

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

888 SEVENTEENTH STREET N. W. WASHINGTON, D. C. 20006

January 16, 1970

TO All NASD Members:

The Association relies solely upon the Qualification Examination program in order to meet its responsibility of determining the competency of new registrants. The examinations are designed to assure that the members have adequately prepared their applicants and to this extent they can be viewed as an evaluation of the training procedures of the member as well as a test of the individual applicant.

Recent experience indicates that the training programs of many members, though conscientiously designed, are not providing the desired results. In an effort to gather information that could be helpful to members, the Association recently undertook a study of this situation and, although some of the factors considered are outside the purview of the Association, this analysis would not be complete without mentioning them:

1. Time Devoted to Training - The Association has suggested an 80 hour schedule of reading and study in connection with the NASD Training Guide. While this time may be shortened through currently available teaching aids and methods, it should not be disregarded. Essentially, the current examinations require a fuller understanding of the same subject matter covered on earlier examinations. Accordingly, training programs must allow more time for instruction than previously in order to achieve the required level of understanding.
2. Unsupervised Training - For individuals with a high degree of ability and motivation, home study proves as effective a way of training as any other; however, our study indicates that in dealing with large numbers of marginally motivated trainees, it is extremely difficult to measure validly the amount of home study expended by the candidate. Regardless of the excellence of the training materials, the greater proportion of time within the training period that is unsupervised, the greater the likelihood of poor results on the examination. Augmenting the training materials is of little value if the trainee is not being induced to study them; for example, we found that many of the questions most often missed are clearly answered in the NASD Training Guide. We assume such basic information has been included in any sound training course.

3. Practice Test - Using practice tests to determine if a trainee is prepared for the NASD Examination does not prove valid unless the practice test can be correlated with the NASD Examination. This correlation would not exist if candidates who received high grades on the practice test achieved grades of "C" or failure on the NASD Examination. Our study found that some tests of this variety, both firm designed and commercial, called for a less precise understanding of the subject matter than the NASD Examination and served only to mislead the applicant and the trainer as to the time the applicant had devoted to study or his readiness to take the NASD Examination.

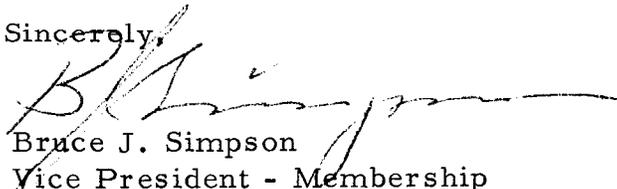
4. Subject Matter Weakness - Our study indicates that, on the whole, candidates who do poorly or marginally on the total examination do equally poorly in each of the nine subject matter categories described in the failure analysis. This would indicate, once again, that training has fallen short in depth rather than breadth. There are three categories of information, however, which prove to be of more than average difficulty for most candidates. These categories are listed here so that you can determine if they are receiving the proper attention in your training program. The NASD Training Guide is used as a reference because it is a standard source readily available to members.
 - (a) Financial Statements - Chapter I - Part B
(Training programs should not overemphasize the importance of computing the various ratios used in financial analysis to the exclusion of an adequate understanding of their meaning and relevance to investment decisions.)

 - (b) Investment Companies applicable law - Chapter III - Part I (Special attention should be devoted to the Investment Company Act of 1940.)

 - (c) The NASD Rules of Fair Practice - Chapter IV - Part D

We hope that the above comments will be helpful to you in reviewing your training procedures.

Sincerely,



Bruce J. Simpson
Vice President - Membership

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

888 SEVENTEENTH STREET N. W. WASHINGTON, D. C. 20006

January 28, 1970

To: All NASD Members

Re: Annual Financial Reports (NASD Form 17A-10)

Recently a number of inquiries have been addressed to the NASD concerning the status of the annual financial reporting requirements under SEC Rule 17A-10 (effective first for the calendar year 1969). To date, the SEC has not adopted final requirements for financial reporting. Until this is accomplished, the NASD cannot submit a "plan" to the SEC for approval or print and distribute forms.

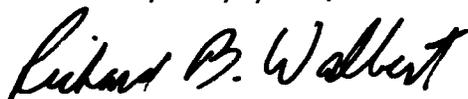
For the immediate guidance of the membership, however, it may help to know that the final NASD forms will be substantially the same as the preliminary version that we sent to all members in September 1968, the supply of which has been exhausted. Collection of data in accordance with that form should be adequate for the final form.

Until the final form is received by members, no filings should be made with either the NASD or the SEC. As soon as the NASD "plan" is approved by the SEC and printing is completed, the necessary forms and instructions will be sent to all members.

It is contemplated that the NASD will require each of its members to file a suitable Form 17A-10 directly with the NASD. An exception to this requirement will be permitted in the case of a member which indicates in writing that it will file a similar report with a self-regulatory agency of which it is a member and which agency has an SEC approved "plan" and, further, which agrees to supply, and does supply, a copy of such edited report to the NASD simultaneously with delivery of such information to the SEC. To date, only the New York Stock Exchange has indicated that it intends to follow this procedure.

We understand that the SEC is considering a proposal to extend the filing date beyond the March 31, 1970 date initially established. We will, of course, notify you if this is done.

Very truly yours,



Richard B. Walbert
President

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

888 SEVENTEENTH STREET N. W. WASHINGTON, D. C. 20006

February 5, 1970

To: All NASD Members

Members are advised that retail and trading activities in the over-the-counter markets will be closed on Monday, February 23, 1970, the day after George Washington's Birthday. The over-the-counter markets will remain open on Lincoln's Birthday, February 12, 1970. Since a great many of the major banks will be closed on this date, there will be no settlement or clearance on February 12. Because of this, trade dates, delivery dates and ex-dividend dates that will apply are listed below:

<u>Delivery dates for "regular way" contracts</u>		<u>"Ex-dividend" dates</u>	
<u>Trade date</u>	<u>Delivery date</u>	<u>Record date</u>	<u>"Ex-" date</u>
(other than U. S. Government securities)		Feb. 11 and 12	Feb. 5
Feb. 5	Feb. 13	13	6
6	16	16	9
9	17	17	10
10	18	18	11
11 and 12	19		
(U. S. Government Securities)			
Feb. 11 and 12	Feb. 13		

Sincerely,



Richard B. Walbert
President

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

888 SEVENTEENTH STREET N. W. WASHINGTON, D. C. 20006

February 16, 1970

To All NASD Members:

The NASD member firm of V. F. Naddeo & Co., Inc., 25 Broadway, New York, New York, has consented to the entry of an SEC injunction against doing further business with other securities concerns and consented also to the appointment of receiver for the company. The SEC injunction was obtained on Friday, February 13, 1970. In accordance with Section 59(h) of the Uniform Practice Code, the Uniform Practice Committee has determined that members may buy-in or sell-out all open transactions with V. F. Naddeo & Co., Inc. and avail themselves of the immediate close-out provisions specified in this subsection.

The Association has been advised that Mr. Edward Brodsky, a member of the law firm Goldstein, Gurfein, Shames and Hyde of 655 Madison Avenue, New York, New York (212) TE 8-3700, has been appointed the receiver of this member. All members having open items or unsatisfied claims may contact Mr. Brodsky for further information.

Sincerely,



Richard B. Walbert
President

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

888 SEVENTEENTH STREET N. W. WASHINGTON, D. C. 20006

February 26, 1970

To All NASD Members:

Attached are Emergency Rules of Fair Practice 70-1 and 70-2, which were recently approved by the Board of Governors. The new Emergency Rules, which replace Emergency Rules 69-15 and 69-17, will be in effect for 180 days from March 5, 1970, to August 31, 1970, both dates inclusive, unless the Board of Governors modifies or rescinds them prior to the expiration date.

Emergency Rule 70-1 places certain restrictions on a member trading in a security in which he has a fail to deliver 60 days old or older and more than 20 percent of total dollar volume of fails to deliver is 60 days old or older. Further, the same restrictions will apply to members trading in any securities in which they have a fail to deliver 90 days old or older.

This replaces the provisions in Emergency Rule 69-15, which placed restrictions on members trading in securities in which they had a fail to deliver 60 days old or older, and 30 percent or more of their total dollar volume of fails to deliver were over 30 days old.

For foreign securities (except American Depository Receipts and Canadian securities), Emergency Rule 70-1 restricts a member from trading in any foreign security in which he has a fail to deliver 120 days old or older and more than 20 percent of his total dollar volume of fails to deliver is 120 days old or older. The rule also restricts members from trading in any foreign security (except ADR's and Canadian securities) in which it has a fail to deliver 150 days old or older.

Rule 70-1 also requires that a member report to the Association's District Offices at the end of each month any fail to deliver or receive that is 60 days old or older (120 days for foreign securities) together with a statement of his total month-end dollar volume of fails to deliver. This replaces the provision in Emergency Rule 69-15 which required members to report any fails to deliver or receive which were 90 days old or older.

Emergency Rule 70-2 states that if a member has not cleared a fail to deliver or fail to receive within 30 days of the time it reaches 90 days in age, it shall be a violation of the Association's Rules of Fair Practice. It also states

that fails to deliver or fails to receive in foreign securities (except American Depository Receipts and Canadian securities) not cleared within 30 days of the time they reach 150 days in age shall be a violation of the Association's Rules of Fair Practice.

The above is merely a description of some of the major provisions of the new Emergency Rules 70-1 and 70-2, and members should refer to the actual text of the rules to determine the extent of their responsibilities. The rules in their entirety are attached.

Sincerely,

A handwritten signature in black ink that reads "Richard B. Walbert". The signature is written in a cursive style with a large, prominent initial "R".

Richard B. Walbert
President

Attachment

EMERGENCY RULE OF FAIR PRACTICE NO. 70-1

- I. No member, or person associated with a member, shall
- (a) Sell a security for his own account, or
 - (b) Buy a security as a broker for a customer if,
 - 1. in respect to domestic securities, he
 - (i) has a fail to deliver in that security 60 days old or older and more than 20% of his total dollar volume of fails to deliver are 60 days old or older, or
 - (ii) has a fail to deliver in that security 90 days old or older; or
 - 2. in respect to foreign securities (except American Depository Receipts and Canadian securities), he
 - (i) has a fail to deliver in that security 120 days old or older and more than 20% of his total dollar volume of fails to deliver are 120 days old or older, or
 - (ii) has a fail to deliver in that security 150 days old or older.
- II. Each member who, at the end of any month, had any fail to receive or deliver in domestic securities 60 days old or older, or in the case of foreign securities (except American Depository Receipts and Canadian Securities) 120 days old or older shall file, with the District Secretary of the District in which its principal office is located, within 10 days after the end of such month, a list of such securities together with a statement as to the total dollar volume of his fails to deliver at month-end. Such list shall include the name of the security, trade date, number of shares, unit price, dollar amount and from whom bought or to whom sold, reason for non-delivery, including location of the security, if known, and actions taken to effect delivery.
- III. Each member shall have the responsibility to review its fail position once a month at the time they prepare their monthly trial balances pursuant to Commission Rule 17a-11 in order to determine compliance with the above provisions unless the circumstances indicate that a more frequent review is appropriate. These circumstances would include prior reviews of fail positions.

IV. For good cause shown and in exceptional circumstances, in situations where it can be demonstrated

- (1) that the member has taken all necessary and reasonable steps to process the clearance of transactions and delay has not been occasioned on his account, and where application of the rule would work hardship upon public customers and/or the member, and/or
- (2) where it would interfere with ordinary and necessary market making or trading activity, and where the failure to meet the standards set forth above results from an occasional transaction and its peculiar nature such as a dispute arising from a legal transfer,

a member may request exemption from the provisions of Section 1 hereof by written request to the District Secretary of the District in which his principal office is located who shall have the authority to grant exceptions when the above criteria have been met. There shall be no exceptions to the filing requirements of this emergency rule.

V. This rule has been promulgated as an emergency rule of fair practice pursuant to the provisions of Article VII of the By-Laws of the Corporation, an emergency having been found to exist by resolution of the Board of Governors of the Corporation dated September 22, 1969.

VI. It shall be deemed contrary to high standards of commercial honor and just and equitable principles of trade and a violation of Article III, Section 1 of the Rules of Fair Practice for any member to engage in conduct inconsistent with this rule.

EMERGENCY RULE OF FAIR PRACTICE NO. 70-2

I. In all cases where a member has a "fail to deliver" or a "fail to receive" on its books which is not cleared by it within thirty days after it reaches 90 days in age (150 days in the case of foreign securities except American Depository Receipts and Canadian securities), such shall constitute a violation of Article III, Section 1 of the Rules of Fair Practice and of this emergency rule.

II. For good cause shown and in exceptional circumstances, in situations where it can be demonstrated that

(1) the member has taken all necessary and reasonable steps to process the clearance of transactions and delay has not been occasioned on his account, where application of the rule would work hardship upon public customers and/or the member, and

(2) where the failure to meet the standards set forth above results from an occasional transaction and its peculiar nature such as a dispute arising from a legal transfer,

a member may request exemption from the provisions of Section 1 hereof by written request to the District Secretary of his District in which his principal office is located who shall have the authority to grant exceptions when the above criteria have been met.

III. This rule has been promulgated as an emergency rule of fair practice pursuant to the provisions of Article VII of the By-Laws of the Corporation, an emergency having been found to exist by resolution of the Board of Governors of the Corporation dated September 22, 1969.

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

888 SEVENTEENTH STREET N. W. WASHINGTON, D. C. 20006

March 10, 1970

To: Members of the Association
Re: Review of Corporate Financing

The Board of Governors of the Association at recent meetings has reviewed and approved a rewritten and expanded version of its previous Interpretation concerning the "Review of Underwriting Arrangements" which presently appears in the Manual on pages 2021-3. A copy of the new Interpretation, now referred to as the Interpretation concerning "Review of Corporate Financing" is attached hereto. All members who engage in underwriting activities or selling group participations should study carefully this new Interpretation and call it to the attention of their legal advisers. Members should also call the new Interpretation to the attention of the individual or individuals in their firm who are charged with the responsibility of filing the appropriate documents and all other individuals who are directly or indirectly involved in the member's underwriting or related activities.

In many respects the new Interpretation represents an enunciation of guidelines which had previously been established internally and followed by the Committee on Corporate Financing, previously known as the Committee on Underwriting Arrangements, which had been established by the Board for the purpose of reviewing offerings of securities by members. There are, however, some changes from the previously published Interpretation which are substantive in nature and close study should be given to the Interpretation with this in mind. Also of importance are changes in the "Filing Requirements" which now require the filing of an additional number of documents in some cases and also states more definitively the time periods when such must be filed. In addition, specifically included within the scope of the new Interpretation and its Filing Requirements are offerings related to partnership interests; oil and gas participation plans; mortgage and real estate investment trusts; rights offerings and any other offerings of a similar nature.

The membership should also be mindful of the section of the Interpretation entitled "Members Underwriting Own Securities." This represents a restatement of existing Board policy in this area.

Timely filing of the required documents is an area which has been seriously neglected by the membership and is also an area of increasing concern to the Association. These requirements must be strictly adhered to since it is impossible under the current heavy workload for the Association's staff and the Committee to properly review documents prior to the time of effectiveness of the issue if they

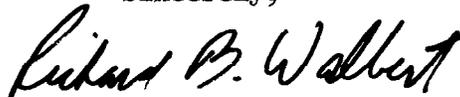
are not filed as required. It cannot and will not review such documents on an expedited basis when they are filed a day or two before the anticipated effective date as it has many times in the past been requested to do. Because of the problem which failure to timely file has given the Association, it has previously, on February 19, 1969, notified members that such failure would result in a request for disciplinary action and the possible imposition of penalties as a result of this neglect. This will continue to be the policy of the Association and appropriate action will be taken in all cases where such is deemed necessary and proper.

To assist the Committee and its staff in reviewing documents, and the terms and conditions of the underwriting as a whole, it is suggested that all possible information pertaining to prior transactions by the member with the issuer, or exceptional and unusual circumstances surrounding the terms thereof which a member may consider to be important to the review thereof be supplied at the time of the initial filing. Also, the Association's staff should be kept apprised of all major modifications of the offering terms or events involving the issue which may occur while it is in registration and that it be so advised prior to filing amendments to the registration statement. If this procedure is followed, it will facilitate the Committee's review and may obviate the necessity of time consuming requests for additional information.

In connection with the Interpretation and the Guidelines which are a part thereof, it should be remembered that they are intended to serve only as a measure of guidance to members of the Association, its Committees and the Board of Governors. The provisions thereof should not be considered to be binding rules nor should they be considered to be exhaustive in scope since each issue of securities must be reviewed on its own merits and a determination of fairness and reasonableness made in respect thereto taking into consideration all surrounding circumstances and relevant factors regardless of whether they are delineated in the guidelines specifically. It should also be noted that the Board of Governors of the Association has delegated to the Committee on Corporate Financing specific authority to adopt additional guidelines to the extent considered necessary to meet changed situations as they arise and to properly implement the Interpretation as written.

All communications and inquiries with respect to this Interpretation and compliance thereof should be directed to the Corporate Financing Department of the Association in Washington, D. C.

Sincerely,



Richard B. Walbert
President

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

888 SEVENTEENTH STREET N. W. WASHINGTON, D. C. 20006

To: Members of the National Association of Securities Dealers, Inc.

Re: Interpretation of the Board of Governors With Respect to Review of Corporate Financing

INTRODUCTION

The following Interpretation of Article III, Section 1 of the Association's Rules of Fair Practice and the accompanying Filing Requirements and Guidelines which are considered to be a part thereof, is adopted by the Board of Governors of the Association pursuant to the provisions of Article VII, Section 3(a) of the Association's By-Laws and Article I, Section 3 of the Rules of Fair Practice. It shall, unless otherwise indicated herein, be applicable to the public distribution of all issues of securities in which members of the Association participate in addition to all other offerings, whether such issues are underwritten or not. It shall, therefore, be specifically applicable to public offerings of securities in companies in which a member, or a person associated with a member, may have made prior purchases of securities in connection with or related to the offering regardless of whether that member or any member otherwise participates in the current distribution or its preparation and regardless of whether it or they have or will receive compensation in connection with the preparation or the distribution of the issue for any function related thereto. Unless the context otherwise requires or unless otherwise defined in this Interpretation the terms used herein shall, if defined in the By-Laws or the Rules of Fair Practice, have the meaning as defined therein.

Members who participate or intend to participate in the preparation or in the distribution of the referred to issues of securities, whether as an underwriter, a selling group member, or otherwise, have an obligation in respect to that distribution to act at all times in accordance with high standards of commercial honor and just and equitable principles of trade. Thus, members may not so participate when the underwriting or other arrangements in connection with or related to the distribution, or the terms or conditions relating thereto, are unfair or unreasonable.

In the case of an issue which is underwritten, the managing underwriter is charged with the responsibility of insuring that such arrangements, terms and conditions are fair and reasonable. In the case of an issue being distributed by the issuer itself, or its bona fide officers and employees, without an underwriter but with the assistance of a member or members of the Association in an advisory, distributing or other capacity, each such member-participant is charged with the responsibility of determining whether the arrangements, terms and conditions are fair and reasonable.

In the case of such direct offerings by the issuer, if the issuer hires persons primarily for the purpose of distributing or assisting in the distribution of the issue, or assisting in any other way in connection with the underwriting, members of the Association cannot assist in the underwriting or its distribution in any capacity whatsoever.

In the case of an underwritten issue, the managing underwriter has the responsibility of filing the appropriate documents with the Association for review pursuant to

the provisions of the Filing Requirements set forth hereafter. In the case of direct offerings by the issuer, each member intending to assist in the distribution has the responsibility first to determine that the appropriate documents have been filed with the Association. Thus, the participation by a member who is a managing underwriter in the case of an underwritten issue, or by a member in any capacity in the case of a direct offering by the issuer, in the distribution of an issue of securities in respect to which the appropriate documents have not been filed with the Association shall constitute conduct inconsistent with high standards of commercial honor and just and equitable principles of trade.

To assist in reaching determinations as to the fairness or reasonableness of the underwriting or other arrangements in connection with or related to the distribution, and the terms and conditions relating thereto, the Board of Governors has appointed a committee known as the Committee on Corporate Financing. This Committee, composed of individuals who are experienced in the field of corporate financing and in the distribution of issues of securities, with the assistance of the staff of the Association's Corporate Financing Department, reviews all filings made with the Association pursuant to the filing requirements hereof. As a result of that review, it makes determinations as to the fairness and reasonableness of the referred to arrangements, terms and conditions.

The Committee, in a letter from the Corporate Financing Department, will give an opinion as to the fairness and reasonableness of issues filed with it. In those cases in which it believes the arrangements, terms or conditions to be unfair or unreasonable, notification to that effect will be given and an opportunity will be afforded to change them in a manner which will enable compliance with standards of fairness and reasonableness. If they are not subsequently changed to so comply and a member participates in the distribution of the securities, or if he has or will participate in an advisory or any other capacity, the Committee will forward all necessary data and the results of its review and conclusions to the appropriate District Business Conduct Committee for whatever action it deems necessary. The same procedure will be followed if the Committee determines that the appropriate documents in a given issue have not been filed at all or if they have not been timely filed. Determinations of violations of this Interpretation upon which penalties can be based are, therefore, pursuant to the provisions of the By-Laws, the Rules of Fair Practice and the Code of Procedure for Handling Trade Practice Complaints, made by District Business Conduct Committees subject to review by or appeal to the Board of Governors.

In a situation where a managing underwriter has been notified that the arrangements, terms and conditions of an issue are unfair or unreasonable and it does not take advantage of the opportunity to modify them in accordance with standards of fairness and reasonableness, it has the duty and obligation to notify the members of the underwriting syndicate and selling group of the Committee's determination so they will have an opportunity as a result of specific notice to comply with their obligation not to participate in any way in the preparation or distribution of an issue containing arrangements, terms and conditions which are unfair or unreasonable.

The Committee on Corporate Financing will, as noted, review the arrangements, terms and conditions of all public offerings of securities filed with the Association pursuant to the filing requirements stated hereafter. The Committee does not, however, attempt to pass upon or evaluate the merits of any issue of securities or the fairness of the public offering price, and, therefore, any determination made by the Committee should not be construed as having a reflection, either favorable or unfavorable, upon the securities being offered. The primary function of the Committee is to make a determination as to the fairness and reasonableness of the underwriting and other arrangements in connection with or related to the distribution, and the terms and conditions relating

thereto and to notify the appropriate member of its determination. The sole test to be applied by the Committee in determining fairness and reasonableness is whether the referred to arrangements, terms and conditions, when taking into consideration all elements of compensation and all of the surrounding circumstances and relevant factors, appear fair and reasonable in each case.

DEFINITION

Underwriter and related persons-- For purposes of this Interpretation, the term "underwriter and related persons" shall be deemed to include underwriters, underwriter's counsel, financial consultants and advisors, finders, members of the selling or distribution group, and any and all other persons associated with or related to any of the aforementioned persons.

INTERPRETATION

It shall be deemed conduct inconsistent with high standards of commercial honor and just and equitable principles of trade and a violation of Article III, Section 1 of the Rules of Fair Practice:

- 1) for a member to participate in any way in the public distribution of an issue of securities in which the underwriting or other arrangements in connection with or related to the distribution, or the terms or conditions relating thereto, when taking into consideration all elements of compensation and all of the surrounding circumstances and relevant factors, are unfair or unreasonable;
- 2) for a member who is a managing underwriter, or the equivalent thereof, of a public offering of an issue of securities to fail to timely file with the Association the documents and other information required by the Filing Requirements hereof;
- 3) for a member to participate in an advisory, distributing or other capacity with an issuer, or its bona fide officers or employees, in the public distribution of a non-underwritten issue of securities if:
 - (a) the issuer hires persons primarily for the purpose of distributing or assisting in the distribution of the issue, or for the purpose of assisting in any way in connection with the underwriting; or
 - (b) the documents and other information required by the Filing Requirements hereof have not been filed with the Association and reviewed by it prior to the effective date thereof.
- 4) for a member who is a managing underwriter, or the equivalent thereof, of a public offering of an issue of securities to fail to notify the members of the underwriting syndicate and selling group of a determination by the Committee on Corporate Financing that the underwriting or other arrangements in connection with or related thereto, or the terms and conditions related thereto, are in its opinion unfair or unreasonable if such arrangements, terms and conditions are not modified to conform to standards of fairness and reasonableness prior to the effective date thereof, and

- 5) for a member who has made a purchase(s) of securities of a company prior to the filing of a registration statement or offering circular for the public distribution of an issue of securities of that company or parent or subsidiary thereof, which purchase(s) is deemed to be in connection with or related to that distribution, or who has or will receive compensation in any form for assistance in connection with the preparation or distribution of the issue, or otherwise, not to timely file with the Association, or to be certain that a timely filing has been made with the Association, of the documents required to be filed by the Filing Requirements hereof notwithstanding that the securities being distributed are being offered directly by the company or its bona fide officers, directors and employees. Assistance in connection with the preparation or distribution of an issue shall be deemed to include assisting in any way in the preparation of the registration or other documents in connection with or relating to the issue, furnishing of customer and/or broker lists for solicitation and assistance in a consulting capacity, among other activities.

FILING REQUIREMENTS

All documents and other information required hereby to be filed with the Association, or any communications or inquiries pertaining thereto, shall be submitted to the Director, Corporate Financing Department at the Executive Office of the Association, 888 Seventeenth Street, N. W., Washington, D. C. 20006.

Interstate Offerings

The following documents relating to all proposed interstate public offerings of securities shall be filed for review at the time they are filed with the Securities and Exchange Commission:

- 1) Full registration pursuant to 1933 Act: One (1) copy of the registration statement (without exhibits); seven (7) copies of the preliminary prospectus; seven (7) copies of the underwriting agreement filed with the Commission, and any other information or documents, which may be material to or part of the underwriting or other arrangements in connection with or related to the distribution and the terms and conditions relating thereto and which may have a bearing upon the Committee's review, i. e., purchase agreement, letter of intent and consulting agreement, among others;
- 2) Regulation "A" Offerings: Seven (7) copies of the initial offering circular as filed with the Commission; one (1) copy of the notification of filing, and seven (7) copies of the underwriting agreement;
- 3) Pre- and Post Effective Amendments: One (1) copy of each amendment and seven (7) copies of any prospectus or offering circular which changes the underwriting or other arrangements or the terms or conditions thereof; and
- 4) Final Prospectus or Definitive Offering Circular: One (1) copy of the final prospectus or definitive offering circular and a list of the members of the underwriting syndicate if such is not indicated therein.

Documents relating to the following issues need not be filed with the Association:

- 1) securities which pursuant to the provisions of Section 3(a) (12) of the Securities Exchange Act of 1934 are exempt securities;
- 2) securities of investment companies as defined in Section 3 of the Investment Company Act of 1940 (except issues of closed-end management companies);
- 3) variable contracts; and
- 4) straight debt issues rated "B" or better by a recognized rating service.

Documents relating to all other offerings including, but not limited to, the following must be filed for review:

- 1) partnership interests;
- 2) oil and gas participation plans;
- 3) mortgage and real estate investment trusts;
- 4) rights offerings; and
- 5) any other offerings of a similar nature.

Intrastate Offerings

The following documents relating to all proposed intrastate public offerings of securities shall be filed for review. Documents referred to in paragraphs 1) and 2) must be filed at the time of filing with the state securities commission (by whatever name known) but at least fifteen (15) business days prior to the anticipated offering date. Documents referred to in paragraph 3) shall be filed on the day the issue becomes effective.

- 1) Seven (7) copies of the preliminary prospectus, offering circular, notice of intention, and/or any other document which describes the underwriting or other arrangements in connection with or related to the distribution, and the terms and conditions relating thereto; seven (7) copies of the underwriting agreement, and any other information or documents, which may be material to or part of the said arrangements, terms and conditions and which may have a bearing upon the Committee's review, i. e., purchase agreement, letter of intent and consulting agreement, among others;
- 2) One (1) copy of each amendment as and when filed with the state commission and seven (7) copies of any amendment which may change the said underwriting or other arrangements or the terms or conditions thereof; and
- 3) One (1) copy of the final prospectus, offering circular or other comparable definitive document and a list of the members of the underwriting syndicate if such is not indicated therein.

SUPPLEMENTARY REQUIREMENTS

The following information is also required, when such is not stated in the above documents, to be filed for review at the time of the filing of the initial and amended documents with respect to both interstate and intrastate offerings:

- 1) Exact or estimated maximum and minimum public offering price per share or unit;
- 2) Exact or estimated maximum underwriting discount or commission;
- 3) Exact or estimated maximum reimbursement for underwriter's expenses; underwriter's counsel's fees and expenses; financial consulting and advisory fees; finder's fees; and any other type of compensation which may accrue to the underwriter and related persons;
- 4) Purchase price and dates of purchase of and payment for warrants, options, and any other securities acquired by the underwriter and related persons within a period of twelve (12) months prior to the filing of the registration statement or offering circular;
- 5) A list of all purchasers, and information with respect to their identity and the nature of their employment, who may have participated in any private placement which occurred within eighteen (18) months prior to the filing of the issue and their relationship to, affiliation or association with the underwriter or others in the stream of distribution, if any. Details of all such purchases should also be supplied. In those cases where the purchasers are a private investment group, such as a hedge fund or other group of investors, the names of all persons who comprise the group and their association with or relationship to any broker/dealer should also be supplied;
- 6) Any other pertinent information not stated in the original registration statement or initial offering circular which pertains to underwriting compensation and arrangements and any other dealings between the underwriter and related persons, or other members of the Association, and persons associated therewith, and the issuer within the previous twelve (12) month period; and
- 7) Exact date of filing with the Securities and Exchange Commission or state securities commission when not so stated on the documents.

In all cases, regardless of whether the issue is interstate or intrastate, where a timely filing has not been made or, when subsequent to an initial filing, changes in the arrangements, terms or conditions have been made, thereby necessitating a filing thereof, at least fifteen (15) business days are required for the Committee to make a complete review unless notified to the contrary by the Corporate Financing Department.

Members who are required to file the above documents and information with the Association shall also be required to notify the Corporate Financing Department of the Association promptly by telephone or telegram when they have been notified by the Securities and Exchange Commission or state securities commission of the anticipated offering date of the securities. All documents and information required hereby to be filed will be considered confidential by the Association and will be used only for the purpose of review by the Committee on Corporate Financing or for other appropriate and properly authorized proceedings of the Association.

In addition to constituting a violation of this Interpretation and of Article III, Section 1 of the Association's Rules of Fair Practice, failure to file documents with respect to both interstate and intrastate offerings may constitute grounds for suspension of membership pursuant to Article IV, Section 4 of the Association's Rules of Fair Practice and a resolution of the Board of Governors appearing in the Association's Manual on page 2112.

GUIDELINES

The following guidelines shall be utilized by the Committee on Corporate Financing in making its determinations, and by District Committees and the Board of Governors in making findings of violation of this Interpretation and of Article III, Section 1 of the Rules of Fair Practice. They should also be followed by members in their preparation of the arrangements, terms and conditions of a public issue of securities which they intend to underwrite or in reviewing an issue in the distribution of which they intend to participate or give any assistance whatsoever in the distribution or preparatory process. These guidelines should not, however, be considered exhaustive or all-inclusive since all surrounding circumstances and relevant factors whatever they may be are important to a proper and accurate determination by the appropriate Association committees and the Board of Governors regardless of whether they are delineated herein in detail.

As noted in the "Introduction" of this Interpretation, the primary function of the Committee on Corporate Financing is to make a determination as to the fairness and reasonableness of the underwriting and other arrangements in connection with or related to the distribution and the terms and conditions relating thereto. The evaluation of various factors is essential in reaching such a determination. These factors are outlined hereafter and, in addition to certain general considerations, are divided into "arrangement" and "compensation" factors. The amount of compensation received or to be received by an underwriter and related persons is, of course, important in determining the fairness and reasonableness of the overall underwriting arrangements, terms and conditions.

General

In reaching a determination of fairness or reasonableness the following factors, as well as any other relevant factors and circumstances, shall be taken into consideration: the size of the offering; whether it is being underwritten; if so, the type of commitment, i. e., whether it is being sold on a firm commitment, best efforts, or best efforts all or none basis; the type of securities being offered; the existence of restrictions, or the lack thereof, on stock, warrants, options, or convertible securities received or to be received in connection with or related to the offering by the underwriter and related persons and the amount of such stock, warrants, options, or convertible securities; the nature and the amount of overall compensation received or to be received by the underwriter and related persons; the underwriter's relationship to the issuer, or its parent, subsidiary or affiliate, including whether a member of the Association is underwriting an issue of its own securities or of its parent, subsidiary or affiliate; and whether a lack of arm's-length bargaining or a conflict of interest exists in connection with the offering.

Arrangement Factors

Restrictions on securities received or to be received --

It shall be the policy of the Committee on Corporate Financing to examine closely the circumstances surrounding the purchase of securities by an underwriter and

related persons and other broker/dealers and persons associated with and related to them during the twelve (12) month period prior to the filing of the registration statement or offering circular. Normally, but not necessarily in all instances, purchases made by such persons within six months prior to such filings will be considered part of the offering package and will be considered to have been acquired in connection with or in relation to the offering. A more flexible policy will be followed, however, in connection with purchases in the six to twelve-month period prior to such filing. Factors to be considered in determining whether any of such prior acquired securities were acquired in connection with or in relation to the offering shall be pricing, i.e., disparity between the price paid by the recipient and the public offering price; timing, i.e., date of acquisition of the shares by the recipient in relation to the date of filing of the registration statement; number of securities purchased; their relationship to other purchases by other purchasers and to the contemplated offering; relationship of earlier purchases to the proposed financing; the risk factors involved; the presence or absence of arm's-length bargaining and the existence of a potential or actual conflict of interest. Purchases of securities prior to an offering of a public issue of securities is an area of great concern to the Association and, therefore, under appropriate circumstances, purchases made even prior to the previous twelve month period by the aforementioned persons may be reviewed in accordance with the above criteria particularly, but not only, when questions relating to arm's-length bargaining or conflicts of interest are present.

The transfer or assignment of stock or convertible securities, or the exercise of options and warrants or the resale, transfer and assignment of the shares underlying the options, warrants or debt securities, acquired by an underwriter, and related persons whether such was acquired prior to, at the time of, or after, but which is determined to be in connection with or related to the offering shall be restricted for a minimum period of one year from the effective date of the registration statement or definitive offering circular. Generally where the purchase of stock has been or is to be made on installment terms or in some method of payment other than cash in full, such restrictions shall apply to the transfer and assignment of the stock during the period of installment payment and for a minimum of one year from date of final payment provided, however, the installment terms themselves are reasonable.

In exceptional or unusual cases upon good cause shown, a period shorter than that stated in the preceding paragraph may be considered more appropriate. Likewise, in instances where circumstances lend themselves to a potentially undesirable degree of involvement, marketwise or otherwise, on the part of the holders of the securities, and/or the spread (the difference between the cost and the offering price) is deemed high, or the number of shares so obtained are substantial, a longer period of restriction may be required. In any event, the burden of demonstrating that exceptional or unusual circumstances exist shall be upon the person advocating a period shorter than the normal one year restriction period. In those cases where the Committee believes a longer than normal restriction period should be required, the burden is likewise upon the person advocating a deviation from that position to justify such.

Assignment may be made of securities prior to the expiration of the period of restriction by a managing underwriting firm, in those cases where such securities have been received by it as described above, to officers or partners of that firm or an underwriting or selling group firm or officers or partners thereof; however, such assignees shall be bound by all of the aforementioned restrictions.

Stock Numerical Limitations on Securities Received or to be Received --

Shares of stock underlying warrants, options or convertible securities and/or all stock acquired directly by an underwriter and related persons whether acquired prior to, at the time of, or after, but which is determined to be in connection with or related to,

the offering shall not in the aggregate be more than ten (10%) percent of the total number of shares being offered in the proposed offering. The maximum limitation in the case of "best efforts" underwritings or participation shall be on the basis of no more than one (1) share received for every ten (10) shares actually sold. For purposes of this paragraph:

- 1) Over-allotment shares and shares underlying warrants, options, or convertible securities which are part of the proposed offering are not to be counted as part of the aggregate number of shares being offered against which the 10% limitation is to be applied.
- 2) In an exceptional or unusual case involving an offering of convertible securities of a company whose stock already has a public market and where the circumstances require, taking into consideration the conversion terms of the publicly offered securities and the terms of the securities to be received by the above persons, the receipt of underlying shares by such persons aggregating the above referred to 10% limitation may be considered improper and a lesser amount considered more appropriate.
- 3) In an exceptional or unusual case, where a large number of shares of a company are already outstanding and/or the purchase price of the securities, risk involved or the time factor as to acquisition or other circumstances justify, a variation from the above limitations may be permitted but in all such cases the burden of demonstrating justification for such shall be upon the person seeking the variation.

Any purchase or receipt of securities by an underwriter and related persons, or a member of the selling or distribution group which are excessive in nature must be returned to the company, or the source from which they were originally received at the original cost. The arrangements, terms and conditions of the distribution shall be considered unfair and unreasonable if this is not done. Only in exceptional and unusual circumstances upon good cause shown, will a different arrangement or procedure be considered acceptable. In all such cases the burden of demonstrating that exceptional and unusual circumstances exist shall be upon the person advocating such.

Issuer Reserved or Directed Securities --

While no exact limitations on company reserved or directed securities are used as guidelines by the Association, the number of such shares shall be reasonable in amount under the prevailing circumstances and shall bear a reasonable relationship to the total number of shares being offered publicly at that time. The contractual purchase commitment for any company directed stock must, however, be made by the designated recipients by the close of business on the business day following the effective date of the offering and payment therefore must be made in accordance with established requirements. Securities directed to persons covered by the Association's Interpretation With Respect To "Free-Riding And Withholding" must be disclosed to the Association at the time of filing the required documents with it. Such disclosure in no way relieves such persons from the provisions of that Interpretation.

Equity Positions of Underwriter and Others Participating in the Issue --

In a case where an underwriter or a person associated therewith, or a member of the selling distribution group or a person associated therewith, of an issue of securities of a company has acquired prior to the filing of the registration statement an equity position which may result in its being considered a controlling person or a person in common control thereof, such may result in a determination that unfair or unreasonable underwriting arrangements, terms or conditions exist. Such circumstances lend themselves

to a lack of arm's-length bargaining and possible conflicts of interest.

In the case of other than initial public offerings, the same principles shall apply except that the existence of a bona fide two-way market independent of the proposed managing underwriter or person active in the market on its behalf may be considered circumstances which would militate against such a determination; provided, however, the managing underwriter or person active in the market on its behalf neither is nor has recently been a market maker or a significant factor in the market activity in the stock.

Members Underwriting Own Securities --

The Board of Governors of the Association has announced a policy that a member firm of the Association desiring to go to the public market for funds may not underwrite its own securities, either directly or indirectly, through parent or subsidiary, or participate in any capacity in the distribution of those securities. Where such is done, a determination of an unfair or unreasonable underwriting arrangement will result. This prohibition would also prevent a parent or subsidiary of a broker/dealer member from underwriting a public issue of its own or of the member's securities and the member from underwriting a public issue of a parent's or subsidiary's securities. In the determination of whether there has been an indirect underwriting of an issue, the use of the proceeds thereof will be an important consideration.

Compensation Factors

The following items are included in determining underwriter's compensation: the gross amount of the underwriter's discount; total expenses payable by the issuer, whether accountable or non-accountable, to or on behalf of the underwriter which normally would be paid by the underwriter; underwriter's counsel's fees and expenses; finder's fees; financial consulting and advisory fees, and any other items of value accruing to the underwriter and related persons. Such other items of value include, but are not necessarily limited to, stock, options, warrants, and convertible and other debt securities, when deemed to have been received in connection with or in relation to the proposed offering, and when given by or acquired from the issuer, seller or persons in control or in common control of the issuer, or related parties of the issuer or such other persons. Expenses normally borne by the issuer, such as printing costs, registration fees, blue sky fees, and accountant's fees, are excluded from compensation even if paid through the underwriter.

The standard of appropriate overall allowable compensation that is applied to initial offerings of a company is not necessarily the same standard that is applied to other than initial offerings.

Stock acquired or to be acquired by an underwriter and related persons, any other broker/dealer participating in the financing, and persons associated with such broker/dealers, which has been acquired in connection with or related to or in relation to the proposed offering (hence, part of the compensation paid in connection therewith) shall be valued for compensation purposes by taking into consideration the differences between the cost of such stock and the proposed public offering price or, in the case of securities with a bona fide independent market, the cost of such stock and price of the stock on the market on the date of purchase, and other relevant factors. If, however, there is a binding obligation to hold such stock for a substantial period of time, an adjustment in such valuation is usually made.

Options or warrants acquired or to be acquired by an underwriter and related persons, any other broker/dealer participating in the financing, and persons associated

with or related to such broker/dealers, which have been acquired in connection with or in relation to the proposed offering (hence, part of the compensation paid in connection therewith) shall be valued for compensation purposes by taking into account the number and the terms of the warrants; the cost of acquiring such; their lowest exercise price; the date at which they become exercisable, assignable or transferable, and other relevant factors. In cases where the exercise price is above the public offering price or where the exercise of the options or warrants or the sale, assignment or transfer of the underlying stock are restricted for an extended period of time in excess of the provisions outlined above, a lesser value will generally result.

Convertible securities acquired or to be acquired by an underwriter and related persons, any other broker/dealer participating in the financing, and persons associated with or related to such broker/dealers, which have been acquired in connection with or in relation to the proposed offering (hence, part of the compensation paid in connection therewith) shall be valued for compensation purposes on the basis of the spread between the conversion price and the proposed offering price or, in the case of securities with a bona fide independent market, the conversion price and the price of the stock on the market on the date of purchase, and other relevant factors.

Additional Compensation--changes in market value

In connection with issues of companies in which there are already outstanding securities being traded, an increase in the market value thereof between the time of the initial review by the Committee on Corporate Financing and the effective date of the issue may have the effect of increasing the amount of compensation attributable to stock, warrants or options received. The policy of the Association, therefore, is to reserve the right to re-examine such issues at a time immediately prior to the effective date of the issue. It shall be the responsibility of the managing underwriter, or other persons responsible for filing the required documents, to call such changes in market value to the attention of the Corporate Financing Department for reconsideration and re-examination so as not to allow the underwriting arrangements, terms or conditions to become unfair or unreasonable at the time the issue becomes effective because of an increase in the compensation level caused by the increase in the market price. The same responsibility shall apply to changes in any other relevant factors after the initial review.

Excessive Compensation--change of underwriters

In some instances in which there is a potential conflict of interest or lack of arm's-length bargaining between the underwriter and the issuer, one of the procedures used to eliminate such has been to suggest a change in the managing underwriter and the elimination of the original manager from the stream of distribution. The Committee in appropriate cases will, therefore, suggest that such be done. It should be noted, however, that in those cases where substantial purchases of stock, options, warrants, convertibles or other securities have been made by an underwriter, or a person associated with an underwriter, at a comparatively low price and such has been deemed to result in excessive compensation, such a change alone may not cure the problem. The compensation resulting therefrom may still be deemed part of the underwriter's compensation and further steps may be required.

CONCLUSION

The aforementioned Guidelines are intended to serve only as a measure of guidance for members of the Association, its Committees, and the Board of Governors. As noted above, they should not be considered binding rules nor should they be considered exhaustive in scope since each issue must be reviewed on its own merits and a determination made in respect thereto taking into consideration all surrounding

circumstances and relevant factors regardless of whether they are delineated here in detail.

It should also be noted that while this Interpretation With Respect To The Review Of Corporate Financing, and the Filing Requirements and Guidelines here published as a part thereof, to assist members in adhering to the proscriptions of that Interpretation, has been adopted by the Board of Governors of the Association, the Board has delegated to the Committee on Corporate Financing specific authority to adopt additional guidelines to the extent considered necessary to a proper implementation thereof.

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

888 SEVENTEENTH STREET N. W. WASHINGTON, D. C. 20006

March 10, 1970

TO: All NASD Members

RE: Statement of Policy of Board of Governors concerning venture capital and other investments by broker/dealers prior to public offerings.

The Board of Governors of the Association has recently approved a policy, interim in nature, which must be followed by all members and persons associated therewith who have made private investments in companies which sometimes can be described, though not necessarily always, as venture capital investments. This Policy, which follows, will be applied pending a more detailed study of the subject matter.

- 1) All members making such investments and receiving securities in return therefor shall hold such securities for a period of eighteen (18) months from the date of purchase. In the event of an intervening transaction, such as a public offering or some other material transaction, the "Interpretation With Respect to the Review of Corporate Financing" shall prevail.
- 2) If a member, upon termination of the above holding period, elects to sell in a public offering less than all of the securities so acquired, the balance thereof shall be held for an additional period of three (3) months beyond the effective date of the offering.
- 3) A member selling such securities in a public offering cannot act as an underwriter or participate in any way in the stream of distribution of that issue.

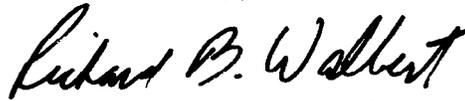
A shorter period than the stated holding periods referred to in items 1) and 2) above may be permitted but only upon a proper showing of good cause by the member advocating such.

This Policy has been adopted by the Board of Governors because it is believed to be in the public interest and shall be implemented by the

Committee on Corporate Financing as part of its general review of documents filed in connection with public offerings. It is not intended, however, to replace or to supplant any of the provisions of the "Interpretation With Respect to the Review of Corporate Financing" which shall be controlling in the event of any inconsistency with the Policy.

As stated, the subject of this Policy is under continuing study and the membership will be informed of the results thereof as soon as possible.

Sincerely,

A handwritten signature in black ink, reading "Richard B. Walbert". The signature is written in a cursive style with a large initial 'R' and 'W'.

Richard B. Walbert

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

17 BATTERY PLACE, NEW YORK, NEW YORK 10004
(212) 269-6393

March 16, 1970

ANNOUNCEMENT: (NUP #484) Advisory

RE: Non availability of National Over-the-Counter Clearing Corporation facilities for execution of buy-ins.

Buy-ins should be executed ex-clearing.

It has come to the attention of the Uniform Practice Department of the National Association of Securities Dealers, Inc. that certain members of the NOTC have executed buy-ins as per Section 59 of the Uniform Practice Code through the National Over-the-Counter Clearing Corporation facilities. The Department wishes to advise NASD-NOTC members that the above practice may not conform to the guaranteed delivery requirements of the buy-in rule in that the broker making the sale to the broker executing the buy-in loses his identity in the NOTC clearing process and the broker executing the buy-in may well end up with a receive balance order on the trade with a name other than the broker he originally purchased from on the buy-in. This "new name" may very well fail in that he is not aware he is delivering on a "buy-in" execution. This creates a situation which does not comply with the guaranteed delivery requirements set forth in Section 59 (c) and (e) of the Uniform Practice Code.

Members should not, therefore, submit buy-ins for clearance through

NOTC.

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

NATIONAL UNIFORM PRACTICE DEPARTMENT

William F. Tompkins, Jr.

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

888 SEVENTEENTH STREET N. W. WASHINGTON, D. C. 20006

March 18, 1970

To All NASD Members:

On "Good Friday", March 27, 1970, the Association and the major exchanges will be closed. This date will be a non-clearance and settlement day in the over-the-counter market.

Even though the exchanges will be closed on March 27, members are advised that they may use their own discretion in deciding to close down OTC activities depending, of course, on local custom.

Sincerely,



Richard B. Walbert
President

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

888 SEVENTEENTH STREET N. W. WASHINGTON, D. C. 20006

March 19, 1970

To All NASD Members:

Because of the current New York area post office workers strike, which prevents indefinitely the delivery of incoming and outgoing mail in all five boroughs of New York City, the Association wishes to advise the membership of the following until there is a return to the normal mail delivery schedule in the subject areas:

1. Members can expect a delay in the delivery of trade comparisons, DK items, mailed securities and reclamations to and from New York area members.
2. Recently issued buy-in notices mailed to New York area members should not be acted upon. Additionally, no new buy-in intents should be sent until the mail stoppage has been resolved.
3. As in No. 2 above, DK notices -- NASD Form No. 101 -- which have been sent to New York members during the mail stoppage, should be cancelled and new notices sent after the stoppage has been resolved.
4. Information regarding the trading of securities -- ex-dividend or ex-rights -- if unobtainable because of non-delivery of the dividend services, may be obtained by phone from the National Uniform Practice Department in New York (212) 269-6393.
5. With respect to mutual fund sales, dealers should continue to follow the normal practice of submitting payment for customers' purchases to the underwriter within the required ten business days even though the mail strike may cause temporary failure to receive such payments.

Sincerely,



Richard B. Walbert
President

WASHN -DJ- THE NATIONAL ASSOCIATION OF
SECURITIES DEALERS SAID IT IS GRANTING BLANKET
EXTENSIONS OF TIME FOR ITS MEMBERS TO OBTAIN
PAYMENT FROM CUSTOMERS AFFECTED BY THE POSTAL
STRIKE

THE NASD ACTION IS IN LINE WITH A FEDERAL
RESERVE BOARD DECISION ALLOWING THE NASD AND
THE STOCK EXCHANGES TO GRANT SUCH
EXTENSIONS IF ANY DELAY IN PAYMENT IS SOLELY
ATTRIBUTABLE TO THE INTERRUPTION OF POSTAL
SERVICE

- - - -

FED PERMITS EXTENSION ON PAYMENTS
FOR SECURITIES DUE TO MAIL STRIKE

3/19/70

WASHN -DJ- THE FEDERAL RESERVE BOARD SAID BECAUSE OF THE -EMERGENCY SITUATION IN NEW YORK AND OTHER AREAS- DUE TO THE INTERRUPTION OF POSTAL SERVICES THAT IT WILL ALLOW STOCK EXCHANGES AND THE NATIONAL ASSOCIATION OF SECURITIES DEALERS TO GRANT -BLANKET EXTENSIONS OF TIME FOR BROKERS AND DEALERS TO OBTAIN PAYMENT FROM CUSTOMERS AFFECTED BY THE POSTAL STOPPAGE-

THE BOARD SAID THAT EXTENSIONS OF TIME FOR OBTAINING PAYMENT MAY BE GRANTED ON AN INDIVIDUAL BASIS BY A COMMITTEE OF A NATIONAL SECURITIES EXCHANGE OR OF THE NATIONAL ASSOCIATION OF SECURITIES DEALERS -IF EXCEPTIONAL CIRCUMSTANCES WARRANT THE ACTION-

THE BOARD SAID THE DELAY IN PAYMENT MAY ONLY BE GRANTED BECAUSE OF INTERRUPTION OF POSTAL SERVICES AND THE EXTENSIONS CAN-T BE GIVEN FOR MORE THAN 10 FULL BUSINESS DAYS -AFTER THE EMERGENCY IS ENDED-

THE BOARD ALSO SAID THAT ALTHOUGH FIRMS WON-T BE REQUIRED TO APPLY IN ADVANCE FOR SUCH EXTENSIONS EACH FIRM MUST KEEP DETAILED RECORDS OF ANY OF THESE TRANSACTIONS

-0- 5 20 PM EST

NOTICE TO BANKERS AND BROKERS

STOLEN SECURITIES

Insurance Company of North America



INSURANCE BY NORTH AMERICA

Philadelphia Office
625 Walnut St., Philadelphia, Pa. 19105

March 30, 1970

LIST OF STOLEN SECURITIES

1,000 shares CONTROL DATA CORP. @ 100 shares each

NDC 26535/6 n/o Genoy & Company
NDC 98530 n/o C. A. England & Company
NDC 186748/54 n/o White Weld & Company

200 shares MATTEL, INC.

NC 108123/4 both @ 100 shares n/o White Weld & Company

15,000 PHILLIP MORRIS 6% Conv. Sub Deb 9/1994

RX4449 @ 10,000 shares n/o Mont & Company
RV4520 @ 5,000 shares n/o Loeb Rhoades & Company

4,000 BOSTON EDISON COMPANY 9% - 12/1999

LR11342/3/4/5 registered bonds @ 1,000 each n/o White Weld & Company

1,000 L. T. V. Int. N. V. 5% Conv. due 7/1/88

59541 @ 1,000 coupons n/o White Weld & Company

100 shares HOLIDAY INNS, INC.

NC177919 @ 100 shares in n/o White Weld & Company

1,000 shares TRANS WORLD AIRLINES

TN512756/8 TN575669 TN568084 TN568085 TN551162/4
TN555294 all @ 100 shares each in n/o White Weld & Company

100 shares TENNECO PREFERRED 5.36% Com Conv. 2nd Pfd.

FPO23056 @ 50 shares n/o L. F. Rothschild & Company
FPO23055 @ 50 shares n/o L. F. Rothschild & Company

400 shares AMERICAN EXPRESS

A177087/90 @ 100 shares each n/o White Weld & Company

100 shares ARA SERVICE, INC.

NH80302 @ 100 shares n/o White Weld & Company

45 shares TENNECO INC. 5.50% Pfd.

NO15069/70 @ 1 share each
NO14959 @ 1 share
NO14873 @ 10 shares
NO15031 @ 32 shares all in the n/o White Weld & Company

Please take notice that on March 11, 1970, the securities listed above were lost or stolen in transit from New York City, and stop transfers have been effected.

We are advising you of this fact so that you may alert your staff against purchasing any of these securities or accepting them as collateral for loans.

Should any of these certificates be presented to you, please notify your local police, the FBI, Mr. George F. Harlan at the First Pennsylvania Bank at 15th and Chestnut Streets, Philadelphia, Pa. 19101, or this company.

INSURANCE COMPANY OF NORTH AMERICA

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

888 SEVENTEENTH STREET N. W. WASHINGTON, D. C. 20006

March 31, 1970

NOTICE TO MEMBERS

On March 19, 1970, the Association advised the membership of certain precautions to be considered as a result of the interrupted service in mail deliveries. The progress made in re-establishing the normal mail delivery schedule, has been substantial and this will serve to up-date the notice of March 19th. Unless otherwise indicated, the following information pertains only to items which require the use of the mails:

Buy-In Notices:

As of March 26th, buy-in intents may be sent via the mails (and over-the-window) in the normal course of business. Members should be mindful that buy-in intents sent by mail prior to or during the mail stoppage, and where there is no assurance that the time requirements of Section 59 (for delivery not later than 24 hours prior to execution date) have been met, should be cancelled and reissued.

As for properly presented buy-in intents (per Section 59) previously delivered either by mail or over-the-window and still in force, it is not expected that these be cancelled or reissued, but rather they may be acted upon.

DK Notices - NASD Form 101:

In cases where the mail stoppage has prevented compliance with the DK Notice Form 101 which was forwarded via mail as per Section 9(b) of the Uniform Practice Code, new Form 101 notices should be issued. There is no need to mail new notices if a reply has been received on a notice previously sent, or if a Form 101 was presented by hand.

Any re-issued DK Notice sent by mail should clearly indicate the following: "Mail Strike - Duplicate Notice." This phrase should be imprinted in the blank box area above the confirming broker's name and address.

Because of the mail stoppage and the need to allow time for members to examine their backlog of mail, newly issued or re-issued DK Notices may be presented (mailed or hand delivered) according to the following schedule:

TRADE DATES

March 3, 1970

through

March 25, 1970

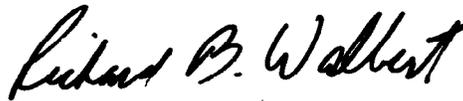
DK Notices presented in reference to unconfirmed trades executed during this period may not be presented later than April 9, 1970.

After

March 25, 1970

DK Notices must be sent during the normal time period outlined in Section 9(b).

Sincerely,



Richard B. Walbert
President

NOTICE TO BANKERS AND BROKERS

STOLEN SECURITIES

Insurance Company of North America



INSURANCE BY NORTH AMERICA

Philadelphia Office
625 Walnut St., Philadelphia, Pa. 19105

March 30, 1970

LIST OF STOLEN SECURITIES

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NC177919 @ 100 shares in n/o White Weld & Company

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

888 SEVENTEENTH STREET N. W. WASHINGTON, D. C. 20006

April 6, 1970

To All NASD Members and Branch Offices:

Gordon S. Macklin, Jr., a securities industry leader from Cleveland, Ohio, has been named as the new President of the National Association of Securities Dealers to succeed Richard B. Walbert, who recently resigned the Washington, D. C. post to accept the Presidency of Halsey-Stuart, Inc. in Chicago, Illinois.

Macklin is a particularly appropriate leader to head the 4,400 member Association. Formerly a General Partner of McDonald & Company in Cleveland, Ohio, Macklin brings a wealth of practical experience to his new post. Beginning as a sales trainee with McDonald & Company in 1950, he later became involved in a broad spectrum of the firm's activities, specializing in syndicate and sales management and in corporate financing.

Walbert voiced deep satisfaction in Macklin's appointment and stated that he was confident that the young Clevelander would be a strong force in developing the Association's potential. "Macklin is an outstanding choice for this vital industry position," Walbert remarked. "Not only does he have an extraordinary background in the securities field, but he also has an intimate familiarity with the inner workings of the Association and its current projects."

Macklin formerly served the Association as a member of the Board of Governors, a member and Chairman of an NASD District Committee, Chairman of the NASD's Finance Committee and Chairman of the Committee on Broker/Dealer Financial Reporting. Currently, he is a member of the Association's National Arbitration Committee and the Long Range Planning Committee.

According to Gordon L. Teach, NASD's 1970 Chairman and First Vice President of Shearson, Hammill & Co., Inc. in Chicago, "Macklin, a powerful advocate of self-regulation, contributed immensely to the Association's forward progress. I have been impressed with his imaginative suggestions for enhancing the role the NASD can and must play in strengthening the securities business," Teach said.

Macklin was the unanimous choice of a special selection committee, chaired by Kenneth H. Sayre, 1969 Chairman of the Board of Governors and

President of Irving, Lundborg & Co., Inc. in San Francisco. Other members of the committee were:

Gordon L. Teach, 1970 Chairman of the NASD Board and First Vice President of Shearson, Hammill & Co., Incorporated, Chicago.

Phil E. Pearce, former Chairman of the Board and former President of G. H. Crawford Co., Inc., Columbia, South Carolina.

C. Rader McCulley, a member of the 1969 NASD Board, Chairman of the NASD Finance Committee and Senior Vice President of the First Southwest Company, Dallas, Texas.

S. Whitney Bradley, Chairman of the Association's Investment Companies Committee and Senior Vice President of Eaton & Howard, Incorporated, Boston, Massachusetts.

Charles C. Glavin, Chairman of the Executive Committee of the First Boston Corporation, New York City.

George Fox, President, Chief Operating Officer and Director of Piper Jaffray & Hopwood, Minneapolis, Minnesota.

Willard G. De Groot, Chairman of the Board and Chief Executive Officer of Bateman Eichler, Hill Richards, Incorporated, Los Angeles, California.

John A. Orb, Executive Vice President of Merrill Lynch, Pierce, Fenner & Smith, Inc., New York City.

The Selection Committee's choice was approved by the NASD Executive Committee in a special March meeting.

As NASD President, Macklin will be responsible for the administration of all Association affairs and represent the NASD in all public matters.

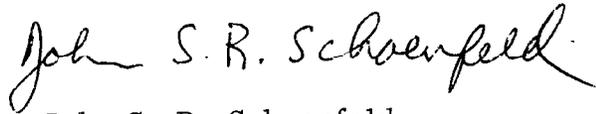
The forty-one year old executive, who was born in Cleveland and attended schools within the city, was graduated from Brown University with a B. A. in Economics in 1950.

In addition to his activities with McDonald & Company and the NASD, Macklin has served as a former Governor of the Midwest Stock Exchange and on the Board of Directors of many companies, including two listed on the New York Stock Exchange, one listed on the American Stock Exchange and approximately six companies whose stocks are traded in the over-the-counter market.

His many other industry-related activities have included acting as Treasurer and a member of the Board of Governors of the Bond Club of Cleveland and participating in the Cleveland Society of Security Analysts.

Macklin commented that he considered his appointment an honor, a great responsibility and an opportunity to be involved in exciting NASD programs that promise to revolutionize the over-the-counter market. "The NASD's dual concern is to ensure that broker/dealers operating in this area are ethical and highly qualified and that the industry itself can become more efficient and current through NASD efforts. I look forward to working with the NASD and Chairman Teach during a period of dramatic and constructive change within the securities business," he said.

Sincerely,

A handwritten signature in cursive script that reads "John S. R. Schoenfeld". The signature is written in dark ink and is positioned above the typed name.

John S. R. Schoenfeld
Executive Vice President

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

888 SEVENTEENTH STREET N. W. WASHINGTON, D. C. 20006

April 9, 1970

To All NASD Members:

American Telephone and Telegraph Company Subscription Offering

American Telephone and Telegraph Company has announced an offering to holders of each 35 shares of American Telephone and Telegraph Company Capital Stock of record April 10, 1970, the Right to Subscribe to a Unit consisting of \$100 principal amount of 30 Year ___% Debentures, due 2000, plus Long-Term Warrants expiring May 15, 1975, to purchase 2 additional shares of Capital Stock at \$ _____ per share. The Long-Term Warrants will be distributed November 15, 1970, to recordholders of the Debentures on October 15, 1970, unless such dates are advanced to earlier dates.

The Rights to Subscribe as well as the Units, and the Debentures and Warrants (separately) are expected to be admitted to trading on the New York Stock Exchange with trading scheduled to commence on April 13, 1970.

Members of the Association who are also members of the New York Stock Exchange should be aware of their obligations with respect to trading these securities and should be familiar as well with the available services and programs sponsored by the Exchange and Stock Clearing Corporation in connection with reporting, settling and clearing Exchange contracts.

Reverse Due-Bills

"Reverse Due-Bills" (representing "Warrants") will be involved in trades of the Debentures "Without Warrants" (stripped debentures) until such trading is terminated--probably sometime in October. This is due to the fact that the Long-Term Warrants will not be issued, exercisable or transferable on the books of the company separately from the Debentures until that time. Accordingly, upon settlement of trades in the Debentures "Without Warrants" both "When Issued" and "Regular", the receiving broker must deliver to the selling broker a properly assigned Due-Bill evidencing "Warrants". (see Exhibit A)

Since the Long-Term Warrants will be traded "When Issued" as a separate security simultaneously with the Rights and Debentures, "When Issued" dealings will, of course, continue until the Warrants are distributed to holders of record of the Debentures on October 15, 1970. Settlement dates for such "When Issued" transactions and for the Due-Bills delivered in connection with "Without Warrants" (stripped)

Debenture trades will be set as soon as possible after distribution of the Warrants is made--sometime in November, 1970.

Whereas Exchange members may obviate the use of Reverse Due-Bills (through the facilities of the Stock Clearing Corporation) in their dealings with other Exchange members, when transactions involve non-Exchange members the "Reverse Due-Bills" must be accounted for separately and appropriate controls maintained during the course of "When Issued" trading until final settlement.

Additionally, Association members shall not accept purchase orders in "Debentures Without Warrants" (stripped Debentures) unless the purchaser agrees that the member hold the stripped Debenture in the member's name thereby assuring receipt of the Long-Term Warrant in November by the member firm. The above would not apply to purchasers such as Banks, Trust Companies, Insurance Companies, Investment Trusts, Charitable and non-profit Educational Institutions.

By trading these securities as Units, member firms could avoid lengthy Reverse Due-Bill accounting with its incumbent operational problems.

EXHIBIT A

"REVERSE DUE-BILL" FOR LONG-TERM WARRANTS DISTRIBUTABLE TO HOLDERS OF RECORD OCTOBER 15, 1970, OR EARLIER, OF AMERICAN TELEPHONE AND TELEGRAPH COMPANY 30-YEAR.....% DEBENTURES, DUE MAY 15, 2000, IN RESPECT TO "STRIPPED DEBENTURE" CONTRACTS PRIOR TO DISTRIBUTION OF THE WARRANTS:

"Due Bearer,

Long-Term Warrants

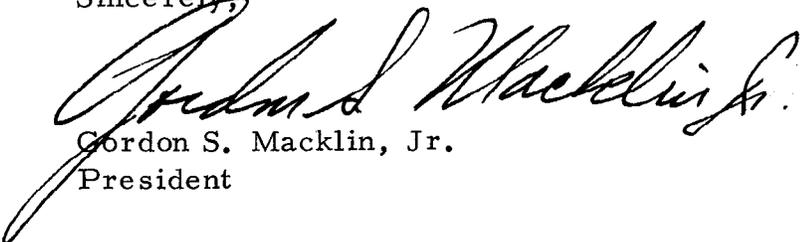
to Purchase..... shares of Capital Stock of American Telephone and Telegraph Company, to be distributed to the holder of record October 15, 1970, or earlier, of \$. American Telephone and Telegraph Company 30-Year.....% Debenture, due May 15, 2000, No. Dated.....

Signature of Assignor."

Questions with respect to this Circular may be directed to the NASD's Uniform Practice Department (212) 269-6393.

Also enclosed with this notice is a bulletin from the Federal Reserve Board concerning the application of Regulations "G", "T" and "U" to the telephone issue.

Sincerely,


Gordon S. Macklin, Jr.
President

Enclosure

NOTICE TO BANKERS AND BROKERS

STOLEN SECURITIES

Insurance Company of North America



INSURANCE BY NORTH AMERICA

Philadelphia Office
625 Walnut St., Philadelphia, Pa. 19105

March 30, 1970

LIST OF STOLEN SECURITIES

1,000 shares CONTROL DATA CORP. @ 100 shares each

NDC 26535/6 n/o Genoy & Company
NDC 98530 n/o C. A. England & Company
NDC 186748/54 n/o White Weld & Company

200 shares MATTEL, INC.

NC 108123/4 both @ 100 shares n/o White Weld & Company

15,000 PHILLIP MORRIS 6% Conv. Sub Deb 9/1994

RX4449 @ 10,000 shares n/o Mont & Company
RV4520 @ 5,000 shares n/o Loeb Rhoades & Company

4,000 BOSTON EDISON COMPANY 9% - 12/1999

LR11342/3/4/5 registered bonds @ 1,000 each n/o White Weld & Company

1,000 L.T.V. Int. N.V. 5% Conv. due 7/1/88

59541 @ 1,000 coupons n/o White Weld & Company

100 shares HOLIDAY INNS, INC.

NC177919 @ 100 shares in n/o White Weld & Company

1,000 shares TRANS WORLD AIRLINES

TN512756/8 TN575669 TN568084 TN568085 TN551162/4
TN555294 all @ 100 shares each in n/o White Weld & Company

100 shares TENNECO PREFERRED 5.36% Com Conv. 2nd Pfd.

FPO23056 @ 50 shares n/o L. F. Rothschild & Company
FPO23055 @ 50 shares n/o L. F. Rothschild & Company

400 shares AMERICAN EXPRESS

A177087/90 @ 100 shares each n/o White Weld & Company

100 shares ARA SERVICE, INC.

NH80302 @ 100 shares n/o White Weld & Company

45 shares TENNECO INC. 5.50% Pfd.

NO15069/70 @ 1 share each
NO14959 @ 1 share
NO14873 @ 10 shares
NO15031 @ 32 shares all in the n/o White Weld & Company

Please take notice that on March 11, 1970, the securities listed above were lost or stolen in transit from New York City, and stop transfers have been effected.

We are advising you of this fact so that you may alert your staff against purchasing any of these securities or accepting them as collateral for loans.

Should any of these certificates be presented to you, please notify your local police, the FBI, Mr. George F. Harlan at the First Pennsylvania Bank at 15th and Chestnut Streets, Philadelphia, Pa. 19101, or this company.

INSURANCE COMPANY OF NORTH AMERICA



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 2, 1970.

A number of questions have been raised with the Board of Governors regarding the applicability to the forthcoming issue of American Telephone & Telegraph Company (AT & T) debentures of the Board's margin regulations, Regulation G, "Securities Credit by Persons other than Banks, Brokers, or Dealers," Regulation T, "Credit by Brokers and Dealers," and Regulation U, "Credit by Banks for the Purpose of Purchasing or Carrying Margin Stock."

Briefly, on Monday, April 13, 1970, AT & T will issue to its stockholders rights to subscribe to one \$100 debenture for each 35 shares of stock held. These rights expire on May 18, 1970. Each debenture will bear a legend certifying that the record holder is the owner of warrants to purchase two additional shares of stock which will be issued in detachable form in November 1970, to the person who was the holder of record of the debenture on October 15, 1970. The warrants may be exercised at any time between November 15, 1970 and May 15, 1975, when they expire.

It is expected that beginning April 13, the units (debenture plus warrants), will trade on a when-issued basis. In addition, some of the debentures may be traded without warrants ("stripped") by means of an agreement on the part of the record holder to redeliver the warrants when received in November. Thus, it can be expected that the debentures and warrants will also trade separately, initially on a when-issued basis. Rights, debentures (as a unit including warrants), debentures without warrants ("stripped") and warrants will be listed on the New York Stock Exchange and other exchanges.

Sections 207.1(d) of Regulation G, 220.4(j) of Regulation T, and 221.3(t) of Regulation U define a "convertible debt security" to include any margin debt security "carrying a warrant or right to subscribe to or purchase" a margin security or stock. The existence of a collateral agreement obligating the recipient to redeliver the warrants will not affect the provision of the debenture itself under which the record holder

is entitled to receive warrants exchangeable for stock of AT & T, which is, of course, a margin security or stock. Accordingly, the Board of Governors considers that the debenture will continue to be a convertible debt security, whether or not such "stripping" agreement has been executed, until the debenture itself no longer carries the right to receive the warrant (record date October 15, 1970).

The three regulations provide that convertible debt securities pledged as collateral for credit extended under §§ 207.1(d) of Regulation G, 220.4(j) of Regulation T, or 221.3(t) of Regulation U, shall be treated as "equity securities" or "convertible debt securities" as long as continuously so held. The retention requirements of the three regulations apply to withdrawals of securities held as collateral for such credit (§§ 207.5(c) of Regulation G, 220.8(e)(3) of Regulation T, and 221.4(c) of Regulation U). Accordingly, AT & T debentures acquired as convertible debt securities and held as collateral for such credit cannot be withdrawn, even after the warrants have been detached, unless 70 per cent of the current market value of the debenture is deposited to improve the status of the credit (or such lesser amount as will suffice to bring the credit into a fully margined status).

Customers newly acquiring the debentures and becoming holders of record after October 15, 1970, will not be entitled to receive the warrants and can pledge the debentures as collateral for credit under § 220.4(i) of Regulation T or § 221.3(s) of Regulation U. Collateral eligible for such credit is entitled to good faith loan value. Credit extended to such customers is not "purpose credit" under Regulation G.

Very truly yours,



Kenneth A. Kenyon,
Deputy Secretary.

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

888 SEVENTEENTH STREET N. W. WASHINGTON, D. C. 20006

April 13, 1970

To All NASD Members:

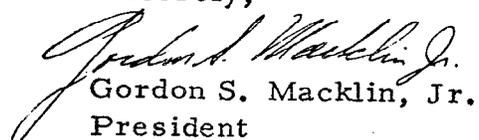
On April 6 the New York Stock Exchange put into effect a new transaction charge equal to fifteen dollars or fifty percent of the previous commission, whichever is less, for orders of 1000 shares or less on listed trades. The transaction charge is an interim measure which may be applied to listed trades for ninety days through July 5, 1970.

In connection with this transaction charge, the Association has received a number of inquiries from members concerning its application to over-the-counter transactions. Members should be aware that Section 4 of the NASD Rules of Fair Practice requires that both agency and principal transactions be at fair prices and, among other things, in determining fairness, consideration should be given to expense and the fact that the member is entitled to a profit together with the value of the services rendered. The Association's markup policy fully explains the views of the NASD Board regarding principal transactions and this guideline should be used by members.

The Association's position in regard to the transaction charge on OTC trades is as follows:

1. The Association will not raise questions as to the addition of the transaction charge in OTC agency trades which are confirmed with the equivalent NYSE commission rates. The addition of a transaction charge to agency commissions which are above NYSE equivalent rates should be made only if the total commission is within the boundaries of the 5% markup policy.
2. On principal trades, members must be aware, at all times, of the requirements delineated by the markup policy. In addition, a disclosed transaction or surcharge should not be shown separately on a principal trade confirmation but, rather, it should be included in the overall markup.
3. The Association is not requiring in any way the application of a transaction charge to OTC orders. This is a management decision which each firm must make on its own.
4. Under no circumstances may any additional charge be added to the offering price stated in prospectuses for new issues including mutual fund shares.

Sincerely,


Gordon S. Macklin, Jr.
President

DP

MEMORANDUM

TO: Association Staff ✓
FROM: Richard B. Walbert
DATE: April 6, 1970
RE: New Transaction Charge for Listed Securities

As you are aware, the Securities and Exchange Commission approved a new transaction charge equal to \$15 or 50% of the previous commission, whichever is less, for listed transactions of 1000 shares or less. The effective date is today.

We have received numerous inquiries as to the application of this charge in over-the-counter transactions. Section 4 requires that both agency and principal transactions be at fair prices and, among other things, in determining fairness, consideration should be given to expenses and the fact that the member is entitled to a profit together with the value of the services rendered. Of course, the Mark-up Policy more fully explains the Association's views as to principal transactions.

Accordingly, our position as to addition of the "transaction charge" will be as follows:

1. Under normal circumstances, the Association will not raise questions as to the addition of the transaction charge in agency transactions. However, members must at all times be aware of the requirements of the Rules of Fair Practice, and the Mark-up Policy in connection with any overall increase in their charges. In agency transactions, the addition of the new charge to equivalent stock exchange commissions would, under normal circumstances, be considered fair.
2. The Association, having no authority to determine the manner in which a member compensates representatives, takes no position as to whether or not any increase levied by members may be used to increase salesmen's compensation.
3. Under no circumstances may any additional charge be added to the offering price stated in prospectuses for new issues, including mutual funds.

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

888 SEVENTEENTH STREET N. W. WASHINGTON, D. C. 20006

April 30, 1970

To All NASD Members and Branch Offices:

The NASD Executive Committee has voted to return the OTC markets to normal trading hours, thus removing all restrictions in various time zones previously imposed by the Association. On Monday, May 4, OTC firms may begin operating on a regular trading basis. The Committee's decision was based on the improvement in the "fails" situation among member firms during the past few months.

Members are also asked to note that OTC markets will be open on Friday, May 29, before the Memorial Day weekend. However, on Friday, July 3, all OTC markets will be closed.

Sincerely,

A handwritten signature in cursive script, reading "Gordon S. Macklin". The signature is written in dark ink and is positioned above the typed name and title.

Gordon S. Macklin
President

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

828 SEVENTEENTH STREET N. W. WASHINGTON, D. C. 20006

April 29, 1970

To: All NASD-NYSE Members

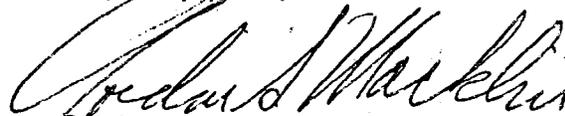
Subject: SEC Rule 17a-10 (Annual Financial Report)

We regret to advise you that a last-minute change in filing requirements under SEC Rule 17a-10 is necessitated for all NASD-NYSE members. This results from (a) the recent decision by the New York Stock Exchange not to file a "plan" with the SEC under that Rule; and (b) the requirement of the SEC that NASD accept the responsibility for collecting and processing the reports for NASD-NYSE members.

We had planned that the requirements of the Rule would be fulfilled through filing of the prescribed form with the New York Stock Exchange by all NASD-NYSE members and you were so notified in our letter of January 28, 1970. Under the changed circumstances, however, the terms of the NASD Plan and Rule required by the SEC can now be satisfied by NASD-NYSE members only if they file a report with the NASD on NASD Form 17A-10, Part III and Introduction.

The filing date established by the SEC Rule as amended was April 30. In view of the changed requirements, and owing to the fact that we will be unable to furnish NASD forms and instructions for your use before about May 15, we have, with SEC approval, extended the filing date to May 30 for all NASD-NYSE members. You will find that virtually all the information required in the NASD form can be taken directly from the NYSE Income and Expense form that you recently submitted to that organization. We regret this duplication of effort, however, to assist you in transferring information from one form to the other, we will send you with the NASD forms a tabulation which converts code and column numbers of the New York Stock Exchange Income and Expense statement to the corresponding row and column designations of NASD Form 17A-10, Part III. Any questions should be directed to Kenneth L. Marshall (202) 298-7610, Ext. 230.

Very truly yours,



Gordon S. Macklin
President