



UNITED CHURCH
FOUNDATION

April 5, 2006

DONALD C. HART
President

Nancy M. Morris
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-9303

NELSON R. MURPHY
Director of
Education and
Marketing

Re: File Number S7-03-06

TZVI BAR-SHAI
Controller

Dear Ms. Morris:

STEPHEN C. MILLIAN
Director of
Administration

I am writing on behalf of the United Church Foundation, Inc., an associated ministry of the United Church of Christ (UCC), that provides asset management and other financial services to the church. The United Church Foundation manages over \$600 million in assets held for local churches, conferences, covenanted ministries, colleges, seminaries and other UCC-related entities. As faith-based institutional investors the United Church Foundation strongly believes that improved disclosure practices are a key part of restoring investor confidence in America's capital markets. As a necessary part of restoring that trust, I write to commend the SEC for its efforts to increase transparency and clarity in compensation disclosure, and offer comment on ways we believe the rule can be improved.

Specifically, we support the following proposed changes to the Commission's disclosure rule:

- The inclusion of a new **Compensation Discussion and Analysis (CDA)** section.
- The inclusion of **Total Compensation Figures** and a dollar value for all stock-based awards, measured at grant date fair value in accordance with FAS 123R in the Summary Compensation Table.
- The reorganization of **Executive Compensation** into three categories: compensation over the last three years; holdings of outstanding equity-related interests received as compensation, and, retirement plan and other post-employment payments and benefits.
- The inclusion of supplemental tables to report grants of performance-based awards and grants of all other equity awards.
- We also agree with the Commission's proposal that companies disclose the number of shares pledged as collateral for any loans taken by a corporation's directors and its five highest-paid officers. Executives increasingly use company stock as collateral for personal loans or to minimize paying income taxes. We agree that such pledges have the potential to influence directors' and management's performance and decisions and should be disclosed to shareholders.

In addition, we respectfully suggest that the Commission consider the following enhancements to its proposed compensation disclosure rule:

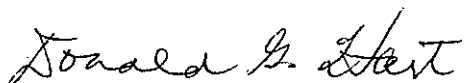
- We strongly support the proposal under which the disclosure will be considered "filed" with the Commission as opposed to the current "furnished" status. We agree that CEO's and CFO's should be responsible for the report under the certification requirements of the Sarbanes-Oxley Act. However, we further suggest

that the Compensation Discussion and Analysis report should also be signed by the Compensation Committee so that its members are also responsible for the information disclosed.

- Remove the \$10,000 minimum threshold before requiring disclosure of executive perquisites. While the proposed rule is a significant improvement in that it would reduce the reporting threshold from \$50,000 to \$10,000 and it would provide interpretive guidance for determining what a perquisite is, we believe that having a \$10,000 minimum threshold would allow companies to continue to avoid disclosure of inappropriate perquisites. The small monetary value of inappropriate perquisites can belie their significance. Inappropriate perquisites, even in small dollar amounts, can be an indicator that there are larger problems with governance of a company. Disclosure of all perquisites will help minimize abuses.
- Require disclosure of all related-person transactions. The Commission's proposal to increase the minimum threshold for reporting related-person transactions from \$60,000 to \$120,000 will exclude smaller transactions that in total may be material enough to warrant shareholder concern. We suggest that the Commission require disclosure of all related-person transactions and not set a minimum threshold. Any related-person transaction could be potentially problematic, and could be indicative of nepotism. Transactions could be listed in tabular form in descending dollar order.
- We suggest that the Commission retain the performance graph that is available to shareholders under current rules. Information that is helpful to shareholders and that should remain as disclosed include: five-year performance graph, ten-year option repricing table, and the percent of total options granted column in the Grants of All Other Equity Awards table.
- As investors, we are concerned about pay-for-performance and excessive executive compensation that can reduce our overall returns. In the Commission's proposed rule, companies are not required to disclose target levels with respect to specific quantitative or qualitative performance related facts involving confidential business information. Disclosure should be provided regarding performance targets, whether executives have met these performance targets, whether there have been any downward revisions made after the fact to performance targets and what amount of executive compensation is contingent upon achieving performance targets. Peer group comparisons should be provided. Companies who do not utilize peer group comparisons should be required to report the reasons that such peer group comparisons have not been used.

The United Church Foundation appreciates the Commission's efforts and your willingness to listen to our comments about this critical disclosure and corporate governance matter.

Very Truly Yours,



Donald G. Hart
President