay:

$200,000 with 100 employees
$400,000 with 1,000 employees
$800,000 with 10,000 employees

The final result could relatively easily be that 100% of public CEOs would have a simple, informative disclosure statement that says, for example :

"CEO Smith's compensation is 15x the median worker compensation of XYZ, Inc. which means, after adjusting for company size, he is paid 90% of the average ratio of all public company CEOs. "

By using the average ratio from the preceding year, and making the simple normalizing comparison, investors will be easily able to spot true excesses of executive compensation (eg 250% = Bad, 90% = Good). However, depending upon company size, 15x could be Good or Bad.

Sincerely,
Δ MENTOR CAPITAL, INC.

Chet Billingsley