NACCO Industries, Inc.

Mary D. Maloney
Associate General Counsel, Senior Director Benefits &
Human Resources and Assistant Secretary

June 9, 2015

VIA Electronic Submission (*rule-comments@sec.gov*)
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: **Pay vs. Performance Disclosure – Comments on Proposed Regulations (File Number S7-07-15)**

We are providing comments in response to the SEC's notice of proposed rulemaking under Item 402 of Regulation S-K implementing Section 953(a) of the Dodd-Frank Act which requires the disclosure of the relationship between executive compensation "actually paid" by a company and the company's "financial performance…taking into account any change in the value of the shares of stock and dividends of the issuer" (the "Pay vs. Performance Regulations" or "Proposed Regulations").

We strongly urge the SEC to reconsider the burdensome and rigid approach adopted in the Proposed Regulations in favor of a "principles-based" approach. Requiring the inclusion in the proxy statement of a new table, entitled "Pay for Performance," with strictly prescribed compensation information for the principal executive officer (PEO); average compensation for the non-PEOs and "total shareholder return" ("TSR") information for the registrant and a peer group will potentially mislead investors and may encourage behavior designed to inflate TSR over the short-term (both in terms of earnings and the price to earnings ratio). This is exactly the type of behavior the Dodd-Frank Act was meant to discourage and is inconsistent with growth in long-term shareholder value. At the outset, it is important to note that:

- the statute does NOT require the use of TSR as the sole measure of a company's financial performance;
- the statute does NOT require the presentation of any "peer group" financial information; and
- the statute does NOT define equity compensation "actually paid" as the value of equity compensation determined at the time of vesting.

We believe that the SEC should revise the Pay vs. Performance Regulations in their entirety in order to permit a more flexible "principles based" approach where each registrant describes how its financial performance actually influenced its pay decisions. If the SEC is unwilling to redraft the Proposed Regulations in this manner, we then respectfully request that it take into consideration the additional clarifications and/or specific changes to the Proposed Regulations described below.

Company Summary

NACCO Industries, Inc. (NACCO) is a publicly-traded holding company (NYSE symbol: NC). NACCO's subsidiaries operate in the following three principal industries: (1) mining operations conducted by The North American Coal Corporation and its subsidiaries (NA Coal); (2) the design, marketing and distribution of small electric household and specialty housewares appliances and commercial products conducted by Hamilton Beach Brands, Inc. (HBB) and (3) specialty retail stores operated by The Kitchen Collection, LLC (KC). In 2014, NACCO had total consolidated revenues of \$896.8 million, plus revenues from NA Coal's unconsolidated mining operations of \$579.0 million and employed over 4,000 employees.

The following information is relevant to NACCO's comments on the Pay vs. Performance Proposed Regulations:

- NACCO is a holding company. The incentive compensation of the employees of the NACCO parent company is based on the performance of the entire company, including all of the subsidiaries. However, the incentive compensation of the employees of our subsidiaries is based solely on the performance of the subsidiary that employs them. As a result, the identity of our named executive officers ("NEOs") in our proxy statement varies from year to year depending on the performance of our underlying business units.

- The only NEOs who are compensated with NACCO stock are five employees of the parent company (three of whom are NEOs). Subsidiary employees are not compensated in NACCO stock. Consequently, in any given year, NACCO will have some NEOs who participate in an equity plan and others who do not. The Proposed Regulations treat (i) cash-based incentive compensation as "actually paid" in the year earned, regardless of when it vests or when it is paid and (ii) equity-based incentive compensation as "actually paid" in the year it vests, as opposed to the year of grant. This disparity in treatment under the Proposed Regulations will create a mismatch in the disclosure of our NEOs' incentive compensation for the year as compared to our TSR for the year, as described in further detail below.

- While the compensation of our executives is highly performance based, NACCO does not use TSR as a performance objective in our incentive compensation plans. By definition, TSR measures the performance of NACCO as a whole. As stated above, the incentive compensation of the employees of our subsidiaries is based solely on the performance of the subsidiary that employs them, making TSR an irrelevant measure with respect to their performance. The employees of the NACCO parent company are compensated based on the performance of the Company as a whole. Although the Company believes that sustained operating and earnings growth performance will ultimately be reflected in NACCO's stock price, the stock price over a one, three or even five year period is too brief a period over which to measure the results of significant strategic initiatives, many of which require substantial up-front investments. These up-front investments may cause a short-term decline in TSR. We believe our corporate financial and strategic performance is reflected in our stock price only when measured over the long term. That is why, instead of using TSR as a performance objective in our incentive plans (i) we grant equity awards, again only to parent employees, in the form of immediately vested and taxable restricted stock[1] that is subject to transfer and other restrictions, generally for a period of 10 years and (ii) our Compensation Committee adopts performance measures in our incentive plans related to creating sustainable, long-term shareholder value, such as return on total capital employed over extended periods, rather than tying compensation to short-term market returns. We include multiple measures in our short and long term incentive plans that promote a holistic view of Company performance.

- Because our stock is thinly traded, our stock price can be volatile and may not reflect actual operating results over a given period. For example, in 2014, our average daily trading volume was only 21,712 shares and we traded below 10,000 shares on 26 days; between 10,000 and 20,000 on 81 days and between 20,000 and 30,000 on 46 days. Since the spin-off of our Hyster-Yale lift truck subsidiary in 2012, our stock price has been as low as $41.04 and as high as $63.88.

- NACCO does not use (nor is it required to use) a "peer group" of companies in connection with establishing executive compensation. NACCO is a holding company that owns companies in three very diverse industries. We do not believe there is a comparable "peer group" of companies. As a result, as described in our proxy statement, the Compensation Committee uses the "The Hay Group All Industrials" survey index as the benchmark for establishing executive compensation. For purposes of our Regulation S-K, Item 201(e) disclosure (the stock performance graph), we have elected to compare NACCO's TSR to that of the Russell 2000 Index and the Russell 2000 Producer Durables Index. We present this information not only for the required 5 years (as of 12/31 of each year) but, because we believe that measurement (which is at a single point of time in each year) does not adequately reflect our stock performance over the period because of the numerous periodic fluctuations throughout the year, in both the price of the Company's stock and the level of the indices, we provide an additional graph based on a 12-month moving average. We also provide additional disclosure for a 10-year period based on our belief that a 5-year time frame is too brief a period over which to measure the results of significant strategic activities.

- Our NEOs for the past 5 years were as follows:

	2011	**2012***	**2013**	**2014**	**2015**
PEO	Alfred M. Rankin (NACCO – Equity)	Same	Same	Same	Same
PFO	Kenneth C. Schilling (NACCO – Equity)	Same	Kenneth C. Schilling- [partial year – pre-spin] J.C. Butler, JR (NACCO – Equity) [partial year - post-	J.C. Butler, Jr. (NACCO – Equity)	Elizabeth Loveman (NACCO – Equity)

[1] Due to the nature of NACCO's restricted stock grants and the type of rights associated therewith, the stock is subject to federal income taxes on the date of grant. The Internal Revenue Code Section 83(b) elections to defer income taxation are not available on our equity grants.

			spin]		
#3	Michael P. Brogan (NMHG – Non-Equity)	Same	Robert L. Benson (NA Coal – Non-Equity)	Gregory H. Trepp (HBB – Non-Equity)	Same
#4	Gregory H. Trepp (HBB – Non-Equity)	Colin Wilson (NMHG – Non-Equity	Gregory H. Trepp (HBB – Non-Equity)	Robert L. Benson (NA Coal – Non-Equity)	Same
#5	Robert L. Benson (NA Coal – Non-Equity)	Gregory H. Trepp (HBB – Non-Equity)	Michael J. Gregory (NA Coal – Non-Equity)	Gregory L. Salyers (HBB – Non-Equity)	J.C. Butler, JR (NACCO – Equity)

*NACCO spun off Hyster-Yale (its lift truck subsidiary) in 2012.

TSR is an Inappropriate Measure of Financial Performance that Will Mislead Investors – As a Result, the Proposed Regulations Should be Revised in their Entirety

Because of its sole focus on TSR, NACCO does not believe that the Pay vs. Performance Regulations, as currently proposed, will provide any meaningful information to investors. In fact, we believe that the information required under the Proposed Regulations will mislead investors.

We agree with the SEC that the intent of the statute is to address the concern of shareholders in understanding the relationship between a company's financial performance and executive pay. However, there is nothing in the statute or the legislative history that requires the use of a single metric, such as TSR, to establish this link. By mandating a new proxy table using only TSR, the SEC is effectively endorsing TSR as the only acceptable method a compensation committee should use to judge pay for performance. Any company that does not use TSR as a performance metric in its incentive compensation plans is likely to be subject to suspicion and second guessing, regardless of how many other perfectly legitimate reasons it provides for utilizing other metrics.

We whole-heartedly agree with the dissenting opinion expressed by SEC Commissioner Daniel Gallagher who voted against the Proposed Regulations and stated: "a simple TSR-based comparison is likely to produce an excessive number of false positives. It will show companies where pay seems to be out of alignment with performance, based on this simplistic metric, but where a more nuanced evaluation would show that pay is actually well-aligned with performance. In fact, ISS used to use a single TSR-based metric as an initial screening device for alignment of pay with performance. But ISS recently moved to more sensitive alignment tests, noting that while 30% of companies failed the initial TSR-based screening, more than two-thirds of those companies actually exhibited alignment of pay with performance when analyzed more closely."

While TSR is objective and measureable, we believe it is an inadequate and potentially misleading indicator of a Company's financial performance. We focus our performance analysis on return on capital employed, return on equity and the growth of our earnings over extended periods of time. We do this because we believe our job is to obtain a strong return on total capital employed and return on our equity being deployed on behalf of the shareholders who are owners of the equity. We then try to incentivize earnings growth while maintaining strong returns on capital. TSR, on the other hand, focuses additionally on the price/earnings ratio put on the earnings by the stock market –

something that is influenced by many extraneous factors that are not under management's control. Over long periods, we expect strong returns on capital and earnings growth to be reflected in the share price, but prices can swing dramatically depending on what is in or out of favor with capital markets at a particular moment. In our case, TSR is a particularly inaccurate indicator of our financial performance due to the thinly-traded nature of our stock. The disposition of an even insignificant amount of stock by an investor for reasons unrelated to financial performance (such as for tax or other strategic reasons) could cause a significant drop in NACCO's stock price irrespective of our operating results. As a result of a number of long-term holders in our stock, only about 10% of our outstanding shares trade during any given year and that 10% turns anywhere between 5 and 7 times over the year.

Use of a 5-year TSR measure could encourage executives in other public companies to engage in risky behavior to artificially inflate stock price and P/E ratios over the short-term, with predictably negative long-term impacts on companies and their stockholders, which is exactly what the Dodd-Frank reforms were meant to deter.

The NACCO Compensation Committee has taken a thoughtful approach to executive compensation decisions. For example:

- The long-term incentive compensation plan for the senior management employees at NA Coal is a 10-year plan that is based on the economic value appreciation earned on new long-term projects which may be executed over 30 to 40 years. Under this plan, the amount of the award in any given year varies from zero to two or three times an executive's long-term incentive target because there are very few long-term transactions in the coal industry and no predictability as to when those projects will occur. The goal of the NA Coal long-term plan is to ensure the future profitability of NA Coal in a depleting business. This plan has no correlation with, and should not be judged against, the short-term TSR of the NACCO parent company.

- The five most senior executives of our parent company receive shares of immediately vested and taxable restricted stock. However, that stock is non-transferrable and generally may not be hedged, pledged or transferred for a period of 10 years. The Compensation Committee believes that these restrictions encourage our executives to maintain a long-term focus on our profitability, which is in the Company's and our long-term shareholders' best interest.

These types of thoughtful considerations will be lost in the new TSR proxy table and no investor is going to look for them in a footnote or a supplemental table.

We believe that use of a 5-year TSR measure places too much importance on the views of the short-term investor, while ignoring all other classes of investors, especially the long-term taxable shareholder. Companies should be encouraged to make substantial up-front investments in strategic initiatives that will benefit investors in the long-run, even if those investments cause a short-term decline in TSR. Management needs to be able to "do the right thing" for the long-term benefit of the Company. Any company whose compensation practices do not fit squarely within the rigid application of the new TSR table prescribed in the Proposed Regulations will likely face unwarranted and unnecessary criticism from ISS and others and will be forced to defend compensation practices that have worked, for employees and for long-term investors, for many years. We believe that the disclosure is going to lead to misleading conclusions and have many unintended consequences, including encouraging investors to base their Say-on-Pay votes solely on our short-term TSR outcomes and not to take the time to understand our compensation strategy.

NACCO (and companies like it) should be able to communicate our "pay for performance" story to our investors in the way we choose; provided that we satisfy the general guidelines set out in the statute. For the foregoing reasons, we ask that the Proposed Regulations be revised in their entirety and replaced with a more flexible, individualized and principles based approach as is permitted under the statute. Specifically, in lieu of the TSR portion of the table prescribed in the Proposed Regulations, we would recommend:

- Allow each registrant to determine the type of stock performance to utlize (P/E ratio, TSR or other) as well as the period of time for determining the stock price (e.g., average daily close vs. 12/31 and for 5 or 10 years, etc.) and
- No disclosure of peer group financial information.

If Not Completely Revised, the Pay vs. Performance Regulations Must be Substantially Altered Prior to Implementation

In the event that the Proposed Regulations are not revised in their entirety, there are several changes that may be made that we believe will simplify the data gathering process, control costs, improve outcomes and still comply with both the intent and wording of the statute. The following recommendations respond (in no particular order) to certain questions raised by the SEC in the preamble to the Proposed Regulations.

1. **Determination of "Executive Compensation Actually Paid."**

   a. **Possible Alternative Definitions of "Compensation Actually Paid."** In lieu of the compensation definition contained in the Proposed Regulations, which starts with compensation data used in the Summary Compensation Table (SCT) and specifies certain adjustments, each company should be permitted to define "compensation actually paid" for the year according to their own payment practices and then reconcile that amount to the SCT. Companies should then provide a footnote disclosure of the executive's W-2 compensation for the year. These two data points would provide sufficient disclosure for investors to make informed decisions and would allow each company to describe the unique characteristics of its compensation programs, if any. Another possible data point would be to compare the SCT amounts to the total target compensation over the same time period.

   b. **Treatment of Incentive Compensation/Equity Awards**. The Proposed Regulations treat cash-based incentive compensation as "actually paid" in the year earned, regardless of when it vests or when it is paid. However, for equity-based incentive compensation, an award is not treated as "actually paid" until the year it vests, as opposed to the year of grant (as required under the SCT).

   - A company may have NEOs who are compensated differently, with some executives receiving cash-based incentive compensation while others receive equity-based compensation. Since the Proposed Regulations require different timing for the reporting for cash-based and equity-based incentive compensation, the SEC has created the potential for a mismatch in incentive compensation reporting. For example, a company's Pay vs. Performance table for a given year could include (i) one NEO's equity-based incentive compensation that was vested in that year, but was earned for performance in a prior year that is not related to the TSR shown in the table for that year and (ii) another NEO's cash-based incentive compensation that was actually earned in the corresponding year. This disparity will mislead and confuse investors more than educate them as to the relationship of the company's executive compensation to its actual financial performance

- A similar issue concerns equity-based compensation that vests within the first 2-1/2 months of the following calendar year. These type of awards should be considered "actually paid" in the prior year (the year earned), not in the year they vest, or there will be a disconnect between the years that will also skew the disclosure. Utilizing the 2-1/2 month rule (which is a well-known principle for tax purposes) will not confuse investors and will provide a more accurate picture of compensation that is "paid" to an NEO for the year. Companies accrue these awards and deduct them for income tax purposes in the prior year. Therefore, they will be reflected in the companies' TSR for the prior year as well. This will provide continuity between the TSR and the compensation that is disclosed on the new table.

c. **Defined Benefit Pension Adjustment**: The Proposed Regulations require registrants to deduct any increase in the actuarial present value of pension benefits that was included in the SCT and include the service cost for the year. Since plan sponsors do not obtain service cost on a per-participant basis, this will be another added cost. The adjustment in the Proposed Regulations is beneficial to NACCO (and all companies with frozen plans), since the service cost for the year is $0, while there is often an increase in the actuarial present value of a frozen pension (based on interest rates, etc.) that is required to be disclosed in the SCT. As the Preamble correctly points out, however, the actuarial increase is not a true indicator of an "amount paid" to the executive either, since it is based on many factors, none of which (i) are comparable between companies and/or (ii) have anything to do with the amount of the benefit earned by the executive during the year.[2] The statute uses the phrase "actually paid." If the intent is to equate the phrase "actually paid" with "cost to the company" for the year, then the service cost for the year for the defined benefit pension is a close proximity. However, if a NEO is not vested in his/her pension benefits, then companies should have *the option* to exclude the service cost until vested. This should be optional since it may be helpful for companies with "cliff" vesting schedules (e.g.., 0% vested until complete 5 years of service) but may be difficult (and expensive) to calculate for plans with graded vested schedules (e.g., vest at the rate of 20% for each year of service).

d. **Above-Market Earnings on Non-Qualified Deferred Compensation (NQDC)**. As is currently required under the SCT, only the above-market earnings portion of the earnings on NQDC should be disclosed. Below or at-market earnings

[2] It is NACCO's position that the actuarial increase of a frozen pension should not be included as "earnings" in the SCT table either. A frozen pension, by definition, does not increase. The executive is not "earning" anything in the current year for his services.

are considered "interest" and not "wages" under tax law. (See Treas. Reg. 31.3121(v)(2)-1(d)(2) – only "above market" interest is taxable as wages for FICA tax purposes.) The fewer adjustments that are required to be made to the SCT earnings, the easier the new proxy table will be for investors to understand. Therefore, while we agree with the approach taken in the Proposed Regulations regarding the disclosure of above-market earnings on NQDC, companies should have the *option* to exclude amounts that are not vested.

e. **Defined Contribution Retirement Benefits**. While we agree with the approach taken in the Proposed Regulations regarding the disclosure of defined contribution retirement benefits, companies should have the *option* of excluding amounts that are not vested. Companies that make this election would then have to include all prior amounts in the year that the amounts become vested. Most companies would not take advantage of this alternative, due to the recordkeeping requirements, especially if they had to track gains and losses associated with the contributions.

f. **Clawbacks**. The Proposed Regulations do not address how a registrant should address the "clawback" of an incentive award from a prior period. The final Regulations will need to address how reduced awards/negative adjustments should be reflected in the new proxy table.

2. **Peer Group TSR**. Nothing in the statute requires comparison of executive compensation to the TSR of a peer group and this requirement should be eliminated in its entirety from the Proposed Regulations. Contrary to the SEC's assertion that this disclosure will "increase the comparability of pay-versus-performance disclosure across registrants," this disclosure will merely confuse investors. We are not aware of any registrants who use identical peer groups in their CD&As, so registrants will be unable to make direct comparisons between any registrants. Registrants who use a peer group to set compensation (and disclose a peer group in their CD&A) spend a great deal of time, effort and money to identify a peer group. It will be extremely time consuming and costly to determine the TSR of that peer group. In addition, a review of proxy statements will demonstrate that most companies are forced (due to peer group member bankruptcies, M&A and similar activity) to change the make-up of their peer group quite frequently, which will make the year-over-year comparison of the TSR of the peer group meaningless.

3. **XBRL Tagging Requirement Should be Eliminated**. The data in the new proxy table should not be required to be tagged in XBRL format or any other format (such as XML). This is an unnecessary expense incurred to provide data that would be used by very few investors. It is our position that the information that is being presented will not be useful when compared between registrants in any event, so tagging that information to assist in the comparison is unnecessary. Information in the proxy statement is not currently required to be tagged in XBRL. At NACCO, the team that works on the proxy has no experience with XBRL, which means that we will incur additional expenses to fulfill this requirement. If tagging is required, the effective date should be extended for 3-5 years after the Pay vs. Performance Regulations are fully implemented. Registrants will have enough difficulty pulling the information together and deciding what supplemental information to include without worrying about how to comply with the XBRL requirements. In the event that XBRL tagging is eventually required, it should only be required for the required proxy table and not for any supplemental information that a registrant decides to supply.

4. **Compensation Disclosure Should Be Limited to the PEO (and any other NEO if the PEO is not the most highly compensated NEO for the year).** The statute does not specify which executives should be included in the disclosure. Most shareholders only express interest in the compensation of the PEO and the PEO is usually the most highly compensated employee. Due to the substantial adjustment of the compensation data that is required in the Proposed Regulations from that already required in the SCT, and the fact that the compensation of the other NEOs will be less than that of the PEO, the additional disclosure required in the Proposed Regulations for the non-PEOs will not yield any additional useful information to the investors that they cannot already obtain from the SCT and the other tables in the proxy. For example, requiring disclosure of information for up to 2 additional employees who are not even employed at year end but who are required to be included in the SCT clearly yields nothing of value and will only skew the "average non-PEO compensation" results when compared to the company's TSR (since they will likely have not been employed for a full year and will bring down the average).

5. **Effective Date**. The final regulations should be effective no earlier than the 2018 proxy season (using 2017 compensation information). Companies will need substantial lead time to decide how best to comply with the new rules and what additional information should be provided.

Application of Proposed Regulations to NACCO

- NEOs Who are Not Employed by NACCO: Depending on the year, 2 or 3 of our NEOs are not employed by the NACCO parent company and are not eligible to receive NACCO equity compensation. All of our defined benefit pension plans have been frozen since 2013. Under the Proposed Regulations, for the Non-NACCO NEOs, compensation "actually paid" to these executives as shown on the new proxy table for a year and compensation "payable" (or earned by) the executives as shown on the SCT for the year, will be identical except that the compensation of any NEO who has a frozen pension benefit will be reduced by the actuarial increase of the value of that pension that was included in the SCT for that year.
    - Note that the Proposed Regulations would require us to show:
        - that the HBB NEOs are "actually paid" their long-term incentive plan (LTIP) benefits for the year, even though those amounts (i) are not credited to their LTIP account and not vested until January 1 of the following year and (ii) *are not actually paid for another 3 years*; and
        - that the NA Coal NEOs are "actually paid" their LTIP benefits for the year, even though those amounts (i) are not credited to their LTIP account until January 1 of the following year; (ii) are not vested for FICA/income tax purposes until actually paid (since they are subject to a substantial risk of forfeiture and subject to adjustment/reduction until approved for payment by the Compensation Committee); and (iii) *are not actually paid until the earliest of 10 years from the origination of the LTIP; retirement; death or disability*.
    - Provided that the Proposed Regulations are revised to (i) give companies *the option* of excluding non-qualified deferred compensation benefits until they are

vested and (ii) provide a mechanism for making adjustments for clawbacks, then NACCO is comfortable that the compensation definition in the Pay vs. Performance Table in the Proposed Regulations (as revised) would fairly reflect compensation that is **earned by** the NEOs of the NACCO subsidiaries for the year in question. This is different than the amount that is "**actually paid to**" the NEOs and it should be. When our Compensation Committee compensates our NEOs based on their performance for a particular year, that compensation should be judged against the Company's performance for the same year. Whether or not certain amounts are deferred to or taxed in a different year is beside the point.

- NEOs Who are Employed by NACCO: The NEOs who are employed by NACCO are eligible for restricted stock LTIP awards that are earned in year 1 and granted, immediately taxable and fully vested within 2-1/2 months of year 2. However, those awards generally must be held for a period of 10 years (subject to very limited exceptions as described in our proxy statement). During this 10-year holding period, the ultimate value of the shares is subject to change based on the changes in the value of the shares of stock. Thus, the awards are highly motivational and provide the executives with an incentive over the 10-year period to increase the value of the Company, which is expected to be reflected in the increased value of the stock awarded. Our Compensation Committee believes that this encourages our executives to maintain a long-term focus on our profitability, which is also in the Company's and our long-term shareholders' best interest. Under the Proposed Regulations, there will be a total disconnect between the compensation shown on our SCT and the new Pay vs. Performance proxy table for the NACCO NEOs as a result of the requirement that we subtract the current year's equity awards that are included in the SCT (based on the grant date) and instead include the prior year's equity awards in the Pay vs. Performance proxy table (based on the vesting date). This is true even though the vesting date for the current year awards occurs within 2-1/2 months after the end of the current year.

    - **Example**: The SCT in our 2015 Proxy Statement includes the NACCO Equity LTIP awards that were earned for service performed in 2014. The awards were fully vested in February, 2015. They were granted based on the performance of NACCO during 2014. The Proposed Regulations will require that the 2014 awards be subtracted from the NACCO NEOs' 2014 compensation and that the 2013 awards be included since the 2013 awards were fully vested in February of 2014. The 2013 LTIP awards had nothing to do with NACCO's financial/TSR performance in 2014 or the employees' performance in 2014. The NACCO NEOs' compensation on the new proxy table will be a mixture of 2013/2014 compensation that will then be compared to NACCO TSR performance for 2014 only.

    - **Exception Needed for Vesting of Equity Awards Within 2-1/2 Months of Year-End**. Requiring NACCO to report our equity awards in this manner in the new proxy table will be misleading. It is the same as requiring other registrants to report short-term cash based-incentives in the year paid as opposed to the year earned. Therefore, the Proposed Regulations should contain an exception for equity awards that vest within 2-1/2 months after year end in order to maintain the integrity of the "amounts paid" concept of the statute and to provide an "apples-to-apples" comparison of executive compensation and company TSR for the correct period.

I appreciate the opportunity to comment on the Proposed Regulations. Please feel free to contact me at [redacted] or [redacted] if you have any questions about our comments.

Very truly yours,

Mary D. Maloney

Mary D. Maloney

5875 Landerbrook Drive • Cleveland, Ohio 44124-4017 • Telephone 440/449-9661 or 440/229-5171 •
mmaloney@naccoind.com