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46 NEW BRUNSWICK NJ

MR JOHN R. EVANS, COMMISSIONER  
SECURITIES AND EXCHANGE COMMISSION  
500 NORTH CAPITAL STREET  
WASHINGTON D C 20549

THE FOLLOWING IS THE TEXT OF A LETTER SENT TODAY  
TO MR. WILLIAM M. BATTAN, CHAIRMAN, N.Y. STOCK EXCHANGE:

"PREVIOUSLY INDICATED TO YOU IN MY LETTER OF OCTOBER 6,  
1976, JOHNSON & JOHNSON AGREES WITH THE ESTABLISHMENT OF  
AN OBJECTIVE AND INDEPENDENT AUDIT COMMITTEE, AND OUR  
BOARD OF DIRECTORS HAS ALREADY TAKEN ACTION TO ESTABLISH  
SUCH A FUNCTION. HOWEVER, FOR THE SAME REASONS AS WE  
SERIOUSLY QUESTIONED YOUR SEPTEMBER 3 PROPOSAL, WE  
CONTINUE TO BE OPPOSED TO THE RIGIDITY OF THE REVISED  
PROPOSAL FOR AUDIT COMMITTEE, AS OUTLINED IN YOUR LETTER  
OF NOVEMBER 4. WE FIND LITTLE THEREIN WHICH MEETS THE  
OBJECTIONS RAISED IN OUR PREVIOUS LETTER.

"WE STRONGLY URGE THAT THE EXCHANGE SHIFT THE FOCUS OF  
ITS PROPOSED POLICY TOWARD THE GOALS TO BE ACHIEVED AND  
AWAY FROM THE MEANS TO ACHIEVE THEM. THE IMPLEMENTATION  
OF THESE MEANS SHOULD BE LEFT TO THE INDIVIDUAL LISTED  
COMPANIES, THEIR MANagements AND SHAREHOLDERS. AS SEC  
CHAIRMAN HILLS HAS PUBLICLY INDICATED, THE EFFECTIVENESS  
OF AN AUDIT COMMITTEE DEPENDS UPON ITS INDEPENDENCE AND  
AUTHORITY, NOT ON THE FACT THAT IT CONSISTS OF DIRECTORS.  
AS WE VIEW IT, THE MOST OBJECTIONABLE FEATURE OF YOUR  
LATEST PROPOSAL IS THE RIGID REQUIREMENT THAT EVERY  
AUDIT COMMITTEE BE COMPOSED OF DIRECTORS, INCLUDING A  
MAJORITY OF OUTSIDE DIRECTORS.

"WE HAVE PREVIOUSLY GIVEN YOU A BRIEF DESCRIPTION OF  
ANOTHER TYPE OF AUDIT COMMITTEE WHICH IN OUR JUDGMENT  
WOULD BE BETTER SUITED TO THE MANAGEMENT STYLES OF  
CORPORATIONS SUCH AS JOHNSON & JOHNSON. FOLLOWING IS  
A MORE DETAILED OUTLINE OF THE PROPOSAL.

"THE JOHNSON & JOHNSON PROPOSED AUDIT COMMITTEE WOULD BE  
COMPRISED OF NON-DIRECTORS CHOSEN FOR THEIR PROFESSIONAL  
QUALIFICATIONS, EXPERTISE AND STATURE. THEY WOULD BE  
EMPLOYED BY THE FULL BOARD, UPON RECOMMENDATION OF ITS  
FINANCE COMMITTEE. NONE OF THE AUDIT COMMITTEE MEMBERS  
WOULD BE PRESENT OR FORMER OFFICERS OR DIRECTORS OF  
JOHNSON & JOHNSON, AND NONE WOULD HAVE ANY SUBSTANTIAL

SHAREHOLDINGS IN JOHNSON & JOHNSON, ALL THE MEMBERS WOULD FIT THE DEFINITION OF "INDEPENDENT DIRECTORS" AS SET FORTH IN THE PROPOSED POLICY STATEMENT, BUT FOR THE FACT THAT THEY WOULD NOT BE MEMBERS OF THE BOARD.

"AMONG THE DUTIES OF THE AUDIT COMMITTEE WOULD BE TO RECOMMEND INDEPENDENT AUDITORS TO THE BOARD; TO REVIEW AND APPROVE THE SCOPE OF THE ANNUAL AUDIT AND THE BROAD GENERAL ACCOUNTING PRINCIPLES TO BE USED IN CONNECTION THEREWITH; TO REVIEW AUDIT RESULTS; TO MONITOR INTERNAL OPERATIONS IN ORDER TO ASSURE COMPLIANCE WITH COMPANY POLICY AND THE LAW AND PREVENT CONFLICTS OF INTEREST; TO REVIEW AND APPROVE THE DUTIES AND RESPONSIBILITIES OF THE INTERNAL AUDITING STAFF; TO REVIEW THE INDEPENDENT AUDITORS' "MANAGEMENT LETTER" ON OPERATIONAL CONTROLS RECOMMENDED FOR ATTENTION; AND TO DISCUSS IMPLEMENTATION OF THE INDEPENDENT AUDITORS' RECOMMENDATIONS WITH THE FINANCE COMMITTEE AND THE FULL BOARD.

"THE AUDIT COMMITTEE WOULD BE ASSURED OF PRIVATE ACCESS TO THE OPERATIONS, THE INDEPENDENT AUDITORS, THE INTERNAL AUDIT STAFF, THE FINANCE COMMITTEE AND THE FULL BOARD.

"THE AUDIT COMMITTEE WOULD BE ENTIRELY INDEPENDENT OF THE OPERATING MANAGEMENT OF THE CORPORATION. MEMBERS WOULD BE ADEQUATELY COMPENSATED AND PROTECTED AGAINST ARBITRARY DISMISSAL. ADEQUATE INDEPENDENT STAFF WOULD BE MADE AVAILABLE TO THE COMMITTEE, AS WOULD ACCESS TO ALL CORPORATE EMPLOYEES AND FINANCIAL RECORDS. TO AVOID POTENTIAL CONFLICTS OF INTEREST, MEMBERS OF THE COMMITTEE AND THEIR FIRMS WOULD BE PROHIBITED FROM SERVING THE CORPORATION IN ANY OTHER CAPACITY UNTIL TWO YEARS AFTER THE TERMINATION OF THE MEMBER'S TERM OF OFFICE.

"THE AUDIT COMMITTEE WOULD REPORT TO THE FINANCE COMMITTEE, SUCH FINANCE COMMITTEE TO BE COMPRISED EXCLUSIVELY OF "DIRECTORS WITH NO CURRENT OPERATING RESPONSIBILITIES. THE FINANCE COMMITTEE WOULD ITSELF BE GIVEN MANY OF THE GUARANTEES OF INDEPENDENCE ENJOYED BY THE AUDIT COMMITTEE ITSELF, SUCH AS SUPPORT STAFF AND PRIVATE ACCESS TO INTERNAL AUDITORS, INDEPENDENT AUDITORS AND UNDERLYING CORPORATE FINANCIAL RECORDS.

"STOCKHOLDERS WOULD BE APPRISED OF THE COMPOSITION AND FUNCTION OF THE AUDIT COMMITTEE IN THE PROXY MATERIAL SENT TO THEM EACH YEAR IN CONNECTION WITH THE CORPORATION'S ANNUAL MEETING. IN ADDITION, THE AUDIT COMMITTEE WOULD BE AVAILABLE AT ALL TIMES TO RECEIVE REPORTS, SUGGESTIONS, QUESTIONS AND RECOMMENDATIONS FROM INDEPENDENT AUDITORS, FINANCIAL OFFICERS OF THE CORPORATION AND ITS COUNSEL.



"THE COMMITTEE WOULD BE CHARGED WITH ISSUING AN ANNUAL REPORT OF ITS WORK TO THE FINANCE COMMITTEE. THE BOARD OF DIRECTORS WOULD BE RESPONSIBLE TO REPORT THE AUDIT COMMITTEE FINDINGS TO THE STOCKHOLDERS, INCLUDING A DESCRIPTION OF ANY SUBSTANTIAL AREAS OF DISAGREEMENT BETWEEN THE AUDIT COMMITTEE AND MANAGEMENT.

"IN OUR JUDGMENT, THE ABOVE PLAN WOULD ACHIEVE THE AIMS OF THE POLICY STATEMENT AS EFFECTIVELY AS THE MECHANISM YOU HAVE PROPOSED. THE ACCEPTANCE OF THE MECHANISM BY MANY LISTED CORPORATIONS DOES NOT JUSTIFY ITS APPLICATION TO ALL. WE STRONGLY URGE YOU TO MODIFY THE POLICY STATEMENT TO PERMIT ALTERNATIVE TYPES OF AUDIT COMMITTEES, SUCH AS THAT WHICH WE HAVE PROPOSED, IN ADDITION TO THE TYPE INCLUDED IN YOUR NOVEMBER 4 PROPOSAL."

SINCERELY,

JOHNSON & JOHNSON

RICHARD B. SELLARS  
CHAIRMAN OF FINANCE COMMITTEE"

CORRECTIONS:

FIRST PARAGRAPH SEVENTH LINE SEVENTH WORD SHOULD READ: RIGIDITY  
SECOND PARAGRAPH TENTH LINE FIFTH WORD SHOULD READ: RIGID  
THIRD PARAGRAPH LAST LINE SIXTH WORD SHOULD READ THAT  
TENTH PARAGRAPH FIRST LINE FIRST WORD SHOULD READ: THE  
ELEVENTH PARAGRAPH THIRD LINE SEVENTH WORD SHOULD READ: THAT

RICHARD B. SELLARS

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