



April 10, 2006

Nancy M. Morris
Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-9303

Re: File No. S7-03-06, Executive Compensation and Related Party Disclosure
71 FR 6542 (February 8, 2006)

Dear Ms. Morris:

America's Community Bankers ("ACB")¹ is pleased to comment on the Securities and Exchange Commission's ("SEC") proposed rules to amend the disclosure requirements for executive compensation and related party transactions. We support the SEC's efforts to make executive compensation and related party transactions reporting more transparent, concise and meaningful to investors. Publicly held community banks are pleased that the SEC has considered a scaled version of disclosure requirements for small business issuers.

ACB Position

ACB supports the SEC's proposed amendments to the executive compensation rules for small business issuers under Regulation S-B. The SEC, in recognizing the differentiation between small business issuers and other issuers, proposes to amend the executive compensation rules to require less extensive disclosure for small business issuers. ACB, however, urges the SEC to amend the definition of small business issuer to increase the threshold of that definition so that it will encompass a larger group of smaller public companies, including a larger group of community banks. In addition, we recommend that the SEC adopt in place of small business issuer, the definition of smaller public company, as defined by the Advisory Committee on Smaller Public Companies in its Draft Final Report and increase the threshold to \$787 million.

¹ America's Community Bankers is the member driven national trade association representing community banks that pursue progressive, entrepreneurial and service-oriented strategies to benefit their customers and communities. To learn more about ACB, visit www.AmericasCommunityBankers.com.

Background

As the SEC proposal correctly recognizes, small business issuers, including publicly held community banks, are less complex and do not have the extensive types of compensation elements of larger public companies. Additional reporting requirements impose new and unwarranted burdens on small issuers that cost the issuer in both time and money. ACB supports the SEC's proposed abbreviated scope and format of the executive compensation rules for small business issuers. However, under Regulation S-B, the current definition of a "small business issuer" is defined as a company with less than \$25 million in revenues and \$25 million in public float. The \$25 million threshold was established in 1992 and has not been changed since that time. This threshold has not kept up with the significant growth of public companies and needs to be revised upward.

Community banks urge the SEC to adopt a new definition of "small business issuer" based on the Advisory Committee on Smaller Public Companies' recommendation in its Draft Final Report for two categories of smaller public companies. These categories are "microcap companies," with market capitalizations below \$128 million, and "smallcap companies," with market capitalizations between approximately \$128 million and \$787 million. Combined, these companies would be included in a new category of "smaller public companies." The Advisory Committee in the Draft Final Report recommended that the term smaller public companies replace the term small business issuers and that these companies be subject to scaled regulation.

Furthermore, we agree with the SEC's proposal that small business issuers should be exempt from providing a Compensation Discussion and Analysis. The purpose of this new provision is to explain in narrative form the material elements of a company's compensation for executive officers. Smaller public companies and community banks have limited types of compensation plans consisting of, for example, salary, bonus, profit sharing, stock options, and retirement plans. A discussion of these elements would not provide additional insight into executive compensation apart from the Summary Compensation Table.

Conclusion

ACB appreciates the opportunity to provide these comments on the SEC's proposed amendments to the executive compensation rules. We reiterate our request for regulatory relief for public community banks by increasing the quantitative threshold of Regulation S-B. If you have any questions, please contact the undersigned at (202) 857-3186, or via e-mail at slachman@acbankers.org.

Sincerely,



Sharon H. Lachman
Regulatory Counsel
Regulatory Affairs