

THE New York Stock
Exchange

FOR YOUR INFORMATION
IF YOU WISH TO RESPOND
PLEASE DO SO BY 6/25/76

Office of the Secretary
Edward W. Morris, Jr.
Assistant Secretary
(212) 623 2061

TO: The Board of Directors June 8, 1976

Re: Listed Companies -- Audit Committees -- Composition of
Board of Directors -- Independent Counsel to Boards

You will find attached a copy of a letter dated May 11, 1976 that was addressed to Mr. Batten by Roderick M. Hills, Chairman of the Securities and Exchange Commission. The letter, which is apparently prompted by the Commission's recent enforcement actions in the area of questionable payments or illegal corporate payments, concerns policies for listing on the Exchange. Specifically, it is suggested that the Exchange could require listed companies to have:

- A. Audit Committees comprised of outside directors,
- B. A majority of outside directors on their boards, and
- C. Independent legal counsel to boards of directors.

Not set forth in his letter is another point raised by Mr. Hills in his April 21, 1976 talk to the Public Citizens Forum. He spoke of the elimination of potential conflicts of interest among board members by prohibiting certain individuals who have business relationships with a company from holding seats on boards. In that regard, he mentioned securities lawyers, investment bankers and members who serve on more than one board. A summary of this talk is contained in the attached April 21, 1976 edition of Securities Regulation & Law Report. There is no text of the speech available.

At last week's Board meeting Mr. Batten stated that each member of the Board would be sent a copy of Mr. Hills' letter for individual comment. Those comments received,

Page 2

and a summary thereof, will be available for deliberation by the Board at its July 1, 1976 meeting.

For your information there is attached a brief summary of current Exchange policy on each of the issues raised as well as some pertinent statistics that were available.

It would be appreciated if each Board member would submit written comments by June 25, 1976 directly to:

Merle S. Wick
Vice President
Stock List Division
New York Stock Exchange, Inc.
20 Broad Street, 17th Floor
New York, New York 10005

Very truly yours,

