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Via Email

April 10, 2006

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

Re: FILE Number S7-03-06

Dear Ms. Morris:

This letter provides the comments of Compensia, Inc. in regards to the proposed amendments to the disclosure rules for executive and director compensation, related party transactions, and director independence.

Compensia, Inc. is an executive compensation consulting firm that provides advice and counsel to Compensation Committees and senior management. Our primary industry focus is the high technology sector, and our clients range from pre-IPO to Fortune 100. We currently serve the Compensation Committees of over 60 publicly-traded companies. Our partners are recognized as the most experienced executive and equity pay consultants in Silicon Valley.

Our comments follow:

1. *Item 402(b):* We support the proposed items in this section, although we strongly believe that the members of the Compensation Committee should continue to be required to sign their names to the Compensation Discussion and Analysis as their signature will more strongly heighten their personal accountability to ensuring executive pay decisions are made appropriately. It is our experience that Board members care deeply about "doing the right thing" and maintaining their personal and professional reputations. Further, if the Committee members do not sign, then it will be left to the PEO and PFO to certify the CD & A. This, by any reasonable standard, raises the perception of a conflict of interest.

2. *Item 402(c):* We agree that shareholders will be well served by companies quantifying the total compensation value for top executives. However, we believe that the proposed approach to disclosure, particularly as it relates to compensation plans and awards that last more than one year, dilutes the value of the Total Compensation column by combining compensation "opportunity" with compensation "delivered". We suggest that the Summary Compensation Table quantify the compensation "opportunity" for all compensation awards and programs lasting more than one year. The proposal as currently written provides for including the opportunity value for stock options, restricted stock and performance-based stock awards where vesting is based on a market condition by requiring disclosure of the "fair value" of the awards as calculated under FAS 123R. Instead of calculating "fair value" for performance-based stock awards where vesting is based on a performance condition and for cash-based long-term incentives under FAS 123R, companies must calculate an initial expected value of the grant in order to begin the accrual for the award. This expected value

should be the figure included in the summary compensation table. The details of the plans, for all types of awards, including descriptions of the awards, maximum numbers of shares and/or values possible under the awards and the actual value delivered under the plans should be disclosed in the supporting Grants of Performance-Based Awards Table and/or Grants of All Other Equity Awards Table.

3. *Item 402(f):* We suggest eliminating the proposed requirement of a narrative disclosure of up to three other employees who were not executive officers in the prior year. Disclosure of this information will often result in the exposure to competitors of important confidential information including the names, roles and compensation of key talent such as top salespersons, designers, and other creative talent. It will serve as "red meat" to executive search firms and corporate recruiters, while providing shareholders with little, if any, significantly relevant information. In short, it is likely to increase the risks of business and destroy shareholder value without providing material additional disclosure.

4. *Item 407(e)(3)(i)(B)(iii)*: We agree that it is appropriate for any consultant working with the Compensation Committee be identified. We suggest, however, that this be extended to include *all* advisors to the Committee. Specifically, many Committees currently use law firms as their advisors. As currently proposed, law firms/attorneys need not be identified. It also raises the question: who is or is not a "compensation consultant".

   Further to this section, the proposed disclosure requirement of identifying "any executive officer within the registrant the consultants contacted in carrying out their assignment" is overly broad. In most assignments related to executive, equity and Board pay, the consultant typically will speak with the PEO, PFO, Head of HR, and the General Counsel. We fail to see how this additional disclosure provides useful information, and it adds an unnecessary burden and increased cost for registrants.

   We further recommend that disclosure in this section include a statement of whether the compensation consultant/Committee advisor (including law firms):

   a. Is allowed to provide additional work for management that is separate from work commissioned by the Committee (e.g., broad salary studies, benefit design, HR outsourcing, etc.)
   b. Whether the consultant's firm derives any revenue from the Company (either directly or through the payment of "finder's fees") through the sale of products such as insurance, mutual funds, software and IT solutions, etc.;
   c. Whether any such additional work occurred in the prior year; and if so, the nature of this work and the compensation paid to the consultant/advisor for the last fiscal year. The form of this disclosure should be similar to that required by the registrant's auditor such that fees payable in the last fiscal year to the consultant/advisor for work done at the request of the Compensation Committee is compared to work done at the request of management. The fact is that many professional firms have a significant conflict in that the fees provided by work with the Compensation Committee are dwarfed by the fees paid by management for other services (e.g., benefits, HR outsourcing and administration, law fees, etc.)
   d. How long the consultant has worked with the Company;
   e. The number of Compensation Committee meetings the consultant attended the last fiscal year, and

f. Whether the consultant was involved with developing and/or reviewing the CD&A (and other compensation disclosures) in the proxy.

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We are pleased to have had this opportunity to share our views with the Commission, and we would be happy to discuss any of our suggestions with you.

Best regards,

Mark Edwards
Chairman & CEO