

MSE-CAC

**Report
of the
Ad Hoc
Committee
on
Organizational
and
Management
Structure**

TO THE BOARD OF DIRECTORS:

On October 4, 1979, the Board of Directors approved the recommendation of Chairman W. M. Batten that an Ad Hoc Committee of the Board be named to review the existing organizational structure of the Exchange in light of the rapidly changing environment in which the Exchange is operating.

The last review of the organization of the Exchange was conducted in 1971 by William McChesney Martin, Jr., in an atmosphere of crisis following a period of great turmoil in the securities industry and at the Exchange. Mr. Martin presented his recommendations at a time when Congress was beginning to consider the most sweeping revision of the Securities Exchange Act since its enactment in 1934.

Today, as a result both of implementation of many of Mr. Martin's recommendations and passage of the Securities Acts Amendments of 1975, the Exchange is a very different organization than it was a decade ago.

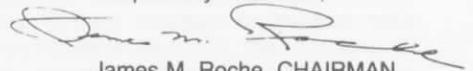
The present review of the organizational structure of the Exchange is not prompted, as was the review by Mr. Martin, by any deep concern for the continuing viability of an organization that has served the nation and the economy well throughout its history. Rather, the present review stems from optimism about the Exchange's future. The challenges facing the Exchange today are quite different from those of a decade ago.

Your Committee has reviewed the existing organizational structure of the Exchange with a view to determining the type of structure best-suited to meet the needs and challenges of the foreseeable future most efficiently and effectively.

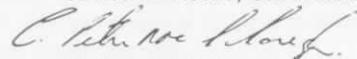
Our unanimous recommendations for a corporate structure which, we believe, will meet this objective are discussed in the following report.

May 1, 1980

Respectfully submitted,



James M. Roche, CHAIRMAN



C. Peter McColough



Edward Randall, III



George L. Shinn

**Report to the Board of
Directors of the New York
Stock Exchange, Inc. from
the Ad Hoc Committee on
Organizational and
Management Structure**

**THE CHALLENGES FACING
THE EXCHANGE IN THE 1980s**

The immense international prestige and favorable public image of the New York Stock Exchange derive from its acknowledged position as the world's premier securities marketplace. It is essential to our national economy and to the private enterprise system that the Exchange preserve and expand that role.

Although the Exchange entered the 1970s accounting for 85% of the total volume in its listed shares, and ended the decade with more than 88% of that volume, it faces greater challenges today than at any time during the past 10 years. The Exchange cannot complacently assume that it will automatically continue to be the premier market, or that it will be immune from the rapidly changing environment in which the securities industry—and, indeed, the nation—finds itself.

The structure of the securities markets has changed significantly over the past 10 years. More significant changes, possibly fueled by economic considerations as well as by governmental actions comparable to those which triggered the rapid and extensive changes of the 1970s, lie ahead. Such changes are likely to have a significant impact on the operation of the Exchange both because of its position at the heart of the nation's securities markets and because of the complex ways in which our economic system functions.

Changing economic forces, advanced trading methods, new products, increasing use of automation, and greater competition will shape the securities industry and the securities markets of the 1980s.

The Securities Acts Amendments of 1975 and the abolition of fixed minimum commission rates were the key issues of the 1970s. The 1975 Amendments mandated the creation of a National Market System, and that will continue to be a prominent issue until it is finally resolved.

The Exchange, because of its unique position, has both the opportunity and the responsibility to take a leadership role in the evolution of the National Market System. In addition to being organized to assume and carry out that role, the Exchange must continue to maintain the highest quality and most efficient, cost-effective market in which to do business.

Business Has Changed

The mix and type of business being done on the Exchange changed dramatically during the 1970s. For example, institutional activity now accounts for more than 70% of the value of public volume, as shown in Chart I.

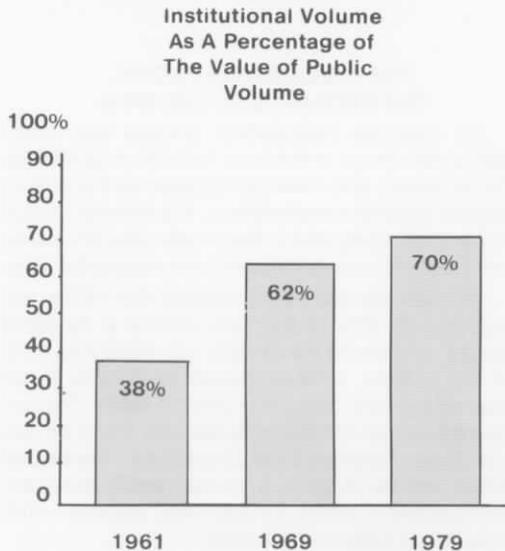


Chart I

While NYSE share volume nearly tripled between 1969 and 1979, trading in blocks of 10,000 or more shares increased at a much faster rate. On an absolute basis, 1979 block volume was more than five times greater than in 1969. Charts II and III illustrate these trends in large blocks.

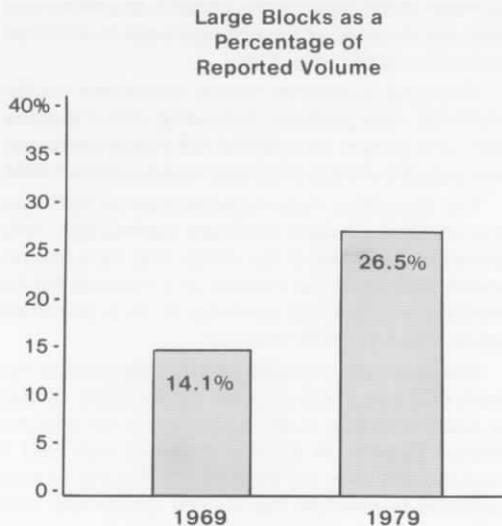


Chart II

Large Block Volume

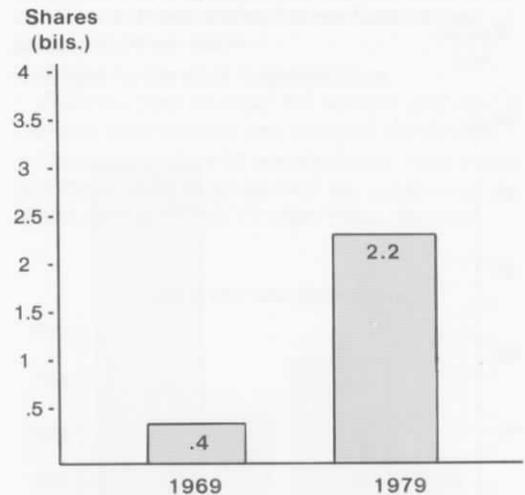


Chart III

Individual Investor Importance

While institutions and intermediaries account for most of the Exchange's share volume today, individual investors still account for most of its transaction volume. Individuals continue to be an essential element in the Exchange market. Trades of 100-900 shares, which accounted for only 27½% of all round-lot share volume in 1979, represented more than 80% of the total number of transactions executed. Without this activity, which substantially involves participation by individuals, the NYSE would be a very different marketplace.

Individual investors' activity in the Exchange market has increased on an absolute basis, but it has declined sharply relative to institutional activity. That reflects in part a decline in the total number of U.S. shareowners of nearly five million between 1970 and 1975. Many of those lost were the relatively new, young investors. As a result, the shareowner base aged five years. Charts IV and V show these trends.

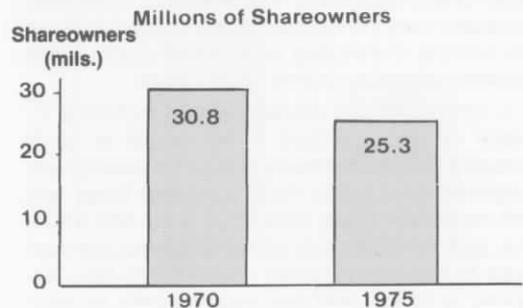


Chart IV

Median Age of Shareowners

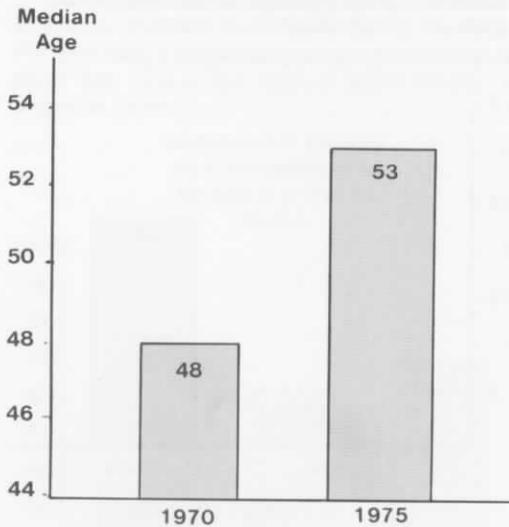


Chart V

Estimates of the number of non-shareowners who own shares *indirectly* as participants in pension funds have grown, however. Insurance companies and other investing institutions which pool their investable funds have also steadily increased their shareowning role.

Large orders from institutions and smaller orders from individuals are both essential to maintain an effective auction market for securities. Individuals, particularly, must be motivated to invest in securities, and this represents a major challenge for the Exchange and the industry in the years ahead. The magnitude of that challenge becomes most apparent as individual investors become increasingly sophisticated about the variety of available investment opportunities competing with securities ownership. More and more individuals indicate skepticism about the benefits of investing in corporate stocks in the present national economic environment.

A very significant development in individual investor activity is evident in the growth of funds investing in fixed-income securities. Tax-exempt and corporate bond funds (both open-end funds and unit investment trusts) today total about \$30 billion. The bulk of the growth occurred during the past three to four years. Money market funds have exhibited by far the most spectacular growth, increasing from about \$4 billion at the beginning of 1978 to

some \$60 billion today. The number of shareholder accounts in these money market funds is now approaching three million.

Changes in Member Organizations

Over the past decade, the number and size of member organizations has changed significantly.

The number of NYSE member firms—both in total and those doing business with the public—has declined. Charts VI and VII show these declines.

Total NYSE Member Firms

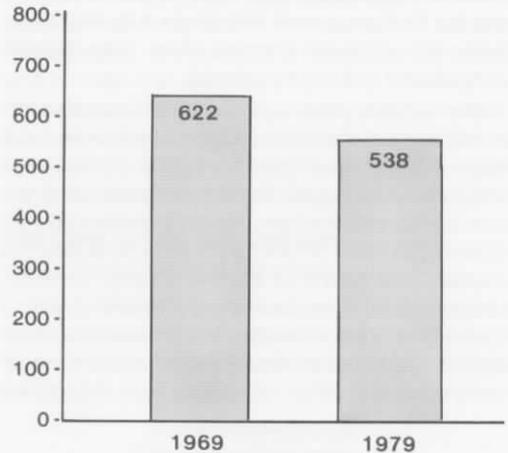


Chart VI

NYSE Member Firms Doing Business With The Public

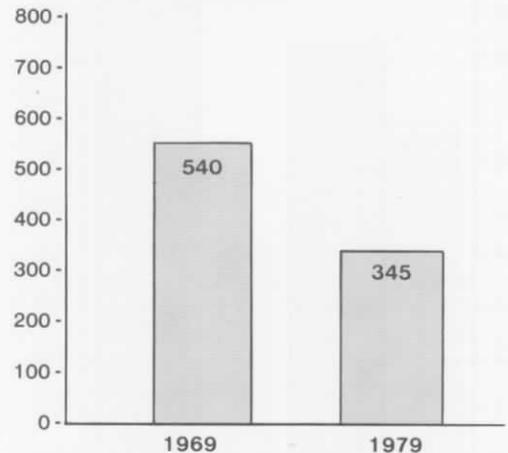


Chart VII

Though fewer in number, those firms doing a public business are larger today, and the industry's full-time sales force has increased from fewer than 40,000 registered representatives at the end of 1972 to nearly 44,000 at the end of 1979. Both sales offices and full-time registered representatives per firm rose over the seven-year period, as shown in Charts VIII and IX.

Market Conditions have Changed

These data indicate some of the changes in market conditions which have already occurred. Economic considerations have altered past practices, and the Exchange must now prepare to deal effectively with additional changes which may dramatically affect it in the years ahead.

One hundred years ago, the NYSE was primarily a bond market. As that market became more institutional and a new communications system—the telephone—developed, bond trading moved to the over-the-counter markets. Today, an estimated 95% of trading in listed corporate bonds is done over the counter. The growth in equities trading, however, compensated for the decline in bond-trading activity on the Exchange. Potential new products, such as options and financial futures, face much stronger competition from other exchanges than did equities

at the turn of the century. These products, while important and necessary, must be regarded as additional products available in the Exchange marketplace—not as potential substitutes for equities. The Exchange's success in marketing these new products will depend, in large part, on its ability to be the most efficient cost-effective securities market.

Clearly, trading and investment patterns hold many important implications not only for the Exchange but for the entire securities industry as well, and for all financial institutions.

The Exchange faces many challenges and many opportunities in the 1980s. For example, in addition to developing new products to meet financial needs and provide new revenue sources for member organizations, the Exchange can become more of an international marketplace by expanding its list to include more foreign companies and by making its services more accessible to foreign investors.

The Need to Consider Changes in the Organizational Structure

The Exchange's present organizational structure, while altered over the years, stems from its origins as an unincorporated membership association 188 years ago.

Number of Member Firm Sales Offices Per Firm

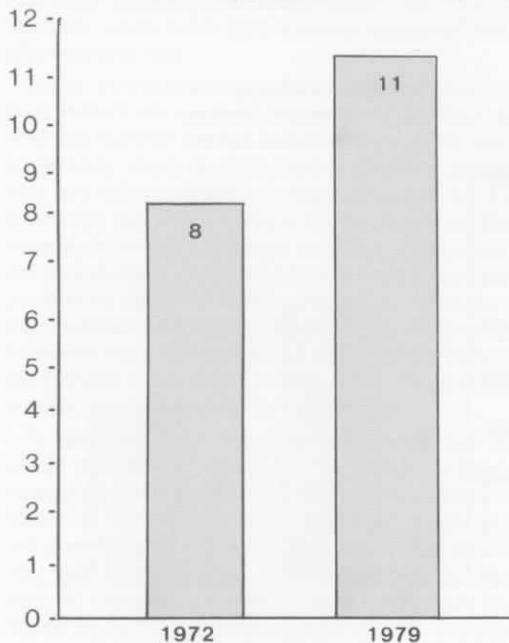


Chart VIII

Number of Full-Time Registered Representatives Per Firm

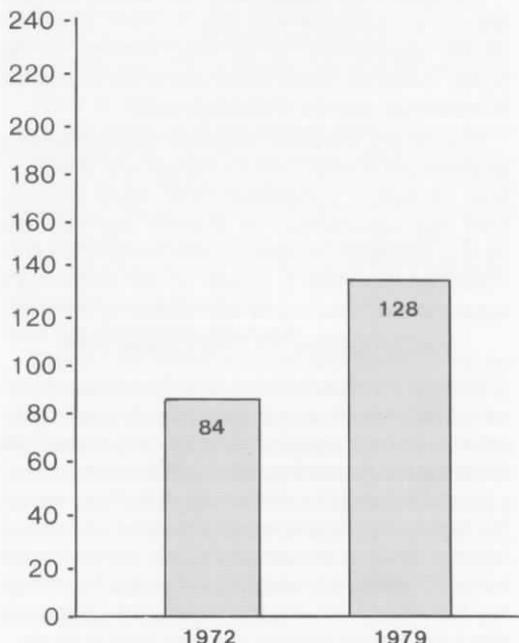


Chart IX

The most recent significant changes occurred in 1972, following recommendations submitted by William McChesney Martin, Jr.—a former President of the Exchange and Chairman of the Federal Reserve Board for 19 years—and the subsequent report of the Owens Committee, chaired by Cornelius Owens, who served with distinction as a Public Director of the Exchange for 11 years.

The implementation of these recommendations has been widely applauded as a significant, constructive force in renewing the vigor and prestige of the Exchange. However, as already discussed, the structure of the securities markets and the participation of investors have changed significantly in the eight years since the organizational structure of the Exchange was modified—and significant additional changes lie ahead.

The Exchange, along with the entire securities industry, is currently operating in a highly competitive, rapidly changing environment, and it must be organized to deal effectively with the future.

Two alternatives are available. The first—which, in our view, is unacceptable—is to resist changes which might disturb the status quo. That course would probably result in changes being forced upon the Exchange by competition or by additional government regulation—more likely than not at inopportune times.

The second alternative—and, we believe, the right one—is to recognize and plan to meet future demands aggressively, in the best interests of the public, investors, listed corporations, the Exchange membership, and the Exchange itself.

In summary, it is clear—from the rapidly changing environment in which the Exchange now operates, from increasing competition from many sources, from new opportunities to diversify and from the need to preserve this nation's free, competitive economic system—that a review of the Exchange's organizational structure is appropriate at this time.

FACT-FINDING BY THE COMMITTEE

Early in its deliberations, the Committee determined that its work should be confined to the organizational and management structure of the New York Stock Exchange, starting with the Office of the Chairman and including the relationship that office has with the Board of Directors, members, listed companies and the other constituencies which the Exchange serves. Therefore, it sought constructive input from key individuals who are particularly knowledgeable about the issues affecting the securities markets.

The Committee did not intend its interviews to

constitute an opinion poll but rather to obtain a wide spectrum of informed viewpoints. Committee members and consultants interviewed 85 individuals representing listed corporations, member firms dealing with the public, floor members, institutional investors, academicians, and past and present regulators and legislators. The interviews covered a wide range of subjects specified by the Committee and other matters raised by those whose opinions were sought. The Committee very much appreciates the cooperation of all those who shared their valuable insights.

Findings of the Interviews

The interviews disclose general satisfaction with the operation of the Exchange and with progress made in recent years. Several of those interviewed expressed concerns with specific aspects of Exchange operations or programs or the performance of a specialist or the Exchange staff. Since those comments involve areas not directly related to the organizational structure of the Exchange, the Committee has referred them to the appropriate Board or staff units for consideration.

The interviews indicated confidence with the Office of the Chairman, the present management structure and the assignment of responsibilities within that Office. The opinion was stated many times during the interviews that the combination of a recognized business leader serving as Chairman-Chief Executive Officer and enjoying the confidence of the governmental and business communities, supported by two Vice Chairmen experienced in complexities of the securities industry, has worked very well.

Many of the persons interviewed, however, believe that because of the complexities of the current environment the Exchange would benefit from the addition of a President who would serve as Chief Operating Officer. This sixth position in the Office of the Chairman would have the responsibility for directing the day-to-day operations of the Exchange.

Perceptions of the NYSE and the Securities Markets

Those interviewed were acutely aware of the immense changes which have taken place in the U.S. securities markets in recent years. They cite, primarily, the advent of fully competitive commission rates and consequent consolidations and mergers; but many also note the massive increase in trading volume, increased institutionalization of the markets, the Securities Acts Amendments of 1975, and the growth of options trading as major developments.

Perceptions of the Future

Many of those interviewed cited pressures from government, from competing markets, and from

member firms seeking cost efficiencies as the basis for widespread predictions of ever-increasing automation of the trading process and continuing evolution of a National Market System. A small minority expects total automation of the trading process and the end of the specialist system, but the majority sees a continuing need for the exercise of human judgment in making high-quality markets. Most predict further institutionalization of the market and still-higher trading volume.

Future Role of the NYSE

Few of those interviewed expect any significant change in the NYSE's position as the cornerstone of the U.S. markets, and most urge the NYSE to lead the way to a National Market System. Others call for increased competition in NYSE market-making, improved cost-effectiveness, and a more aggressive automation program. A significant minority would like to see increased NYSE activity in promoting equity investment, encouraging capital formation, and defending the private enterprise system.

Conclusions from the Interviews

In general, the concerns expressed in the interviews focused not on any substantive problems with the Exchange's progress to date but, rather, on the Exchange's ability to sustain its record of progress in the future. The Committee concurs in the views that progress to date has generally been satisfactory and that the Exchange must keep pace with rapidly changing developments in such areas as diversification into new products and growing internationalization of the securities markets. We agree, too, that the Exchange must encourage greater capital investment in the private sector of our national economy.

These concerns lead directly to the fundamental question to be addressed by the Committee: What is the optimal organizational structure for the future?

CURRENT STRUCTURE OF THE EXCHANGE

Today, the New York Stock Exchange is organized as a not-for-profit corporation. It is managed by an Office of the Chairman which consists of the five top officers—the Chairman, two Vice Chairmen and two Executive Vice Presidents.

The Exchange owns a significant equity interest in four associated operating companies. The four companies and the share of ownership in each is as follows:

- New York Futures Exchange (NYFE)—100%
- Securities Industry Automation Corporation (SIAC)—66⅔%
- National Securities Clearing Corporation (NSCC)—33⅓%

- Depository Trust Company (DTC)—varying amount—currently 45%

Three of these four associated companies—SIAC, NYFE and NSCC—are incorporated as business corporations; DTC is organized as a special purpose trust company.

Thus, we have the unusual situation today where a not-for-profit corporation holds varying amounts of the stock of associated companies which are business corporations and provide mutualized services for members and other users. While most observers would conclude that a corporate structure that can accommodate future growth, expansion and technological advances is essential, the present structure limits the Exchange's prospects for achieving those objectives.

The Exchange was originally organized and operated as an unincorporated association. It was not incorporated until 1971 and then as a not-for-profit corporation to preserve many of the aspects of the membership organization which it had been for many years. However, to try and keep pace with new needs and to deal with the many problems it faced, changes were made. Many of these changes, such as the reorganization recommended by William McChesney Martin, Jr. in 1971 and implemented following the Owens Committee Report in 1972, have been constructive. However, the future challenges being faced by the Exchange require that it be organized more like the business it is. A revised corporate structure could enable the Exchange Board and management to take greater advantage of business opportunities which might present themselves in the future. It could allow the Board and management to respond more decisively to issues presented and direct the Exchange to new areas of opportunity for the benefit of the Exchange membership and the other Exchange constituencies.

THE COMMITTEE'S APPROACH

Mindful of the comments and insights provided by the industry and non-industry people interviewed in the first phase of its work, the Committee agreed that before considering what type of organizational structure might best serve the future needs of the Exchange, its members and its other constituents, it would be essential to identify the key benefits that any structural change should provide.

Objectives of Any Structural Change

In our judgment, the Exchange's organizational structure should provide the following desirable features. It should:

- Maximize the ability to serve the needs of cus-

tomers, members and other constituents as efficiently and as cost-effectively as possible.

- Preserve the equity interests and trading rights of all members.
- Preserve and, if possible, enhance members' direct participation in the operation of the NYSE marketplace.
- Provide organizational flexibility to take full advantage of business opportunities, including diversification into new product lines.
- Assure credibility in representing constituents' views and concerns to the various regulatory and legislative bodies that oversee the operation of the securities markets.

Preliminary Conclusions of the Committee

Having identified these objectives, the Committee weighed them against the present organizational structure and reached the preliminary conclusion that while the present structure has been effective over the past decade, it does not offer adequate flexibility to maximize Exchange business opportunities and operational efficiency in the light of increasing regulatory interest, and the present rapidly changing, highly competitive securities industry environment.

The Committee believes that the Exchange membership would be well-advised to consider altering the present organizational structure. Therefore, the Committee proceeded to examine what modifications might appropriately be accomplished within a framework that will protect the equity interest of the present Exchange membership and that can, indeed, enhance and expand the benefits available to the public, to investors, to listed corporations, and to present and future members.

Review of Organizational Structures

The Committee systematically reviewed a number of approaches to the organizational structure of the Exchange that might provide the strength and flexibility the Exchange required to meet the challenges that lie ahead. The alternatives included Constitutional reform, incorporation of the Exchange as a business corporation, and various other types of corporate structures.

These studies led to the judgment that the best approach would be to create a new business corporation that could be structured to preserve the trading rights and equity interest of the existing membership while meeting the needs of the Exchange to serve its multiple constituencies.

The Committee agrees with the suggestion that the Office of the Chairman be enlarged to include a

President who would serve as Chief Operating Officer of the Exchange. This individual should possess an outstanding record of achievement in the securities industry, demonstrated management capacity, and the ability to work with people and inspire confidence on the part of members, associates, listed companies and the public. The responsibilities of the other five positions in the Office of the Chairman would remain unchanged.

CREATION OF A NEW BUSINESS CORPORATION WOULD BE CONSISTENT WITH IDENTIFIED OBJECTIVES

A new for-profit business corporation, owned by the 1,366 NYSE members (the "members") would provide the flexibility needed by the Exchange and its present subsidiaries to meet the challenges of the 1980s. It would preserve the ownership or equity interests and the trading rights of members.

Organization Chart of Proposed Corporate Structure

The proposed corporate organizational structure shown in the chart below is described in the following pages.



The salient features of this proposed structure can be briefly summarized:

Members' Ownership

Shares in the new business corporation would be issued to the members of the Exchange without any additional investment on their part. They would own *all* the shares of the new business corporation. These shares would be tied to, and could be transferred only with, memberships.

The New York Stock Exchange would continue as a not-for-profit corporation, and would become a subsidiary of the new business corporation.

The members of the NYSE would continue to own NYSE memberships, which would continue to confer trading privileges on the NYSE trading floor and would continue to be transferable.

Board of New Business Corporation

The Board of Directors of the new business corporation, elected by the shareowners, would be the over-all policy-setting Board. Half the Directors would be elected annually, as at present. The structure of the Board would be the same as that of the present NYSE Board, which has been favorably perceived by the public, the membership, listed companies and institutional investors.

User Board of NYSE

The Board of Directors of the NYSE subsidiary could be structured as a "user" Board, or as a Board with representation from a broad spectrum of the membership. Thus, the knowledge and expertise of the membership could be utilized fully and effectively at the Board level in the operation of the NYSE as a subsidiary.

Members as Shareowners

Like the shareowners of any business corporation, the members of the NYSE—as shareowners of the new business corporation—would have the right to vote on matters requiring shareowner approval and the other customary rights of shareowners of a business corporation, including the right to receive any cash or stock dividends that might, at some time in the future, be declared by the new business corporation.

New Class of Membership

To achieve this new corporate structure, it would be necessary to create a new "class" of NYSE membership, which would be issued to the new business corporation. The new business corporation would thus become a member of the NYSE, but its membership would not confer any right to trade on the Floor. Rather, the new class of membership would assign specified voting rights to the new busi-

ness corporation, with respect to the election of Directors of the NYSE subsidiary and all other matters, including any amendments to the NYSE Constitution.

Nominating Committees

The Nominating Committee of the new business corporation would be organized along the same lines as the nominating committee of the typical business corporation—as a Committee of the Board of Directors.

The Nominating Committee of the NYSE subsidiary would continue to be organized with half its members—i.e., four out of eight—from outside the securities industry. The functions of the NYSE subsidiary Nominating Committee need not be changed. The new business corporation would have the right to elect the public representatives of the NYSE subsidiary Nominating Committee. The members of the Exchange would have the right to elect the securities industry members of the Nominating Committee.

Election of Directors of NYSE

In order to permit the new business corporation to file consolidated tax returns, including the NYSE subsidiary, it would be necessary to authorize the new business corporation to elect 80% of the NYSE Board. Thus, the new business corporation would elect 80% of the Directors of the NYSE subsidiary and the members would elect 20% of the Directors. If the Board of the NYSE subsidiary were structured as a "user" Board, as discussed previously, provision could be made as to the categories of members and other persons to be represented on the Board, either by contract or by specific provisions in the Exchange's Constitution.

Voting Rights

The members would have the sole vote to elect all of the Directors of the new business corporation.

The members would also have the sole vote on NYSE Constitutional amendments with respect to:

- any sale, lease, exchange or other disposition of all, or substantially all, of the assets of the NYSE;
- any merger or consolidation involving the NYSE;
- any disposition or final liquidation of the NYSE;
- any proposal to increase the number of members; or
- the election of Trustees of the Gratuity Fund or the amendment of Gratuity Fund provisions.

The new business corporation would have the sole vote on all other NYSE Constitutional amendments.

The new business corporation, as explained previously, would elect 80% of the Board of Directors of the NYSE subsidiary. The members would have the right to elect 20% of the NYSE Board.

These voting arrangements are shown in the following table:

Voting Rights

Issue	Members	New Business Corporation
Elect Directors of New Business Corporation	100%	—
Elect Trustees of the Gratuity Fund	100%	—
Amendments to Gratuity Fund	100%	—
NYSE Constitutional Amendments		
• sale, merger, liquidation, increase in members, etc.	100%	—
• Other amendments	—	100%
Election of NYSE Directors		
• Three Directors	100%	—
• Seventeen Directors	—	100%
Election of NYSE Nominating Committee		
• Four Industry Members	100%	—
• Four Public Members	—	100%

Distributive Rights

In order to permit the NYSE to distribute to the new business corporation the shares of stock it now holds in its subsidiaries—and such excess NYSE funds as may be appropriate at some future time to finance the activities of the new business corporation—it would be necessary to give the new business corporation, as the holder of the new class of NYSE membership, distributive rights in the assets of the NYSE. These rights currently rest with the NYSE's members who would, of course, acquire similar rights in the new business corporation.

Preemptive Rights

The members, as the shareowners of the new business corporation, would have preemptive rights in the corporation. Thus, unless and until they might decide otherwise, their equity interest in, and control of, the new business corporation would continue undiluted.

Advantage of the Proposed Structure

The key advantage of the proposed organizational structure is that it would provide structural flexibility for the future while preserving the equity interests and trading rights of the members of the NYSE.

Structural Flexibility

The proposed structure would have considerable flexibility to accommodate future changes. Initially,

the new business corporation would have as subsidiaries, in addition to the NYSE, the four present associated companies: NYFE, SIAC, NSCC and DTC. However, the structure would enable the new business corporation to create new subsidiaries, as needed, to operate new business activities—such as, for example, an options market—as has been done in connection with financial futures. The new business corporation could also create or acquire new subsidiaries to market new products and services. The proposed structure would also allow for conversion of the NYSE subsidiary to a for-profit business corporation if that should be deemed advisable at some future time.

Advantages to the Members

One of the most attractive aspects of the proposed new structure is that it offers a number of advantages to NYSE members while preserving their existing trading rights. To summarize, the 1,366 members would:

- Own the new business corporation.
- Elect the Board of Directors of the new business corporation.
- Vote on major corporate matters involving the new business corporation.
- Receive any dividends declared by the new business corporation.
- Continue to own transferable trading memberships, or "seats," on the NYSE.
- Have the sole right to vote on changes in the NYSE Constitution involving the Gratuity Fund or any sale, merger, liquidation, or increase in the number of members.
- Continue to have the right to petition for changes in the NYSE Constitution.
- Be directly represented by members on the Boards of Directors of both the new business corporation and the NYSE.

Thus, the Committee is unanimous in its belief that the proposed new structure would meet the essential objectives outlined earlier. It would preserve the equity interests, trading rights and operational participation of NYSE members. It would position the NYSE to take maximum advantage of present and future business opportunities. And it would strengthen the ability of the Exchange to serve the needs of its members, customers and constituents as efficiently and as cost-effectively as possible.

LEGAL AND REGULATORY CONSIDERATIONS

The Committee has carefully reviewed with counsel whether there are any insurmountable legal obstacles to creating the proposed new structure. We have been advised that there are none.

The Committee has also reviewed possible reg-

ulatory obstacles and has been advised that while the Securities and Exchange Commission would not have to approve the new structure, the SEC would have to approve changes in the NYSE Constitution and Rules which would be necessary to implement it. Counsel is reviewing whether it would be necessary to register with the SEC the stock of the new business corporation issued to existing NYSE members, under the Securities Act of 1933.

It would be necessary to submit a request for tax rulings to the Internal Revenue Service and to the New York State and City tax authorities which, in essence, would confirm that the transaction would be tax-free to members who receive the stock of the new business corporation, and that there would be no adverse tax consequences to the NYSE, its existing subsidiaries, or the new business corporation.

CONCLUSION

The Committee recognizes that it is difficult to make changes in the organizational structure of the Exchange that will be acceptable to all of the persons interested in the future well-being of the Exchange. Our examination of the relevant issues and their various ramifications leads us to the judgment that the approach outlined in this report is in the best interests of the public, investors generally, the Exchange, its members and all its constituents. Thus, it is our unanimous opinion that the proposed structure meets the overriding objective of placing the Exchange and its membership in the best position, from a practical, organizational standpoint, to meet the needs, challenges and opportunities of the foreseeable future in the most effective and efficient manner.

RECOMMENDATIONS

For the reasons set forth above, the Committee recommends:

1. That the Office of the Chairman be expanded by the addition of a President who would serve as chief operating officer.
2. That the creation of a new business corporation, as outlined in this report, be given careful consideration by the Board. If the Board agrees, appropriate action should be taken to develop a proposal to be submitted to the membership for its approval.