



September 26, 2012

Dear Listed Company Executive:

On June 20, 2012, the Securities and Exchange Commission ("SEC") adopted Rule 10C-1, in compliance with Section 10C of the Dodd-Frank Act, which mandated the implementation by the exchanges of new compensation committee listing standards. Rule 10C-1 requires the exchanges, among other things, to: (I) either adopt a director independence standard specifically for compensation committee service or explain in a rule filing why the exchange's existing general independence standard is sufficient; and (II) require listed company compensation committees to consider relevant factors in determining whether any proposed compensation consultant is independent from management. The NYSE, NYSE MKT and NYSE Arca (the "NYSE exchanges") submitted proposed listing standards to the SEC on September 25, 2012, which was the deadline specified in Rule 10C-1.

The following are highlights of the proposed listing standards, common to the proposals of the three NYSE exchanges:

- (i) boards will be required to consider the sources of a director's compensation and any affiliations with the listed company in determining director independence for compensation committee purposes (or, in the case of an NYSE MKT company without a compensation committee, the board must consider these factors in relation to all independent directors);
- (ii) when hiring a compensation consultant, the compensation committee must consider whether the consultant has any material relationships relevant to that person's independence from management, including a consideration of factors specified in Rule 10C-1 and the exchanges' proposed rules;
- (iii) all categories of issuers that are currently exempt from the exchanges' compensation committee requirements will continue to be exempt, so any listed company that is not currently required to have a compensation committee would not be required to establish one as a consequence of the proposed listing standards;
- (iv) smaller reporting companies (as defined under SEC rules) will be exempt from the heightened independence requirements and the compensation consultant independence analysis requirement, but will otherwise be required to comply with the compensation committee requirements.

The NYSE exchanges currently require listed company boards to consider all relevant relationships in making an affirmative independence determination with respect to each independent director. The NYSE exchanges' listing standards also contain bright line tests with respect to certain categories of relationships and prohibit a finding of independence if any of these tests are breached. Boards will still be required to apply these existing qualitative standards and bright line tests in making compensation committee independence determinations, but the new listing standards as proposed do not include any additional bright line tests specific to compensation committee independence.

The NYSE exchanges proposed to have the new listing standards effective on July 1, 2013, but companies would have until the earlier of their first annual meeting held after January 15, 2014 or October 31, 2014 to comply with the heightened independence requirements for compensation committee members.

The proposed rules are subject to SEC review and the SEC will publish a notice in the Federal Register, which will commence a 21-day period during which the public can provide comments to the SEC. As such, the NYSE can't provide any assurances that the listing standards ultimately adopted will not be materially different from those proposed. You can view the filing of any of the NYSE exchanges by clicking on the applicable link that follows: [NYSE Rule Filing](#); [NYSE MKT Rule Filing](#); [NYSE Arca Rule Filing](#).

On a related note, also in compliance with a requirement of the Dodd-Frank Act, the SEC has amended Regulation S-K to adopt new Item 407(e)(3)(iv), requiring companies to disclose compensation consultant conflicts of interest and how any conflict is being addressed. These rules go into effect for shareholder meetings that occur starting in January 2013. Rule 10C-1 and Item 407(e)(3)(iv) were both adopted in the same adopting release, which can be found at the following link: <http://www.sec.gov/rules/final/2012/33-9330.pdf>

Sincerely,
Janice O'Neill
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NYSE Regulation, Inc.