

THE New York Stock
Exchange

September 3, 1976

William M. Batten
Chairman and
Chief Executive Officer

To: Chief Executive Officers

All of us in the business community are well aware of the extent to which the broad issue of corporate accountability has been attracting public attention and government concern. Several months ago, Securities and Exchange Commission Chairman Roderick M. Hills suggested to me that the New York Stock Exchange might be uniquely positioned, through its close relationships with more than 1,500 of the nation's leading corporations, to help improve the climate of public confidence in U.S. business.

Accordingly, our Board is considering requiring every domestic listed company, as a condition of continued listing after December 31, 1977, to maintain an Audit Committee composed entirely of independent directors who are not part of current management.

We estimate that about 80% of all listed companies today have Audit Committees, although, in many cases, they include directors who are company officers or employees. A recent informal survey of representative listed companies leads us to believe that the vast majority agree with the Independent Audit Committee concept and would support Exchange initiatives to incorporate it into our listing requirements.

We also believe, however, that listed companies are entitled to a voice in major policy decisions affecting them and we are, therefore, seeking the views of the chief executive officer of every domestic company with common stock listed on the Exchange.

Attached you will find a draft proposal on which you are requested to comment so that our Board of Directors may have the benefit of your thinking for its deliberations at its regular meeting on October 7.

(over)

Under the proposal, the Audit Committee would consist of at least three independent directors, two of whom must be outside directors. No upper limit is placed on the size of the Committee, but in all cases, the majority of the Committee must be outside directors.

A simple reply form is enclosed for your convenience, and, of course, we will welcome any more detailed comments you or your associates may wish to offer. (Information copies of this letter are being sent to your company's Chief Financial Officer and Secretary.)

To facilitate tabulation of responses for presentation to our Board, it would be most helpful to receive your reply by Tuesday, September 21.

Sincerely,

Wm Batten

PROPOSAL FOR AUDIT COMMITTEE

Audit Committee of Independent Directors

Each domestic company as a condition of listing and continued listing of its securities on the Exchange, shall provide in its by-laws or by appropriate resolution of its Board of Directors, a requirement for the establishment of an Audit Committee consisting of a minimum of three Independent Directors, no one of whom shall be an officer or an employee of the company and at least two of whom shall qualify within the meaning of the term "Outside Director" as herein described.

The Audit Committee may in the discretion of the Board of Directors consist of more than three Independent Directors, but in no event shall the majority of such directors consist of other than "Outside Directors" within the meaning of the term.

An Audit Committee meeting the above requirements shall be established no later than December 31, 1977.

Definition of Terms

Independent Director - The term "Independent Director" shall include those who qualify as "Outside Directors" but may also include a former officer of the corporation who although receiving pension or other deferred compensation payments from the company is in the opinion of the Board of Directors a person who will exercise independent judgment and whose presence on the Audit Committee will materially aid and assist the function of the Committee.

Outside Director - The term "Outside Director", with respect to an Audit Committee, shall be persons who are not officers, or relatives thereof, employees, former officers, consultants, or persons who are not otherwise compensated on a regular basis by the company other than by directors' fees. The following are examples of persons who would not qualify as Outside Directors for the purposes of an Audit Committee:

Anyone who would be classified as or represent a parent, controlling person or affiliate under SEC usage of these terms, or anyone who would be an "associate" of such person;

Anyone who would be classified as an associate of any officer or employee of the company;

Outside Legal Counsel to the Company.

COMMENTS ON NEW YORK STOCK EXCHANGE
AUDIT COMMITTEE PROPOSALS

Comments provided by: _____
NYSE Listed Company

Name of Respondent	Title		
1. Do you agree that the Exchange should adopt a requirement regarding the Establishment of an Audit Committee?		Yes	No
2. Do you agree that such committees should be composed of a minimum of three independent directors of which a majority must be outside directors?		Yes	No
3. Do you agree with the deadline of December 31, 1977?		Yes	No
4. Does your company already have an Audit Committee that meets the proposed requirements or do you have plans to appoint such a committee?		Yes	No
5. If not,			
Will you, as Chief Executive Officer, implement the policy if it is adopted by the Exchange?		Yes	No
or			
Will you recommend action by your Board if that is required?		Yes	No
6. Other comments or suggestions:			

Your reply should be mailed to:

New York Stock Exchange, Inc.
Stock List Division
Audit Committee Study
20 Broad Street
New York, New York 10005

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