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June 29, 2012

The Honorable Mary Schapiro
Chairman
US Securities and Exchange Commission
100 F. Street, Washington, D.C. 20549

Re Section 953 (b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act. (CEO Pay Differential disclosures) **Revised Comment Letter**

Dear Chairman Schapiro,

We advise Institutional Investors, Boards and Management in the design of organization structure, Pay-for-Performance and talent management processes that drive longer-term shareholder value. To make wise investment decisions in U.S. listed companies, investors need disclosures that help them understand the investee company, its strategy, its risks and how the company is using management structure and compensation to drive the achievement of its stated strategy.

The CEO pay differential rule, if designed and implemented effectively, can do this. It can be easily accomplished if modified slightly from what is currently proposed. Our research on CEO pay differentials appears in a number of publications and presentations and provides empirical research about this topic and the value for shareholders and enhanced corporate governance.

Our research influenced Moody's in confirming the validity of that their policy in assessing the CEO pay differential at > 3X to the other Named Executive Officers as a Red Flag for CEO succession and corporate governance risk and for input into corporate credit rating risk down grade. Our empirical research on over 2000 U.S. listed companies in 2006 identified that the > 3 X Red Flag CEO total differential was a valid pay differential "Red Flag" . This research follows up on some 15 other related "Felt Fair Pay" compensation differential studies that have been conducted worldwide over the last 50 years.

The bottom line is all that investors need for effective analysis of possible material corporate governance, management structure and CEO succession risks at issuers is disclosure of the following and this is easily implemented:

1) CEO Total Pay (already provided in proxy)
2) CEO to median total pay differential to ALL 2nd layer role relationships
3) CEO to median total pay differential to ALL 3rd layer role relationships
4) Number of layers from the CEO to the Front line
5) For a Financial institution, the CEO Total Pay differential with the Chief Risk Officer

3001 North Rocky Point Drive East, Suite 200, PMB 2034, Tampa, Florida 33607
Tampa 813 600 5259 | Fax 813 908 0196 | Toronto 416 907 3832

These disclosures are easily calculated and would provide effective insight for investors into potential corporate governance and CEO succession planning risks as Moody's outlines in a number of their credit rating special comment white papers (2005, 2006, 2007 and 2008).

Empirical research has identified the following insights about these "Felt Fair Pay" compensation differentials.

First the "Felt Fair Pay" differential across EACH layer of value-adding management (called a Work Level) has been validated in the 2 to 3 X range. A pay differential greater than 3X indicates a structural and talent gap problem, which creates material risks for decision-making and delegation of authority in the enterprise. A total pay total differential that is too small, < 1.4 X, indicates an enterprise with over-layering and potential excess cost of management for shareholders. If this is evident throughout the enterprise then this overlaying could be creating both strategy execution risks and excess cost of management for shareholders due to such over layering and poor management structure design.

Applying the research and "Felt Fair Pay" principles, if the CEO to median of total pay differential to all 2nd layer role relationships is greater than 3X then this "Red Flags" a material risk related to corporate governance, delegation of authority, CEO succession and long-term enterprise continuity - all clearly material risks for shareholders. This CEO pay differential indicator correlates highly with an overly dominant CEO, possibility of failure to delegate authority, lack of CEO succession candidates in the 2nd layer, and weak corporate governance by the Board of Directors.

It is easy to overpay the 2nd layer of management and have a large CEO pay differential with the 3rd layer of management (the CEO role being the 1st layer of management down from the Board). It is the 3rd layer where their work, accountability and decision authority may be more operationally focused depending on the complexity of the enterprise and how many layers of management the firm has. This is why disclosing the number of layers and total number of managers in the enterprise is also important for shareholders.

A further check of CEO pay differentials is required for investors (equity and debt). If the CEO to median total pay differential to all 3rd layer role relationships is greater than 6.25 X then this further validates structural problems and CEO succession risks. This wide Pay Differential gap indicates a failure to provide effective delegation of authority in the management structure. As well, it is the 3rd layer of Management from which many next generation of CEO succession candidates usually are selected depending on the ages of the second layer incumbent talent pool.

Finally, if the issuer is a financial institution, disclosure of the CEO to Chief Risk Officer total pay differential can provide great insight and has been confirmed to us by a number of former Bank CEOs. Their view is if the Pay differential between the CEO to CRO roles is greater than 3X then this indicates the structure and authority of corporate risk function and caliber of executive leading such a critical function for shareholders is inadequate. To further this disclosure the CEO pay differential to the median of all role relationships in the 2nd layer of the corporate risk function would also be advocated by us for the benefit of investors.

Banks today disclose all their enterprise compensation through a compensation & benefits line item in their financial statement and along with a total-stock based compensation disclosure line item. Added together these create the banks total investment in structural and human capital, which we call Organizational Capital. With such a disclosure an investor can then calculate the banks Return on Organizational Capital (ROOC) calculated as NOPAT / Total Bank Compensation. The represents the shareholders performance and return on what has been invested in the structural and human capital of the enterprise. This can then be compared across peer banks to see the relative performance of structural and human capital productivity. A bank that overpays its CEO and top 200 – 300 + officers will have a lower Return On Organizational Capital compared to a bank who pays closer the median of the rest of banking industry. This disclosure is available for all banks today already in the USA.

All listed companies, like banks, should be required to provide breakout disclosures on total enterprise compensation costs as separate from SG&A costs and have this disclosed in either in their financial statements or in the proxy statement. This would allow for the type of investor analysis of organizational capital productivity. It may have a secondary effect of moderating any rise in total enterprise compensation costs shareholders.

Along with these CEO pay differential disclosures as we have outlined, there are other related disclosures that should be given consideration for investors. These would allow investors to more effectively vote their Say-on-Pay as provided by the Dodd-Frank legislation and relate to critical Organizational Capital metrics. These additional disclosures would include:

- Total number of Full Time Equivalents (FTE) – including FTE by continent
- Total # Managers (those roles with direct reports)
- Total # Layers from CEO to Front Line
- Longest Performance Period for which Named Officers (CEO and other NEO's) are held accountable for achieving future business results and formally measured by the Board
- Net Operating Profit After Tax (NOPAT)
- Total Enterprise Compensation (Salary and Benefits AND stock-based compensation)
- NOPAT / FTE
- NOPAT / Manager
- Enterprise Value
- Enterprise Value / FTE
- Return on Invested Capital – as a measure of Leadership Quality and Effectiveness
- Return on Organizational Capital (NOPAT / Total Enterprise Compensation)
- Total Cost of Executive Management (Total NEO Compensation) as a % of Enterprise Free Cash Flow
- 4 year growth analysis (5 years of data) on all above metrics calculated as both an absolute change and a % change

- See appendix for possible standardized disclosures table layout
- Insights about the CEO pay differential (to 2nd and 3rd layer) and the above additional organizational capital metrics, their performance and trend analysis could be included in current Compensation Discussion & Analysis section of proxy statements filed with the SEC for the benefit of investors, including informing their Say on Pay voting.

We hope our empirical research on how to effectively implement the principle of CEO pay differentials and "Felt Fair Pay" is of value to the SEC and members of the SEC Division of Corporation Finance as they work through the details of implementation.

If we can be of any help in further expanding on the enclosed suggested organizational and CEO pay differential disclosures and our related research, please contact me at 813-600-5259 or by email at Mark@mvcinternational.com.

Yours very truly

Mark Van Clieaf

Managing Director

cc

Securities and Exchange Commission:

Hon Elise Walter, Commissioner

Hon Luis Aguilar, Commissioner

Hon Troy Parades, Commissioner

Hon Daniel Gallagher, Commissioner

Securities and Exchange Commission – Division of Corporation Finance

Meredith Cross

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Hon Tim Johnson

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United States House of Representatives

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Hon Scott Garrett

Hon Maxine Waters

Hon Nan Hayworth

Appendix

Proposed Table Layout for Organizational Capital Metric Disclosures For Investors

	Yr 0	Yr 1	Yr 2	Yr3	Yr 4	4 yr Absolute Growth (Change)	4 yr % Growth (Change)
Total Full Time Equivalents (FTEs)							
Total # Managers							
Total # Layers (CEO to Front Line)							
CEO Total Pay Differential to Median Total Pay 2nd Management Layer (Red Flag > 3X)							
CEO Total Pay Differential to Median Total Pay 3rd Management Layer (Red Flag >6.25X)							
Total Enterprise Compensation (Salary / Benefits and Stock based Compensation)							
Longest Performance Period for Named Officers							
NOPAT							
NOPAT / FTE							
NOPAT / Manager							
Enterprise Value							
Enterprise Value / FTE							
Return on Invested Capital							
Return on Organizational Capital (NOPAT / Total Enterprise Compensation)							
Cost of Executive Management (Total Direct Compensation for ALL NEO's as % Free Cash Flow)							

Felt Fair Total Pay Differentials (FFP)
using 2.5X Pay Multiplier from Highest Compensated Front Line Manager ($120,000)

Work Level (CEO Level)	Work Level & Level of Innovation	Longest Time Span for Planning and Decision Making	Fair Pay Equity Multiplier	Total USD $ Pay Bands (FFP)
		50 yrs	97X	$11,718,750
7 (CEO 5)	Global Business / Societal Innovation	25 yrs		
		20 yrs	39X	$ 4,687,500
6 (CEO 4)	Global Industry Structure / Corporate Citizenship Innovation	15 yrs		
		10 yrs	15.6X	$1,875,000
5 (CEO 3)	New Business Model Innovation	7 yrs		
		5 yrs	6.25X	$750,000
4 (CEO 2)	New Product, New Service, New Market	3 yrs		
		2 yrs	2.5X	$300,000

3 (CEO 1)	Process Innovation			
		1 yr	1X	$ 120,000

2.5 X Pay differential Multiplier based on research for felt fair pay based on truly differential and value adding work.

$ 120,000 as the highest Paid front line Manager across 4 job functions