

# NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

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

May 8, 1970

To: All NASD-NYSE Members

Subject: Annual Financial Report on NASD Form 17A-10

This supplements my memorandum of April 29 explaining reasons for changes in filing procedures under SEC Rule 17a-10. Under the NASD "plan" which was approved by the SEC on April 30, 1970, all NASD members are required by SEC Rule 17a-10 to file the report directly with the NASD. The SEC approved an extension for NASD-NYSE members to May 30, 1970 for filing this report.

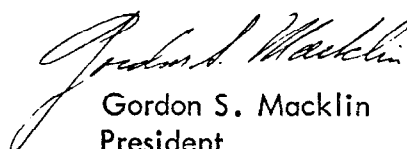
Enclosed you will find copies of the Introduction and Part III of NASD Form 17A-10, together with appropriate Instructions. The enclosed white copy is to be the original and should be forwarded to the NASD along with the blue copy. The buff copy should be retained in your files and the green copy will serve as a work copy. For your convenience, we are also including a cross-reference sheet which relates the NASD items to their corresponding NYSE I & E report items. In this fashion it is expected that members will encounter little difficulty in filling out the NASD Form. A copy of the NYSE I & E report filed with the NASD will not suffice for the NASD 17A-10 report.

If errors appear in a filing, the member will be contacted by telephone and the error corrected, if possible. Members will be asked to verify the correct data in writing. Changes will be entered on the original and blue copy by the NASD staff pursuant to the telephone call and members will be asked to correct their retained copy to conform.

Please note that NASD-NYSE members who effected no securities transactions with or for any person other than a broker or dealer during the calendar year are required to file only the Introduction. All others must file the Introduction and Part III.

Questions concerning the form should be directed to Mr. Kenneth L. Marshall (202) 298-7610, Ext. 230.

Very truly yours,

  
Gordon S. Macklin  
President

Enclosures

NASD FORM 17A-10 - NYSE I & E REPORT  
CROSS REFERENCE SHEET

This table lists the items required by Part III of NASD Form 17A-10 and the corresponding NYSE I & E Report code number. ( ) indicates the column of the Report item.

STATEMENT A

<u>17A-10</u>	<u>I &amp; E</u>	<u>17A-10</u>	<u>I &amp; E</u>
1(a)	215(1 + 2 + 3)	11	124(1) - 121(1)
(b)	215(4) + 220 thru 225	12	121(1)
(c)	215(5) + 220 thru 225	13	130(1)
2	216	14	134(1)
3	217	15	136(1) - 130(1) - 134(1)
4(a)	218	16	137(1)
(b)	219	17	144(1)
5	Sum of 226 thru 242	18	708(2)
6	101(1) or 244	19	709(2)
7(a)	306 + 309 + 310 + 311 ( 1 + 2 + 3 )	20(a)	272(3)
(b)	306(4) + 310(4) + 307(5)	(b)	273(3)
(c)	106(1)	(c)	275(3)
8	631(4)	(d)	276(3)
9	128(1)	21(a)	711(3)
10	119(1)	(b)	Previous I & E Report

SCHEDULE A - 1

<u>17A-10</u>	<u>I &amp; E</u>			
	<u>(A)</u>	<u>(B)</u>	<u>(C)</u>	<u>(D)</u>
1(a)(1)	201(1)	201(2)	201(3)	Add Across
(2)	202(1)	202(2)	202(3)	"
(3)	203(1)	203(2)	203(3)	"
(4)	204(1)	204(2)	204(3)	"
(5)	205(1)	205(2)	205(3)	"
(6)	Add Down	Add Down	Add Down	Add Across
(b)(1)	206(1)	206(2)	206(3)	"
(2)	207(1)	207(2)	207(3)	"
(c)(1)	208(1)	208(2)	208(3)	"
(2)	209(1)	209(2)	209(3)	"
(3)	210(1) + 211(1)	210(2) + 211(2)	210(3) + 211(3)	"
(d)	215(1)	215(2)	215(3)	"

SCHEDULE A - 1 (Cont'd)

<u>17A-10</u>	<u>I &amp; E</u>			
	<u>(A)</u>	<u>(B)</u>	<u>(C)</u>	<u>(D)</u>
2(a)	---	---	---	213(4)
(b)	---	---	---	214(4)
2(c)	---	---	---	Sum of 201(4) thru 211(4)
(d)	---	---	---	212(4)
(e)	---	---	---	220
(f)(1)	---	---	---	221
(2)	---	---	---	222
(3)	---	---	---	223
(4)	---	---	---	224
(5)	---	---	---	225
(g)	---	---	---	---
3(a)	302(1)	302(2)	302(3)	Add Across
(b)	303(1)	303(2)	303(3)	"
(c)	301(1) + 304(1)	301(2) + 304(2)	301(3) + 304(3)	"
(d)	309(1)	309(2)	309(3)	"
(e)	310(1)	310(2)	310(3)	"
(f)	305(1)	305(2)	305(3)	"
(g)	311(1)	311(2)	311(3)	"
(h)	306(1) + 309(1) thru 311(1)	306(2) + 309(2) thru 311(2)	306(3) + 309(3) thru 311(3)	"
4(a)	306(4) + 310(4)			
(b)	307(5)			
(c)	---			

SCHEDULE A - 2

<u>17A-10</u>	<u>I &amp; E</u>
1(a)	245(2)
(b)	246(2)
(c)	---
2(a)	247(2) + 248(2)
2(b)	249(2)
(c)	250(2)
(d)	---
3(a)	251(2)
(b)	252(2)
(c)	253(2)
(d)	---
4	254(2)

SCHEDULE A - 3

<u>17A-10</u>	<u>I &amp; E</u>	
	<u>(A)</u>	<u>(B)</u>
1(a)	255(1)	255(2)
(b)	256(1)	256(2)
(c)	---	---
2	257(1)	257(2)
3	258(1)	258(2)
4(a)	259(1)	259(2)
(b)	260(1)	260(2)
(c)	---	---
5	261(1)	---
6	---	261(2)

SCHEDULE A - 4

17A-10	I & E		
	(A)	(B)	(C)
1(a)	262(1)	---	262(3)
(b)(1)	263(1)	---	263(3)
(2)	264(1)	---	264(3)
(c)	265(1)	---	265(3)
(d)	266(1)	---	266(3)
2(a)	267(1)	267(2)	267(3)
(b)(1)	268(1)	268(2)	268(3)
(2)	269(1)	269(2)	269(3)
(c)	270(1)	270(2)	270(3)
(d)	271(1)	271(2)	271(3)

SCHEDULE A - 5

17A-10	I & E
1(a)	226
(b)	227
2	228
3(a)	229
(b)	230
4	231
5	232
6	233
7(a)	234
(b)	235
8	236
(a)	237
(b)	238
(c)	239
9(a)	240
(b)	241
(c)	242
10	---

SCHEDULE A - 6

17A-10	I & E		
	(1A)	(2A)	(3)
	616(1)	616(2)	616(4)
(b)	617(1)	617(2)	617(4)
(c)	618(1)	618(2)	618(4)
(d)	619(1)	619(2)	619(4)
(e)	621(1)	621(2)	621(4)
(f)	620(1)	620(2)	620(4)
(g)	621(1) + 622(1)	621(2) + 622(2)	621(4) + 622(4)
(h)	---	---	---
	(1B)	(2B)	(3)
2(a)	624(1)	624(2)	624(4)
(b)	625(1)	625(2)	625(4)
(c)	626(1)	626(2)	626(4)
(d)	628(1)	628(2)	628(4)
(e)	627(1)	627(2)	627(4)
(f)	628(1) + 629(1)	628(2) + 629(2)	628(4) + 629(4)
(g)	630(1)	630(2)	630(4)
3	631(1)	631(2)	631(4)
4(a)	617(3) + 624(3)	---	---
(b)	N/A	---	---
	617(3) + 624(3)	---	---

SCHEDULE A - 7

17A-10	I & E
1	333
2	334
3	335
4	337
5(a)	338
(b)	339
(c)	340
(d)	N/A
(e)	---
6	336 + 341

SCHEDULE A - 8

17A-10	I & E	
	(A)	(B)
1	515, 516 or 517	518
2(a)	"	521
(a)(1)	"	---
(a)(2)	"	---
(b)	"	522
(c)	"	519 + 523
(d)	"	524
3	"	525

STATEMENT B - SECTION I

17A-10	I & E			
	(A)	(B)	(C)	(D)
1	---	---	---	701(3)
2	---	---	---	711(3)
3	---	---	---	722(3)
4(a)	717(1)	717(2)	N/A	717(3)
(b)	718(1)	718(2)	N/A	718(3)
(c)	N/A	N/A	---	---
5(a)	---	---	---	719(3)
(b)	---	---	---	720(3)
(c)	---	---	---	721(3)
6	---	---	---	713(3)
7	---	---	---	714(3)
8	---	---	---	715(3)
9	---	---	---	716(3)
10(a)(1)	---	---	---	725(3)
(2)	---	---	---	726(3)
(b)(1)	---	---	---	727(3)
(2)	---	---	---	728(3)
11(a)	---	---	---	723(3)
(b)	---	---	---	724(3)
12(a)	---	---	---	712(3) ±
(b)	---	---	---	729(3)
13	---	---	---	730(3)
				731(3)

STATEMENT B - SECTION II

17A-10	I & E		17A-10	I & E	
	(A)	(B)		(A)	(B)
14(a)	732(1)	732(2)	18(a)	742(1)	742(2)
(b)	733(1)	733(2)	(b)	743(1)	743(2)
15(a)	734(1)	734(2)	(c)	N/A	N/A
(b)	735(1)	735(2)	19(a)	744(1)	744(2)
(c)	N/A	N/A	(b)	745(1)	745(2)
(d)	736(1) +	736(2) +	(c)	746(1)	746(2)
(e)	737(1)	737(2)	(d)	747(1)	747(2)
	738(1) +	738(2) +	20	748(1)	748(2)
16	739(1)	739(2)	21(a)	749(1)	749(2)
17	740(1)	740(2)	(b)	750(1)	759(2)
	741(1)	741(2)	22	751(1)	751(2)

STATEMENT C

<u>17A-10</u>	<u>I &amp; E</u>	<u>17A-10</u>	<u>I &amp; E</u>
1(a)	801(2)	9	825(2)
(b)	802(2)	10(a)	851(2)
(c)(1)	803(2)	(b)	852(2)
(2)	804(2)	(c)	853(2)
2(a)	805(2)	11(a)	854(2)
(b)	806(2)	(b)	855(2)
(c)	807(2)	(c)	856(2)
(d)	808(2)	(d)	857(2)
3(a)	809(2)	12(a)(1)	858(2)
(b)	810(2)	(2)	859(2)
(c)	811(2)	12(b)(1)	860(2)
4(a)	812(2)	(2)	861(2)
(b)	813(2)	(c)	862(2)
(c)	814(2)	13(a)	863(2)
5(a)	815(2)	(b)	864(2)
(b)	816(2)	(c)	865(2)
6(a)	817(2)	14(a)	866(2)
(b)	818(2)	(b)	867(2)
7	819(2)	15(a)	868(2)
8(a)	820(2)	(b)	869(2)
(b)	821(2)	(c)	870(2)
(c)	822(2)	16	871(2)
(d)	823(2)	17	872(2)
(e)	824(2)	18	873(2)
		19	---
		20	---
		21	---

SCHEDULE C - 1

<u>17A-10</u>	<u>I &amp; E</u>	
	<u>(A)</u>	<u>(B)</u>
1(a)	878(5)	878(6)
(b)	878(3)	878(4)
2(a)	879(5) + 881(5) + 882(5) + 883(5)	879(6) + 881(6) + 882(6) + 883(6)
(b)	880(5)	880(6)
(c)	884(5)	---
(d)	885(5)	---
(e)	886(5)	886(6)
(f)	887(5)	887(6)

INTRODUCTION

17A-10

I & E

1	1
2	Not Shown
3	Not Shown
4	2
5(a)	3
(b)	3
(c)	3
(d)	3
(e)	3
(f)	3
6(a)	Not Shown
(b)	"
(b)(1)	"
(2)	"
(3)	"
(4)	"
7	6
8(a)	4(a)
(b)	4(b)
9	7
10	8
11	10
12	9
13	11
14	12
15	13
16	N/A
17	14
18	15
19	N/A
20	Not Shown
21	"
22	N/A
23	Not Shown
24(a)	"
(b)	"
25	"
26	"

*File  
Notes*

# NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

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

May 8, 1970

## IMPORTANT NOTICE TO ALL MEMBERS

RE: Filing Fees on All Public Offerings Submitted For Review

The Board of Governors of the Association has recently adopted a requirement imposing fees on all public offerings filed with the Association for review. These fees shall be levied in connection with all filings of documents made with the Association pursuant to the filing requirements of the "Interpretation of the Board of Governors With Respect to Review of Corporate Financing."

The basis of this fee is to be \$100 plus .01% of the gross dollar amount of the securities being registered up to a maximum gross dollar amount of \$50 million or \$5,100 maximum fee per filing, and shall be applicable to all offerings filed with the Securities and Exchange Commission or the State Securities Commissions on or after May 25, 1970. All offerings presently pending registration which were filed prior to the preceding date will not be subject to such fees.

The fee is to accompany the required documents in accordance with this Interpretation as set forth on pages 2020-34 of the NASD Manual at the time they are filed with the Association for review. The establishment of this fee will be incorporated into the Interpretation as one of its stated requirements for filing.

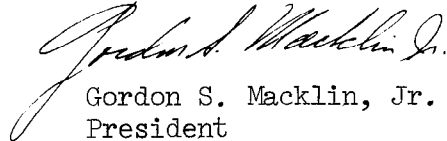
The method for computation of the fee shall be pursuant to the provision of Rule 457 of the General Rules and Regulation under the Securities Act of 1933, and shall apply to both Inter-and Intra-State offerings notwithstanding that that Rule does not apply to Intra-State offerings. However, while there are provisions for adjustments in the amount of the fee, in no event shall the basic filing fee of \$100 be refundable.

All members who act as managing underwriters or who participate in the distribution of any company offered securities should immediately call this to the attention of their legal advisors and any individual or individuals who are charged with the responsibility of filing the appropriate documents with the Association for review. All offerings filed on or after this date which are not accompanied by the required fee will be refused and deemed to be an improper filing. Such offerings will not receive any review from the Association until said requirements are fully met, unless failure to pay is an insignificant amount of the required fee and has resulted in a bona fide error.



The requirement of payment of the fee shall be the responsibility of those charged with making the filings and are to be made in cash or U. S. postal order, certified check, cashiers check, or bank money order, and made payable to the National Association of Securities Dealers, Inc. Payments may be rounded to the nearest dollar.

Sincerely,

  
Gordon S. Macklin, Jr.  
President

# NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

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

June 2, 1970

TO ALL NASD MEMBERS:

The Association's Uniform Practice Committee wishes to remind members of the change in sub-sections 59(c) & (e) of the Uniform Practice Code that became effective June 1, 1970. This change will make it permissible for members to execute buy-ins for guaranteed delivery no later than 10 business days after the trade date of the buy-in execution. This is an increase of five (5) business days over the old rule which required buy-ins to be executed for "cash" or "guaranteed delivery" no more than five (5) business days after the trade date of the buy-in execution. The Association expects that this new 10-day maximum for delivery against buy-in executions will make it easier for brokers to execute their buy-ins under the rules.

The National Uniform Practice Committee also wishes to advise members that a receiver has recently been appointed for the firm of Henry J. Richter & Co., Inc., 1015 Locust Street, St. Louis, Missouri. The Committee has ruled that members may avail themselves in accordance with Section 59(h) of the Uniform Practice Code, of the immediate close-out provisions specified in this sub-section. Money differences, claims, etc., should be submitted to the receiver:

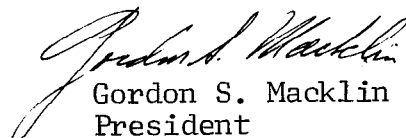
E. Morton Eckman  
c/o Henry J. Richter & Co., Inc.  
1015 Locust Street  
St. Louis, Missouri  
Phone: (314) CE 1-0910

In regard to WHEN ISSUED TRADING in American Telephone and Telegraph Co., 8 3/4% Debentures due 2000 with warrants expiring 5/15/75 and 8 3/4% Debentures due 2000 without warrants:

The Uniform Practice Committee has determined that all "when-issued" trades executed in the above-mentioned securities will "settle" on June 8, 1970. There will be 20 days accrued interest on each \$1000 principal amount which will amount to \$4.8611.

Questions regarding any of the above information may be directed to the Uniform Practice Department, 17 Battery Place, Room 1325, New York, N. Y. 10004. (212) 269-6393.

Sincerely,

  
Gordon S. Macklin  
President

# NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

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

June 3, 1970

To All NASD Members:

Attached is revised Emergency Rule of Fair Practice 70-1. The following underlined changes were made in this rule during the May meeting of the NASD Board of Governors.

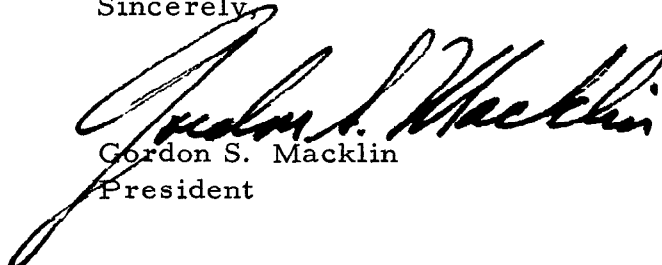
As the revised rule stands, no member or person associated with a member shall sell a security for his own account or buy a security as a broker for a customer if he has a fail to deliver in that security 60 days old or older and more than 10 percent (formerly 20 percent) of his total dollar volume of fails to deliver are 60 days old or older. The same trading restrictions apply if he has a fail to deliver in that security 90 days old or older.

In respect to foreign securities (except American Depository Receipts and Canadian securities), if a member or person associated with a member has a fail to deliver in that security 120 days old or older and more than 10 percent (formerly 20 percent) of his total dollar volume of fails to deliver are 120 days or older; or if the member has a fail to deliver in that security 150 days or older, he cannot sell the security for his own account or buy the security for a customer.

There are no changes in the remainder of the rule. Members are asked to carefully note the above changes since any violation of the rule is considered a violation of Article III, Section 1 of the NASD Rules of Fair Practice.

Members should review the full text of the rule (which is attached) to determine their responsibilities. The changes in the rule become effective on June 10, 1970.

Sincerely,



Gordon S. Macklin  
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 10% 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 10% 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.

\* The emergency was re-declared by the Board of Governors on March 19, 1970.

# NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

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

June 5, 1970

To All NASD Members:

RE: Interpretation as to Prompt Receipt and Delivery of Securities (Paragraph 2151.04 currently appearing on pages 2036-2037 of NASD Manual)

In view of some apparent misunderstanding as to the application of paragraph (b) of the Prompt Receipt and Delivery Interpretation, the Board of Governors would like to re-emphasize certain points to the membership.

The Interpretation was adopted primarily to curtail fails caused by delays in receipt of securities from selling customers. It stipulates those conditions under which members may accept sell orders from customers as follows:

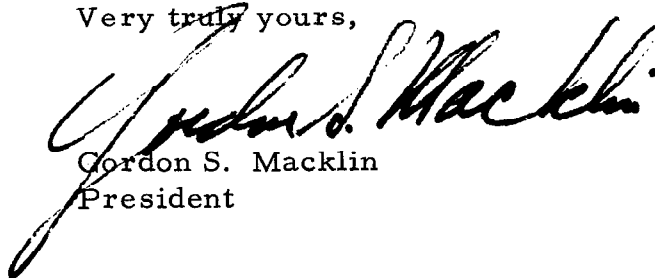
- (1) The member has possession of the security;
- (2) The customer is long in his account with the member;
- (3) Reasonable assurance is received by the member from the customer that the security will be delivered to it in good deliverable form within five (5) business days of the execution of the order; or
- (4) The security is on deposit in good deliverable form with a member of the Association, a member of a national securities exchange, a broker/dealer registered with the Securities and Exchange Commission, or any organization subject to state or federal banking regulations and that instructions have been forwarded to that depository to deliver the securities against payment.

With respect to already outstanding securities, which ordinarily should be available for delivery, any one of the above four conditions could apply. In the case of new issues during the period of distribution, normally the certificates are not immediately available, and the only condition which has reasonable application is (2).

Therefore the import of the rule in the new issue area is that a member cannot accept a sell order from a customer unless such member originally sold the securities to the customer, thereby making the customer long in his account with the firm. This circumstance would continue until the customer or the member has possession of the security, or the member in good faith has received from the customer reasonable assurance that the certificate would be delivered within five days. In view of the usual delay in the availability of certificates of new issues, caution should be exercised in accepting such assurances from customers.

The responsibility for compliance is with the member who has the customer sell order. The Board has reiterated that the Interpretation will be applied and enforced on the above basis. Moreover it is the view of the Board that the Interpretation is meant to encompass both principal and agency trades, i. e. , purchases from or sales for a customer.

Very truly yours,

A handwritten signature in black ink, appearing to read "Gordon S. Macklin". The signature is written in a cursive style with a large, sweeping initial "G".

Gordon S. Macklin  
President

# NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

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

June 16, 1970

To: All NASD Members Concerned:

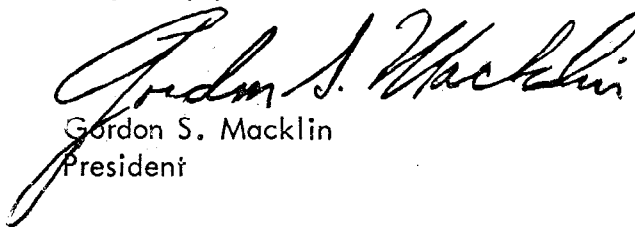
In your firm's recently submitted Annual Financial Report (NASD Form 17A-10) you indicated that as of December 31, 1969 you carried margin accounts for customers. At the request of the Board of Governors of the Federal Reserve System we are requiring all such member firms which are not members of either the New York or American Stock Exchanges to supply annually on the new NASD Form T-1 selected data on their customers' debit and credit balances as of the last settlement date of June of the current year.

You will note that Form T-1 contains only a few items. However, it will provide important information on outstanding margin credit of broker dealers that do not belong to the two major exchanges. Members of those exchanges currently report certain of these items to the Federal Reserve Board. Data from Form T-1 will also subsequently be submitted to that agency. However, these data will be in aggregate form only, with no identification of individual broker-dealer firms.

Two copies of NASD Form T-1 are enclosed. Please retain one completed copy for your own files and return the other no later than July 15, 1970.

Your cooperation in this matter will be greatly appreciated.

Very truly yours,



Gordon S. Macklin  
President

Enclosures (2)



FORM T - T

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.  
888 - 17th Street, N.W.  
Washington, D. C. 20006

REPORT OF CUSTOMERS' DEBIT AND CREDIT BALANCES

Full Name and Address of NASD Member Firm \_\_\_\_\_  
Name (Please Print Or Type)

\_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_

Information Provided as of Settlement Date \_\_\_\_\_, 19\_\_

- I. Debit balances due from all public customers (exclusive of inter-dealer transactions) in:
  - (a) Stock margin accounts.....
  - (b) Convertible bond margin accounts.....
  - (c) Subscription accounts.....
  - (d) Cash accounts.....
  - Total, debit balances.....
- II. Free credit balances due to all public customers (exclusive of inter-dealer transactions) in:
  - (a) Cash accounts.....
  - (b) Stock margin accounts and convertible bond margin accounts.....
  - Total, free credit balances.....

Please show all amounts to the nearest dollar--cents omitted

Person to Contact Regarding the Preparation of this Report \_\_\_\_\_  
Name Title Phone Number and Extension

dated the \_\_\_\_\_ Day of \_\_\_\_\_, 19\_\_

Approved by \_\_\_\_\_  
Manual Signature of Principal Officer Title

## INSTRUCTIONS

**GENERAL:** The data in this report should reflect the status of all accounts on the last settlement day of June. However, if it is the policy of the firm to close its books on another day (such as the last Friday of the month), this date may be used. In any event, indicate on reverse side, the settlement date used in filing the report. A single combined report should be submitted covering main office and all branches (domestic and foreign).

Where more than one TYPE of account is maintained for a customer, a balance in one TYPE should not be offset by a contra balance in any other TYPE; report only aggregate debits or credits within each TYPE. However, when two or more records are kept for the same TYPE account for a single customer, those records should be combined.

For the purpose of this report, balances in the accounts of guarantors and in the related guaranteed accounts should NOT be combined.

**ITEM I:** For items I(a) and I(b), exclude credits arising from the PROCEEDS OF short sales. However, margin DEPOSITS associated with short sales of stock or convertible bonds should be included in calculating balances in I(a) or I(b), respectively. Balances in all other types of accounts, such as arbitrage accounts, commodity accounts, special bond accounts and omnibus accounts should be ignored entirely in calculating aggregates for items I(a), I(b), I(c) and I(d).

**ITEM II:** Credit balances in cash accounts are to be considered free (withdrawable) when the firm has no lien whatsoever against them, irrespective of whether the same customer has offsetting debits in another account.

EXCLUDE credit balances arising from the proceeds of short sales, or other balances which a customer is not free to withdraw (such as funds generated from the sale of securities not held by the firm). Credit balances in accounts other than cash accounts, stock margin accounts, and convertible bond margin accounts should be ignored in calculating aggregates for items II(a) and II(b).

The completed form is to be filed no later than July 15, 1970. Mail directly to the Economic Research Department, National Association of Securities Dealers, Inc. 888 - 17th Street, N.W. Washington, D. C. 20006. Questions may be directed to Mr. Gary A. Lee, Senior Economist.

copy to  
RP

UNIFORM PRACTICE COMMITTEE

DP  
File

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

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

June 17, 1970

ANNOUNCEMENT: (NUP #496) Advisory

RE: Goss, Rehart & Co., Inc.  
611 West 6th Street  
Los Angeles, California 90017

It has come to the attention of the Uniform Practice Committee of the National Association of Securities Dealers, Inc. that a receiver has recently been appointed for the abovementioned firm. The Committee has ruled that members may avail themselves in accordance with Section 59(h) of the Uniform Practice Code, of the immediate close-out provisions specified in this sub-section. Money differences, claims, etc. should be submitted to the below named receiver.

Mr. Leonard Kinsler  
%Pacific Coast Stock Exchange  
Clearing Corp.  
453 South Spring Street  
Los Angeles, California  
Telephone: (213) 680-9222

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

NATIONAL UNIFORM PRACTICE COMMITTEE

William F. Tompkins, Jr.

# NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

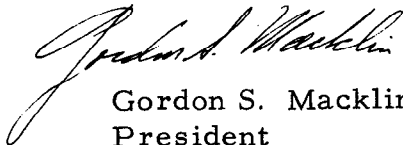
888 SEVENTEENTH STREET N. W. WASHINGTON, D. C. 20006

June 26, 1970

TO ALL NASD MEMBERS:

The membership was previously advised by notice dated June 2, 1970, of changes in sub-sections 59(c) & (e) of the Uniform Practice Code respecting buy-ins for guaranteed delivery. The membership should also be aware that the failure to observe delivery commitments made under these provisions will be viewed as serious and, therefore, will, in appropriate cases, result in disciplinary action being taken by the Association. It is also the intention of the Association that the provisions will be strictly enforced with a view toward preventing any violations from going undetected.

Sincerely,



Gordon S. Macklin  
President

# NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

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

June 29, 1970

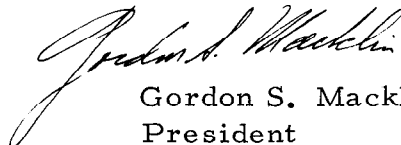
To All NASD Members:

John E. Samuel & Co. of 76 Beaver Street, New York City and Joseph Gassoun, a general partner of the firm, have been suspended for ten days and each fined \$1,000 for violation of the Association's Rules of Fair Practice.

The penalty was based on findings by the Association that the firm failed to maintain a minimum net capital of \$5,000 and allowed its total debt to exceed 20 times its net capital in violation of the Securities and Exchange Commission's minimum Net Capital Rule.

The suspension will begin at the opening of business on July 1 and will end at the close of business on July 10, 1970.

Sincerely,



Gordon S. Macklin  
President

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

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

*me*

July 29, 1970

To All NASD Members:

New Distribution Date for  
American Telephone and Telegraph Warrants

The Association has been advised that the American Telephone and Telegraph Company has advanced the issuance date for its definitive warrants certificates to August 24, 1970, from the original distribution date of November 15, 1970. These warrants have been trading "when issued" and are related to the AT&T rights offering made earlier this year.

This change will also result in the advancement of the record date to July 31, 1970, from the previously announced date of October 15, 1970.

These earlier distribution and record dates will help to substantially reduce the amount of reverse due-bill record keeping required of member firms. It was for this reason that industry representatives in meetings with the Bell System officials urged issuance of the warrant certificates as soon as possible following the distribution of the debenture certificates in June.

Questions regarding this announcement may be made to the Uniform Practice Department, NASD, 17 Battery Place, Room 1325, New York, New York, (212) 269-6393.

Sincerely,

*Gordon S. Macklin*

Gordon S. Macklin  
President

# NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

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

August 4, 1970

To All NASD Members:

The NASD's Uniform Practice Committee has recently reviewed several areas of member firm operations which have given rise to misunderstandings and a lack of uniformity among the membership. It is the intent of the Committee in this notice to clarify these areas, hopefully to facilitate day to day business, to eliminate disputes arising from uncertainty and to bring about an assurance of greater uniformity.

## Member Firm Trade Confirmations or Comparisons

Member's confirmations or comparisons which do not clearly indicate "you bought/you sold" or "we bought/we sold" have been a source of confusion in matching purchases and sales between members, matching deliveries of securities against trades and related functions. Currently, some members' confirmations or comparisons merely state "bought"/"sold" or make use of numerical codes indicating capacity without the clarifying use of you or we.

Upon re-ordering confirmations or comparisons (and similar documents where possible) members to whom this is applicable should provide for the imprinting of you or we to indicate more fully the purchasing or selling capacity.

## Buy-in Executions

Members are reminded of their responsibility under the buy-in rule (Section 59 Uniform Practice Code) to execute buy-in transactions at the best available market price. Complaints received as to the unreasonableness of a buy-in execution price will be investigated fully.

Also, Section 10 of the Uniform Practice Code states that confirmations or comparisons shall include information deemed necessary to insure that the buyer and seller agree to the details of the transaction. Accordingly, confirmations or comparisons evidencing buy-in executions should contain information as to the "cash" or "guaranteed" delivery requirements for securities relating to buy-ins.

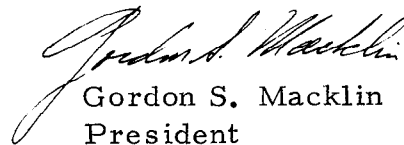
## Coupon Bond Deliveries - Mutilation

Many inquiries have been received as to what constitutes mutilation of Bond Coupons and, therefore, what guidelines can be used by members in determining what is or is not a good delivery. In answer to these inquiries, the following guide is provided to point out that a degree of leniency exists on the part of the interest paying agents in determining mutilation.

A bond bearing a coupon which has been damaged as to the bond number (appearing on the coupon) or signature or bearing a coupon which has been cancelled in error shall not be a delivery unless an appropriate endorsement by an authorized official shall have been placed on the reverse of the coupon.

Damage to other coupon features, such as coupon numbers, interest payment amounts and interest payment dates is generally viewed with some degree of leniency. The preceding is especially true in cases where the coupon numbers are printed on the reverse side of the coupons. This would indicate that it would be in order for cashiers and receive and deliver personnel to minimize the importance of such damage unless it can be concluded reasonably substantial.

Sincerely,

  
Gordon S. Macklin  
President



# NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

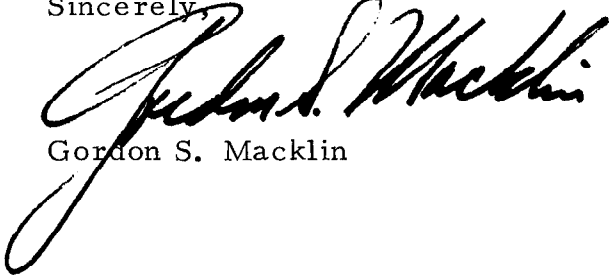
888 SEVENTEENTH STREET N. W. WASHINGTON, D. C. 20006

August 18, 1970

To All NASD Members:

Members are advised that pursuant to the New York Stock Exchange's suspension of Charles Plohn & Co., 200 Park Avenue, New York, New York and First Devonshire Corporation, 67 Broad Street, New York, New York, which are also members of the Association, NASD firms may immediately close-out open OTC transactions as prescribed in Section 59(h) of the Uniform Practice Code and may close-out contracts as directed by the Exchange.

Sincerely,

A handwritten signature in black ink, appearing to read "Gordon S. Macklin", written in a cursive style. The signature is positioned above the printed name.

Gordon S. Macklin

DP

# NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

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

August 21, 1970

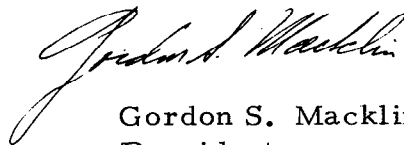
To All NASD Members:

"When Issued" Transactions in American  
Telephone and Telegraph Warrants

On July 29, 1970, the Association advised members of the new distribution date of August 24, 1970, for the above mentioned warrants. The warrants relate to the AT&T rights offering made earlier this year and are currently trading on a "when issued" basis. In order to establish a uniform settlement date for "when issued" transactions, the Association has determined August 31, 1970, as the settlement date for the security, this being the same date established by the New York Stock Exchange for Exchange contracts. This will allow members to trade the warrants "regular way" on August 25, 1970.

Questions regarding this announcement may be directed to the Uniform Practice Department, 17 Battery Place, Room 1325, New York, New York (212) 269-6393.

Sincerely,



Gordon S. Macklin  
President

# NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

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

August 28, 1970

To All NASD Members:

## Uniform Practice Code Amendment

The following two sections of the Uniform Practice Code have been amended effective September 1, 1970.

Delivery of Mutilated Securities -- Section 26 is amended to provide that delivery of a bond which has been mutilated or which bears a coupon cancelled in error will be a good delivery only if endorsed as provided. A definition of "mutilation" is contained within the rule.

'Close-out' Procedure -- Section 59(h) now permits the National Uniform Practice Committee to order immediate close-outs of open contracts with a member which, as ascertained by the Committee, cannot meet its obligations. The procedure involved in immediate close-outs is specified.

Questions regarding this announcement may be directed to the Uniform Practice Department, 17 Battery Place, Room 1325, New York, New York (212) 269-6393.

Sincerely,



Gordon S. Macklin  
President

Joint Press Release: National Over-the-Counter Clearing Corporation

National Clearing Corporation

National Association of Securities Dealers, Inc.

NOTC Contact: John H. Kirvin  
110 Washington Street  
New York, N. Y. 10006  
(212) 483-0780

NCC Contact: David H. Morgan  
1720 I Street, N. W.  
Washington, D. C. 20006  
(202) 298-7610

NASD Contact: Donald L. Benson  
888 - 17th Street, N. W.  
Washington, D. C. 20006  
(202) 298-7610

FOR RELEASE: Tuesday, September 1, 1970

The Board of Governors of the National Clearing Corporation (NCC) based in Washington, D. C., and the National Over-the-Counter Clearing Corporation (NOTC) in New York City have agreed in principle to the acquisition of the NOTC by the NCC.

The National Clearing Corporation, which was formed as a non-profit subsidiary of the National Association of Securities Dealers in 1969, is developing a nationwide automated clearing system for broker/dealers in the OTC market. When operative, the system will have the advantages of increased efficiency, accuracy and speed in settling OTC transactions and will also provide a greater measure of control over the handling of stock certificates.

The NOTC, which currently operates in the New York area, was established in 1961 to aid in the reporting and clearance of OTC securities transactions in that locality. Approximately 95 broker/dealers, all members of the NASD and all located in or near New York City, today own all of NOTC's issued and outstanding common stock. In addition, the NASD (the main self-regulatory agency for broker/dealers in the OTC market) owns all of the NOTC limited participation voting stock.

September 1, 1970

In order to acquire the NOTC, the National Clearing Corporation has made an offer to the 95 NOTC stockholders to purchase all of the NOTC issued and outstanding common stock at the book value as of July 31, 1970 (\$2,193.82 per share). The NCC has proposed to pay for the shares at the election of each NOTC stockholder either by (1) the issuance of 8 1/2 percent subordinated notes of the NCC due on July 31, 1975, or (2) for cash in the same amount per share, not to exceed \$600,000. The interest on the notes would be paid semi-annually, with one-half of the principal payable on May 31, 1975, and the remainder at maturity in the principal amount of \$2,193.82 per share. If more than \$600,000 is offered for cash, the NCC may purchase the shares offered by paying each stockholder a pro-rated portion of the \$600,000 plus notes for the remaining portion of the shares' book value.

The Boards of Directors of both the NCC and the NOTC have stressed that acceptance of this offer would serve the interests of the securities industry as a whole, as well as the investing public, by aiding the NCC to develop and implement an improved system, for the first time national in scope, for reporting, clearance and settlement of OTC securities transactions. In order to maximize the financial strength of the combined entities, it is hoped that NOTC stockholders will accept notes in exchange for their stock. A number of major broker/dealers that hold stock in the NOTC have indicated their intent to accept notes.

The National Clearing Corporation was organized by the National Association of Securities Dealers to begin a "continuous net settlement" clearing

September 1, 1970

system. The NASD initially capitalized the NCC with two million dollars to start this program.

The NCC's continuous net settlement system will account for, clear and settle securities transactions. A clearing member's open securities position, as well as money balance, will be brought forward daily on a perpetual basis.

This system will merge daily balances and carry them forward, leaving all items in the system until settlement occurs, thus eliminating fails to receive or deliver. The system will begin with the reporting of trades by clearing members and will end with the clearance of securities delivered with a corresponding money settlement to the Clearing Center. All settlements, receipts and deliveries of securities will be made directly to the Clearing Center.

Other NCC services will include dividend accounting and processing of transfer instructions. The system will also later serve as a limited securities depository for clearing members.

The approach of the National Clearing Corporation will be to organize clearing centers to operate independently within three specific geographic areas. The NCC plans to fully develop intra-area trade reporting and clearing processing within each area and then to expand coverage by linking these centers in order to process trades between different geographical areas. In the future the system will be expanded to handle all over-the-counter trades admitted to clearing system within and among all geographic parts of the country.

During the coming year the NCC hopes to have at least two area centers

September 1, 1970

in operation as integral elements of the incipient national system. One will be in New York City and one will be on the Pacific Coast. In addition, a third center logically would be located in the Midwest.

In coordinating and administering a nationwide program, the NCC has been cooperating with some of the organizations that are currently using automated settlement procedures. The NOTC, which has been employing a "balance order" system in its successful clearing operation, is one such organization. Under the "balance order" system, participating firms report their buy and sell orders to the NOTC daily and these trades are then matched and netted daily by the NOTC. Unlike the continuous net system, the NOTC does not carry a member's net balances forward. Instead it reports each firm's position each day, and settlement is then made between brokerage firms via central facilities, not with the NOTC. During the peak period of market activity in 1969, the NOTC cleared about 10,000 transactions for about 250 firms in a day.

The Directors of the NCC and the NOTC, realizing the important part that the NOTC could play as part of the emerging national clearing system, began discussions early in 1970 to determine what that role could and should be. The NCC's offer to acquire the NOTC stemmed from these discussions.

Under the planned acquisition, the present clearing operations of the NOTC will be maintained and operated under the NCC until the transition from a balance order system to NCC's continuous net settlement system can be completed in New York. To facilitate the transition, the NCC will elect

September 1, 1970

John H. Kirvin, Chairman of the NOTC Board and President of John Kirvin & Co. in New York City; William S. Mason, Jr., President of the NOTC and Senior Vice President and Treasurer of the New York Hanseatic Corporation; and John D. Weeden, an NOTC director and Executive Vice President of Weeden & Co., in New York, to the Board of Directors of the National Clearing Corporation. In addition, the present NOTC Board of Directors will serve as an advisory group to assist in beginning a continuous net settlement system in the New York area.

Under a separate agreement, signed with the Pacific Coast Stock Exchange's Clearing Corporation in May, 1970, the NCC and the PCSE are cooperating in designing the initial NCC area clearing system. The PCSE, which has had a net-by-net settlement system in operation for clearing and settling both OTC and PCSE securities transactions, has made available computer programs and other necessary educational material used in its system for modification and eventual use by the NCC. NCC and Pacific personnel are jointly working on this adaptation which they plan to have completed sometime in the fall.

Last year, the NOTC and the PCSE Clearing Corporation embarked on a pilot clearing program between selected West Coast and East Coast brokerage firms. Current plans by the PCSE Clearing Corporation and the NCC include the expansion of this pilot project as a forerunner to inter-area clearing.

The planned acquisition of the NOTC by the NCC, and the joint endeavor in progress between the PCSE Clearing Corporation and the NCC will be the first steps in establishing a modern, automated clearing system for the OTC market on a nationwide basis.



# NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

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

September 17, 1970

To All NASD Members

RE: Charles Plohn & Co.  
First Devonshire Corp.

In a notice dated 8/18/70 the Association advised its members that, because of the New York Stock Exchange's suspension of the above firms, they may immediately close-out open OTC transactions as prescribed in Section 59 (h) of the Uniform Practice Code and may close-out contracts as directed by the Exchange.

Receivers have now been appointed for the two firms. They are as follows:

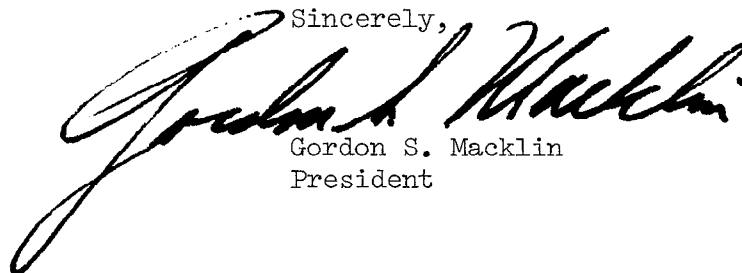
FOR: Charles Plohn & Co.  
Robert P. Patterson, Jr.  
Patterson, Belknap & Webb  
1 Wall Street  
New York, N. Y.  
Telephone: (212) 943-1300

FOR: First Devonshire Corp.  
Thomas J. Cahill  
Winthrop, Stimson, Putnam & Robert  
40 Wall Street  
New York, N. Y.  
Telephone: (212) WH -3-0700

The immediate close-out proviso still applies and any money differences or other matters of business should be taken up with the above named receivers.

Inquiries regarding this notice should be made to the Uniform Practice Department at 17 Battery Place, Room 1325, New York, N. Y. 10004 - (212) 269-6393.

Sincerely,



Gordon S. Macklin  
President

# NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

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

MAIL VOTE

IMPORTANT!

OFFICERS \* PARTNERS \* PROPRIETORS

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

Date: September 18, 1970

Re: Mail Vote Concerning Certain Changes in the By-Laws

LAST VOTING DATE IS October 19, 1970

Enclosed herewith are various proposed amendments to the Association's By-Laws and Rules of Fair Practice which were recently approved by the Board of Governors and which, according to the Association's By-Laws, must be approved by the membership before they can become effective.

In connection with these proposed amendments, you should be aware that the staff of the Association continually reviews the By-Laws and all of the rules of the Association for the purpose of insuring that they are always kept current and, when necessary, that they are changed to meet new situations and problems as they arise. With this in mind, the attached amendments are submitted to the membership for vote with a recommendation by the Board of Governors that they are necessary and appropriate at this time and that the membership should vote its approval thereof.

The amendments to Article IV, Sections 2, 3, 5, 7(c) and 8 and Article V, Sections 1 and 2 of the By-Laws provide for an increase in the size of the Board of Governors from its present 24 members to 27 members. The

three new members will be Governors-at-Large and the proposed amendment provides that of the three governors, one would be elected in 1970 to take office in 1971, one in 1971 to take office in 1972, and one in 1972 to take office in 1973. The election of the Governors in three successive years results in their election for full three-year terms upon taking office and the terms would be staggered. The purpose of this change is to enable the Board to select individuals with an expertise in various specialized areas. This change is occasioned by the fact that due to changing conditions and the expansion of the securities industry, the Board may need specialized talent which might not come to the Board through normal procedures.

The amendments to Article IV, Sections 2 and 10 and Article VI, Section 4 of the By-Laws provide for the removal of a Governor or a District Committeeman in the event of his refusal, failure, neglect or inability to discharge his duties. The amendment gives the Board of Governors the authority to remove, by an affirmative vote of two-thirds of the Governors, a member of the Board who has failed or neglected to discharge his duties. The amendment gives the same authority to the District Committee in regard to the removal of a member of the District Committee. If a member of the District Committee is removed by that Committee by means of this procedure, the amendment provides for a right to appeal the determination of the District Committee to the Board of Governors. The Board of Governors is given authority to affirm, reverse or modify the determination of the District Committee.

The amendment also provides for the removal by the Board of Governors or the District Committee, whichever is the appointing authority, of a member of any committee appointed by either of those respective bodies. Such removal procedures are commonplace and should be in any corporation's By-Laws but the Association's to date, have not contained such. The procedure is not expected to be used frequently but without such provisions, the Board would not have authority to remove a Board member or a district committee member who may be acting in a manner inconsistent with the best interests of the Association or the public.

The deletion of Article V, Section 6 is for the purpose of conforming the By-Laws to follow the existing practice of the Association. The section to be deleted gives the District Committee the authority to hire District Secretaries and other employess. District committees have never actually hired district secretaries or the employees in the District, this function having always been handled in the Executive Office. For this reason the Board feels this section should be deleted from the By-Laws.

The amendment to Article VIII, Section 3 authorizes the Board to delegate authority to the President to contract on behalf of the Association or to satisfy unanticipated liabilities during the period between Board meetings. The purpose of this amendment would be to cover situations which necessitate immediate action and would require the incurring of liability and the expenditure of funds on the part of the Association. The amendment would also cover situations where an account is in excess of the budgeted amount

A new Article XVII of the By-Laws is proposed which would require all over-the-counter transactions between members to be cleared and settled through the National Clearing Corporation, a wholly owned subsidiary of the Association organized for the purpose of establishing a nationwide clearing system for over-the-counter transactions. The new Article would also require that all transactions which are cleared and settled through the facilities of the National Clearing Corporation be subject to the Rules of the National Clearing Corporation, where effective, (if approved by the Association's Board of Governors and if not disapproved by the Securities and Exchange Commission.)

The inclusion of these provisions in the Association's By-Laws is necessary since the National Clearing Corporation has no relationship with the Association's membership at present and could not establish this requirement.

The amendment to Section 26 of Article III of the Rules of Fair Practice is for the purpose of conforming Section 26 to Rule 22c-1 of the General Rules and Regulations under the Investment Company Act of 1940. Rule 22c-1 requires generally that mutual funds calculate net asset value at least once a day as of the close of the New York Stock Exchange, and that only orders received by dealers prior to such calculation are entitled to the price determined. This has generally been referred to as forward pricing. The membership was previously notified by an Explanation of the Board of Governors that the provisions of Rule 22c-1 supercede Section 26 insofar as there was an inconsistency. The proposed amendment merely conforms Section 26 to Rule 22c-1 and removes the inconsistency which will remain if the Rule is not amended as proposed.

A new Section 29 of Article III of the Rules of Fair Practice is proposed which would apply exclusively to the activities of members in connection with variable contracts. The new Section 29 follows very closely the existing Section 26 of the Rules of Fair Practice which pertains to investment companies. The new rule specifically limits the applicability of Section 26 to conventional mutual fund securities. Section 29 would apply only to the extent that variable contracts are subject to regulation under the federal securities law.

Of special concern to the general membership is sub-section (d) which is related to sub-section (e) of Section 26. This sub-section attempts to incorporate the concept of forward pricing as interpreted by the SEC. This sub-section also makes it clear that there is no obligation to invest contract considerations in the separate account until the contract application has been accepted.

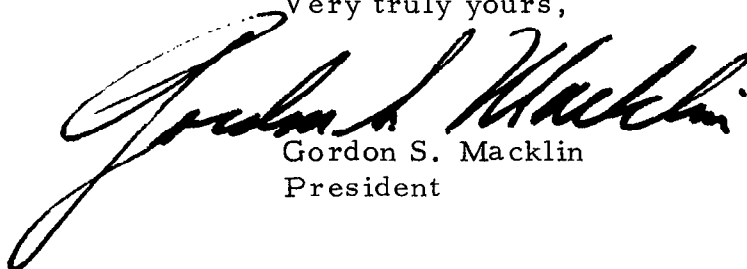
Sub-section (e) dealing with prompt payment of considerations for variable contracts is related to sub-sections (f) and (g) of Section 26. The sub-section is intended to require every member to promptly transmit contract considerations to the issuer so customers will not be jeopardized by monies being withheld by the member.

A new Section 30 of Article III of the Rules of Fair Practice is proposed which would authorize the Board of Governors of the Association to inaugurate standards under which margin accounts are to be carried by the membership. The amounts of margin required under this rule will be specified in Schedule E, the Association's margin maintenance schedule. Schedule E will become part of the rule and the membership will be notified of the contents thereof and given the right to comment thereon at a later date. When the Federal Reserve Board authorized the margining of certain OTC securities the Association was impelled to adopt a margin maintenance schedule.

These amendments are important and merit your immediate attention. Please mark the ballot according to your convictions and return it in the enclosed stamped envelope to "The Corporation Trust Company." Ballots must be postmarked no later than October 19, 1970.

The Board of Governors believes these amendments to the By-Laws and Rules of Fair Practice necessary and appropriate and recommends members vote their approval,

Very truly yours,



Gordon S. Macklin  
President

PROPOSED AMENDMENTS TO THE BY-LAWS AND RULES OF FAIR PRACTICE  
OF THE  
NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

It is proposed that the following sections of the By-Laws and Rules of Fair Practice of the National Association of Securities Dealers, Inc. be amended by deleting the words which are lined out and by adding the words which are underlined, as set forth below.

1. Article IV, Section 2

(a) The management and administration of the affairs of the Corporation shall be vested in a Board of Governors which shall be composed of ~~twenty-four~~ twenty-seven members, twenty-one to be elected by the members of the various districts in accordance with the provisions of Section 3(a) through (d) of this Article, ~~two~~ five to be elected by the Board of Governors in accordance with the provisions of Sections ~~3(e) and (f)~~ (e), (f) and (g) of this Article, and the President of the Corporation to be selected by the Board of Governors in accordance with the provisions of Article V, Section 2.

(b) Powers of the Board

The Board of Governors shall be the governing body of the Corporation and, except as otherwise provided by these By-Laws, shall be vested with all powers necessary for the management and administration of the affairs of the Corporation, and for the promotion of the Corporation's welfare, objects and purposes. In the exercise of such powers, the Board of Governors may, (1) adopt for submission to the membership, as hereinafter provided, such By-Laws, Rules of Fair Practice and changes or additions thereto as it deems necessary or appropriate; (2) make such regulations, issue such orders, resolutions, interpretations and directions, and make such decisions as it deems necessary or appropriate; and (3) prescribe maximum penalties for violations of the provisions of these By-Laws, the rules and regulations of the Corporation, for neglect or refusal to comply with orders, directions and decisions of the Board of Governors or of any District Committee or other Committee, or for violation of any rule or regulation adopted by any District Committee, as provided in Section 2 of Article VII hereof.

(c) In the event of the refusal, failure, neglect or inability of any member of the Board of Governors to discharge his duties, or for any cause affecting the best interests of the Corporation the sufficiency of which the Board

of Governors shall be the sole judge, the Board shall have the power, by the affirmative vote of two-thirds of the Governors then in office, to remove such member and declare his position vacant and that it shall be filled in accordance with the provisions of Section 7 of the Article.

2. Article IV, Section 3

(g) Three members of the Board of Governors shall be elected from the membership generally and they shall be designated Governors-at-Large. One such Governor-at-Large shall be elected by the Board of Governors in 1971 to take office in 1972. One such Governor-at-Large shall be elected by the Board of Governors in 1972 to take office in 1973.

(g) (h) The Board of Governors shall, from time to time, consider the fairness of the representation of the various districts on the Board of Governors, and whenever it finds any unfairness in such representation to exist, it shall recommend appropriate changes in these By-Laws to assure fair representation of all districts.

3. Article IV, Section 5

The office of a retiring member of the Board of Governors elected under Sections 3(a) through (d) of this Article shall be filled by the election of a member from the same district as that of the retiring member. The office of a retiring Governor-at-Large shall be filled by election by the Board of Governors ~~from those segments of the membership as specified in Section 3(e) and/or (f) of this Article as the case may be~~ as provided in Sections 3(e), (f) and/or (g) of this Article, as the case may be.

4. Article IV, Section 7(c)

If the unexpired term is that of a Governor-at-Large, such vacancy shall be filled in accordance with the provisions of ~~Section 3(e) and/or (f)~~ Sections 3(e), (f) and/or (g) of this Article as the case may be.

5. Article IV, Section 8

Meetings of the Board of Governors shall be held at such times and places, upon such notice, and in accordance with such procedure as the Board of Governors in its discretion may determine. A quorum of the Board of Governors shall consist of ~~twelve~~ fourteen members, and any action taken by a majority vote

at any meeting at which a quorum is present, except as otherwise provided in these By-Laws, shall constitute the action of the Board. Meetings of the Board of Governors may be held by mail, telephone or telegraph, in which case any action taken by a majority vote of the Board of Governors shall constitute the action of the Board. Any action taken by telephonic vote shall be confirmed in writing.

6. Article IV, Section 10

(a) For the purpose of effectuating a maximum degree of local administration of the affairs of the Corporation, each of the districts created under Section 1 of this Article shall elect a District Committee, as hereinafter provided. Each such District Committee shall determine the number of its members so to be elected, but in no event shall any District Committee consist of more than twelve members; provided, however, that the Board of Governors by resolution may increase, upon request, any such District Committee to a larger number.

(b) In the event of the refusal, failure, neglect or inability of any member of any District Committee to discharge his duties, or for any cause affecting the best interests of the Corporation the sufficiency of which shall be decided by the District Committee, the District Committee shall have the power by the affirmative vote of two-thirds of the members of the District Committee then in office, to remove such member and declare his position vacant and that it shall be filled in accordance with the provisions of Section 13 of this Article; provided, however, that any member of any District Committee who has had his position declared vacant in the manner provided herein shall have the right to appeal the determination of the District Committee to the Board of Governors within 30 days after the date he is notified of the action of the District Committee. The Board of Governors shall thereafter have the authority to affirm, reverse or modify the determination of the District Committee. Any such action by the Board shall be by the affirmative vote of at least two-thirds of the Governors then in office.

7. Article V, Section 1

As soon as practicable, following the annual election of members to the Board of Governors, the Board of Governors shall elect from its members a Chairman, one or more Vice Chairmen, and such other officers as it shall deem necessary or advisable, to serve until the next annual election and until their successors are chosen and qualify. The officers so elected shall have such powers and duties as may be determined from time to time by the Board of Governors. The Board of Governors, by affirmative vote of ~~twelve~~ fourteen members, may remove any such officer at any time.



8. Article V, Section 2

The Board of Governors shall select a chief executive officer, to be designated President of the Corporation, who, as such chief executive officer of the Association, shall be responsible for the management and administration of its affairs and shall be the official representative of the Association in all public matters and shall, during his incumbency, be a member of the Board of Governors and ex officio a member of any committee authorized by the Board of Governors. The Board may provide for other executive or administrative officers as it shall deem necessary or advisable, including, but not limited to, Vice-President, General Counsel, Secretary and Treasurer of the Corporation. All such officers shall have such titles, such powers and duties and shall be entitled to such compensation as shall be determined from time to time by the Board of Governors. The terms of office of such officers shall be at the pleasure of the Board of Governors, which by affirmative vote of ~~twelve~~ fourteen members, may remove any such officer at any time.

9. Article V

~~Section 6 -- Each District Committee, subject to the approval of the Board of Governors, may employ a district secretary and such other employees as it deems necessary or advisable for the proper administration of the affairs of the Corporation within its district. -- The compensation of such secretary and other employees shall be subject to the approval of the Board of Governors. District Committees shall fix the powers and duties of such employees. -- District Committees may dismiss such employees at pleasure.~~

Section ~~7~~ 6. No member of the Board of Governors, except that member who is designated President of the Corporation as provided in Section 2 of this Article, or President pro tem as provided in Section 3 of this Article, or of any District Committee or of any other Committee, shall be entitled to receive any compensation from the Corporation, but all members of the Board of Governors, of the Advisory Council, of the District Committees, and of all other Committees appointed either by the Board of Governors or by any District Committee, shall be entitled to reimbursement for reasonable expenses incurred in connection with the business of the Corporation.

10. Article VI, Section 4

Any member of any committee appointed pursuant to ~~Section 2 or Section 3~~ Sections 1, 2 or 3 of this Article may be removed from office, after appropriate notice and opportunity for hearing, ~~by the District Committee appointing such member or by the Board of Governors for failure to enforce~~

~~the rules of the Corporation, for wilful abuse of his authority, or for failure in the performance of his duties as prescribed by the District Committee or the Board of Governors~~ from the District Committee appointing such member, or from the Board of Governors, if it is the appointing authority, for refusal, failure, neglect or inability to discharge his duties, or for any cause the sufficiency of which shall be decided by the District Committee or the Board of Governors, whichever is the appointing authority.

11. Article VIII, Section 3

No officer, employee, member of the Board of Governors or of any District or other Committee, shall have any power to incur or contract any liability not authorized by the Board of Governors. The Board may delegate to the President of the Association, or his delegate, such authority as it deems necessary to contract on behalf of the Association or to satisfy unanticipated liabilities during the period between Board meetings.

12. Article XVII Clearing and Settling of Transactions of Members

SEC. 1. All over-the-counter transactions in securities between members shall be cleared and settled through the facilities of National Clearing Corporation, a subsidiary of the Corporation, unless

(a) The security involved in the transaction shall not have been qualified for clearance by the Board of Directors of National Clearing Corporation under the standards established by the Rules of National Clearing Corporation, or

(b) One of more of the members involved in the transaction shall not have been qualified as a Clearing Member by the Board of Directors of National Clearing Corporation pursuant to standards established by the Rules of National Clearing Corporation.

SEC. 2. All transactions in securities between members which are cleared or settled through the facilities of National Clearing Corporation shall be subject to the Rules of National Clearing Corporation as such Rules adopted and from time to time amended by the Board of Directors of National Clearing Corporation. Such Rules shall be approved by the Board of Governors of the Corporation and shall not be disapproved by the Commission, and shall become effective on such date as is designated by the Board of Directors of the National Clearing Corporation.

13. Article III, Section 26

(b) Definitions:

(1) The term "underwriter" as used throughout this rule shall mean a principal underwriter as defined in the first sentence of section 2(a) (28) of the Investment Company Act of 1940.

(2) The term "public offering price" as used throughout this rule shall mean a public offering price as set forth in the prospectus of the issuing company.

(3) The term "business day" shall be a day on which the New York Stock Exchange is open for trading.

Calculation of public offering price

~~(e) (1) - The minimum price at which a member may purchase any such security from the issuer thereof shall be the net asset value (calculated or estimated as hereinafter provided) upon which is based the public offering price at which the security so purchased is sold to the public, which public offering price shall be determined substantially in accordance with the following: - The public offering price in effect for orders placed with the underwriter between 4 p.m. (except Saturday) and 1 p.m. the next business day shall be based upon a calculation of the net asset value on each business day as of the close of the New York Stock Exchange (currently, 3 p.m. weekdays; 12 noon Saturdays); - The public offering price which shall be in effect for orders placed with the underwriter from 1 p.m. to 4 p.m. on each business day except Saturday shall be calculated or estimated so as to reflect at or about 12 noon on that day any change in net asset value of the fund; - The public offering price which shall be in effect for orders placed with the underwriter from 1 p.m. Saturday to 1 p.m. on the next following business day shall be based upon the calculation of the net asset value as of the close of the market on that Saturday; - For the purpose of this rule, a business day shall be a day on which the New York Stock Exchange is open for trading; a all-time shall be New York City time.~~

~~(2) - The foregoing shall not prevent: - (i) a more frequent calculation or estimate of a public offering price than is above required; (ii) the suspension of sales on any business day until a new public offering price based on a calculation or estimate of the net asset value as at some later time that day becomes effective; - (iii) the acceptance of unconditional orders to be executed at a public offering price to be established by the next subsequent calculation.~~

~~(3) - In any event, however, a calculation of the net asset value shall be made as of the close of the market on each business day which shall be the basis of the succeeding public offering price, and in no event shall such offering price nor any public offering price calculated or estimated prior -~~

to 12 noon on the next following business day remain in effect later than 1 p.m. on that day.

(4) ~~If the current closing hours of the New York Stock Exchange shall be changed the foregoing references to 4 p.m. and to 1 p.m. Saturday shall be interpreted in each case to mean 1 hour after the closing of the Exchange. If the closing hour of the Exchange is changed from 3 p.m. to 4 p.m. on business days other than Saturday, the calculation or estimation herein provided to be made as of 12 noon on those days shall be made as of 1 p.m. and the public offering price based thereon shall become effective as of 2 p.m. instead of 1 p.m.~~

(5) ~~No member shall participate, as agent or broker for either the issuer or the purchaser, in the sale of any such security by the issuer thereof, if the price received by the issuer, net after any commission paid by the issuer, is less than the minimum price prescribed in sub-paragraph (b) of this paragraph (c).~~

(e) No member shall offer or sell any such security except at the effective public offering price described in the current prospectus of the issuing company and in accordance with rules and regulations of the Securities and Exchange Commission, including any interpretations thereunder.

#### Redemption

(h) ~~No member who is an underwriter shall participate in the offering or in the sale of any such security if the issuer, directly or indirectly, voluntarily redeems or repurchases its securities either (1) at a price higher than the net asset value, as calculated or estimated, upon which is based the current public offering price in effect when the offer of sale or redemption is accepted, or (2) at a price higher than the net asset value at the time when the offer is accepted, which net asset value shall be calculated or estimated by or for the issuer; provided, however, that nothing in clause (1) shall prevent an issuer, directly or indirectly, from accepting shareholders' offers to resell such security to the issuer at a price based upon and not higher than the net asset value next to become effective for the sale of shares provided that such offers are received prior to the time as of which said net asset value is next to be determined, or, if said net asset value is next to be determined as of the close of the market, then provided such offers are received prior to the time when the public offering price based on said net asset value becomes effective; and provided further that clause (2) shall not apply in the case of any issuer having a portfolio of which 75 per cent or more in market value is represented by securities or commodities not listed or dealt in on registered exchanges. Nothing in this paragraph (h) shall relate to compulsory~~

~~redemption of any security upon presentation to the issuer pursuant to the terms of the security.~~

(h) No member shall participate as a principal underwriter in the offer or sale of any security if the issuer thereof directly or indirectly redeems or voluntarily repurchases its securities at a price higher than the net asset value upon which is based the effective public offering price.

Purchases as principal

(j) (1) No member who is a party to a sales agreement referred to in paragraph (c) shall, as principal, purchase any such security from a record holder at a price lower than the bid price ~~then~~ next quoted by or for the issuer.

(3) Nothing in this paragraph (j) shall prevent any member, whether or not a party to a sales agreement referred to in paragraph (c) from selling any such security for the account of a record owner to the underwriter or issuer at the bid price ~~currently~~ next quoted by or for the issuer and charging the investor a fair commission for handling the transaction.

14. Article III, Section 29 Variable Contracts Of An Insurance Company

(a) Application. This Rule shall apply exclusively (and in lieu of Section 26) to the activities of members in connection with variable contracts, to the extent such activities are subject to regulation under the federal securities laws.

(b) Definition.

(1) The term "variable contracts" shall mean contracts providing for benefits or values which may vary according to the investment experience of any separate or segregated account or accounts maintained by an insurance company.

(2) The term "purchase payment" as used throughout this Rule shall mean the consideration paid at the time of each purchase or installment for or under the variable contract.

(c) Sales Load. No member shall participate in the offering or in the sale of variable contracts if the purchase payment includes a sales load, as defined in Section 2(a)(34) of the Investment Company Act of 1940, which is unfair, taking into consideration all relevant circumstances.

(d) Receipt of Payment. No member shall participate in the offering or in the sale of a variable contract on any basis other than at a value to be determined following receipt of payment therefor in accordance with

the provisions of the contract and, if applicable, the prospectus, the Investment Company Act of 1940 and applicable rules thereunder. Payments need not be considered as received until the contract application has been accepted by the insurance company, except that by mutual agreement it may be considered to have been received for the risk of the purchaser when actually received.

- (e) Transmittal. Every member who receives applications and/or purchase payments for variable contracts shall transmit promptly to the issuer all such applications and at least that portion of the purchase payment required to be credited to the contract.
- (f) Selling Agreements. No member who is a principal underwriter as defined in the Investment Company Act of 1940 may sell variable contracts through another broker/dealer unless (1) such broker/dealer is a member, and (2) there is a sales agreement in effect between the parties. Such sales agreement must provide that the sales commission be returned to the issuing insurance company if the variable contract is tendered for redemption within seven business days after acceptance of the contract application.
- (g) Redemption. No member shall participate in the offering or in the sale of a variable contract unless the insurance company, upon receipt of a request in proper form for partial or total redemption in accordance with the provisions of the contract undertakes to make prompt payment of the amounts requested and payable under the contract in accordance with the terms thereof, and, if applicable, the prospectus, the Investment Company Act of 1940 and applicable rules thereunder.

15. Article III, Section 30 Rules of Fair Practice

(a) A member shall not effect a securities transaction in a margin account in a manner contrary to the requirements adopted by the Board of Governors pursuant to authority granted by this rule nor shall a member in connection with such a transaction otherwise act in a manner inconsistent with requirements adopted hereunder.

(b) The Board of Governors is authorized (1) to establish the minimum amounts of initial and maintenance margin required to be obtained by members from customers for or with whom such members effect transactions on a margin or cash basis, and (2) to establish other specific requirements or prohibitions, including record-keeping, reporting or other requirements necessary for the proper implementation of the initial and margin maintenance provisions.

(c) The amounts of margin required, and other requirements authorized hereby, shall be set forth in Schedule E attached to and made part of this rule. The Board of Governors may from time to time alter, amend, supplement or modify the said Schedule E.

(d) Whenever the Board of Governors determines that unusual or extraordinary conditions warrant, it may prescribe special margin requirements for specific securities. The membership shall be promptly informed by notice to it of any such special margin requirements.

# NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

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

October 7, 1970

To All NASD Members:

Since the banks in New York City will be closed on Monday, October 12, in observance of Columbus Day; Tuesday, November 3, Election Day; and Wednesday, November 11, Veterans Day, there will be no settlements made on these dates. The NASD executive and field offices will remain open on these days and it is requested that all NASD members also keep their OTC operations open on the above dates.

Deliveries of securities or payments of funds ordinarily due on October 12, November 3 and November 11 (except with respect to "cash" transactions) shall be due on the first business day following these dates and transactions executed on these days will be combined for settlement with transactions on the preceding business day.

October 12, November 3 and November 11 are not to be considered as business days in determining the day for settlement of a contract or the day on which stock shall be quoted ex-dividend or ex-rights or in computing interest on contracts in bonds or premiums on loans.

Firms should not mark to the market, make reclamation or close contracts (other than "cash" contracts) on these days.

A schedule of delivery and ex-dividend dates is 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)		Oct. 9 and 12	Oct. 5
Oct. 5	Oct. 13	13	6
6	14	14	7
7	15	15	8
8	16	16	9
9 and 12	19	Nov. 2 and 3	27
27	Nov. 4	4	28
28	5	5	29
29	6	6	30
30	9	9	Nov. 2
Nov. 2 and 3	10	10 and 11	4
4	12	12	5
5	13	13	6
6	16	16	9
9	17	17	10
10 and 11	18		

(continued on reverse side)



Delivery Dates for "regular way" contracts

<u>Trade Date</u>	<u>Delivery Date</u>
U. S. Government securities)	
Oct. 9 and 12	Oct. 13
Nov. 2 and 3	Nov. 4
10 and 11	12

Questions regarding this notice should be directed to the Uniform Practice Department at 17 Battery Place, Room 1325, New York, New York, 10004, (212) 269-6393.

RECEIVERS APPOINTED FOR CERTAIN MEMBERS

Receivers have been appointed for the following firms. Members may avail themselves of the immediate close-out procedure as outlined in Section 59 (h) of the Uniform Practice Code. Any resultant money differences or other matters of business should be taken up with the appropriate receivers.

Mr. Thomas T. Johnson, receiver for Fidler Securities Corp., has made a special request to the Association that members utilize the immediate close-out proviso.

Firm: Fidler Securities Corp.  
Receiver: Thomas T. Johnson  
Danielson, Johnson & Burgard  
2112 Lee Tower  
5455 Wilshire Boulevard  
Los Angeles, California 90036  
Tel: (213) 934-1141

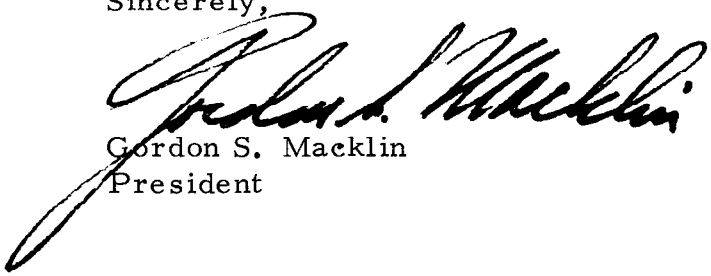
Firm: Labco Securities Corp.  
Receiver: Herbert Wolas  
Robinson, Wolas & Hagen  
1616 W. Beverly Blvd.  
Suite 200  
Los Angeles, Calif. 90026  
Tel: (213) 624-3672

Firm: Robinson & Co., Inc.  
Receiver: Donald M. Collins  
Waters, Fler, Cooper &  
Gallagher  
512 Swede Street  
Norristown, Pennsylvania  
Tel: (215) 277-1700

Firm: TDA Securities Inc.  
Receiver: Joseph T. Marcheso  
Bauman & Marcheso  
45 Rockefeller Plaza  
New York, N. Y. 10020  
Tel: (212) 246-8380

Questions regarding the above receivers should be directed to the Uniform Practice Department at 17 Battery Place, Room 1325, New York, New York, 10004, (212) 269-6393.

Sincerely,

  
Gordon S. Macklin  
President

# NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

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

## NOTICE OF INCREASE IN REGISTRATION AND EXAMINATION FEES

Registration and examination fees have been increased for the first time since 1964. The new rates will become effective November 1, 1970. All applications received in the Association's Washington, D. C. office after that date must be accompanied by payment determined as follows:

Registration fee to accompany each application for registration of a representative and for each application for registration of a principal	\$35.00
Examination fee for each individual who is required to take an examination for registration as a registered representative or as a principal (this fee must also be paid for each successive re-examination).	\$30.00

Please direct this notice to the attention of the individual in your firm responsible for processing applications, as errors in the payment of fees may result in an unnecessary delay.

# NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

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

October 15, 1970

To: All NASD Members

Subject: Quarterly Financial Reporting

The enclosed packet is being sent to all NASD members in accordance with a Resolution of the NASD Board of Governors adopted in May 1970 requiring quarterly financial reports.

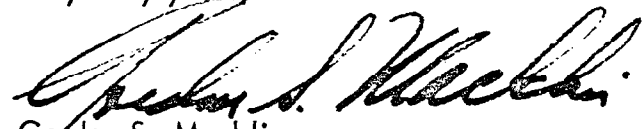
The purposes of this report are twofold: (a) to provide the NASD with data to help detect an impending critical financial situation in a given firm or segment of the industry; and (b) to furnish current data relating to the economic stability and growth of the industry.

We regret the necessity for requiring this additional report of members. To minimize the burden the report form is designed to utilize data customarily compiled on a regular basis by most firms.

Form Q must be executed and filed with the NASD four times each year by every NASD member firm. The fact that a member files similar data or reports with a national securities exchange or with another regulatory body does not exempt that member from this filing requirement. Neither will a copy of any other report suffice to meet this filing obligation. Copies of forms for subsequent reports will be mailed to members at least 30 days in advance of filing dates.

If you have any questions pertaining to the form or its requirements, you should either write or phone Mr. Kenneth L. Marshall, Economics Department, (202) 298-7610.

Very truly yours,

  
Gordon S. Macklin  
President

Enclosure

*Vera Parkes*



**GENERAL INSTRUCTIONS**  
for  
**NASD FORM Q**

Content of Form Q

This form consists of: a cover page, a Statement of Financial Condition, a Capital Funds Statement, a Net Capital Summary and a Fails Report. These items are similar in kind to those in the NASD Annual Financial Report (Form 17A-10), with two exceptions. Form Q includes a Fails Report, which does not appear on NASD Form 17A-10, and it requires that unrealized gains or losses in the firm's trading account be broken out separately.

Reporting Periods and Filing Deadlines

The entire membership has been divided into three groups of firms. Each firm will find its reporting "group" (A, B, or C) shown on the mailing label of this form. Each group will file Form Q four times a calendar year, but for each group the reporting periods (i.e., the time period to which the reported data pertain) and the filing deadline dates differ. This has been necessary to make the data processing task feasible. Each report is due within 20 days following the end of the stipulated time period covered by that report.

The following are the stipulated reporting periods for each filing group and the filing deadlines for each of the reports required during the year:

	First Report		Second Report		Third Report		Fourth Report		Fifth Report	
	Period Covered	Due Date	Period Covered	Due Date	Period Covered	Due Date	Period Covered	Due Date	Period Covered	Due Date
<b>Group A</b>	12 Months Ended 12/31/70	1/20/71	3 Months Ended 3/31/71	4/20/71	6 Months Ended 6/30/71	7/20/71	9 Months Ended 9/30/71	10/20/71	12 Months Ended 12/31/71	1/20/72
<b>Group B</b>	One Month Ended 1/31/71	2/20/71	4 Months Ended 4/30/71	5/20/71	7 Months Ended 7/31/71	8/20/71	10 Months Ended 10/31/71	11/20/71	One Month Ended 1/31/72	2/20/72
<b>Group C</b>	2 Months Ended 2/28/71	3/20/71	5 Months Ended 5/31/71	6/20/71	8 Months Ended 8/31/71	9/20/71	11 Months Ended 11/30/71	12/20/71	2 Months Ended 2/29/72	3/20/72

Guidelines for Recording Data

(i) Computation Date: All items in each Form Q Report should be computed as of the end of the reporting period covered by the Report. The "Income" item in the "Statement of Capital Funds" should be computed on a cumulative basis, from January 1 through the end of the reporting period.

(ii) New Members: A firm which joined the NASD after January 1 should report for the period beginning with the effective date of NASD membership through the end of the period to which the Form Q Report pertains.

(iii) Change in Form of Organization: If a member changes its form of organization during the reporting period, a single Form Q Report should be filed for the entity, based on the form of organization at the end of the reporting period. Where a member has changed from a partnership or sole proprietorship to a corporation, the financial statements should be adjusted in the appropriate captions (e.g., employee compensation, employment costs and Federal income taxes) to cover the entire reporting period and “year-to-date” figures.

(iv) Consolidated Reports: If a member acquires another member firm during the reporting period, whether by merger, consolidation or by other means, the business results of the acquired firm since the last Form Q Report filed by the acquired firm should be included in the next Form Q Report submitted by the acquiring firm.

Should the acquired and acquiring firms have different forms of organization, the report should be filed on the basis of the acquiring firm’s form of organization.

Only majority-owned subsidiaries which are NASD members may be consolidated in this report. If the report is on a consolidated basis, all general and financial information should be furnished with respect to the consolidated entity as a whole.

### Execution of the Form

The filing shall be executed by a manual signature on the cover page of the form. If the firm is a “sole proprietorship,” it is to be signed by the sole proprietor. If the firm is a “partnership,” it is to be signed by a general partner. A duly authorized principal officer of a corporation should sign on behalf of a corporation. No accounting certification is required.

Please Note: A Form Q Report which has not been prepared and executed in compliance with these instructions may be returned to the firm as unacceptable for filing. NASD acceptance of this form does not constitute evidence that it has been filed as required or that the information submitted is true, correct or complete.

### Firm I. D. No.

Each firm will find its own “Firm Identification Number” printed on the mailing label attached to the cover page. Please print this “Firm I.D. No.” at the top of each page of Form Q in the spaces marked for this purpose.

### “Rounding” and “Debit” Rules

Dollar amounts should be rounded to the nearest dollar, and “cents” omitted. If a debit is entered in a column which is ordinarily a credit, or vice versa, the figure should be enclosed in parentheses.

### Extra Copies of Form Q

Additional copies of Form Q may be obtained from the NASD. But each firm should have its Form Q duplicated in some fashion, so that it has a copy for its own records.

### Questions Concerning Form Q and its Filing

The completed form is to be filed directly with the National Association of Securities Dealers, Inc., 1735 “K” Street, N.W., Washington, D. C., 20006. Questions should be addressed to Mr. Kenneth L. Marshall, Economics Department.

FORM Q ITEM INSTRUCTIONS

ASSETS

Items 1, 2, 3 and 4: These items are self-explanatory.

Item 5: LONG POSITIONS in Securities and Commodities—at Market Value.

Items 5(a) and 5(c) should be entered in the “Amount” column at market value. But the actual cost to the firm of such accounts should be entered in the column headed “Cost.” Item 5(b) should not be entered in the “Amount” column, and for this reason the space has been blocked.

Item 6: EXCHANGE MEMBERSHIPS—at Market Value.

At items 6(a) and 6(b) please enter both the cost to the firm, under the column headed “Cost,” and the market value at the end of the reporting period to which this Form Q pertains, under “Amount”.

Items 7 and 8: These items are self-explanatory.

Item 9: TOTAL ASSETS.

Please note: the amount entered here must equal the amount entered at item 18, “TOTAL LIABILITIES, SUBORDINATED ACCOUNTS and CAPITAL.”

STATEMENT OF FINANCIAL CONDITION

ASSETS

		Amount
1. CASH, CLEARING FUNDS and OTHER DEPOSITS:		
(a) Cash not subject to withdrawal restrictions		\$
(b) Cash segregated under Commodity Exchange Act and other commodity deposits		
(c) Clearing funds, deposits and other accounts subject to withdrawal restrictions:		▼1
(1) Securities accounts		
(2) Commodities accounts		
2. RECEIVABLE from other BROKER-DEALERS:		
(a) Securities failed to deliver		
(b) Deposits on account of securities borrowed		
(c) Other securities accounts		
(d) Commodities accounts		
3. RECEIVABLE from CUSTOMERS:		
(a) Securities accounts		
(b) Commodities accounts		▼2
(c) Other receivables		
4. ACCOUNTS of OFFICERS, DIRECTORS and PARTNERS not subject to Equity or Subordination Agreements:		
(a) Securities accounts		
(b) Commodities accounts		
(c) Other		
5. LONG POSITIONS in Securities and Commodities-- at Market Value:		
	Cost	
(a) Investment accounts	\$▼0	
(b) State amount of non-marketable securities or restricted securities included in (a) above		
(c) Trading and other accounts in which respondent has an interest		
6. EXCHANGE MEMBERSHIPS--at Market Value:		▼3
(a) Securities exchanges		
(b) Commodities exchanges		
7. PROPERTY, EQUIPMENT and LEASEHOLD IMPROVEMENTS net of Accumulated Depreciation and Amortization		
8. OTHER ASSETS:		
(a) Investment in unconsolidated subsidiaries		
(b) Related to securities business		
(c) Related to commodities business		
(d) Other assets not directly allocable to the securities or commodities business		
9. TOTAL ASSETS		\$▼4



LIABILITIES AND CAPITAL FUNDS—Instructions

Items 10, 11, 12 and 13: These items are self-explanatory.

Item 14: SHORT POSITIONS in Securities and Commodities—at Market Value.

At items 14(a) and 14(b) please enter the market value of short positions in the column headed “Amount.” The proceeds of these short sales at the end of the reporting period should be entered in the column headed “Proceeds.”

Items 15 and 16: These items are self-explanatory.

Item 17: CAPITAL.

Please note: The amount entered at 17(c) should be equal to the amount entered at item 25, “CAPITAL BALANCE at the End of this Report Period.”

Item 18: TOTAL LIABILITIES, SUBORDINATED ACCOUNTS and CAPITAL.

Please note: The amount entered here must equal the amount entered at item 9, “TOTAL ASSETS.”

STATEMENT OF FINANCIAL CONDITION

LIABILITIES AND CAPITAL FUNDS

		Amount
MONEY BORROWED:		
(a) Secured by customers' collateral		\$
(b) Secured by firm's collateral		
(c) Unsecured		
11. PAYABLE to OTHER BROKER-DEALERS:		
(a) Securities failed to receive		
(b) Deposits on account of securities loaned		
(c) Other securities accounts		▼1
(d) Commodities accounts		
12. PAYABLE to CUSTOMERS:		
(a) Securities accounts:		
(1) Free credit balances		
(2) Other credit balances		
(b) Commodities accounts:		
(1) Free credit balances		
(2) Other credit balances		
(c) Other liabilities to customers		
13. ACCOUNTS of OFFICERS, DIRECTORS and PARTNERS not subject to Equity or Subordination Agreements:		▼2
(a) Securities accounts		
(b) Commodities accounts		
(c) Other		
SHORT POSITIONS in Securities and Commodities— at Market Value:	Proceeds	
(a) Investment accounts	\$▼0	
(b) Trading and other accounts in which respondent has an interest		
15. OTHER LIABILITIES:		
(a) Securities business		
(b) Commodities business		
(c) Other liabilities not directly allocable to the securities or commodities business		▼3
16. TOTAL LIABILITIES		\$
17. CAPITAL:		
(a) Borrowings and accounts subordinated or subject to equity agreements		
(b) All other		
(c) TOTAL CAPITAL		\$
18. TOTAL LIABILITIES, SUBORDINATED ACCOUNTS and CAPITAL		\$

CAPITAL FUNDS STATEMENT—Instructions

Item 19: CAPITAL BALANCE as of January 1.

Please enter the firm's capital balance as of January 1 of the same calendar year as covered by this Form Q Report. (For example, a Report covering January 1 through December 31, 1970 uses the capital balance as of January 1, 1970. Or again, a Report filed to cover the two month period ending February 28, 1971 uses the firm's capital balance as of January 1, 1971.)

- (i) Those firms that filed either "Part I," "Part II," or "Part III" of the ANNUAL FINANCIAL REPORT (NASD FORM 17A-10) will find the capital balance figure required here in their prior year's Form 17A-10 Report, under the heading, "Balance at End of Period." Refer to:

Page 4 of Part I,

Page 7 of Part II, or

Page 12 of Part III.

- (ii) Those firms required only to submit the "Introduction" to the ANNUAL FINANCIAL REPORT (NASD FORM 17A-10) must refer to their prior year's balance sheet figures, adjusted for closing entries, as of December 31.

Item 20(a): Amount of OPERATING INCOME since January 1.

Please enter the amount of the firm's Operating Income (Loss), computed from January 1 through the end of the period to which this Report pertains.

Notes:

- (i) Federal income taxes should not have been deducted from this figure.  
(ii) This figure should include REALIZED GAINS (net of realized losses) in the firm's Investment and Trading Accounts.  
(iii) This figure should not include UNREALIZED GAINS (LOSSES) in the firm's Investment or Trading Accounts.  
(iv) Please take care to put a NET LOSS in parentheses.

Item 20(b): Amount of FEDERAL INCOME TAXES accrued.

If, and only if, the firm is a CORPORATION, please enter the amount of Federal income taxes accrued for this report period (whether paid or unpaid as yet) on the Operating Income entered above at item 20(a).

If the firm is NOT A CORPORATION, please insert the written word "zero" in the blank opposite item 20(b)

CAPITAL FUNDS STATEMENT—Instructions

Item 21: Net Change in the amount of UNREALIZED GAINS (LOSSES) in the firm's INVESTMENT ACCOUNT since January 1.

Please enter the change in the amount of Unrealized Gains (net of Unrealized Losses) in the firm's Investment Account, from January 1 through the end of the period to which this report pertains.

Notes:

- (i) This amount should not have been included in item 20(a) above.
- (ii) Please take care to put a NET LOSS in parentheses.

Item 22: Net Change in the amount of UNREALIZED GAINS (LOSSES) in the firm's TRADING ACCOUNT since January 1.

Please enter the change in the amount of Unrealized Gains (net of Unrealized Losses) in the firm's Trading Account, from January 1 through the end of the period to which this report pertains.

Notes:

- (i) This amount should not have been included in item 20(a) above.
- (ii) Please do not adjust this figure by subtracting applicable Federal income taxes.
- (iii) Please take care to put a NET LOSS in parentheses.

Item 23: Total Amount of DRAWINGS, INTEREST PAYMENTS, "SALARIES," and OTHER DISTRIBUTIONS not expensed during the reporting period, and DIVIDENDS paid.

Please enter the total amount of Drawings, Dividends, Interest Payments, "Salaries," and other payments or distributions considered to be paid out of Net Income earned in the current year or accumulated in prior years. Compute this figure from January 1 through the end of the period to which this report pertains.

Item 24: Total Amount of OTHER INCREASES (DECREASES) not specifically called for above, since January 1.

Please enter the amount of total increases, net of total decreases, in the value of: (A) Accounts such as Subordinated Loans; (B) Accounts of Partners subject to Equity or Subordination Agreements; (C) the Market Value of Exchange Membership(s); (D) Additional Issuances, Retirements or Repurchases of Capital; (E) Capital Additions; (F) Special Charges to Retained Earnings; (G) Secured Capital Demand Notes; (H) Adjustments for a prior year's Federal income taxes; (I) Other.

Notes:

- (i) Please calculate this net increase (decrease) from January 1 through the end of the period to which this report pertains.
- (ii) Please take care to put a DECREASE in parentheses.

Item 25: CAPITAL BALANCE at the End of this Report Period.

Please Note: This amount must agree with 17(c), "TOTAL CAPITAL."

NET CAPITAL SUMMARY—Instructions

Item 26: (a) NET WORTH.

This amount should be: item 9 less item 16.

(b) CHARGES TO CAPITAL.

This amount should be computed in accordance with SEC Net Capital Rule 15c3-1; or, if the firm is exempt from that Rule under Rule 15c3-1(b)(2), then the amount should be computed in accordance with the capital rules of an exchange of which the firm is a member.

(c) ADJUSTED NET CAPITAL.

This amount should be: item 26(a) less item 26(b).

Item 27: AGGREGATE INDEBTEDNESS.

This amount should be computed in accordance with SEC Net Capital Rule 15c3-1; or, if the firm is exempt from that Rule under Rule 15c3-1(b)(2), then the amount should be computed in accordance with the capital rules of an exchange of which the firm is a member.

Items 28 and 29:

These items are self-explanatory.

### CAPITAL FUNDS STATEMENT

<p>19. CAPITAL BALANCE as of January 1 (See Instruction 19):</p> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p>In response to items #20, 21, 22, 23 and 24 below, please supply figures pertaining to the time period <u>January 1</u> through the end of the present reporting period.</p> </div>	<p>▼<sup>0</sup></p> <p>\$</p> <div style="background-color: #cccccc; height: 20px; width: 100%;"></div> <p>January 1 to End of Period</p>
<p>20. (a) <u>Add</u> the amount of OPERATING INCOME since January 1:</p> <hr/> <p>(b) <u>Deduct</u> the amount of FEDERAL INCOME TAXES accrued:</p>	
<p>21. Add the Net Change in the amount of UNREALIZED GAINS (LOSSES) in the firm's INVESTMENT ACCOUNT since January 1:</p>	
<p>22. Add the Net Change in the amount of UNREALIZED GAINS (LOSSES) in the firm's TRADING ACCOUNT since January 1:</p>	
<p>23. Deduct the total amount of DRAWINGS, INTEREST PAYMENTS, "SALARIES," and OTHER DISTRIBUTIONS not expensed during the reporting period, and DIVIDENDS paid:</p>	
<p>24. <u>Add</u> the total amount of OTHER INCREASES (DECREASES) not specifically called for above, since January 1:</p>	
<p>25. CAPITAL BALANCE at the End of this Report Period:</p>	<p>▼<sup>1</sup></p> <p>\$</p>

### NET CAPITAL SUMMARY

	Amount
<p>26. (a) NET WORTH:</p> <hr/> <p>(b) CHARGES TO CAPITAL:</p> <hr/> <p>(c) ADJUSTED NET CAPITAL:</p>	<p>\$</p>
<p>27. AGGREGATE INDEBTEDNESS:</p>	
<p>28. NET CAPITAL RATIO (item 27 ÷ 26(c))—stated as a percent:</p>	<p>%</p>
<p>29. This firm is subject to one of the following minimum NET CAPITAL REQUIREMENTS: <span style="float: right;">(please check one)</span></p>	
<p>(a) \$2,500 <span style="float: right;"><input type="checkbox"/></span></p>	
<p>(b) \$5,000 <span style="float: right;"><input type="checkbox"/></span></p>	
<p>(c) An exchange requirement <span style="float: right;"><input type="checkbox"/></span></p>	

FAILS REPORT-Instructions

Item 30: FAILS.

Include in item 30 the number of items and amounts involved (ledger balances) for each category of fails to deliver (securities sold to other broker/dealers) and fails to receive (securities purchased from other broker/dealers) in contracts for which settlement had not been made as of the month-end closing date of your firm.

Exclude fails related to mutual fund shares, U. S. Government and municipal obligations.

FAILS REPORT

FAILS – Please complete the following:		
A. FAILS TO DELIVER (debits)		
(1) Outstanding 30 days or longer	No. of Items	Amount (dollars)
(a) OTC Securities	0	\$
(b) Listed Securities		
(c) Total Over 30 Days		\$
(2) Outstanding Less Than 30 Days		
(3) Total All Fails to Deliver		\$ <sup>2</sup>
B. FAILS TO RECEIVE (credits)		
(1) Outstanding 30 days or longer		
(a) OTC Securities		\$
(b) Listed Securities		
(c) Total Over 30 Days	1	\$
(2) Outstanding Less Than 30 Days		
(3) Total All Fails to Receive		\$



# NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

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

October 26, 1970

To All NASD Members:

An amended "Free-Riding and Withholding" Interpretation has been adopted by the Board of Governors and will become effective November 1, 1970. The amended Interpretation includes substantially all of that which is in the existing Interpretation though the Introduction has been rewritten. It adds stricter guidelines in some situations, however, and adds to the categories of persons included in the restricted categories. Some of the major changes in the new Interpretation are listed below.

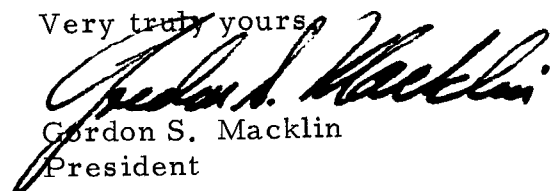
The number of restricted accounts has been enlarged to specifically include finders and persons acting in a fiduciary capacity to the managing underwriter of an issue of securities, including, among others, attorneys, accountants and financial consultants as well as their immediate families. All persons associated with any broker/dealer have also been included in the restricted categories of accounts as have the senior officers of investment advisory firms and the senior officers of institutional type accounts as spelled out in paragraph (4).

The new Interpretation makes it a violation for a member to sell a new issue to any domestic bank, domestic branch of a foreign bank, trust company or other conduit for an undisclosed principal unless the member receives satisfactory assurance that the ultimate purchaser would not be prohibited from receiving new issues under this Interpretation. This differs from the existing Interpretation in that now an affirmative inquiry will have to be made in such situations and a record will be required to be kept thereof.

The same assurances regarding the ultimate purchaser must be received from a foreign broker/dealer or bank unless the foreign broker-dealer or bank is participating in the distribution and the underwriting agreement obligates them not to sell shares to persons restricted by the Interpretation.

The above summary of the changes in the "Free-Riding" Interpretation is intended only to highlight some of the changes. It should not be considered a complete list of all the changes in the new Interpretation and members and their counsel should closely review the full text of the Interpretation which is enclosed herewith.

Very truly yours,

  
Gordon S. Macklin  
President

Encl.

Interpretation of the Board of Governors with Respect to  
"Free-Riding and Withholding"

INTRODUCTION

The following Interpretation of Article III, Section 1 of the Association's Rules of Fair Practice 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.

This Interpretation is based upon the premise that members have an obligation to make a bona fide public distribution at the public offering price of securities of a public offering which immediately after the distribution process is commenced trade at a premium in the secondary market (a "hot issue") regardless of whether such securities are acquired by the member as an underwriter, as a selling group member, or from a member participating in the distribution as an underwriter or a selling group member, or otherwise. The failure to make a bona fide public distribution when there is a demand for an issue can be a factor in artificially raising the price. Thus, the failure to do so, especially when the member may have information relating to the demand for the securities or other factors not generally known to the public, is inconsistent with high standards of commercial honor and just and equitable principles of trade and leads to an impairment of public confidence in the fairness of the investment banking and securities business. Such conduct is, therefore, in violation of Article III, Section 1 of the Association's Rules of Fair Practice and this Interpretation thereof which establishes guidelines in respect to such activity.

As in the case of any other Interpretation issued by the Board of Governors of the Association, the implementation thereof is a function of the District Business Conduct Committees and the Board of Governors. Thus, the Interpretation will be applied to a given factual situation by individuals active in the investment banking and securities business who are serving on these committees or on the Board. They will construe this Interpretation to effectuate its overall purpose to assure a public distribution of securities for which there is a public demand.

INTERPRETATION

Except as provided herein, it shall be inconsistent with high standards of commercial honor and just and equitable principles of trade and a violation of Article III, Section 1 of the Association's Rules of Fair Practice for a

member, or a person associated with a member, to fail to make a bona fide public distribution at the public offering price of securities of a public offering which immediately trade at a premium in the secondary market regardless of whether such securities are acquired by the member as an underwriter, a selling group member or from a member participating in the distribution as an underwriter or selling group member, or otherwise. Therefore, it shall be a violation of Article III, Section 1 for a member, or a person associated with a member, to:

1. Continue to hold any of the securities so acquired in any of the member's accounts;
2. Sell any of the securities to any officer, director, general partner, employee or agent of the member or of any other broker/dealer, or to a person associated with the member or with any other broker/dealer, or to a member of the immediate family of any such person;
3. Sell any of the securities to a person who is a finder in respect to the public offering or to any person acting in a fiduciary capacity to the managing underwriter, including, among others, attorneys, accountants and financial consultants, or to a member of the immediate family of any such person;
4. Sell any securities to any senior officer of a bank, insurance company, registered investment advisory firm or any other institutional type account, domestic or foreign, or to any person in the securities department of, or to any employee or any other person who may influence or whose activities directly or indirectly involve or are related to the function of buying or selling securities for any bank, insurance company, registered investment advisory firm, or other institutional type account, domestic or foreign, or to a member of the immediate family of any such person;
5. Sell any securities to any account in which any person specified under paragraphs (1), (2), (3) or (4) hereof has a beneficial interest;

Provided, however, a member may withhold for its own account, or sell to persons enumerated in paragraphs (2), (3), (4) or (5) hereof part of the shares acquired as described above if the member is prepared to demonstrate that the securities withheld for its own account were withheld for bona fide investment in accordance with the member's normal investment practice, or were sold to such other persons in accordance with their normal investment practice with the member, that the aggregate of the securities so withheld

and/or sold is insubstantial and not disproportionate in amount as compared to sales to members of the public and that the amount withheld and/or sold to any one of such persons is insubstantial in amount.

6. Sell any of the securities, at or above the public offering price, to any other broker/dealer; provided, however, a member may sell all or part of the securities acquired as described above to another member broker/dealer upon receipt from the latter in writing assurance that such purchase would be made to fill orders for bona fide public customers, other than those enumerated in paragraphs (1), (2), (3), (4) or (5) above, at the public offering price as an accommodation to them and without compensation for such.
7. Sell any of the securities to any domestic bank, domestic branch of a foreign bank, trust company or other conduit for an undisclosed principal unless:
  - (a) An affirmative inquiry is made of such bank, trust company or other conduit as to whether the ultimate purchasers would be persons enumerated in paragraphs (1) through (5) hereof and receives satisfactory assurance that the ultimate purchasers would not be such persons, and that the shares would not be sold in a manner inconsistent with the provisions of paragraph (6) hereof; otherwise, there shall be a rebuttable presumption that the ultimate purchasers were persons enumerated in paragraphs (1) through (5) hereof or that the shares were sold in a manner inconsistent with the provisions of paragraph (6) hereof;
  - (b) A recording is made on the order ticket, or its equivalent, or on some other supporting document, of the name of the person to whom the inquiry was made at the bank, trust company or other conduit as well as the substance of what was said by that person and what was done as a result thereof;
  - (c) The order ticket, or its equivalent, is initialed by a registered principal of the member; and
  - (d) Normal supervisory procedures of the member provide for a close follow-up and review of all transactions entered into with the referred to domestic bank, trust companies or other conduits for undisclosed principals to assure that the ultimate recipients of shares so sold are not persons enumerated in paragraphs (1) through (6) hereof.

8. Sell any of the securities to a foreign broker/dealer or bank unless:

- (a) In the case of a foreign broker/dealer or bank which is participating in the distribution as an underwriter, the underwriting agreement contains a provision which obligates the said foreign broker/dealer or bank not to sell any of the shares which it receives as a participant in the distribution to persons enumerated in paragraphs (1) through (5) above, or in a manner inconsistent with the provisions of paragraph (6) hereof; or
- (b) In the case of sales to a foreign broker/dealer or bank which is not participating in the distribution as an underwriter, the selling member:
  - (i) makes an affirmative inquiry of such foreign broker/dealer or bank as to whether the ultimate purchasers would be persons enumerated in paragraphs (1) through (5) hereof and receives satisfactory assurance that the ultimate purchasers of the shares so purchased would not be such persons, and that the shares would not be sold in a manner inconsistent with the provisions of paragraph (6) hereof;
  - (ii) a recording is made on the order ticket, or its equivalent, or upon some other supporting document, of the name of the person to whom the inquiry was made at the foreign broker/dealer or bank as well as the substance of what was said by that person and what was done as a result thereof, and
  - (iii) the order ticket, or its equivalent, is initialed by a registered principal of the member.

The obligations imposed upon members in their dealings with foreign broker/dealers or banks by this paragraph 8(b) can be fulfilled by having the foreign broker/dealer or bank to which sales falling within the scope of this Interpretation are made execute Form FR-1, or a reasonable facsimile thereof. This form, which gives a blanket assurance from the foreign broker/dealer or bank that no sales will be made in contravention of the provisions of this Interpretation, can be obtained at any District Office of the Association or at the Executive Office. The acceptance of an executed Form FR-1, or other

written assurance, by a member must in all instances be made in good faith. Thus, if a member knows or should have known of facts which are inconsistent with the representations received, such will not operate to satisfy the obligations imposed upon him by this paragraph.

#### SCOPE AND INTENT OF INTERPRETATION

In addition to the obvious scope and intent of the above provisions, the intent of the Board of Governors in the following specific situations is outlined for the guidance of members.

##### Issuer Directed Shares --

This Interpretation shall apply to securities which are part of a public offering notwithstanding that some or all of those shares are specifically directed by the issuer to accounts which are included within the scope of paragraphs (1) through (8) above. Therefore, if a person within the scope of those paragraphs to whom shares were directed did not have an investment history with the member from whom they were to be purchased, the member would not be permitted to sell him such shares. Also, the "disproportionate" and "insubstantial" tests would apply as in all other situations. Thus, the directing of a substantial number of shares to any one person would be prohibited as would the directing of shares to such accounts in amounts which would be disproportionate as compared to sales to members of the public.

##### Member Going Public -- Directed Shares --

Notwithstanding the above, in a situation where the public offering is of shares in a member of the Association it is recognized by the Board that employees of the member may be interested in purchasing an interest in their company. With this in mind, therefore, in those cases where a member who is "going public" wishes to direct shares to its employees or persons associated with it such may be done without contravening any of the provisions of this Interpretation, in an amount not exceeding ten percent (10%) of the total issue. Such persons would not be required to have an investment history with the member-employer in order to make such purchases.

##### Violations by Recipient --

In those cases where a member or a person associated with a member, or a member of the immediate family thereof, has been the recipient of shares of a public offering to the extent that such violates the Interpretation, the member or person associated with a member shall be deemed to be in violation of Article III, Section 1 of the Rules of Fair Practice and this Interpretation as well as the member who sold the shares since their responsibility in relation

to the public distribution is equally as great as that of the member selling them. Receipt by a member or a person associated with a member of shares of a "hot issue" which is being distributed by an issuer itself without the assistance of an underwriter and/or selling group is also intended to be the subject of the provisions of this Interpretation.

Violations by Registered Representative Executing Transaction --

The obligation which members have to make a bona fide public distribution at the public offering price of securities of a public offering which immediately after the distribution process is commenced trade at a premium in the secondary market ("hot issue"), as stated above, is also an obligation of every person associated with a member who causes a transaction to be executed. Therefore, where sales are made by such persons in a manner inconsistent with the provisions of this Interpretation, such persons associated with a member will be considered equally culpable with the member for the violations found taking into consideration the facts and circumstances of the particular case under consideration.

Disclosure --

The fact that a disclosure is made in the prospectus or offering circular that a sale of shares would be made in a manner inconsistent with this Interpretation does not take the matter out of its scope. In sum, therefore, disclosure does not affect the proscriptions of this Interpretation.

DEFINITIONS

Where possible, the terms in any interpretation should be defined specifically, but it would be unwise and impractical to attempt to define every word in an interpretation which is based upon business ethics. However, the terms "public offering," "immediate family," and "normal investment practice" shall have the meaning for purposes of this Interpretation as stated hereafter. Other words which are defined in the By-Laws and Rules of Fair Practice shall, unless the context otherwise requires, have the meaning as defined therein.

Public Offering

The term "public offering" shall mean all distributions of securities whether underwritten or not; whether registered, unregistered or exempt from registration under the Securities Act of 1933, and whether they are primary or secondary distributions, including intrastate distributions and Regulation "A" issues, which sell at an immediate premium, in the secondary market. It shall not mean "exempted securities" as defined in Section 3(a)(12) of the Securities Exchange Act of 1934.

Immediate Family

The term "immediate family" shall include parents, mother-in-law or father-in-law, husband or wife, brother or sister, brother-in-law or sister-in-law, children, or any relative to whose support the member, person associated with the member, or other person in categories (2), (3) or (4) above contributes directly or indirectly.

Normal Investment Practice

"Normal investment practice" shall mean the history of investment in an account with the member. Such history must include purchases with some regularity. If such history discloses a practice of purchasing mainly "hot issues" such record would not constitute a "normal investment practice" as used in this Interpretation. If the account involved is that of the member, such account clearly must be an investment account as distinct from a regular inventory or trading account.



# NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET N. W. WASHINGTON, D. C. 20006

\_\_\_\_\_  
Date

Name of Non-United States Broker/Dealer or Bank \_\_\_\_\_

Address \_\_\_\_\_

Pursuant to paragraph 8(b) of the Interpretation of the Board of Governors with respect to "Free-Riding and Withholding", a copy of which is in its possession, the above firm represents to

Name of Member \_\_\_\_\_

Address \_\_\_\_\_

that in its disposition of shares falling within the scope of the provisions of the referred to Interpretation, the purchasing firm will not sell any of those securities to:

1. Any broker/dealer including members of the National Association of Securities Dealers, Inc. (NASD); provided, however, a purchasing firm may sell all or part of the securities acquired as described above to another member broker/dealer upon receipt from the latter in writing assurance that such purchase would be made to fill orders from bona fide public customers, other than those enumerated in paragraphs (2), (3), (4) or (5) below, at the public offering price as an accommodation to them and without compensation for such.
2. Any officer, director, general partner, employee or agent of any broker/dealer including members of the NASD, or to a person associated with any such broker/dealer or member, or to a member of the immediate family of any such person.\*
3. A person who is a finder in respect to the public offering or to any person acting in a fiduciary capacity to the managing underwriter, including among others, attorneys, accountants and financial consultants, or to a member of the immediate family of any such person.
4. Any senior officer of a bank, insurance company, registered investment advisory firm or any other institutional type account within the United States or otherwise, or to any person in the securities department of, or to any employee or any other person who may influence or whose activities directly or indirectly involve or are related to the function of buying or selling securities for any bank, insurance company, registered investment advisory firm, or other institutional type account, within the United States or otherwise, or to a member of the immediate family of any such person.
5. Any account in which any person specified under paragraphs (1), (2), (3) or (4) hereof has a beneficial interest.

If it is understood by the above firm that shares falling within the scope of the Interpretation are those of an issue which immediately after the distribution process has commenced trade in the "after market" at a premium over the offering price, i.e. shares of a "hot issue."

\_\_\_\_\_  
(Signature of Executive)

\_\_\_\_\_  
(Title)

\* "Immediate family" is defined in the Interpretation as including parents, mother-in-law or father-in-law, husband or wife, brother or sister, brother-in-law or sister-in-law, children, or any relative to whose support the member, person associated with the member, or other person in categories (2), (3) or (4) above contributes directly or indirectly.

# NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

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

October 26, 1970

To All NASD Members:

Subject: Liquidation of Blair & Co., Inc.

To assist in the orderly liquidation of contracts with Blair & Co., Inc. the following information must be delivered in listed or typewritten form to Blair & Co., Inc., attention of Mr. P. E. Scorese, Liquidator, 8th Floor, 20 Broad Street, New York, New York.

As Of The Close Of Business  
October 9, 1970  
Over-The-Counter Issues Only

1. All Fails to Deliver Open
2. All Fails to Receive Open
3. All Dividend Claims

If nothing is open, please confirm so in writing. If this information is not submitted by the various brokers in writing, it will be construed to mean nothing is open.

Sincerely,



Gordon S. Macklin  
President

# NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

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

October 26, 1970

To All NASD Members

Re: Review by Committee on Corporate Financing of Public Offerings of Oil and Gas Programs, Real Estate Syndications or Investment Trusts, Limited Partnership Interests of all types and Other Similar Offerings

In November of last year, the Association advised the membership that the Board of Governors' Committee on Corporate Financing had formed two special study groups, one in the area of distributions of interests in oil and gas programs and the other in the area of distributions of interests in real estate and other similar programs. The purpose of these two subcommittees of the Corporate Financing Committee was to examine the applicability of the Interpretation with respect to Review of Corporate Financing to these types of distributions and to propose amendments thereto covering specifically the referred to distributions if they considered such necessary.

These subcommittees have concluded their studies and at the September meeting of the Board of Governors certain recommendations for amendments to the Interpretation were made. The amendments will be distributed to the membership for comment in the near future. Any person desiring to do so will have the opportunity for a 30-day period to submit his comments on the proposals to the Association in writing. They will not become effective until further action by the Board after reviewing the comments received.

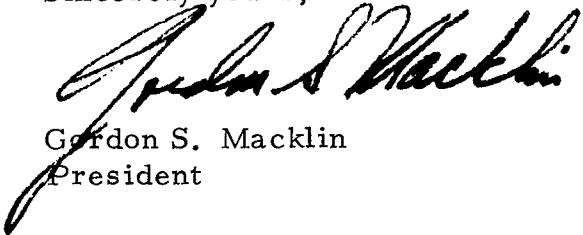
Pending the study of these two subcommittees, the Guidelines contained in the existing Interpretation have not been applied to these types of distributions notwithstanding that they are specifically covered by it. This procedure was adopted because it was believed additional expertise and knowledge should be acquired by the Committee before it could properly evaluate these issues. They have, therefore, been studied over a period of months and the Board and the Committee now believe, in view of these studies, that the Guidelines contained in the existing Interpretation should be applied to the extent appropriate and to the extent they do not cover those areas encompassed by the specific proposals which will shortly be released. Primarily, this will require the application of the Compensation Factors provisions of the Interpretation to these issues. As you know, the Association's Committee on Corporate Financing reviews offerings to determine whether the underwriting arrangements entered into by members with issuers, including the amount of compensation to be received by the underwriter and related persons, are fair and reasonable and consistent with high standards of commercial

honor and just and equitable principles of trade under Article III, Section 1 of the Rules of Fair Practice. Notification of the Committee's conclusion is sent to the appropriate party in each case.

Therefore, all public offerings of interests in oil and gas programs, real estate investment trusts, real estate syndications and all other offerings of a similar nature such as but not necessarily limited to farming, cattle, citrus grove developments and mineral programs, or any combination of the aforementioned, filed with the Association on or after December 1, 1970, will be reviewed to the limited extent described above and determinations as to fairness and reasonableness will be made by the Committee in respect thereto.

All members who act as managing underwriters or who participate in distributions of issues of this type should call this to the attention of their legal advisers or any other person who would have an interest in the contents of this notice.

Sincerely yours,



Gordon S. Macklin  
President