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SUSPECTED DUPLICATE: 2-0197960280025 WAA 150 TLX JANDJ NBJ

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RMS MR. JOHN R. EVANS

SECURITIES AND EXCHANGE COMMISSION

500 N. CAPITOL STREET

WASHINGTON, D.C.

BT

THE FOLLOWING IS FOR YOUR IMMEDIATE ATTENTION.

MR. WILLIAM M. BATTEN
CHAIRMAN AND CHIEF EXECUTIVE
OFFICER
THE NEW YORK STOCK EXCHANGE
ELEVEN WALL STREET

1976 OCT - 7 09:10:48
SECURITIES AND EXCHANGE COMMISSION

NEW YORK, NEW YORK 10005

DEAR MR. BATTEN:

JOHNSON & JOHNSON IS STRONGLY OPPOSED TO YOUR SEPTEMBER 3, 1976, PROPOSAL REQUIRING THAT EACH LISTED COMPANY MAINTAIN AN AUDIT COMMITTEE OF THE BOARD COMPOSED ENTIRELY OF NON-EMPLOYEE DIRECTORS. THE ONE MONTH PERIOD FROM EARLY SEPTEMBER TO EARLY OCTOBER HAS NOT PROVIDED SUFFICIENT TIME FOR CONSIDERATION AND WE THEREFORE REQUESTED THAT FINAL ACTION BE DEFERRED UNTIL YOUR BOARD AND THE LISTED COMPANIES HAVE HAD THE OPPORTUNITY TO CONSIDER AND DEBATE THIS PROPOSAL.

WE DISAGREE THAT THE PROPOSAL CAN "HELP IMPROVE THE CLIMATE

OF PUBLIC CONFIDENCE IN U.S. BUSINESS" AS SUGGESTED IN YOUR LETTER. TO THE CONTRARY, THIS OUTSIDE DIRECTOR PROPOSAL REPRESENTS ACCEPTANCE BY THE EXCHANGE OF THE POSTULATE THAT THE AMERICAN BUSINESS EXECUTIVE OF TODAY IS NOT TO BE TRUSTED TO HONESTLY AND RESPONSIBLY RUN PUBLIC COMPANIES. RATHER THAN EMBRACE THIS UNDERLYING POSITION, WE WOULD EXPECT THE EXCHANGE TO CLEARLY REJECT IT IN AN EFFORT TO DISPEL THE CURRENT UNFOUNDED DISTRUST OF AMERICAN BUSINESS AND THE MEN WHO RUN IT.

THE PROPOSED RULE ESTABLISHES "INDEPENDENCE" AS THE SOLE QUALIFICATION FOR SERVICE ON THE AUDIT COMMITTEE. IT DOES NOT MENTION PERSONAL INTEGRITY, EXPERIENCE, EDUCATION, EQUITY OWNERSHIP, OR ANY OTHER SUBSTANTIVE QUALIFICATIONS WHICH ARE APPROPRIATE FOR MEMBERSHIP ON THE BOARD OF DIRECTORS OF A LISTED COMPANY. MORE-

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OVER, IT RAISES THE LEGITIMATE QUESTION AS TO THE RIGHT AND RESPONSIBILITY OF THE EXCHANGE TO DETERMINE THE QUALIFICATIONS THAT AN INDIVIDUAL MUST HAVE TO SERVE AS A DIRECTOR OF A LISTED COMPANY. THIS MUST REMAIN THE PREROGATIVE OF THE COMPANY STOCKHOLDERS.

WE WISH TO EMPHASIZE THAT WE ARE NOT OPPOSED TO THE ESTABLISHMENT OF AN OBJECTIVE AND INDEPENDENT AUDIT COMMITTEE AND OUR BOARD OF DIRECTORS HAS ALREADY TAKEN ACTION TO PROVIDE FOR THE ESTABLISHMENT OF SUCH A FUNCTION. ATTACHED TO THIS LETTER YOU WILL FIND A BRIEF DESCRIPTION OF THIS COMMITTEE. WE SUBMIT THAT AN AUDIT COMMITTEE ALONG THE LINES DESCRIBED PROVIDES ADEQUATE ASSURANCE OF EFFECTIVE MANAGEMENT REVIEW FOR THE PROTECTION OF THE COMPANY'S STOCKHOLDERS. AT THE SAME TIME IT WILL AVOID

THE MULTITUDE OF PROBLEMS PRESENTED BY IMPOSING A REQUIREMENT FOR OUTSIDE REPRESENTATION ON A PUBLIC COMPANY'S BOARD OF DIRECTORS.

JOHNSON & JOHNSON, SINCE ITS FOUNDING 90 YEARS AGO, HAS HAD A BOARD OF DIRECTORS COMPOSED ENTIRELY OF EXECUTIVES TOTALLY DEDICATED TO THE BUSINESS AFFAIRS OF JOHNSON & JOHNSON AND ITS STOCKHOLDERS. AS A MATTER OF CORPORATE POLICY, THE MEMBERS OF OUR BOARD DO NOT SERVE AS MEMBERS OF THE BOARDS OF DIRECTORS OF OTHER BUSINESS CORPORATIONS. WE HAVE NO FEAR OF AUDITING OUR PERFORMANCE, FOR OURS IS A UNIQUE COMPANY, WITH AN OUTSTANDING RECORD, AND WE INTEND TO DEFEND ITS ORGANIZATIONAL STRUCTURE WHICH HAS SERVED IT SO WELL.

WHILE THE CONSEQUENCES OF DELISTING ARE NOT WELCOME AND ARE NOT TO BE LIGHTLY EMBRACED, I MUST ADVISE THAT WE WOULD SERIOUSLY EVALUATE THAT ALTERNATIVE BEFORE ACCEPTING THE REQUIREMENTS SUGGESTED IN YOUR LETTER.

IN VIEW OF THE IMPORTANCE OF THESE MATTERS, I AM SENDING COPIES OF THIS LETTER TO EACH MEMBER OF THE BOARD OF DIRECTORS OF THE NEW YORK STOCK EXCHANGE AND TO EACH MEMBER OF THE SECURITIES AND EXCHANGE COMMISSION.

VERY TRULY YOURS,

RICHARD B. SELLARS
CHAIRMAN OF THE BOARD

JOHNSON & JOHNSON

② AUDIT COMMITTEE AS APPROVED BY THE BOARD OF DIRECTORS

THE PURPOSE AND MAKEUP OF AN AUDIT COMMITTEE IS A MATTER WE HAVE HAD UNDER CONSIDERATION FOR SOME TIME. THE SUGGESTION OF ADDING OUTSIDERS, UNFAMILIAR WITH THE BUSINESS, TO OUR BOARD OF DIRECTORS, SOLELY TO SERVE AS AN AUDIT COMMITTEE INGORES, WE BELIEVE, THE MANY DIFFICULTIES WHICH SUCH ADDITION PRESENTS IN ITS EFFORT TO ACHIEVE A PUBLICLY ACCEPTABLE MANAGEMENT REVIEW FUNCTION. ONE DOES NOT BECOME A DIRECTOR OF A PUBLICLY HELD CORPORATION, WITH THE RESPONSIBILITIES AND LIABILITIES

ATTACHING TO THAT OFFICE, MERELY TO SERVE A SINGLE FUNCTION,
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THAT OF A MEMBER OF AN AUDIT COMMITTEE.

THE OBJECTIVE OF AN INDEPENDENT REVIEW OF MANAGEMENT, FREE OF POTENTIAL CONFLICTS OF INTEREST, IS ACHIEVED, WE BELIEVE, BY THE ESTABLISHMENT OF A NON-DIRECTOR LEVEL AUDIT COMMITTEE MADE UP OF NON-EMPLOYEE OUTSIDERS. WE ENVISION THIS COMMITTEE TO BE COMPOSED OF PROFESSIONALS INCLUDING REPRESENTATIVES FROM THE LEGAL AND ACCOUNTING PROFESSIONS. IT WOULD REPORT TO THE FINANCE COMMITTEE OF THE BOARD OF DIRECTORS AND WOULD PERFORM THE USUAL FUNCTIONS OF AN AUDIT COMMITTEE. MEMBERS WOULD BE PROVIDED WITH A CONSULTING ARRANGEMENT TO ENSURE THAT THEIR JUDGMENTS WOULD NOT BE AFFECTED BY FEAR OF BEING DISMISSED,

NOT RENOMINATED OR OTHER SIMILAR INFLUENCES. MOREOVER, ITS MEMBERSHIP WOULD BE PUBLISHED IN THE CORPORATION'S ANNUAL REPORTS, AND THE RESULTS OF ITS EFFORTS MADE AVAILABLE TO THE COMPANY STOCKHOLDERS.

RICHARD B. SELLARS
CHAIRMAN OF THE BOARD
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