



**INDEPENDENT COMMUNITY
BANKERS of AMERICA**

TERRY J. JORDE
Chairman
JAMES P. GHIGLIERI, JR.
Chairman-Elect
CYNTHIA BLANKENSHIP
Vice Chairman
KEN PARSONS, SR.
Treasurer
ROBERT C. FRICKE
Secretary
DAVID E. HAYES
Immediate Past Chairman

CAMDEN R. FINE
President and CEO

April 10, 2006

Nancy M. Morris
Federal Advisory Committee Management Officer
Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090

Re: SEC File No. S7-03-06; Executive Compensation and Related Party Disclosure

Dear Ms. Morris:

The Independent Community Bankers of America (ICBA)¹ appreciates the opportunity to offer comments regarding the Securities and Exchange Commission's proposed rule regarding executive compensation and related party disclosure.

Background

The SEC is proposing amendments to the disclosure requirements for executive and director compensation and related party transactions. These amendments would apply to disclosure in proxy and information statements, periodic reports and other filings under the Securities Exchange Act of 1934 (the "Exchange Act"). The proposed amendments are intended to (1) make proxy statements easier to understand, (2) provide investors with a clearer and more complete picture of the compensation earned by a company's principal officers, and (3) provide better information about key financial relationships among companies and their executive officers, directors, and significant shareholders.

¹*The Independent Community Bankers of America represents the largest constituency of community banks of all sizes and charter types in the nation, and is dedicated exclusively to representing the interests of the community banking industry. ICBA aggregates the power of its members to provide a voice for community banking interests in Washington, resources to enhance community bank education and marketability, and profitability options to help community banks compete in an ever-changing marketplace.*

With nearly 5,000 members, representing more than 18,000 locations nationwide and employing over 265,000 Americans, ICBA members hold more than \$876 billion in assets \$692 billion in deposits, and more than \$589 billion in loans to consumers, small businesses and the agricultural community. For more information, visit ICBA's website at www.icba.org.

ICBA's Position

ICBA's comments on the proposed executive compensation rules concern the Item 402 rules regarding small business issuers under Regulation S-B. **First, we believe that the term "small business issuers" as used in Regulation S-B should apply to a broader range of companies including micro-cap companies—those companies with market capitalization of up to \$128 million with revenues less than \$125 million.** The SEC Advisory Committee on Smaller Public Companies in their recent draft Final Report recommended expanding the eligibility of Regulation S-B to micro-cap companies.² The current definition of a small business issuer—companies with public float and revenue less than \$25 million—is much too restrictive. In light of the increased costs associated with reporting obligations under the Exchange Act since the passage of the Sarbanes-Oxley Act of 2002 (SOX) and the fact that a disproportionate amount of that burden falls on smaller companies, we recommend that Regulation S-B apply to a broader range of companies.

Second, we agree with the SEC that the executive compensation arrangements of small business issuers are much less complex than those of other public companies and that additional disclosure requirements would impose unwarranted regulatory burdens on small business issuers. **Accordingly, we recommend that small business issuers only provide in their proxy materials (1) the Summary Compensation Table, (2) Outstanding Awards at Fiscal Year-End Table, and (3) the Director Compensation Table.** They should be exempted from providing a Compensation Discussion and Analysis, the Option Exercises and Stock Vested Table, or any other supplemental table. As for the Summary Compensation Table, only the compensation of the principal executive officer and the two most highly compensated officers other than the principal executive officer should be disclosed and compensation should be limited for the past two years. Furthermore, we believe that it is unnecessary for these companies to disclose executive officer perquisites and personal benefits since few executives of these companies have a significant amount of perquisites or personal benefits.

Conclusion

ICBA recommends that the definition of "small business issuer" under Regulation S-B be expanded to include a broader range of small companies including micro-cap companies. Because the executive compensation arrangements of small business issuers are less complex than those of other public companies, we recommend that the proxy disclosures be limited to the Summary Compensation Table, the Outstanding Awards at Fiscal Year-End Table, and the Director Compensation Table.

² See Exposure Draft of Final Report of Advisory Committee on Smaller Public Companies, Release Nos. 33-8666; File No. 265-23. The Advisory Committee defined micro-cap companies as those companies with market capitalizations of \$128 million or less and revenues less than \$125 million and recommended that Regulation S-B eligibility be expanded to cover these companies.

ICBA appreciates the opportunity to offer comments on the SEC's proposed rule regarding executive compensation and related party disclosure. If you have any questions about our letter, please do not hesitate to contact me at 202-659-8111 or Chris.Cole@icba.org.

Sincerely,



Christopher Cole

Regulatory Counsel