379

April 4, 2006

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

Re: File Number S7-03-06

Dear Ms. Morris:

Having headed the compensation consulting practice of a large consulting firm and having served as an independent advisor to several compensation committees of Fortune 500 firms, the following represent my own personal views and comments on the proposed amendments to the executive compensation disclosure requirements.

First, regarding the proposed CD&A, some of my clients seem pretty concerned about the "filed, not furnished" aspect of the new proposal, so the new rules really have their attention. In response, however, some are fuzzing up this year's compensation committee report to be less precise (To give an example, I told one client that it seemed they were going backwards in openness in this year's compensation committee report, but the attorneys encouraged them to go with a broad statement, rather than state the actual facts). So, I worry that next year's CD&A will be even fuzzier unless the SEC mandates some very specific points to be covered. That is why I strongly support the need for specific required disclosures in the CD&A.

Those disclosures should address, in particular, the committee's actions with respect to how the Committee evaluates pay for performance and internal pay equity. It has been my experience and that of other consultants that when boards are presented with tally sheet numbers that reveal large surprises, after an initial "holy cow" reaction, often nothing is done to change or redress unintended amounts. If compensation committees were required to disclose to shareholders whether they focused on pay for performance and internal pay equity and what actions they took if they found elements of their CEOs compensation that had gotten out of line, shareholders would finally have the kind of disclosure that would be meaningful in getting to whether a compensation committee is fulfilling its obligations to shareholders.

An equally important disclosure that compensation committees should be required to address in the CD&A is whether, and how, the committee factored in already accumulated equity gains, when (a) taking actions on future equity grants and (b) reviewing retirement and severance and change in control arrangements and setting limits and offsets to take into account accumulated gains. These are areas where CEO compensation has gotten out of line and where boards have generally not acted to reverse past mistakes and unexpected outcomes. Shareholders should be provided this information in order to asses the compensation committee's actions with respect to the most troublesome areas of executive compensation. Without these specific required disclosures, I fear that the disclosures in the CD&A will not be very helpful because skilled lawyers will be able to continue to fudge with generalities that are, in fact, not very useful to shareholders.

The following are additional comments and suggestions:

- Require two Summary Compensation Tables (SCT's) that identify "target pay" in one SCT and "realized pay" in a second SCT.

- Require disclosure of the actuarial value of the pension at yearend, even if a lump sum is not permitted.

- Require that the initial accounting value for cash long term incentive plans (LTIP's) be reported in the SCT (as proposed, cash LTIP's are only reported when earned in the SCT). It appears the SEC mistakenly believes that these awards do not have an accounting grant date value since they are not covered under FAS 123R.

  - If the SCT reflects the grant date value of equity and earned awards under a cash LTIP, the proposed rules may cause a bias towards cash plans in years where a company wants to show total compensation decreased in the SCT and equity awards in years when they don't mind reporting an increase in total compensation.

  - Alternatively, require that performance shares be reported in the SCT when earned.

- Require tabular disclosure of termination payments and other income.

  - The SEC should clarify if termination payments include the accelerated value of equity awards and other cash incentives in the calculation.

- Consider requiring a "rollup" of the wealth accumulation tables. As proposed, there will be tables disclosing Outstanding Equity Awards at Yearend, Option Exercises and Stock Vested, Retirement Plan Potential Annual Payments, and Nonqualified Defined Contribution Balances.

  - The Summary Compensation Table does a reasonable job arriving at a single number for Total Compensation.

  - Investors would also be interested in a single wealth accumulation amount.

  - Some of the tables noted above should also have a total column.

- Clarify how performance shares are to be reported in the Outstanding Equity Awards at Yearend table.

  - Should the target, maximum or likely value be reported?

  - If maximum value has to be reported, it will potentially motivate the use of time vested restricted stock over performance shares.

- Require disclosure of the lost tax benefit under Section 162(m). I believe millions of dollars of lost tax deductions is material to the shareholders' understanding of the company's compensation policy.

- Personal use of corporate aircraft should be based on retail value. Incremental cost is far too vague. For example:
  - Are "deadhead" costs part of incremental cost (even though they do not provide a personal benefit to the executive)?
  - If the CEO's spouse "hitch hikes" on the CEO's business trip, is there an incremental cost? There is certainly a personal benefit.
- Require that the Compensation Committee opine on the fairness of the compensation paid. It seems to me the best way to address shareholders' concern about getting directors to take action when things seem out of line is to require that they affirm that they believe that the compensation earned is reasonable and appropriate (and why they believe it).

Thank you for the opportunity to submit the above.

Very truly yours,

Anonymous