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

File Number S7-03-06: Proposed Executive Compensation Disclosure Requirements

Ladies and Gentlemen:

"Ratchet, Rachet and Bingo" is the corporate name that Warren Buffet has jokingly assigned to a mythical compensation consulting firm which, over the last two decades, has conspired with top corporate executives to create the enormous compensation and benefit increases the Commission now proposes to expose in its revised proxy statement disclosure requirements.

The truly unfortunate thing about this particular "gag line" is that the title actually provides a strikingly accurate description of the process that has been, and is being, used to create these huge increases. Even worse, however, it suggests a major potential weakness in the particular corrective action the SEC is now recommending.

Instead of restraining the expansion of executive entitlement growth by giving shareholders a "shock and awe" exposure to the grand total "bingo" payout numbers that corporate managements have been generating for themselves, the end result might just be the opposite. The problem I see in this approach is that, by focusing shareholder attention on an entirely new set of even more awesome ***future*** compensation disclosure numbers, they may well be distracted from giving an appropriate amount of attention to an even more important element of the current problem. That is: the grossly inappropriate role that deceitful proxy statement slight-of-hand "racheting" practices have played in creating the current--but soon to be outdated--outrageous executive compensation totals. The real danger is that the "old" outrageous numbers may actually start to look almost reasonable by comparison. In this way, by essentially "institutionalizing" (and thereby legitimizing) a new and even higher "competitive" standard based on what "everybody else is paying," an additional ***upward*** pressure on pay and benefits could actually be generated.

There is also another possible flaw in the Commission's restraint-building plan. CEOs have not shown themselves to be at all reluctant to disclose their current levels of compensation, and there is no reason to believe that they will ever become too embarrassed to continue to do so in the future, no matter how much they may increase. If this is the case, the newly tightened SEC disclosure requirements would simply amount to a classic case of "locking the barn door" on the existing compensation baseline after the "farm animals" have not only already eaten their fill from the corporate "trough," but they also have insured that the "feast" will continue for as long as they live (i.e., in "retirement").

Expecting shareholders to encourage the company whose shares they own to become first in line to *decrease* the compensation provided for "their" CEO is entirely unrealistic. This is a huge, long term problem that simply cannot be effectively addressed by shareholders on a company-by-company basis. Like it or not, it has reached a point where it can only be approached as a ***regulatory*** matter--certainly not by either expecting or permitting the Commission to set executive pay scales, but rather by initiating an aggressive enforcement initiative under the statutory mandate the Commission received in the Securities Exchange Act of 1934.

The SEC needs to begin imposing *an appropriate level of accountability*--under Proxy Rule 14a-9(a)--for the deceitful communication practices that repeatedly have been used to deny shareholders the level of information that would have been necessary to fully understand the long term consequences of the compensation and benefit plan modifications they were being called upon to consider. As shown in Exhibit C, this rule specifically prohibits the use of material omissions or deceptions in conjunction with proxy solicitations.

Even more to the point, the same top executives who both originated and proposed many of these modifications for shareholder approval have routinely enjoyed unrestricted access to confidential strategic forward operating plans which provided a clear view of the eventual financial consequences of their recommendations. Using nonpublic information in this manner to create a personal financial gain, while at the same time restricting shareholder access to information that was necessary for making an informed decision, is a particularly reprehensible and prohibited form of "***insider dealing***."

If the Commission's proposed new disclosure standards are not accompanied by a vigorous enforcement action directed against abuses of this kind, those same standards could actually become a disservice to the investing public in still another way. The fact is, it is impossible to gain a truly meaningful understanding of the sheer magnitude of the changes that the "ratchet, ratchet and bingo" strategy has produced unless the total dollar amount of compensation and benefit payments can be viewed against a historical background which shows, not simply where we are today, but even more importantly, what an extremely short time it has taken to get there. The Commission's proposed disclosure does not currently require corporations to reveal compensation and benefit growth against a framework that shows this longer term perspective.

To illustrate the full extent of the increases that have been occurring in corporations all across America (as well as the manner in which they were created) I have enclosed the two detailed overviews that are identified as Exhibits A and B. The proxy statement disclosures they describe show that the direct compensation paid to the company's top executives during the covered time period ***increased by almost 5, 000 percent***. Projected lifetime pension benefit entitlements ***increased by 15,000 percent*** during the same 23-year time span. (Stock options, restricted stock grants, health care, deferred compensation, perks, severance in the event of certain types of separation and other types of tax free benefits and assistance are not reflected in these examples.)

It is time to start seriously questioning whether these gains came from competition or collusion.

Even gigantic total payout numbers (like those the Commission's proposed ***future*** disclosure requirements can be expected to produce) will be only marginally useful to shareholders--unless they can be evaluated in comparison to what top corporate executives were being paid as recently as the start of "restructuring" initiatives in the early 1980s. As these examples show, when the numbers are presented in this way, the changes become truly startling. Shareholders are entitled to see exactly how and why these enormous increases in executive compensation have been occurring at precisely the same time "global competitiveness" considerations were supposedly having such a vastly different impact on so many other company employees. It is particularly ironic that the only place corporate executives seem willing to tolerate grossly noncompetitive practices is in the area of executive pay.

For years, shareholders have been literally bombarded with self-serving management communications aimed at both explaining and justifying this extraordinary run-up in both direct compensation, and even more importantly, in skyrocketing lifetime pension benefit entitlements. Considering the current level of shareholder "numbness" regarding proxy statement disclosures in general, and the cumulative effect of the "global competitiveness" drumbeat that has been used to justify essentially any change management chooses to make, there is essentially nothing they can or will be able to do about it--based solely on their own initiatives--within the realities of current proxy voting procedures. The only really appropriate way to fix a problem like this is to give shareholders an opportunity to fundamentally reconsider the decisions they previously were required to make, but this time, to do so on the basis of complete rather than misleading information.

When these well-recognized "runaway" executive compensation practices degenerate to the point where they start to provide good "gag lines" for luncheon speeches, the time surely has arrived for the government agency responsible for protecting shareholder interests to do something more than simply insure that they are being told exactly how many dollars are being siphoned away from the operating revenues and benefit plan trust funds of America's largest corporations.

I know this is an extremely complex problem reflecting the convergence of a variety of technological, legal and political developments. It is not difficult to understand that it has taken a good deal of time to even recognize, much less respond effectively to the challenges that have come with them. It is precisely because the problem has persisted for so long that the solution at this point requires such a truly extraordinary regulatory response.

That response, in my opinion at least, is entirely justified. If the present executive compensation abuses are not halted soon, the massive transfer of wealth and power that the "Ratchet, Ratchet and BINGO" scam is causing will irrevocably alter the entire political, social and economic structure of this country.

Sincerely,

Robert W. Hartnagel

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Dallas, Texas

CASE EXAMPLE -- FROM ACTUAL PROXY STATEMENT DISCLOSURES: **EXHIBIT A**

HOW--AND WHY--EXECUTIVE PENSIONS HAVE "SKYROCKETED"

Recovery percentage: 35 vs. 45 yrs.	Year	Projected CEO final 5-yr. earnings base
	2004	$ 4,155,500
	2003	4,460,600
	2002	3,554,333
	2001	4,403,300
	2000	4,293,000
	1999	3,451,000
	1998	3,270,000
	1997	2,709,583
67 / 86 %	1996	1,088,183
	1995	1,246,677
	1994	1,498,750
	1993	973,500
	1992	1,498,750
	1991	2,064,833
	1990	883,333
	1989	793,333
	1988	721,667
54 / 73 %	1987	658,333
	1986	135,933
	1985	166,413
	1984	154,919
25 %	1983	154,919
	1982	143,544
	1981	92,335
	1980	85,000

Modifications to salaried employee pension plans and key changes in proxy statement disclosure practices

KEY POINT: The projected five-year earnings base used to calculate CEO pension benefits **increased 4,771 percent** between 1980 and 2004; (or, from **$85,000** in 1980 to **$4,155,500** in 2004). At the same time this expansion was occurring, the "recovery formula" (i.e., the percentage of total compensation which is paid as a pension benefit) was increased from a "capped" maximum benefit amount of $110,000 to an "uncapped" 86 % percent of the compensation base shown here. As identified below the timing and nature of proxy statement disclosures prevented shareholders from identifying, until long after proposed benefit plan changes had been authorized, the full consequences of the changes they had been called upon to approve. Those consequences are identified in Exhibit B:

The omission of data reflecting both the annual dollar amount of bonus awards granted, and the specific number of individuals receiving them, served to conceal the fact that a that a fifty percent reduction in bonus eligible personnel was not accompanied by a commensurate reduction in the total aggregate amount of bonus compensation being distributed to "surviving" executives.

From 1996 forward, proxy statements disclosed only compensation data for the five top executive officers. At no time since 1988 has any proxy statement disclosed the total aggregate dollar amount of annual bonus awards granted to the entire bonus eligible group.

As described in detail in Exhibit B, from 1992 to the present, the number of bonus recipients has been described in terms of generalized projections or approximations, rather than the actual number of individuals who received bonuses in each succeeding year. An "alternative formula" was added in 1991 to permit annual incentive compensation to be included in executive pension benefit accruals.

In 1990, benefit "recovery" formulas were increased sixteen percent. To even detect that this change had occurred, shareholders were required to perform their own math calculations on data contained in statistical tables in two separate proxy statements.

In 1986, a $110,000 "cap" on executive pensions was eliminated--without any explanation to shareholders of the expected consequences of this change. At the same time, the pension "recovery" percentages shown in proxy statement tables were also increased. These changes had the immediate effect of ***tripling*** the benefit amount payable to executives with salaries above $110,000. While this "cap" elimination was accomplished by inserting just 12 words in the middle of a single paragraph in a 38-page proxy statement, it represented a dramatic departure from the incremental increases which had occurred in prior years, and essentially amounted to a total abandonment of the "welfare benefit" character of the Salaried Employee Retirement Benefit Plan as it pertained to upper level management. Instead, this benefit plan has been fundamentally altered into a highly lucrative, ***lifetime, deferred compensation plan*** for top level executives.

Note: Proxy Statements also reflect the following: "The Board has delegated to the Committee discretionary authority to grant additional eligible years of credited service to selected key executives under such terms and conditions as the Committee shall determine for purposes of computing regular and alternative forms of (pension benefits) for such executives."

CASE EXAMPLE -- FROM ACTUAL PROXY STATEMENT DISCLOSURES: **EXHIBIT B**

HOW HIGH HAVE EXECUTIVE PENSIONS "SKYROCKETED?"

Projected "recovery" Percentage: 35 vs. 45 yrs.	Year	CEO compensation for pension calculation	Projected CEO pension benefits: 35 years of service	% increase from base year	45 years of service	% increase from base year
	2004	$ 4,155,500	$ 2,784,500	+12,062 %	$ 3,573,730	+15,482 %
	2003	4,460,600	2,988,602	+12,947 %	3,836.116	+16,618 %
	2002	3,554,333	2,381,403	+10,316 %	3,056,726	+13,242 %
	2001	4,403,300	2,950,210	+12,780 %	3,786,838	+16,405 %
	2000	4,293,000	2,876,310	+12,460 %	3,691,980	+15,994 %
	1999	3,451,000	2,310,170	+10,008 %	2,967,860	+12,857 %
	1998	3,270,000	2,190,900	+9,495 %	2,812,220	+12,183 %
	1997	2,709,583	1,815,420	+7,864 %	2,330,241	+10,095 %
67 / 86 %	1996	1,088,183	729,082	+3,158 %	935,837	+4,054 %
	1995	1,246,677	855,273	+3,705 %	1,072,142	+4,644 %
	1994	1,498,750	1,004,162	+4,350 %	1,288,925	+5,583 %
	1993	973,500	652,245	+2,825 %	837,210	+3,626 %
	1992	1,498,750	1,004,162	+4,350 %	1,288,925	+5,583 %
	1991	2,064,833	1,383,438	+5,993 %	1,775,756	+3,626 %
	1990	883,333	476,999	+2,066 %	644,833	+5,583 %
	1989	793.333	428,399	+1,855 %	579,133	+2,508 %
54 / 73 %	1988	721,667	389,700	+1,688 %	526,816	+2,282 %
	1987	658,333	658,333	+2,852 %	480,583	+2,081 %
	1986	135,933	73,403	+317 %	99,231	+429 %
	1985	166,413	41,603	+180 %		
	1984	154,919	38,729	+167 %		
25 %	1983	154,919	38,729	+167 %		
	1982	143,544	35,886	+155 %		
BASE YEAR	1981	92,335	23,083	(Commencement of "restructuring" initiatives)		
	1980	$ 85,000	21,250			

Before 1980, all salaried employee pensions were capped at $85,000. The cap was raised to $110,000 in 1980.

Exhibit C

General Rules and Regulations promulgated under the Securities Exchange Act of 1934

Rule 14a-9 -- False or Misleading Statements

a. No solicitation subject to this regulation shall be made by means of any proxy statement, form of proxy, notice of meeting or other communication, written or oral, containing any statement which, at the time and in the light of the circumstances under which it is made, is false or misleading with respect to any material fact, or which omits to state any material fact necessary in order to make the statements therein not false or misleading or necessary to correct any statement in any earlier communication with respect to the solicitation of a proxy for the same meeting or subject matter which has become false or misleading.