

Mr. Moss. Mr. Watkins.
 Mr. WATKINS. I have no questions, Mr. Chairman, but Mr. Cohen, I want to thank you for bringing in testimony here which certainly will be helpful to us in making a decision.

Mr. Chairman, I would like at this time, with unanimous consent, request that the statement from Johnson & Johnson by their counsel, Mr. Arthur S. Lane, be made a part of the record.

Mr. Moss. Without objection, it will be. The Chair has the original of the letter and had intended making that part of the record.

Mr. WATKINS. That is all.

Thank you, Mr. Chairman.

(The letter referred to follows:)

JOHNSON & JOHNSON,
 New Brunswick, N.J., June 28, 1968.

Re S. 510, H.R. 14475.

Hon. JOHN E. MOSS,
 Chairman, Subcommittee on Commerce and Finance, Committee on Interstate
 and Foreign Commerce, House of Representatives, Washington, D.C.

DEAR REPRESENTATIVE MOSS: We have today been informed by Washington counsel that the Subcommittee on Commerce and Finance will be holding hearings on Monday, July 1, 1968 on the above legislation. Unfortunately, we will not be able to attend and would appreciate it if you would accept this communication as a statement of our views and have it entered as part of the official record of the hearings.

Johnson & Johnson has in excess of eighteen million shares of common stock outstanding, held by approximately thirteen thousand shareholders. Our shares are listed and traded on the New York Stock Exchange. The purpose of this letter is to present to the Subcommittee our qualified opposition to that portion of the legislation under consideration which seeks to regulate purchases by an issuer of its own shares.

We are generally in accord with the objectives of this legislation as enunciated during the Senate hearings on S. 510. We feel, however, that the legislation under consideration is much broader than necessary to accomplish these objectives. Specifically, there are three aspects which we feel go beyond what is needed: (1) the requirement for advance publication of corporate intentions; (2) the application of the legislation to every purchase no matter how small; and (3) the extension of coverage to persons other than the corporate issuer itself.

The various terms of pre-publication of the issuer's intention to purchase, as required by paragraph (e) (1) of S. 510, not only present problems in compliance, but also may operate to defeat the objective of insulation of the market price from the effects of the purchase. We suggest that, at least in some instances, such advance publicity may cause an increase in the market price. This in turn could affect corporate purchase plans and indeed prohibit accomplishment of the purchase without a further pre-publication. We suggest, except in instances where a substantial proportion of the outstanding shares is to be purchased, such advance publicity is just not necessary to accomplish the legislative objectives.

As to our second objection—the Bill's application to every corporate purchase no matter how small. The proposed legislation exempts from the other requirements of this Bill annual purchases of corporate securities in an amount not in excess of two per cent of outstanding shares. No such exemption, however, is applicable to purchases by the issuer. The legislative objectives do not require regulation of all purchases by an issuer no matter how small the amount. Without such an exemption, many companies, including ours, might be forced to abandon their practice of making small purchases at periodic intervals. Because of the expense and difficulties involved in compliance with legislation, corporations would of necessity have to make larger purchases at less frequent intervals. It is questionable whether this is desirable when viewed in light of its impact on an orderly market for the shares. In addition, this would present our company and others similarly situated with a difficult choice. The volume of trading of our shares on the New York Stock Exchange is comparatively small, considering the number of shares we have outstanding. For example,