February 6, 2012

The Honorable Mary Shapiro
Chairman
U.S. Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

Re: File No. DF Title IX - Executive Compensation - Title IX Provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act

Dear Chairman Shapiro:

It comes as no surprise business lobbies are claiming that providing median annual total employee compensation and the ratio of said to CEO compensation will be costly and time consuming.[1] As an individual investor such costs concern me, as well. However, not only as a shareowner, but also as a community and global stakeholder, I believe companies and their lobbyists are being disingenuous about the purported costs surrounding disclosure.

Allow me to explain what I mean by "disingenuous." The apparent solution to most easily providing median annual total employee compensation is to rely upon obligatory tax filings. IRS Form W-2 contains key compensation components. Later in my letter I will show briefly the discrepancy between CEO and median worker pay ranges from 44 to 343-times – thus arguing over what constitutes employee compensation is largely irrelevant as the resulting ratio is always significantly wide and increasingly unfathomable the wider it is. Regarding overseas workers' pay, individual countries' tax filings may not contain certain information such as retirement contribution figures, but they most certainly list wages received.

Relying strictly upon wages reported to tax authorities, I do not believe there is anywhere near the great burden (as companies, their lobbyists, and now Rep. N. Hayworth claim) on companies in terms of either monetary expense or time commitment. Companies have no qualms paying very substantial sums to executives, board directors, auditors, consultants, and lobbyists. Each payment triggers paperwork (or the electronic equivalent) and there is additional paperwork necessary for annual tax purposes. Databases, spreadsheets, and analytical software can easily handle and manipulate large data sets whether they involve hundreds, thousands or a couple hundred thousand entries. Company dollars spent on attempting to thwart each and every shareowner proposal ahead of each annual

---

[1] In the latest instance, I am referring to the January 19, 2012, letter addressed to you, cosigned by 23 entities. See: http://www.sec.gov/comments/df-title-ix/executive-compensation/executivecompensation-84.pdf

meeting and lobbying against this matter of employee pay disclosure, for example, should more than cover any costs associated with aggregating and computing figures found on W-2s (and foreign equivalents).

Therefore, when I said I, too, am concerned as an investor about the costs associated with providing median employee compensation, I am very concerned actually about the means in which companies may attempt to go about any such obligation. Accordingly, I urge the Securities and Exchange Commission to give strong consideration to requiring that companies not only be required to disclose median annual total employee compensation and the corresponding ratio to CEO total compensation, but also to have it done based on employees' W-2s in the U.S. and overseas equivalents. Returning to the point of being a concerned investor, I disagree with the letter you received dated January 19, 2012, co-signed by a group of 23 entities (including organizations, institutions, and nonprofits), in which they stated: "While it [pay ratio disclosure] may be of general interest to some investors for much different purposes, it is unclear how the pay ratio disclosure will be material for the reasonable investor when making investment decisions."

In response to their opinion, I can assure you that there are individuals, organizations, institutions, and nonprofits that closely read proxy statements for compensation information. I can also say that unfortunately, not enough of the same are reading proxy statements as outrage over exorbitant pay packages in recent years should not have been news since top-5 executive compensation at publicly-traded companies has been disclosed for years now in proxy statements – although only since last year have investors had a "say on pay," albeit a precatory one. With better investor education and greater awareness more investors would read proxies. However, individual investors have very much taken a back seat to institutional investors by way of retirement investment fund plans (e.g. pension, 401(k) and equivalents, and IRAs) and through their personal use of mutual and exchange-traded funds. Thus, it is imperative that institutional investors (and any proxy advisories they may engage) in particular have access to compensation-related information. Notably, pension and value-oriented investment funds are among investor types that most commonly rely upon compensation data.

Despite the claim of the aforementioned group of 23 that such data "may be of general interest to some investors" and that "it is unclear how" the data "will be material for the *reasonable* investor when making investment decisions" (emphasis added by author), compensation data without doubt provides important information to potential and current investors regarding, for instance, if a company is willing to pay more taxes by compensating executives in excess of the maximum allowable by the IRS for expense deduction, if and how large of a bonus is paid (especially in years when a company underperforms), how much and what types of equity are paid (this has implications that include dilution of shareowners), what stipulations, if any are attached to equity grants (this has implications regarding pay-for-performance), and how much pension value is accruing (this has implications related to golden parachutes where in some cases accumulated pension values amount to tens of millions of dollars). Ditto for severance-related payouts.

Now, specifically regarding the pay/pay ratio disclosure and arguments that doubt its importance to investors when making investment decisions, similar to my above points on implications of compensation elements to investors, I believe that the employee pay and ratio (to CEO pay) disclosures are equally important as investors are now making decisions on "say on pay" and these will serve as additional, helpful information. Investors must also more closely review director election votes, especially those involved in executive compensation. The bottom line is that compensation practices and amounts, as well as the directors associated with decision-making responsibilities surrounding these matters, are all important to investors. And they ought to be even higher priorities. Consider the following revealing statements that in their own right serve as strong reason for companies to be mandated to disclose their median employees' pay and ratio to CEO pay.

> Christoph Pereira, deputy general counsel at General Electric, helps write GE's annual pay disclosures—but jokes that he stands over a trash can while he reads the proxies for the other stocks he owns. "The last thing I want to read is a 40-page proxy full of algorithms or a Kafkaesque description of process," he says. "In the Twitter age, people want to know: Is this a good number based on what you've done for me lately?" (Source: "A Chance to Veto CEO's Bonus," *The Wall Street Journal*, January 29, 2011)

If that is the mindset of even some amongst those tasked with complying with SEC rules, then it is indeed disingenuous of companies to imply that an investor would be unreasonable to use compensation-related information to make investment decisions. It is also unreasonable that investors should be subjected to such convoluted verbosity as Mr. Pereira portrays it; it seems deliberate. And not to belabor the point, but it is very misleading for companies to claim, as their lobbyists have done for them, that disclosure of the figure and ratio in question would be so expensive and time consuming as to incur the monetary cost of such heavy lobbying.

Clearly compensation-related disclosures are important to investors and more investors should be reviewing such information. Focusing specifically on institutional investors, who act as fiduciaries of individuals, and are most able to review proxies in-house or hire advisory services, it is absolutely crucial that they have access to the pay and ratio disclosures in question. Not to pick on Mr. Pereira, but his reference to "a good number" and "what you've done for me lately," demonstrates a mindset substantially similar to the one commonly associated with "Wall Street." Which is also to say that it is such myopia combined with an unprecedented enriching of certain executives that has contributed to the present heightened interest in additional pay disclosure and voting rights. Consider, for example, the following:

- A January 11, 2012, report by GMI, a leading independent governance research firm, about the largest severance packages of the millennium, which includes 21 CEO's in receipt of a total payout in excess of $100 million – the highest receiving $417 million, and as a group receiving almost $4 billion.[2]

- Research by the AFL-CIO found that year 2010 CEO pay at large companies (i.e. S&P 500 constituents) was a staggering 343:1 of the average worker.[3] At the opposite end of the spectrum, CEO pay at small companies (i.e. S&P 600) was still 44-times that of a worker earning $50,000, which is a generous amount, higher than any study on national worker compensation. The ratio at mid-sized companies (S&P 400) is nearly double that of small companies.[4]

Based on known significant differences in pay (and companies' willingness to pay such high amounts to CEOs), I do not believe it is too much for us shareowners and community/global stakeholders to ask of companies to stop making excuses about disclosing median employee pay (and the ratio to CEO pay) and attempting the equivalent of a filibuster (by asking for what could turn into prolonged negotiations with SEC staff), by requiring them to disclose such information using a simple standard of what's reported by law to tax authorities.

Thank you for considering my letter and for your ongoing regulatory efforts.

Sincerely,

/s/

Steven Towns

---

[2] See GMI press release: http://www2.gmiratings.com/news_docs/1777gmi_pressrelease_goldenparachutes_10jan2012_final.pdf.

[3] See AFL-CIO comment letter to the SEC: http://www.sec.gov/comments/df-title-ix/executive-compensation/executivecompensation-78.pdf

[4] The S&P 400/600 pay data is per compensation data research company, Equilar, and is referenced in the nongovernmental organization, the United States Proxy Exchange's, August 3, 2011, report: "Shareowner Guidelines for Say-on-Pay Voting." See: http://proxyexchange.org/wp-content/uploads/2011/08/standards_2.pdf. The author of this letter is a co-author of the Guidelines.