April 29, 2011

Elizabeth M. Murphy, Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: Listing Standards for Compensation Committees

Dear Secretary Murphy,

This memo is being written in response to the SEC's invitation for public comment regarding 17 CFR Parts 229 and 240, Listing Standards for Compensation Committees. The attached, enclosed document is our firm's response/recommendations specifically to Sections A, sub-section 4: Compensation Advisor Independence Factors request for comment.

Longnecker & Associates is an executive compensation consulting firm based out of Houston, Texas. L&A's core management team of dedicated professionals have spent the past two decades working on a variety of corporate governance, board of director compensation and executive compensation solutions in the public, private, and not-for-profit arenas.

Please feel free to have your staff contact us with questions you may have.

Respectfully,

Brent Longnecker

Enclosure: SEC Commentary

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SEC COMMENTARY
Section II – Discussion of Proposals,
Subsection A – Proposed Listing Requirements,
Number 4 - Compensation Adviser Independence Factors Request For Comment

1) **Section 10C(b) specifies that the independence factors identified by the Commission must be competitively neutral, but does not state how we should determine whether a factor is competitively neutral. Are there any issues that should be considered to determine or assess whether a factor is competitively neutral?**
   The loose underlying assumption to competitive neutrality is based upon competitors being equal. For the bullets regarding provision of other services and the amount of fees referenced on page 23, compensation consultants, legal counsel, and other advisors cannot fairly be lumped together regarding these independence factors as they are not necessarily competitors depending on the given scenario. The amount of fees billed as a percentage of the employing entity's revenue does not take into account the cost of capital, required margin, or level of service as provided by the consulting/advising entity. Business or personal relationship needs to be further defined.

2) **Are the five factors identified in Section 10C(b) of the Exchange Act competitively neutral among different types of compensation advisers? If not, what modifications or adjustments should be made in order to make these factors competitively neutral? Are there specific categories of compensation advisers that would be adversely affected by the compensation committee's use of these factors to assess independence?**
   It is our opinion that the revenue disclosure should be dropped. Smaller start-up consultancies may be adversely affected if the committee decides to turn away their business due to the fees billed/company revenue ratio perceived as being out of balance. In the same sense, while other services disclosure is necessary, larger multi-service firms could potentially be disadvantaged.

3) **Are there any factors affecting independence that we should add to the list of factors identified in proposed Rule 10C-1(b)(4)? If so, what are they and why should they be included?**
   No comment.

4) **Would the existence of a business or personal relationship between a compensation adviser and an executive officer of the issuer be relevant in considering whether to engage the compensation adviser? If so, why? Should we add this to the required list of factors that must be considered?** Personal relationships, excluding family relationships, would be an immeasurable dependence factor due to its intrinsic nature. Business relationships should be reviewed closely and a definition of what defines a business relationship should be addressed but this should not necessarily preclude a committee from selecting an advisor based on this information alone.

5) **Based on the language in Section 10C(b)(2), which distinguishes between the adviser and the person that employs the adviser, a personal or business relationship between the person employing the adviser and a member of the compensation committee would not be covered by the proposed rule (which, like Section 10C(b)(2)(D), only refers to relationships between the adviser and the compensation committee). Should the required list of factors also include a business or personal relationship between the person employing the compensation adviser and a member of the compensation committee? Along those lines, should it also cover a business or personal relationship between the person employing the adviser and an executive officer of the issuer?** Yes, they should be included as a factor for review but not the deciding factor alone for refusal of services.

6) **Should we provide materiality, numerical or other thresholds that would apply to whether or when the independence factors must be considered by a compensation committee? If so, what should they be? For example, should we require consideration of stock ownership only if the amount of stock owned constitutes a significant portion of an adviser's net worth, such as 10%?** As the proposal is written in broad language, providing threshold amounts may exacerbate existing confusion unless several areas of the bill become more detailed. Disclosure of whether these factors were a part of the consideration may be material, however, we believe independence factors should be guidelines in selecting advisors and committees should continue to have the ability to use the business judgment appropriate to their company.

7) **Would law firms be affected by the requirement to consider independence factors in a way that would be materially different than how compensation consultants would be affected?**
   Yes. Law firms and compensation consultancies generally provide two different types of services but the general reasoning behind the listed factors is the same. Some law firms may be viewed as multi-service firms since they have the potential to provide other advisory services which may potentially present a conflict of interest.

8) **Should we clarify what is covered by "provision of other services" in proposed Rule 10C-1(b)(4)(i)?**
   Yes. The intent of the phrase may not be interpreted as it is intended. A stricter definition of other services is needed without actually listing out examples.

9) **We interpret "any stock of the issuer owned by the compensation consultant, independent legal counsel or other adviser" in proposed Rule 10C-1(b)(4)(v) to include shares owned by the individuals providing services to the compensation committee and their immediate family members. We do not believe this factor is intended to extend to the person that employs the adviser since Section 10C(b) is specific when factors extend to the employer and that language is not included for stock ownership. Is this an appropriate interpretation of this factor? If not, why and how should this phrase be interpreted? Should it also cover the person that employs the adviser?**
   Stock ownership as it is interpreted here with the exception of the "immediate family member" clause should be included. An advisor can only provide information; it is up to the committee to decide on its use. Stock ownership should be included as a factor for review but not the deciding factor alone for refusal of services.

10) **Should we define or clarify the meaning of the phrase "business or personal relationship," as used in proposed Rule 10C-1(b)(4)(iv), and if so, how?**
   Yes.

11) **Would the proposed requirements have any unintended effects on the compensation committee or its process to select a compensation adviser? If so, please explain.**
If a threshold standard is created, it could create unintended effects. Compensation committees should be allowed to use business judgment appropriate to their company and the outlined independence factors should be used as guidance only.

12) **Should we adopt rule amendments to Regulation S-K to require listed issuers to describe the compensation committee's process for selecting compensation advisers pursuant to the new listing standards? Would information about the compensation committee's selection process – how it works, what it requires, who is involved, when it takes place, whether it is followed – provide transparency to the compensation adviser selection process and provide investors with information that may be useful to them as they consider the effectiveness of the selection process? Or, would such a requirement result in too much detail about this process in the context of disclosure regarding executive compensation?**
While describing the committee's reasoning for selecting an advisor may provide some transparency in the selection process and improve governance practices, providing this information may be considered too much information and will not materially matter to an investor. The main points of interest to investors are situations that can result in conflicts of interests; this is what investors look for in disclosure.

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