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Consortium, LLC

April 6, 2006

Via Internet Comment Form

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

Re: File Number S7-03-06;
Proposed Amendments to Requirements for
Executive Compensation and Related Party
Disclosure

Dear Ms. Morris:

This letter sets forth the comments of 3C-Compensation Consulting Consortium, which is related to the proposed rules under Item 407(e) concerning compensation consultants.

3C is based in Chicago and Pittsburgh and has four partners, each with over 15 years of compensation consulting experience. 3C's partners previously worked for Frederic W. Cook & Co., HayGroup, Sibson, and Buck Consultants. 3C only consults on compensation issues. One of the reasons we formed 3C is that many large consulting firms have diversified into retirement consulting and human resource outsourcing-areas we believe represent a conflict of interest with compensation advice.

Consulting firms are typically organized around a client relationship manager, or CRM. The CRM's pay is largely based on the amount of revenue generated by the clients they manage. Many consulting firms (Hewitt, Towers Perrin, Watson Wyatt, Mercer, Segal) receive large retirement and outsourcing fees and also provide executive compensation advice to these same clients. We think CRM's in these firms might try to put pressure on compensation consultants to keep the client by providing generous executive pay recommendations rather than risk losing other business.

Firms that provide executive compensation advice should not be engaged in any other consulting activity with the company. The SEC should require executive compensation consultants to be completely independent and require executive

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compensation consultants to fully disclose any other business they have with the company.

There are many examples of these conflicts of interest, but one recent story by New York Times reporter Gretchen Morgenstern (3/18/06) stood out. The article discusses an excessive tax gross-up golden parachute payment for North Fork Bank that was apparently developed by the same consulting firm that receives more than $1 million in annual fees for retirement consulting advice.

It has been well documented how accounting firms expanded into IT consulting (Enron, WorldCom etc.) and how this may have encouraged them to keep the client happy and endorse flawed accounting practices, rather than risk losing lucrative IT work.

The executive compensation consultant should work directly for the compensation committee and the role of the CEO and VP of Human Resources in the executive compensation process should be limited. Warren Buffett's recent shareholder letter (March 2006) comments on this:

> "Too often, executive compensation in the U.S. is ridiculously out of line with performance. That won't change, moreover, because the deck is stacked against investors when it comes to the CEO's pay. The upshot is that a mediocre-or-worse CEO – aided by his handpicked VP of human relations and a consultant from the ever-accommodating firm of Ratchet, Ratchet and Bingo – all too often receives gobs of money from an ill-designed compensation arrangement."
>
> *Warren Buffett's 2005 letter to Berkshire Hathaway shareholders*

3C does not want to be part of Ratchet, Ratchet and Bingo. We have not pushed reload options or excessive perks like others have. We believe that the SEC should work for greater executive compensation disclosure in the proxy statement and especially identify conflicts of interest that may make consultants less than independent.

Sincerely,

Mark M. Reilly
Partner