

Via E-Mail: (rule-comments@sec.gov)

September 15, 2009

Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-9303
Attn: Elizabeth M. Murphy, Secretary

Re: File No. S7-13-09
Proxy Disclosure and Solicitation Enhancements
(Release Nos. 33-9052; 34-60280; IC-28817)

Dear Ms. Murphy:

This letter is submitted on behalf of Compensia, Inc. (“Compensia”) in response to the Securities and Exchange Commission’s request for comments on Release No. 33-9052 (published July 10, 2009 and referred to herein as the “Release”) regarding proposed amendments to the Commission’s rules to enhance various compensation and corporate governance disclosures that registrants are required to make (the “Proposals”).

Compensia, which is located in San Jose and Corte Madera, California, is a management consulting firm providing executive compensation advisory services to compensation committees and senior management of knowledge-based companies. Formed in 2003 by a group of leading executive compensation experts, we advise the board compensation committees of numerous technology, life sciences, and other companies, and have extensive experience designing and implementing executive and director remuneration programs. We understand how board compensation committees function and we have assisted many of our clients, which range from recent IPOs to Fortune 500 companies, in preparing and improving their executive compensation disclosure.

We support the Commission’s objective of providing investors with clear, comprehensive, and understandable information about registrants’ executive and director compensation programs. While we expect that, for the most part, the Proposals will enhance the quality of disclosure and provide greater transparency of the compensation-setting process, we offer a number of comments and suggestions that we believe will improve various aspects of the Proposals and, accordingly, further the Commission’s stated objectives.

Reporting of Equity Awards

The Commission is proposing to amend Item 402 of Regulation S-K to revise the Summary Compensation Table and Director Compensation Table disclosure of stock awards and option awards by requiring disclosure of the aggregate grant date fair value of awards granted during a covered fiscal year, computed in accordance with SFAS 123(R). We support this proposal,

which we believe will both simplify compliance for registrants and make these compensation tables easier for investors to analyze and understand.

Revision to Grants of Plan-Based Awards Table. We note that, in conjunction with this amendment, the Commission is also proposing to rescind the requirement to report the full grant date fair value of each individual equity award in the Grants of Plan-Based Awards Table (as well as the corresponding footnote disclosure to the Director Compensation Table). We request that the Commission reconsider this proposal and, instead, retain this reporting requirement. As others have commented, we believe that this information, presented on a grant-by-grant basis, provides valuable information to investors; both in terms of highlighting the mix and value of individual awards and in making it easier for investors to assess how registrants are applying SFAS 123(R) to compute the grant date fair value of these awards. We also believe that this requirement should be made applicable to smaller reporting companies, as the importance of this information to investors does not diminish based on the size of the registrant.

Treatment of Awards Granted After Covered Fiscal Year. The Proposals contemplate that the Summary Compensation Table would report the aggregate grant date fair value of stock awards and option awards granted *during* the relevant fiscal year, just as the Grants of Plan-Based Awards Table reports each grant of an award made to a named executive officer in the last completed fiscal year. The Commission has requested comment as to whether the Summary Compensation Table instead should report the aggregate grant date fair value of equity awards granted for services in the relevant fiscal year, even if the awards were granted *after* fiscal year end.

While there are compelling arguments for both approaches, we believe that, to promote compliance and consistency, the Commission should opt for a simple, easy-to-understand reporting standard. While it is true that many companies make equity awards after the end of the fiscal year based on executive performance during the last completed fiscal year, typically, prior performance is just one factor that goes into the compensation committee's decision. Determining whether an equity award was granted primarily for services performed during the last completed fiscal year can be a highly subjective determination, which means that the factors that influence the reporting of an equity award for the current fiscal year or the prior fiscal year may vary significantly from registrant to registrant.

Accordingly, we believe that the current reporting requirement, while imperfect in some respects, is preferable to giving registrants the discretion to determine on an award-by-award basis the preferred fiscal year for reporting. If a registrant believes that the presentation of its executive compensation is unduly distorted by this approach, it can provide an "alternative" summary compensation table as part of its Compensation Discussion and Analysis (an approach currently used by many registrants) to explain the relationship between pay and performance. Alternatively, should the Commission decide that the benefits of linking equity awards to the related service-year outweigh the associated compliance and analytical challenges, we recommend that registrants be required to make an irrevocable election to report their equity

awards on a service-year, rather than a grant-year, basis to minimize the potential for manipulation or year-to-year inconsistencies.

Reporting of Equity Awards with Performance Conditions. One of the motivations for the Commission's December 2006 decision to require the reporting of equity awards in the Summary Compensation Table and Director Compensation Table on the basis of the dollar amount recognized for financial statement reporting purposes for the covered fiscal year in accordance with SFAS 123(R) was a concern about the treatment of equity awards with performance conditions, where the actual amounts ultimately paid out in connection with an award could differ significantly from the amounts initially reported in the tables. With a return to an aggregate grant date fair value disclosure requirement, this concern is once again present.

We note that the Preamble to the Release speaks in terms of reporting an equity award's "full" grant date fair value in the Summary Compensation Table and Director Compensation Table. While it is arguably unclear whether, in the case of a equity award with performance conditions, this means the award's "target" grant date fair value or its "maximum" grant date fair value, this potential ambiguity appears to be addressed in the Commission's Request for Comment, which asks whether the proposal would discourage companies from tying stock awards to performance conditions, since the full grant date fair value would be reported without regard to the likelihood of achieving the performance objective.

We believe that, as drafted, the proposal would be an additional factor that would serve as a disincentive for registrants to grant equity awards with performance conditions. The uncertainty surrounding the current requirements with respect to the disclosure of the target levels for the performance criteria used for equity awards have already discouraged many companies from making greater use of performance-based equity incentives. In our view, requiring registrants to report the maximum grant date fair value for an award with performance conditions, without regard to the probability that the conditions will be satisfied, imposes an unfair, and impractical, constraint on this type of award.

Further, we believe that requiring the reporting of the "full" grant date fair value in the Summary Compensation Table and Director Compensation Table will contribute to the inflation in equity awards value, and, correspondingly, total executive compensation, that we have seen in recent years. Registrants that grant "high-risk" performance-based equity awards (so-called "stretch" awards) to their executives often grant these awards at higher values than those associated with comparable service-based awards to account for the awards' greater risk characteristics. Generally, these risk characteristics are difficult for investors or other third parties to identify, analyze, and adjust for in evaluating the awards. Consequently, the awards, as reported, tend to reflect an inflated grant date fair value that, in turn, gets picked up and included in competitive data analyses. These leads to inflated "benchmarking" values that are then used to establish award and overall compensation levels for peer company executives. While this phenomenon occurs even with the disclosure of "target" award values, its impact is most pronounced where "maximum" values are reported.

Accordingly, we believe that, at most, registrants should be expected to report only the target grant date fair value of equity awards granted during a covered fiscal year (or the amount that, as of the grant date, will be recognized as compensation expense for financial statement reporting purposes over the award's service period in accordance with SFAS 123(R)).

Transition to New Disclosure Requirement. The Commission has solicited comment on whether to require registrants providing Item 402 disclosure for a fiscal year ending on or after December 15, 2009 to present recomputed disclosure for each preceding fiscal year required to be disclosed in the Summary Compensation Table. We understand that, under this approach, the Stock Awards and Option Awards columns of the table would present the applicable full grant date fair values, and Total Compensation would be recomputed correspondingly.

We support this proposed transition requirement. We believe that it would not cause registrants any undue practical difficulties and is preferable to other approaches that may necessitate additional tabular and/or narrative disclosure or affect the determination of the named executive officers in prior fiscal years.

Additional Disclosure Enhancements

We note that the Commission has solicited comment on additional initiatives to improve the quality of disclosure in proxy statement, particularly with regard to the disclosure of executive compensation. We believe that the ever-increasing length of the executive compensation disclosures in proxy statements over the past three years is undercutting the utility of this information for investors. In our view, the actual and perceived complexity of the presentation makes it difficult for shareholders to locate and understand the most critical aspects of a registrant's executive compensation program and, in some instances, discourages them from reading the presentation at all.

Since the Commission is reconsidering its executive compensation disclosure rules, we recommend that it re-evaluate whether aspects of the current disclosure can be shifted from the proxy statement to another, equally accessible, location, such as the registrant's corporate web site. We believe that the Outstanding Equity Awards at Fiscal Year-End Table, as well as the narrative summaries of retirement and other actuarial benefit plans and nonqualified deferred compensation plans and arrangements, could be shifted to the corporate web site without any material adverse impact on investors. Instead, a registrant's proxy disclosure could simply include a hyperlink directing shareholders to the specific location of this information on its website. An additional benefit of such a shift is that registrants could be required to update the information presented in the Outstanding Equity Awards at Fiscal Year-End Table on a more frequent basis (for example, quarterly), which would make this information more useful. At the same time, the Commission should consider adding a column to this table to disclose the unrealized appreciation in each outstanding equity award – information that was required in the former rules, but omitted when Item 402 was revised in 2006.

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We appreciate the opportunity to comment on the Proposals, and respectfully request that the Commission consider the recommendations set forth in this letter. We are prepared to meet and discuss these matters with the Commission and its staff at its convenience. Any questions about this letter may be directed to the undersigned at (415) 462-2995.

Respectfully submitted,

Mark A. Borges