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April 10, 2006

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

Re: Proposed Rules - File S7-03-06

Dear Ms. Morris,

Thank you for the opportunity to comment on the new proposed rules on Executive Compensation and Related Party Disclosure.

I believe compensation is a public statement of what's important. It is an important signal to shareholders, employees and other corporate constituents about what is truly valued inside the organization. And appropriate and transparent disclosure is vitally important in building a bridge of trust between management, board, shareholders and all stakeholders.

The SEC is to be commended for its fine work in this proposal.

Enclosed are my comments, suggestions and recommendations.

Many thanks again for the opportunity to comment. If you have any questions, please let me know.

With best regards,
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<u>Compensation Discussion and Analysis</u>

1. It is important that the CD&A be reflective of and responsive to the business realities which the SEC encourages be outlined in the company's publicly available MD&A. To that end, the SEC should:

- Encourage the CD&A to explicitly address "the key performance indicators" outlined in the MD&A -"both financial and non financial" - that "management uses to manage the business and that would be material to investors" -- and how the compensation programs provide appropriate incentives to management with respect to these key performance indicators. This discussion could include why certain indicators are used in compensation, which are not used, and why.

- Encourage the CD&A to explicitly address "the known trends, events, demands, commitments and uncertainties" outlined in the MD&A "that are reasonably likely to have a material impact on financial condition or operating performance" and how the compensation program addresses these issues. Which of these issues is management held accountable for under the compensation plan, if any, and why? Which not and why?

- Encourage the CD&A to explicitly address "the quality and potential variability of earnings and cash flow" outlined in the MD&A and how the compensation program addresses this variability and its impact on management -- or, if it doesn't, why it doesn't.

- Encourage the CD&A to explicitly address the "economic and industry wide factors relevant to the company" outlined in the MD&A and how the compensation program addresses these trends in terms of its incentives of management. What is considered and how?

- Encourage the CD&A to explicitly address "the material opportunities, challenges and risks such as those presented by known material trends and uncertainties on which the company's executives are most focused for both the short and long term as well as the actions they are taking to address these opportunities, challenges and risks" as outlined in the MD&A. The compensation discussion should address these areas of focus and whether and how the compensation program addresses each of them.

2. The SEC should also encourage the CD&A to be reflective of and responsive to a company's statements about vision, mission, ethics and values as outlined in its annual report, website and other publicly available communications - as well as its regulatory obligations. To that end, the SEC should encourage the CD&A to explicitly address how the compensation program addresses these issues. Are ethical lapses or breaches and regulatory enforcement actions factored into compensation decision making? Are issues related to corporate culture? To values associated with behavior to stakeholders? To the company's enterprise risk management system and system of internal controls? etc... How is this done?

3, In addition, the SEC should encourage a discussion in the CD&A covering not only the link between the business realities discussed in 1 and 2 above and how the compensation strategy supports them, but also that explicitly links each of the elements of compensation (salary, bonus etc) to its purpose in supporting corporate objectives. Historical performance targets as applicable should be provided for each element.

4. The SEC should encourage the CD&A to outline the process for compensation deliberations, whether a compensation consultant was used, who was used, the purpose for which the consultant was retained and the process undertaken related to the consultant's hire: who undertakes the first level of the screening process, the second level, etc. Other business conducted by the consultant for the company should also be disclosed.

5. Since compensation represents a component of corporate strategy in the retention and motivation of employees and management, the SEC should encourage the CD&A to discuss the risks associated with the compensation strategy employed and how the board intends to mitigate those risks. All compensation programs have risks of incenting behavior in a certain direction. Some empirical studies have demonstrated these risks. For example the risk of earnings manipulation. In other instances, there are other risks: for example multiple measures that generate confusion as to direction represent a risk. Other risks might include a tendency to focus short vs. long term, etc. In this regard, the SEC should encourage an assessment of the risks by the compensation committee for whatever compensation strategy is chosen and an outline of what they have done to strategically mitigate those risks so that the strategy employed does not have material adverse unintended consequences.

6. The CD&A should be signed by both the PEO and the PFO -- and by the compensation committee. The PEO and PFO should sign it with respect to the accuracy of the numbers presented and their appropriate inclusion in the financial statements as required by the accounting requirements. The compensation committee should sign with respect to the report on compensation and its philosophy, deliberations and determinations.

Reports of Compensation Data

1. The SEC has received many important and worthwhile comments with respect to the compensation data presentation. I concur with the views expressed that a separation between and an inclusion of both realized and future opportunity would be very helpful in adding clarity in reporting.

2. I believe historical trend information is critically important. My preference would be to see 5 years of data if possible. In no event, would I want to see the 3-year period shortened.

3. In my reviews of compensation proxy information I find (not infrequently) changes in reporting from the prior year. For example in 2004 perhaps the salary is listed as $500k for 2003; however, in 2005, the 2003 number may now be shown as $600k. I would encourage the SEC to at a minimum require a footnote in the 2005 report itself explaining that the numbers are different, what the different amounts are (i.e. now $600k and then $500k), and why they are different from the original reports.

4. You asked about a tabular format for change in control information. I would encourage both the narrative and tabular format for the change in control information, highlighting in the narrative the assumptions, which have been used in the tabular presentation.

Related Party Transactions

Since many workers and investors earn less than $60k annually, and many recognize the ability of individuals to be influenced by sums of that size or smaller, it seems appropriate to retain $60k as a reasonable threshold for reporting.