

# NASD *News*

**Annual Report  
Edition**

PUBLISHED BY THE NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

Volume V

Philadelphia, February, 1945

Number 3

## **NASD WINS OVER CURB EXCHANGE ON "UNLISTED" APPLICATIONS**

Applications of the New York Curb Exchange for unlisted trading privileges for five common stock issues have been denied by the Securities and Exchange Commission in the most important test of such applications to be decided by the SEC. The NASD had opposed granting of all of the applications.

The five issues for which the Curb sought unlisted trading privileges and which were denied are: Lukens Steel, Merck & Co., Public Service of Indiana, The Warner & Swasey Company and Puget Sound Power and Light; unlisted trading privileges for Northern Natural Gas common were granted "subject to conditions." In addition to seeking trading privileges in these active over-the-counter issues, the Curb argued before the Commission for a decision in the instant cases which would encourage it and regional exchanges in their efforts to obtain additional listings. For this reason, significance of the decision of the SEC goes considerably beyond the stocks involved.

### **Mark-Up Practices of Members as Shown on Questionnaires for 1944**

More than 50 per cent of principal transactions with customers as reported by members on questionnaires filed in 1944 were made at mark-ups of 3 per cent or less while 81.5 per cent of such transactions were made at mark-ups of 5 per cent or less. These results compare with 47.2 per cent and 70.8 per cent, respectively, in 1943. Whereas in 1943 approximately 5 per cent of all transactions analyzed were made at mark-ups of 10 per cent and more, in 1944 the proportion of transactions involving such mark-up was down to 2 per cent.

In his report to the Board of Governors in January, Wallace H. Fulton, Executive Director, pointed to these comparative figures as evidencing the salutary effect of the letter sent to members October 25, 1943, in which the Board announced the proportion of members' transactions which in 1943 were being consummated at mark-ups of 3 per cent and less and of 5 per cent and less. At that time the Board said that the Rules of Fair Practice of the Association should be enforced, keeping in mind the volume of transactions of members being made at the percentages of mark-up mentioned and in keeping with the provisions of the Rules themselves.

A total of 67,000 transactions were reported by members on their questionnaires, on 84 per cent of which mark-ups could be computed. Of the 56,733 transactions computed, 77 per cent involved unlisted securities and 23 per cent listed securities. An analysis of approximately 8,000 of these transactions showed that 36 per cent involved less than

*(Continued on back page)*

Unprecedented statutory questions involving Section 12 (f) (3) of the Securities Exchange Act and, in a related way, Sections 14 and 16 were before the Commission in deciding the cases, its decision made clear. In the past, decisions in unlisted trading applications have involved, principally, the vicinity of the exchange and trading and distribution within the vicinity. The applications under discussion raised these issues but in a comparatively minor way. The major questions related to whether these issuers and their officers, directors and principal stockholders would be subject to duties substantially equivalent to those imposed for listed securities under Sections 14 and 16 of the Exchange Act. In addition, there was the question whether the Commission could exercise its discretionary authority to waive compliance with these requirements if "it shall appear to the Commission that the public interest and the protection of investors would, nevertheless, best be served by such extension of unlisted trading privileges." The Curb argued in this case that the evidence would justify the Commission in waiving these statutory requirements and the NASD opposed this contention. [See Executive Director's Report, page 8.]

"The Curb," the SEC said, in its opinion, "recognizes the legislative background . . . and it seeks to show that the six subject issues present an unusual or exceptional class of cases. It is claimed that these issues, whose markets (except for Puget) are exclusively over-the-counter, are nevertheless widely distributed and exceptionally active. It is argued that Puget's stock has been extremely active on the Curb. It is suggested further that in the light of what Congress knew of the securities markets at the time of the passage of the amendments incorporating Section 12 (f) (3), a large well-distributed and active over-the-counter security would have been regarded by it as an exceptional case.

"There are several difficulties which make it impossible for us to accept this line of reasoning. First, Congress had

*(Continued on page 5)*

# OFFICERS for 1945

**Chairman**

RALPH E. PHILLIPS—Dean Witter & Co., Los Angeles

**Vice-Chairmen**

HARRY W. BEEBE—Harriman Ripley & Co., Incorporated—  
New York

R. WINFIELD ELLIS—Lee Higginson Corporation—  
Chicago

**Treasurer**  
JOHN H. BARRET—Stern Brothers & Co.—  
Kansas City

**Executive Director**  
WALLACE H. FULTON—Philadelphia, Pa.

**Executive Committee**

John H. Barret  
Harry W. Beebe  
Ralph Chapman

Ralph E. Phillips, Chairman  
R. Winfield Ellis  
Norman Nelson  
James Parker Nolan  
Wallace H. Fulton, Ex-Officio

**Finance Committee**

Hermann F. Clarke, Chairman  
John H. Barret  
Irving D. Fish  
Ralph E. Phillips  
Wallace H. Fulton, Ex-Officio

## BOARD OF GOVERNORS

## ADVISORY COUNCIL †

**DISTRICT NO. 1—(Idaho, Oregon, Washington)**

JUNE S. JONES, Atkinson, Jones & Co., Portland

FRED M. BLANKENSHIP, Blankenship, Gould & Blakely, Inc.,  
Portland

**DISTRICT NO. 2—(California, Nevada)**

RALPH E. PHILLIPS, Dean Witter & Co., Los Angeles  
J. ROBERT SHUMAN, Shuman, Agnew & Co., San Francisco

EATON TAYLOR, Dean Witter & Co., San Francisco

**DISTRICT NO. 3—(Arizona, Colorado, New Mexico, Utah, Wyoming)**

BURDICK SIMONS, Sidlo, Simons, Roberts & Co., Denver

RALPH G. BULKLEY, Harris Upham & Co., Denver

**DISTRICT NO. 4—(Minnesota, Montana, North Dakota, South Dakota)**

NORMAN NELSON, Piper, Jaffray & Hopwood, Minneapolis

GUY M. PHILLIPS, Caldwell Phillips Co., St. Paul

**DISTRICT NO. 5—(Kansas, Oklahoma, West Missouri)**

JOHN H. BARRET, Stern Brothers & Co., Kansas City

EARL W. PRICE, E. W. Price & Co., Kansas City

**DISTRICT NO. 6—(Texas)**

\*

W. REX CROMWELL, Dallas Rupe & Son, Dallas

**DISTRICT NO. 7—(Arkansas, East Missouri, West Kentucky)**

FIRMIN D. FUSZ, JR., Fusz-Schmelzle & Co., St. Louis

ROY A. DICKIE, John Nordman Company, St. Louis

**DISTRICT NO. 8—(Illinois, Indiana, Iowa, Michigan, Nebraska, Wisconsin)**

RALPH CHAPMAN, Farwell, Chapman & Co., Chicago  
R. WINFIELD ELLIS, Lee Higginson Corporation, Chicago  
JOHN J. QUAIL, Quail & Co., Davenport

SAMPSON ROGERS, JR., McMaster Hutchinson & Co., Chicago

**DISTRICT NO. 9—(Alabama, Florida, Georgia, Louisiana, Mississippi, South Carolina, Tennessee)**

JOHN B. SHOBER, Woolfolk Huggins & Shober, New Orleans

CLEMENT A. EVANS, Clement A. Evans & Company, Inc., Atlanta

**DISTRICT NO. 10—(Ohio, East Kentucky)**

PETER BALL, Ball, Burge & Kraus, Cleveland

EDWARD E. PARSONS, JR., Wm. J. Mericka & Co., Inc., Cleveland

**DISTRICT NO. 11—(District of Columbia, Maryland, North Carolina, Virginia, West Virginia)**

JAMES PARKER NOLAN, Folger, Nolan Incorporated,  
Washington, D. C.

ROBERT C. KIRCHOFER, Kirchofer & Arnold, Inc., Raleigh

**DISTRICT NO. 12—(Pennsylvania, Delaware)**

WILLIAM K. BARCLAY, JR., Stein Bros. & Boyce, Philadelphia, Pa.

S. DAVIDSON HERRON, Mellon Securities Corporation, Pittsburgh

**DISTRICT NO. 13—(Connecticut, New Jersey, New York)**

HARRY W. BEEBE, Harriman, Ripley & Co., Incorporated, New York  
IRVING D. FISH, Smith, Barney & Co., New York  
ROBERT S. MORRIS, Robert S. Morris & Company, Hartford  
B. WINTHROP PIZZINI, B. W. Pizzini & Co., Inc., New York  
HENRY G. RITER, 3RD, Riter & Co., New York

GEORGE N. LINDSAY, Swiss American Corporation, New York

**DISTRICT NO. 14—(Maine, Massachusetts, New Hampshire, Rhode Island, Vermont)**

HERMANN F. CLARKE, Estabrook & Co., Boston

B. EARLE APPLETON, Pearson, Erhard & Co., Inc., Boston

\* Vacancy. † Consisting of Chairmen of District Committees.

## EXECUTIVE DIRECTOR'S REPORT TO BOARD OF GOVERNORS, JANUARY, 1945

Following are extracts from the Annual Report of Wallace H. Fulton, Executive Director, to the Board of Governors, January 22, 1945.

The Securities and Exchange Commission on November 25, 1944, rendered an opinion upholding the right of the Board of Governors to interpret the Rules of Fair Practice and specifically upheld the interpretation promulgated October 25, 1943, in which it was held that it would be deemed conduct inconsistent with just and equitable principles of trade for a member to sell securities at prices not reasonably related to the market. Additionally, the Commission found that, in reporting to members facts on mark-up practices elicited from questionnaires, coupled with advice to Business Conduct Committees that the rules be enforced having in mind mark-up practices thus presented, the Board had not adopted a "rule" but supplied members with "flexible criteria." The opinion was gratifying, not only because it found the Board had acted properly, but also because it offered constructive observations on the character of NASD complaint proceedings. It also pointed out that amount of mark-up in any given transaction is but one of the factors to be considered in deciding whether the price charged was unfair—adding that other relevant circumstances such as market conditions, cost of completing the transaction and amount of money involved should enter into the judging of a transaction. NASD has consistently, under Section 4 of Article III, been guided by all such relevant circumstances.

### Safeguarding War Bond Investments

In the interval since the October meeting of the Board, one meeting has been held of representatives of securities bodies—the SEC, State Securities Commissioners and Better Business Bureaus—to discuss safeguarding of public investments in War Bonds by united efforts of these groups. Specifically, the meeting was productive of two things: (1) each organization represented on the committee agreed to submit descriptive material to be used in a booklet to be sponsored by the Committee and (2) a subcommittee was appointed to co-ordinate these efforts and prepare a draft of the suggested booklet. Meanwhile, the group also was to develop ideas for short, leaflet messages to be inserted in pay envelopes and the like. We have submitted material for inclusion in the booklet as have others participating. Meanwhile, other movements along the same line, including one led by the Better Business Bureaus themselves, have gotten under way. All appear to be in the formative state.

### Meetings With Members

A year ago, it will be remembered, the Board discussed at some length the state of member morale and the opinion was unanimous that all Governors should endeavor to familiarize their own constituents with policies of the Association, its problems and true objectives. An outstanding example was set by the Chairman, Ralph Chapman. Beginning with a February meeting in New York of District Chairmen and Secretaries, the Chairman was on the go almost constantly. He has been unsparing of his time and energy. In all, he

visited 18 cities and personally told the story of the Association to several hundred members in seven separate Districts. It isn't necessary for me to dwell on the contribution he made to stimulating interest in NASD and spreading understanding of it.

As in past years, I visited during the year with District Committees and members in as many sections as possible, accompanying the Chairman on most of his visits and reaching into a few other places in addition. This is a job that is never done. However, it is a satisfying one in that wherever one goes there is to be found an active interest in Association affairs and developments in related fields. It cannot be said that the membership as a whole even today has a grasp of the problems faced by and facing the Association and, therefore, the business of our members. There is still a fair measure of antagonism for us to contend with. On the other hand, there is every reason to feel that efforts of the Chairman and other Board members to expand knowledge of the Association were productive of measurable results.

### Salesmen

The problem of proper supervision of salesmen has been before the business for a long time. Some of you may remember that when the Investment Bankers' Code was being drafted, consideration was given to various requirements to prevent a salesman from indulging in practices contrary to the best interests of his employer and the business at large. Consideration was being given in those days to minimum educational requirements as well as fixed compensation instead of commissions for salesmen. The NASD initially considered rules to protect members against unauthorized activities of sales personnel, but it was not until 1942 that a Fair Practice Rule of this kind was promulgated and adopted. It does not appear to be a very effective instrument, however, and it is doubtful if the Rule as a protection for the member is appreciated. The Rule actually does no more than specify procedure to be followed by a member to insure observance of the common law which is, in essence, that a principal is responsible for the actions of his agent.

Some of our members, we know, continue to operate on the theory that their salesmen are so-called free agents and that the firm which pays them has no responsibility to them or to their customers beyond executing the orders they bring in. Instances have come to our attention of salesmen engaging in practices contrary to the best interest of customers to bear on the members or the salesmen. In other instances, the confidence of an employing member has been abused to the detriment of the member. Salesmen of members, for example, have engaged in securities transactions with other members without the knowledge of their employer; have given concessions to customers and engaged in other highly unethical practices all beyond our capacity to regulate and,

(Continued on page 8)

## Fraud by Purchaser of Securities Subject of SEC Talk

Fraud that may be committed by the *purchaser* on the seller of securities has become a subject of public interest, according to Edward H. Cashion, Counsel of the Corporation Finance Division of the Securities and Exchange Commission, who discussed this phase of Commission experience at the December meeting of the National Association of State Securities Commissioners. He reviewed a number of cases in which no action was taken by the Commission when rescission was extended by the purchasers to the "defrauded sellers." However, Mr. Cashion stated, the Commission will now resort to remedies it has at its disposal—injunctive process, broker-dealer proceedings and criminal prosecution.

Pointing out that in May, 1942, the broad anti-fraud provisions of the Securities Acts were extended to cover fraud by *any person* in connection with the *purchase or sale* of securities, Mr. Cashion cited several cases of apparent violations of the Securities Exchange Act of 1934 and Rule X-10B-5 by purchasers of securities.

Extracts from the address follow:

"[One] instance involved an offer to purchase the securities of the outstanding public security holders of an issuer by a company which had recently acquired a large block of shares from former officers and directors. It was pursuant to the terms of the agreement for the purchase of that large block of shares that the same price per share was offered to stockholders. The offer set forth the details of the agreement of purchase and its time was extended in order to allow financial statements of the company to be submitted to its shareholders. And once more, undisclosed to the shareholders, the prevailing market price at the time of the offer was considerably higher than the offering price.

"In such situations, shareholders are generally unaware of the higher market price. Since an offer to purchase securities at a price, accompanied by representations as to the value of the securities involved, contains an implied representation that such offering price is at least equal to the current market price, the failure to disclose the existence of a higher market price at the time the offer is made constitutes an omission to state a material fact in violation of Rule X-10B-5.

"These matters were brought to the attention of the Commission after the offers had been submitted to security holders. However, the situation was rectified. All security holders who had tendered their securities and received payment pursuant to the offer were informed that a higher market price prevailed at the time the offer was made and were given an opportunity to rescind. The security holders who later tendered their securities were likewise informed and given an opportunity to withdraw.

"Some of the cases I have discussed involved, among other things, the failure of an issuer to disclose that it was repurchasing its securities. We have been asked many times whether such failure is of itself a violation of the rule. Experience in such situations has shown that non-disclosure of the identity of the issuer as purchaser has generally been accompanied by other circumstances which make that omission material. Such non-disclosure, even though no affirmative misrepresentations be made, often activates schemes to defraud, particularly in those situations when the securities being repurchased are, for example, bonds in default as to

interest or stock with dividend arrearages. Ordinarily, of course, disclosure that the issuer is purchasing might well be sufficient if, made in annual statements to security holders or by reason of other publicly made statements. When considering such statements it would be well to bear in mind that it is imperative for them to be widely disseminated. In that connection, I call to mind a situation where valuable ore deposits were discovered on the property of a mining corporation. Announcement was made in Western mining publications but received little notice in the East where several stockholders sold their shares at the prevailing low prices. So, too much reliance should not be placed upon the mere fact that some sort of public statement is made.

"A director, who was also an officer and voting trustee of a corporation, knew that a very favorable contract for the sale of valuable assets had been consummated and approved by the Board of Directors and that a liquidating dividend was to be paid stockholders from the proceeds of that sale. He was advised by counsel to the corporation of the applicability of state law to dealings in stock of the issuer. Nevertheless, after the approval of the contract but before the announcement of its terms and of the imminent dividend to be paid shareholders many weeks later, he purchased a considerable number of shares from the outstanding public security holders. Purchases were effected at the prevailing low prices in the over-the-counter market through registered broker-dealers, some of whom circularized stockholders from a list which he supplied. The identity of the purchaser was concealed and purchases were made without disclosing the terms of the sale and of the fact of the imminent dividend. Of course, after the company publicly announced those facts, the market price of the securities was greatly enhanced.

"Regardless of this director's liability under applicable state law, our consideration was necessarily governed by Rule X-10B-5. Here . . . the public security holders were taken advantage of. The director withheld facts which were essential to the formation of an intelligent judgment with respect to the value of their securities. Any clue as to the identity of the purchaser which might have led them to make inquiries of him or the company was effectively concealed. His failure to disclose his identity of course enabled him to abuse completely the use of inside information. It follows therefrom that the purchase of securities under such circumstances, unaccompanied by appropriate disclosure of material facts, was a fraud upon the seller and in violation of the provisions of Rule X-10B-5.

"Hence, any broker-dealers who engaged in such transactions with knowledge of such omissions violate Rule X-10B-5 as well as Rule X-15C1-2.

"I am glad to say that when these conclusions were called to the attention of the director, offers of rescission were extended to all stockholders from whom he had purchased stock.

"There are three cases which involved securities traded in the over-the-counter market. The first: A corporation issued calls for tenders of a portion of its bonds at a maximum acceptable price. Notices accompanying the requests for tenders gave certain information with respect to the value of the bonds. However, undisclosed to bondholders, the prevailing market price of the bonds was considerably higher than the maximum acceptable call price at the time tenders were requested.

(Continued on page 10, column 2)

## NASD WINS OVER CURB ON "UNLISTED" APPLICATIONS

(Continued from page 1)

before it our report on unlisted trading. Second, even if we assumed, for the purpose of argument, that these issues are large, well distributed and (for over-the-counter securities) unusually active, we could not conclude that they would have been deemed by Congress at the time of the passage of the amendments, or should be deemed by us now, 'exceptional' cases, in any sense, for the purpose of deciding whether exchange trading should be permitted where the concomitant duties do not exist.

"To state our understanding of what Congress meant in its use of the term 'exceptional' is, in our opinion, to state the crucial question in this case. We believe it abundantly clear that Congress meant to require a showing of reasons why the public interest in imposing duties substantially equivalent to those arising under Sections 14 and 16 was outweighed by a public interest in admitting the securities to exchange trading without insistence on those duties.

"The Curb has made no such showing. Its case is that these issues are large, well distributed and active. But distribution and activity in the vicinity of the exchange must be shown even before we can inquire whether it would nevertheless best serve the interest of the public and the protection of investors to extend the privileges where the substantially equivalent duties do not exist. It would appear, from the pattern of the statute, that the Curb has done no more than make a case under the express standards relating to distribution and trading. For us to hold that the Curb has thereby made a case under the 'nevertheless' clause is to deprive that clause of its meaning.

"It has been argued that we must weigh the policy of fostering the public interest in extending the privileges against the policy of enforcing the obligations of Sections 14 and 16. However we weigh these policies we must heed the Act. Unless an 'exceptional' case is shown, the privileges cannot be granted without insistence on the concomitant duties. These securities are in no sense 'exceptional.' They are merely among a number of well-distributed securities actively traded over-the-counter whose managements are unwilling to list them. And, if these securities are 'exceptional' they are exceptional in the sense that there are more cogent reasons for applying to them, if admitted to unlisted trading, than to many less active and less widely distributed issues now listed and registered, the requirements of Sections 14 and 16. Sections 14 and 16 are among the critical protective provisions of the Act. Throughout the consideration of the 1936 amendments, especial stress was put on these sections. It will be recalled that Committees of both Houses of Congress stated that, under Section 12 (f) (3), 'save in very exceptional situations' a security could not be admitted to unlisted trading without assuming statutory obligations 'especially in regard to proxies and trading by officers, directors and principal stockholders . . .'

"In considering whether the benefits of an exchange market should be extended to these common stocks, we must think of the issuers of common stocks which are traded on a listed and registered basis. We must ask what has been

shown respecting the six subject issues which makes them so different from listed and registered common stocks that they should be freed of the same obligations which must be lived up to respecting listed and registered stocks. Except for Northern, where presently existing duties so closely approximate those which would arise under the Exchange Act, nothing has been shown on the basis of which any intelligent distinctions can be drawn. The Curb contends that the evidence shows that these issues are large, widely distributed and active, and that security holders fare better, in terms of price, on exchanges than over-the-counter. None of this evidence helps us to answer the primary question: Why unlisted trading privileges should be extended to these securities under conditions which free their issuers, officers and directors, and large holders of the obligations which are being lived up to by the issuers, their officers and directors, and the large holders of listed and registered securities.

"If it is right that these common stocks should have the benefit of an exchange market without the attaching statutory duties, then it is right that every issuer of a registered, large, active and widely distributed issue should be freed of the statutory duties or that any widely distributed and active issue should be freely admitted to unlisted trading without consideration of the existence or imposition of the equivalent duties."

The Commission went on to say that Lukens, Merck, Warner and Puget fall far short of substantial compliance with Sections 14 and 16 and Public Service similarly with regard to Section 16 and concluded that "to impose conditions rendering these securities subject to the Act would be in effect to thrust registration upon them." It then said that it would deny the applications as to these. As to Northern Natural Gas, the SEC pointed out that it is a registered public utility holding company and therefore subject to many requirements comparable to the provisions of the Exchange Act. In granting unlisted trading privileges for the issue, the Commission attached the following conditions:

(1) The privilege so granted as to Northern's common stock shall end if and when Northern shall cease to be a registered holding company.

(2) This privilege, after appropriate notice and opportunity for hearing, shall be subject to re-examination and withdrawal or modification if Northern shall have a 10% owner who is not a registered holding company or the subsidiary of a registered holding company under the Holding Company Act.

(3) The exemptions afforded by Rule X-12F-4 from the provisions of Section 16 (c) as applied to Northern's officers and directors and from the provisions of Section 14 (b) as applied to Northern's common stock shall be terminated.

(4) The applicant shall forthwith mail to each officer and director of Northern a copy of our order herein and a copy of Section 16 of the Exchange Act.

(5) The Commission reserves the right to modify this approval by additional conditions or by amending these conditions after appropriate notice and opportunity for hearing.

## BALANCE SHEET, INCOME AND EXPENDITURES REPORTED BY BOARD

*Audited Annual Financial Statements as of September 30, 1944; Assessment Matters Discussed*

The accompanying financial statements of the Association covering the fiscal year ended September 30, 1944, were submitted to the Board of Governors at a meeting January 22, 1945, by Harry W. Beebe, Harriman, Ripley & Co., Incorporated, Chairman of the Finance Committee, and Albert Theis, Jr., Albert Theis & Sons, Inc., Treasurer of the Association.

In the last fiscal year, the excess of income over expenditures amounted to \$42,096 as compared with an excess of expenditures over income of \$45,448 in the preceding fiscal year.

Total income last year amounted to \$326,399 against \$250,174 the previous year. Expenditures were reduced to \$284,303 from \$295,622, or approximately 4%.

Assessment income was received from 2,257 members during the 1944 fiscal year against 2,354 the year before, the increase in income in the face of a reduction in membership being attributable to the larger volume of assessable underwritings for the 1944 term.

In his report to the Board of Governors, Mr. Beebe recalled that the Finance Committee last year discussed assessment of members' selling group participations. It did not

incorporate this base of assessment in the formula employed for the fiscal year ending September 30, 1945, but, Mr. Beebe said, the Committee decided that careful consideration be given to the question when assessments for the next fiscal year are examined into. The Board, upon receiving Mr. Beebe's report, referred the matter to the Finance Committee, which this year will be made up of Hermann F. Clarke, John H. Barret, Irving D. Fish and Ralph E. Phillips. In the past, members have been assessed a basic membership fee, a percentage of their total underwritings and a unit charge for personnel.

Analysis of assessment income in the last fiscal year discloses that of total income, \$322,737, "underwriters" accounted for \$185,338, or 57%. Two hundred seventy-five members were assessed on underwritings of a membership totalling 2,257. These "underwriters" paid a total membership fee of \$12,375, a personnel assessment aggregating \$45,203 and \$127,760 on their underwritings. The 275 underwriting members were assessed varying amounts up to the maximum of \$5,000. Three members paid the maximum in the 1943-44 fiscal term.

### NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

## BALANCE SHEET

SEPTEMBER 30, 1944

ASSETS	LIABILITIES
Cash in bank and on hand:	Accounts payable ..... \$ 12,399.87
The First National Bank, Philadelphia, Pa.:	Deferred credits:
Treasurer's account ..... \$64,092.79	Receivables uncollected, per contra.... \$ 96.69
Working fund account..... 6,774.51	Fines and costs collected, pending review 35,994.57
Petty cash fund, Philadelphia, Pa. .... 250.00	36,091.26
Petty cash fund, New York, N. Y. .... 500.00	Surplus:
\$ 71,617.30	Balance—September 30, 1943..... 83,515.21
U. S. Treasury 7/8% Certificates of Indebtedness—	Add: Excess of income over expense for
Series C-1945 ..... 100,000.00	the year ending September 30, 1944 42,095.75
Receivables, per contra:	125,610.96
Assessments ..... \$91.69	
Subscriptions to Manual..... 5.00	
	96.69
Deposit with American Airlines, Inc. .... 425.00	175.00
Post office deposit ..... 1,556.22	231.88
Advances for traveling expenses..... 231.88	
Accrued interest on 7/8% Certificates of Indebtedness	
Office equipment and furniture (charged to expense	
when purchased) ..... ..	
\$174,102.09	\$174,102.09

## NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

**STATEMENT of INCOME and EXPENDITURES**

	<i>Fiscal year ended September 30</i>	
	<i>1944</i>	<i>1943</i>
<b>INCOME:</b>		
Assessments Collected .....	\$322,736.94	\$246,935.46
<i>Being dues paid by 2,257 members in year ended September 30, 1944.</i>		
Branch Office Registration Fees.....	2,735.00	2,600.00
Other .....	927.01	638.71
<b>TOTAL INCOME</b> .....	<b>\$326,398.95</b>	<b>\$250,174.17</b>
<b>EXPENDITURES:</b>		
<i>Travel and Meeting Expense:</i>		
Board of Governors, Advisory Council.....	\$16,431.74	\$17,701.93
National Committees .....	12,870.64	14,334.76
<i>NOTE: Above two items represent actual out-of-pocket expense incurred by 21 members of Board, 14 District Chairmen and members of National Committees in attending meetings and administering affairs of Association, as well as costs of meetings of these bodies. All Governors and Committee members serve without compensation.</i>		
<i>General Expense:</i>		
Legal Fees and Expenses.....	32,058.41	53,265.21
Employee and Miscellaneous Travel and Meeting Expense.....	12,749.63	10,866.42
<i>Includes expense of annual special meeting of District Chairmen and Secretaries, also travel expenses of personnel on assignments from Board of Governors.</i>		
<b>Total</b> .....	<b>\$74,110.42</b>	<b>\$96,168.32</b>
<i>National Office:</i>		
Salaries .....	\$64,019.75	\$61,010.93
<i>Paid in 1944 to 33 employees, including Executive Director, Assistant, Comptroller, Examiners, Stenographers, Clerks, including those temporarily employed.</i>		
Rent .....	8,761.49	7,580.04
Printing and Stationery.....	11,618.24	11,260.59
Other .....	13,477.69	11,942.70
<i>Includes postage, telephone, telegraph, insurance and taxes and miscellaneous office expenses.</i>		
<b>Total Expense National Office</b> .....	<b>\$97,877.17</b>	<b>\$91,794.26</b>
<i>District Committees:</i>		
<i>NOTE: Following items of expense cover fourteen District Committees.</i>		
Salaries .....	\$68,077.79	\$68,016.69
<i>Paid to 13 District Secretaries and Examiners, and 20 stenographers, clerks, etc.</i>		
Examinations and Complaints.....	11,514.77	11,323.83
Travel and Meeting Expense.....	9,799.83	7,041.87
<i>Being actual out-of-pocket cost to members of committees incurred in attending meetings, etc., and cost of such meetings. All committee members serve without compensation.</i>		
Rent .....	8,268.79	9,271.72
Other .....	14,654.43	12,005.38
<i>Includes postage, printing and stationery and other miscellaneous office expenses.</i>		
<b>Total Expense District Committees</b> .....	<b>\$112,315.61</b>	<b>\$107,659.49</b>
<b>TOTAL EXPENDITURES</b> .....	<b>\$284,303.20</b>	<b>\$295,622.07</b>
Excess of Income Over Expenditures.....	\$42,095.75	.....
Excess of Expenditures Over Income.....	.....	\$45,447.90

## Executive Director's Report to Board of Governors, January, 1945

(Continued from page 3)

to some extent, beyond the supervisory capacity of the employing member. Further, members have reported to us the difficulty of controlling their salesmen when a competing organization more lax in its supervision is always ready to hire a dissatisfied salesman of another organization.

However, we regularly hear of one or another form of abuse in which salesmen indulge, allegedly without the knowledge of the member. And, of course, complaint cases as often as not are traceable to the unrestricted salesmen—not that in these cases the member is always without blame.

Salesmen are responsible for perhaps a major portion of securities turnover. As such they have it within their power to reflect well or ill upon the business which employs them. It would seem to be to the best interests of every member employing salesmen and to the business as a whole, that fair and proper standards of conduct be required of salesmen and measures be available for disciplining those who depart from them. Disciplinary action that would befall the employing member alone is not sufficient. Even though discharged, a salesman is not removed as a menace to the welfare of the business.

When at the October meeting reference was made to the provision whereby changes in the By-Laws and Rules could be suggested by District Committees and the thought offered that certain of these could be improved and modernized, I had in mind, as one example, the "salesmen rule" mentioned.

### Unlisted Applications

In keeping with the policy adopted by the Board of Governors three years ago, the Association has been opposing applications filed in the interval by the New York Curb Exchange to obtain unlisted trading privileges in securities being traded in over-the-counter. The most important of such applications to be opposed by us were filed with the Commission in July, 1943. Six common stocks of fairly active issues were the subjects of the applications, namely, Puget Sound Power & Light, Lukens Steel Company, Merck & Co., Inc., Northern Natural Gas Company, Public Service Company of Indiana and Warner & Swasey Company. Shortly after the applications had been filed and our opposition made known, the staff of the Commission approached the Curb and NASD with a proposal that the three of us join in a co-operative study of trading in the issues during the first half of 1943. The Curb gave its assent to the proposal. After consulting with Counsel and with members of the Board then serving on the Executive Committee, the Association also agreed to participate in the venture. It was understood that the research facilities of the Commission would be employed to gather and compile the facts to be obtained and that as this work proceeded, the other parties to the venture would have opportunity to consider the facts being accumulated.

The amount of information gathered and the studies undertaken by the staff of the Commission exceeded expectations, but, of more importance, it became apparent that certain statistical interpretations were being made of the

basic material gathered which were not anticipated when the arrangement was originally made. The most significant of these were not available until a day or two before the hearing on the applications opened and, as a matter of fact, certain vital exhibits were not available for examination by us until the hearing was under way. I do not imply any purpose on the part of the Commission staff to withhold material; it appeared that it was impossible for it to complete certain analyses earlier than the time when they were presented to us or in hearing. After careful consideration of the exhibits compiled by the staff, Counsel took the position that many were not relevant to the statutory questions involved and objections were made during the course of the hearing against their introduction as evidence and against the testimony concerning their meaning. [See page 1.]

You are perhaps all familiar with the nature of that testimony. It concentrated on comparisons of prices paid to customers who sold the stocks to dealers and of prices charged customers who were the ultimate purchasers from dealers. In view of Counsel's position that the material was foreign to the questions before the Commission and considering also the limitations of our own staff for undertaking an exhaustive review study of the Commission's statistics, the Association rested its opposition on the grounds of irrelevancy.

During the hearing, the Curb allowed the staff of the Commission to carry the brunt of its case. In its brief, however, and in oral argument, the Curb contended that the evidence demonstrated the relatively excessive costs of doing business in the over-the-counter market in contrast to commission-rate charges on the exchanges. The Securities Exchange Act authorizes the Commission to waive certain mandatory requirements before unlisted trading privileges can be granted if it finds it would be in the public interest or for the protection of investors. Because the statistics of the Commission staff alleged that it was cheaper for the public to trade on an agency basis on the exchange than on a principal basis over-the-counter, Counsel for the Curb urged the Commission that it was necessary in the public interest to waive the requirements laid down by Congress for unlisted trading. The Curb also urged the Commission in its decision to take a stand that would be encouraging not only to the Curb but to regional exchanges in their efforts to secure additional listings of securities.

Meanwhile, parallel situations had developed in applications of Torrington Company and Shawmut Association to remove their stocks from listing on the Boston Stock Exchange. The staff of the Commission on its own initiative undertook inquiries into trading in those stocks on and off the exchange for a period prior to filing of the delisting applications. In both inquiries the same pattern of public experience in dealings over-the-counter as was shown in the Curb matter were traced by the staff and made a part of the record. The Commission, in the Shawmut decision, incorporated staff tabulations showing prices at which members of the public traded over-the-counter in the stock and on the exchange and the indicated costs to the public, one market against the other. The Commission ordered Shawmut to obtain stockholder-approval of the delisting and further ordered it to distribute to stockholders copies of the SEC

(Continued on page 10)



### 20 Complaints Filed by Business Conduct Committees in 1944

Twenty complaints were filed by Business Conduct Committees of the Association during 1944, compared with 50 in 1943, 57 in 1942 and 120 in 1941. In practically all instances, complaints against members in 1944 grew out of charges by District Business Conduct Committees that prices charged customers on principal transactions were in violation of Section 4 of Article III of the Rules of Fair Practice.

This Rule reads as follows:

"In 'over-the-counter' transactions, whether in 'listed' or 'unlisted' securities, if a member buys for his own account from his customer or sells for his own account to his customer, he shall buy or sell at a price which is fair, taking into consideration all relevant circumstances, including market conditions with respect to such security at the time of the transaction, the expense involved, and the fact that he is entitled to a profit. . . ."

The Board of Governors reviewed four District decisions upon their being appealed and reviewed two such decisions on its own motion. The decisions in two of the cases appealed were modified by reducing the penalties and in the

other two affirmed. In the two cases reviewed, one District decision was affirmed and the other changed to a fine from censure. Ralph E. Phillips, Chairman of the NBCC in 1944, in his report to the January meeting of the Board, reviewed the status of a case which is on appeal before the Securities and Exchange Commission.

"Since the last meeting of the Board," Mr. Phillips said, "this appeal proceeding came on for hearing before a trial examiner of the Commission. The trial examiner, upon conclusion of the hearing at which two customers appeared and testified for the respondent, has filed his report and recommendations to the Commission, in which he recommends that the disciplinary action of the District Business Conduct Committee, as affirmed by the Board, suspending the respondent from membership in the Association for a period of one year, should be affirmed in its entirety. The transactions complained of involved purchases and sales for customers solely in investment trust shares in which the customers were induced to purchase shares of open-end investment trusts immediately before the record dividend date and to sell such shares immediately after the record dividend date."

The accompanying tables set forth the records of complaints and decisions for the calendar years 1944 and 1943:

### COMPLAINTS AND DECISIONS—1944

Dist. No.	Complaints Pending Jan. 1, 1944	Complaints Filed During 1944	Complaints Closed During 1944	Complaints Pending Dec. 31, 1944	Fines	Expulsions	Suspensions	Censures	Pledges of Compliance	Complaints Withdrawn or Dismissed
1	..	..	..	..	..	..	..	..	..	..
2	2	..	1	1	..	..	..	1	1	..
3	1	..	..	1	..	..	..	..	..	..
4	1	..	1	..	1	..	..	..	..	..
5	..	..	..	..	..	..	..	..	..	..
6	..	..	..	..	..	..	..	..	..	..
7	..	..	..	..	..	..	..	..	..	..
8	2	3	4	1	2	..	..	2	2	2
9	1	1	2	..	1	1	..	1	..	..
10	2	2	3	1	3	..	..	1	..	..
11	1	1	2	..	1	..	1	1	..	..
12	12	3	13	2	2	..	..	5	..	6
13	2	7	7	2	..	..	..	1	..	6
14	..	3	3	..	..	..	..	1	1	2
<b>TOTAL</b>	<b>24</b>	<b>20</b>	<b>36</b>	<b>8</b>	<b>10</b>	<b>1</b>	<b>1</b>	<b>13</b>	<b>4</b>	<b>16</b>

### COMPLAINTS AND DECISIONS—1943

Dist. No.	Complaints Pending Jan. 1, 1943	Complaints Filed During 1943	Complaints Closed During 1943	Complaints Pending Dec. 31, 1943	Fines	Expulsions	Suspensions	Censures	Appeals for Review	Reviews Instituted by NBCC
1	..	..	..	..	..	..	..	..	..	..
2	..	8	6	2	5	..	1	5	..	1
3	..	1	..	1	..	..	..	..	..	..
4	..	1	..	1	..	..	..	..	..	..
5	..	..	..	..	..	..	..	..	..	..
6	..	..	..	..	..	..	..	..	..	..
7	..	1	1	..	1	..	..	..	..	..
8	3	9	10	2	6	..	..	6	..	..
9	1	5	5	1	3	1	..	4	..	..
10	..	4	2	2	..	1	..	..	..	..
11	..	1	..	1	..	..	..	..	..	..
12	..	15	3	12	..	1	..	..	..	..
13	3	3	4	2	2	1	..	..	1	2
14	1	2	3	..	1	..	..	2	1	..
<b>TOTAL</b>	<b>8</b>	<b>50</b>	<b>*34</b>	<b>24</b>	<b>18</b>	<b>4</b>	<b>1</b>	<b>17</b>	<b>2</b>	<b>3</b>

\* Of these, 9 complaints were withdrawn or dismissed.

## Executive Director's Report

(Continued from page 8)

decision before voting on the delisting question. Shawmut took the matter to the Circuit Court of Appeals in Boston. The Executive Committee and Counsel considered that the decision of the Commission, showing the better prices to customers for Boston Exchange transactions than over-the-counter, did not correctly reflect the true function or service of the over-the-counter market. Counsel, therefore, appeared before the Court as *amicus curiae* to present additional data bearing upon the importance of the over-the-counter market, and the services and functions it performs in our national economy, so that the Court could be better informed in preparing its decision. Because the Commission's decision did not truly or fully portray the over-the-counter market, the Association also took the position that the Company should not be required to send the "argument" against the over-the-counter market, contained in the Commission's decision, to the Company's stockholders. [The Circuit Court affirmed the order of the SEC. Its opinion did not dwell on that part of the order dealing with the over-the-counter market.]

### Appeal of Disciplinary Decision

One case is now before the Securities and Exchange Commission on the appeal of a member from a one-year suspension ordered by a District Business Conduct Committee and subsequently upheld by the Board of Governors on appeal. The Commission's trial examiner in the case filed a report recommending that the Commission approve the Association's action in its entirety. Such a report is not binding upon the Commission. This is the second appeal to the Commission from a disciplinary decision of the Association.

### When-Issued Contracts

Agreement has not yet been reached in the efforts of NASD, the New York Exchanges and the SEC to agree upon a method to insure prompt and efficient settlement of when-issued contracts. Proposals were tentatively drawn up for attaining our common goal, but a problem of dual jurisdiction presented itself and decisions have not been made as yet which would resolve this possible difficulty. Under proposed revisions of the New York Stock Exchange and Association rules, the Stock Exchange would have jurisdiction to rule on when-issued contracts for securities traded on the exchange or for securities of companies having other issues listed on the exchange, and the Association would have jurisdiction to rule in over-the-counter when-issued transactions. Thus there would be two or more rulings by the Association, the Stock Exchange or other exchanges. Because of the possibility of different rulings affecting the same contracts, it has not been determined what method will be adopted to issue the final and binding ruling in the event that any two agencies should issue contrary rulings. All parties continue to desire an early solution and it is hoped that progress can be made in the near future.

### Public Service of Indiana

Nine months have now passed since the PSI case was taken under advisement by the Commission. A decision has been expected momentarily for the past several weeks. In

the meantime, no further signs of Department of Justice action are in evidence. Spokesmen for the Department are not unwilling to discuss with reporters their interest in the underwriting agreement and of making a test of it in the courts under the Sherman Act. However, the last published word was to the effect that this interest may be quiescent for several months while the Department observes the workings of competitive bidding. [At the District Chairmen-Secretaries' meeting the arbitration proposal was reviewed at length; District Committees are to discuss plans with members and submit recommendations to the Board at its spring meeting.]

### Membership

On December 31, the Association had 2,214 members as compared with 2,193 on December 31, 1943, and 2,284 at the end of 1942. Membership has held fairly stable around 2,200 over the past two years. In December, 15 new members were admitted, the largest for any single month since February, 1941.

### Arbitration Procedure

After a lengthy discussion at the October meeting, the Board decided to delay action on a proposed Code of Arbitration Procedure until a subcommittee of the Board could review the proposal and consider numerous comments and suggestions on its provisions. Since a meeting of newly elected District Chairmen and Secretaries is to be held a week from today and such a meeting affords opportunity for another general discussion of the subject, the subcommittee anticipates that this matter can be more realistically examined again at the spring meeting of the Board.

### SEC Talk

(Continued from page 4)

"In the second instance, controlling stockholders of a company, in accordance with the terms of the agreement whereby control was acquired, offered to purchase the shares of the outstanding public shareholders at the same price per share at which control had been acquired. Complete financial statements and a notice detailing the terms of that agreement accompanied the offer submitted to the shareholders. Again undisclosed to such shareholders, the prevailing market price at the time of the offer was substantially higher than the offering price."

### Affixing and Cancelling Transfer Taxes Subject of Memorandum

Necessity arose recently in one District for a memorandum from the Treasury Department reminding members of the law and regulations on affixing and cancelling of Documentary and Stock Transfer Stamps. The pertinent sections of the Internal Revenue Code, with which all members should be familiar, are Section 1816 and, pursuant to this section, Section 113.133 of Regulation 71. Failure to comply with the law and regulations can result in a penalty of \$100.

## HEAD OF STATE SECURITIES COMMISSIONERS ON FUTURE PLANS

MR. WALLACE H. FULTON,  
*Executive Director,*  
*National Association of Securities Dealers, Inc.,*  
1616 Walnut Street, Philadelphia 3, Pa.

Dear Sir:

The membership of the National Association of Securities Commissioners consists of the Commissioners or other state officials of every state or territory of the United States, who, by law, are vested with the authority or duty to administer a law having for its purpose the regulation or supervision of the commerce of securities, and individuals, corporations, partnerships, or associations engaged or concerned in said commerce of securities.

The purposes of our Association are to support the principles of legislation and the enforcement of laws duly enacted for the prevention or suppression of fraud in the commerce of securities; to promote, insofar as may be practicable, uniformity in legislation, having for its purpose the regulation of commerce of securities or the suppression of fraud therein; and to promote the general welfare of the investing public.

As President of the National Association of Securities Commissioners for the year 1945, it is my purpose to do all within my power to accomplish the following:

- (1) Greater uniformity of legislation, practices, forms, and procedures, and thereby lessen the burden on the investment banking business and the securities industry in complying with state laws and regulations.
- (2) The post-war period will require that there be as little interference with legitimate business enterprises

### Margin Requirement Made 50%

The Board of Governors of the Federal Reserve System, effective February 5, 1945, amended Regulation "T," reducing the maximum loan value of registered non-exempted securities to 50% from 65% of their current market values when carried in general (margin) accounts. The maximum loan value of securities in a special omnibus account was reduced to 65% from 75% under the same amendment and in respect to short sales the Board ruled that the margin required shall also be 50% of the current market value of each security in the account.

### Contested Election in Chicago

Donald E. Nichols, Ames, Emerich & Company, Incorporated, Chicago, recently was the successful candidate in a contested election for a vacancy on District Committee No. 8. James P. Blaney, of the Chicago firm bearing his name, opposed Mr. Nichols, the latter having been nominated as the "regular candidate," and Mr. Blaney by petition of more than 10 per cent of the members in the District, in accordance with the By-Laws of the Association. This was the second contested election since formation of NASD.

as possible. Therefore, it seems to me that we should do all within our power to eliminate, insofar as possible, any unreasonable obstacles to the flow of investors' funds through legitimate channels into legitimate enterprise and to insure in every way possible all proper protection to the investing public as to fraud, high-pressure, and unethical practices in the sale of securities and fraudulent promotional schemes.

- (3) To do everything possible for the protection of war-time savings, and to acquaint the public, by means of a sound educational program, with the dangers that await the uninformed in matters pertaining to investments.

The various Committees of our Association are already at work formulating a program to accomplish the foregoing purposes.

On behalf of the National Association of Securities Commissioners, I desire to extend to the National Association of Securities Dealers and its members every co-operation possible. As State Administrators, we would welcome at any time any suggestions, criticisms, or recommendations you would care to make in order that we may better promote the general welfare of the investing public.

Yours very truly,

(Signed) CLARENCE H. ADAMS  
*President*

NOTE: Mr. Fulton's response thanked Mr. Adams heartily for his most constructive purposes and assured him of NASD's intention to co-operate with his Association to the fullest.

## NASD NEWS

Published periodically by National Association of Securities Dealers, Inc., under the supervision of the following for the Board of Governors:

Henry G. Riter, 3rd	James Coggeshall, Jr.
James Parker Nolan	Francis F. Patton
Ralph E. Phillips	Wallace H. Fulton

James P. Conway, *Editor*

Salesmen, traders, cashiers as well as partners and officers of members should read the NEWS regularly.

For extra copies, supplied free of charge, write Wallace H. Fulton, Executive Director, 1616 Walnut St., Philadelphia 3, Pa.

### Membership Certificates for 1945

All members of the Association are entitled to a Membership Certificate, which may be displayed in their offices. Write to the Executive Office if you wish to have one.

### Examination Plans for 1945 Completed; Questionnaire Approved

Plans for examination of members in 1945 were completed at a meeting of District Chairmen and District Secretaries held in New York City, January 29-30. At a meeting a week earlier, the Board of Governors had passed on the plans.

As in 1943 and 1944, the questionnaire method will be employed again this year. The transactions to be reported are purchases and sales by customers handled by the member on an agency or a principal basis. A maximum of 75 such customer transactions are to be reported, comprised of the first 25 transactions effected by the member in each of three months to be identified on the forms themselves.

In addition, the member will be called upon to supply copies of confirmations as filled out and sent to customers in connection with certain types of transactions reported on the questionnaire.

During the past two years numerous questionnaires were received from members which were improperly filled out, necessitating their being returned to the member for correction. In some cases entire questionnaires had to be filled out a second time. It is in the member's interest that sufficient care be given to answering the questionnaire, so as to insure its being received in good order and in accordance with carefully detailed instructions which accompany the forms. It would be well for the member to contact the Executive Office, prior to completing his questionnaire, if there are doubts in his mind as to the manner in which the forms should be filled out.

It is expected that the first mailing of questionnaires will be made in April. Mailings will be made monthly thereafter until all members have been covered.

### SEC Opinion Given on Investment Adviser Trades

The Securities and Exchange Commission has released an opinion by James A. Treanor, Jr., Director of the Trading and Exchange Division, to the effect that it is unlawful for an investment adviser (whether or not registered under the Investment Advisers Act) to effect a transaction with or for a client, either as a principal or as a broker for another person, unless he obtains the client's consent on the basis of full disclosure of any adverse interest he may have. This disclosure, the opinion states, must include a statement of the capacity in which the investment adviser proposes to act, the cost of the security to the investment adviser where he proposes to sell, and the best price at which the transaction could be effected by or for the client elsewhere if such price is more advantageous to the client than the actual purchase or sale price. The opinion states further that (except where no advice is rendered as to the particular transaction) the Investment Advisers Act requires in the case of a registered investment adviser that the disclosure of capacity be given *in writing* and the client's consent obtained *before* the completion of *each* transaction of the types in question.

### Resumption of Trading in Finnish Issues OK'd

The Securities and Exchange Commission, as of February 5, 1945, withdrew its request to brokers and dealers that Commission approval be obtained before transactions in Finnish securities are effected. This request was originally issued June 30, 1944, and was rescinded in a letter by James A. Treanor, Jr., Director of the Trading and Exchange Division of the SEC, upon restoration of trading in the securities on the New York Stock Exchange.

### Mark-Up Practices—

(Continued from page 1)

\$500; 9 per cent less than \$1,000, and 35 per cent \$1,000 or more.

Following is a geographical break-down of mark-ups as shown on members' questionnaires, percentages being proportion of total transactions at the various levels shown:

District Area	Mark-up of 3% or less		Mark-up of 5% or less		Mark-up of above 5%	
	1943	1944	1943	1944	1943	1944
1 (Idaho, Oregon, Washington) .....	45.4	49.1	78.8	85.8	21.1	14.2
2 (California, Nevada) .....	31.2	36.5	66.8	82.4	33.1	17.5
3 (Arizona, Colorado, New Mexico, Utah, Wyoming) .....	55.6	52.7	79.9	81.2	20.0	18.7
4 (Minnesota, Montana, North Dakota, South Dakota) .....	46.9	47.8	70.2	84.0	29.7	15.9
5 (Kansas, Oklahoma, West Missouri) .....	57.7	57.8	78.3	79.3	21.6	20.6
6 (Texas) .....	50.6	47.3	68.7	75.7	31.2	24.2
7 (Arkansas, East Missouri, West Kentucky) .....	50.9	52.5	80.3	83.3	19.6	16.6
8 (Illinois, Indiana, Iowa, Michigan, Nebraska, Wisconsin) ....	46.4	52.0	67.5	80.0	32.4	19.9
9 (Alabama, Florida, Georgia, Louisiana, Mississippi, South Carolina, Tennessee) .....	63.5	63.9	77.8	83.9	22.1	16.0
10 (Ohio, East Kentucky) .....	45.0	49.5	68.9	81.2	31.0	18.7
11 (District of Columbia, Maryland, North Carolina, Virginia, West Virginia) .....	46.3	56.1	73.9	88.2	26.0	11.7
12 (Pennsylvania, Delaware) .....	44.3	48.9	66.1	81.8	33.8	18.1
13 (Connecticut, New Jersey, New York) .....	51.9	53.8	71.5	79.8	28.4	20.1
14 (Maine, Massachusetts, New Hampshire, Rhode Island, Vermont) .....	42.6	48.9	70.4	82.9	29.5	17.0
All Districts .....	47.2	50.9	70.8	81.5	29.1	18.3