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March 23, 2006

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OFFICE OF THE SECRETARY

Chairman Christopher Cox
Chairman, Securities & Exchange Commission
100 F Street NE
Washington DC 20549-0213

Dear Chairman Cox,

I am writing in reference to executive compensation disclosure.

When I was Chairman of the Audit Committee for Kelly Services, a few years ago, we instituted a cash bonus program for management. It was dependent on earnings per share. When I calculated the impact of the bonus program on earnings I found that the increase in bonuses would be greater than the increase in earnings. This meant that the more the company earned, the more the bonuses would be and the less the stockholders would get. I felt that it was academic because the relevant range was beyond what would be achieved. It did raise the question of whether stockholders would approve a bonus plan if they knew that it would decrease the earnings the more the company made. Should there be disclosure of the split in earnings between management and stockholders? It might be expressed as 10% and 90% of additional earnings. In this particular case, it would have been >100% and a negative number.

I have two other concerns.

I have wondered why companies are not audited by the IRS for the Accumulated Earnings Tax. For example, according to my calulations, Microsoft owed over 10 billion dollars in tax plus interest plus penalties as of June 30, 2001. The IRS does not seem concerned about this. If Microsoft really owes the tax then their balance sheet overstates the equity and even past earnings.

Sections 532 to 539 of the Internal Revenue Code pertain to the Accumulated Earnings Tax and how to calculate whether any tax is due. It relates to working capital turnover and is described as the Bardahl Test. When I applied the test to Microsoft, I came up with a tax deficiency of 10 billion dollars. With companies accumulating large amounts of marketable securities, I am sure that many of them would be subject to the tax and have overstated their equity.

In the case of Microsoft, I have inquired at the IRS about the potential tax, but they do not seem to be interested in taking any action. Do they really owe all those taxes?

My other concern is Full Disclossure.

When any of the TV stations report that the stock of a company has been upgraded to a buy, the station reports the event, but they never report the possible ownership issues by the analyst or the investment house. In a personal interview with the analyst they must always disclose their position and that of their firm for possible conflict of interest. The rule does not seem to apply when one of the investment houses puts a stock on its buy list and has it reported by the media. For all I know the investment house and the analyst loaded up on the stock the week before.

Thank you for going over my concerns.

Sincerely,

Cedric Fricke

Cedric Fricke, CFA
Professor Emeritus