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April 7, 2006

Ms. Nancy M. Morris
Secretary
Securities and Exchange Commission
100 F St., 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 is in response to proposed amendments to the disclosure requirements for executive and director compensation, related party transactions, director independence and other corporate governance matters and security ownership of officers and directors. As a director with over twenty-five years of service on corporate boards and as a director of the National Association of Corporate Directors (NACD), I appreciate the opportunity to offer comments reflecting my thoughts as well as concerns raised by other members of the NACD.

The Commission is to be commended for its efforts to promote greater clarity and transparency through comprehensive revisions to the disclosure requirements, particularly as regards discussion of pay philosophy, disclosure of security ownership, simplification of Form 8-K and the use of *plain* English. These changes will contribute greatly to the ability of investors to make informed decisions and engage more fully in their rights of ownership.

However, there are several areas where we believe policy or language can be improved, strengthening the Commission's efforts to achieve greater clarity and transparency. Others have addressed concerns about valuation and assumption issues relative to executive compensation and we support many of the technical modifications to the proposed rule. Our focus will be on the disclosure of director compensation.

**Director Compensation Disclosure**

While we support increased transparency, we believe inclusion of earnings on cumulative deferred compensation (other than above-market preferential earnings) in an annual Summary Compensation Table is potentially misleading. The underlying account balances to which these increases or decreases relate may have been accumulated over many years, thus making their characterization as "annual compensation" problematic. Furthermore, the amounts contributed to those balances would have been previously reported as compensation.

In addition, there are several other reasons why disclosure of earnings on cumulative deferred compensation as proposed is problematic, stemming from differences between individual directors. Individual investment strategy may lead a director to defer greater or lesser amounts of compensation resulting in disparities in economic gain or loss, *not* annual compensation. Similarly, some directors may elect to use alternative notional investments while others may not. And finally, something as simple as tenure can skew reported "earnings" – the director with longer tenure who has made mandatory deferrals will have a greater accumulated base than a newer director. These concerns are particularly applicable to stock value accounts where volatility in underlying stock prices would distort, positively or negatively, annual compensation.

As an alternative to annual increases in stock valued accounts, the Commission might consider requiring disclosure of share ownership, including number of deferred stock units (in units, not dollars), in close proximity to the Summary Compensation Table. Coupled with an explanation that the stock unit account rises or falls directly with the stock price, this disclosure would help the reader understand the magnitude of the director's economic interest in the company while avoiding the issues noted above.

Finally, disclosure of policies affecting director compensation, mandatory stock purchase plans, and stock ownership or retention should be included in a narrative accompanying the director compensation tables. If directors are in effect required to convert their cash payments into buying company stock, this should be noted, as it is good news for shareholders.

The National Association of Corporate Directors is a strong proponent of full disclosure and the provisions of the proposed rule are consistent with NACD recommendations. The NACD has collected survey data on these points for more than a decade and published the findings of Blue Ribbon Commissions it has sponsored on both executive and director compensation. As co-chair of the BRC on Executive Compensation and the Role of the Compensation Committee in 2003, I would be pleased to discuss any questions you may have about these or other points and invite you to call me at 202-337-9100 if I can be of further assistance.

Sincerely,

Barbara Franklin

Barbara Hackman Franklin
Former U.S. Secretary of Commerce
Chair, Governance Committee
National Association of Corporate Directors