



National Association of Securities Dealers, Inc.
 1735 K St., N.W. • Washington, D.C. 20006 • (202) 728-8000

notice to members 85-16

March 11, 1985

TO: All NASD Members and Municipal Securities Bank Dealers

ATTN: All Operations Personnel

RE: Holiday Settlement Schedule

Securities markets and the NASDAQ System will be closed on Good Friday, April 5, 1985. "Regular Way" transactions made on the business days immediately preceding that day will be subject to the following schedule.

Trade Date-Settlement Date Schedule
For "Regular-Way" Transactions

<u>Trade Date</u>		<u>Settlement Date</u>		<u>Regulation T Date*</u>	
March	28	April	4	April	9
	29		8		10
April	1		9		11
	2		10		12
	3		11		15
	4		12		16
	5	Markets Closed			—
	8		15		17

The foregoing settlement dates should be used by broker-dealers, and municipal securities dealers for purposes of clearing and settling transactions pursuant to the Association's Uniform Practice Code and Municipal Securities Rulemaking Board Rule G-12 on Uniform Practice.

Questions regarding the application of these settlement dates to a particular situation may be directed to the Uniform Practice Department of the NASD at (212) 839-6256.

* Pursuant to Sections 22.8(b)(1) and (4) of Regulation T of the Federal Reserve Board, a broker-dealer must promptly cancel or otherwise liquidate a customer purchase transaction in a cash account if full payment is not received within seven (7) business days of the date of purchase or, pursuant to Section 220.8(d)(1), make application to extend the time period specified. The date by which members must take such action is shown in the column entitled "Regulation T Date."



National Association of Securities Dealers, Inc.
1735 K St., N.W. • Washington, D.C. 20006 • (202) 728-8000

notice to members 85-17

March 15, 1985

TO: All NASD Members and Other Interested Persons

Attention: Direct Participation Programs Department

RE: Request for Comments on Proposed Amendment to Appendix F
Concerning Sales Incentives for Direct Participation Programs

The Association's Board of Governors has approved a proposed amendment to Appendix F to Article III, Section 34 of the Rules of Fair Practice which would prohibit sponsors of direct participation programs from offering non-cash sales incentives to NASD members and their associated persons. The purpose of this notice is to solicit public comment on the proposed amendment. The proposed amendment is the result of a long-standing Association concern relating to such incentive programs and a number of complaints the Association has received from members and sponsors of direct participation programs.

Background

Subsection 5(e) of Appendix F regulates direct payments of non-cash items to individual associated persons of members by limiting the value of those incentives to \$50 per person per year, and requiring that the incentive item be counted as underwriting compensation and information regarding its receipt be disclosed in the offering materials. Subsection 5(f) of Appendix F, as amended on April 11, 1984, permits sales incentives in excess of \$50 to be provided by program sponsors to members only if certain criteria are met. In summary, all sales incentives and bonuses must be paid directly to the member in cash, distribution (if any) of incentives to associated persons must be controlled solely by the member, the incentives must be reflected on the books and records of the recipient member and included as compensation received in connection with an offering, and the arrangements relating to the proposed payment of incentives or bonuses must be disclosed in the prospectus or similar document.

The April, 1984 amendment to Section 5(f) was intended to ensure that members retain control over the amount and form of compensation received by their registered representatives and, it was believed, would tend to discourage the

non-cash sales incentive form of compensation. Notwithstanding the amendment, non-cash sales incentive programs appear to have become more prevalent and more aggressive, involving trips to exotic locations and selections of luxury merchandise. In light of this and the fact that many sponsors utilize direct appeals to registered representatives, the Association has become concerned that supervisory control of registered representatives has become a serious problem. Because sponsors often utilize direct appeals to registered representatives, it is often difficult for members to adequately control the participation of its registered representatives in non-cash sales incentive programs.

The Association believes that the ability of members to supervise their registered representatives is severely impacted when an outside entity offers and provides exotic trips and luxury merchandise to the member's retail sales force. The Association, therefore, has concluded that any further modifications to the existing rule which attempted to control sales incentives, short of a prohibition, would not be effective.

The Association also considered whether a prohibition on non-cash sales incentives in connection with the sale of direct participation programs should be extended to in-house sales incentive programs of member firms. Concern was expressed that it would be inequitable to prohibit incentive programs involving sponsors' non-cash incentives to members without also prohibiting members' internal non-cash incentive programs to their own registered representatives. However, the Association has determined that the rationale underlying the concerns relating to sales incentives are not present in the context of an in-house sales incentive program. Where an in-house program is involved, the member has control over the suitability of the particular program, is responsible for the sales methods utilized to sell the offering and is in a position to exercise control over its sales force. It is the influence of an outside entity over a member's sales force which has the effect of undermining the member's ability to supervise. Therefore, the Association has determined not to prohibit members in-house non-cash sales incentive programs.

Proposed Amendment

The Association is publishing for comment a proposed amendment to Section 5(e) of Appendix F which would prohibit a sponsor, affiliate of a sponsor (other than a member dealing with persons associated with that member) or a program from directly or indirectly offering or providing non-cash compensation in the form of sales incentive items to any NASD member or its associated persons including but not limited to travel bonuses, prizes and awards. In addition, members and their associated persons would be prohibited from accepting such non-cash compensation. Section 5(e) would also be clarified to indicate that souvenir-type sales incentives given by any sponsor directly to a person associated with a member may not exceed \$50 per year per associated person for all programs of that sponsor. Section 5(f) is proposed to be eliminated.

The text of the proposed amendment is attached and is marked to indicate the amended language.

Request for Comments

The Association is requesting comments on the proposed amendment prior to final Board consideration. All comments received during this comment period

will be reviewed by the Direct Participation Programs and Real Estate Committees and changes to the amendment will be recommended as deemed appropriate. The Board of Governors will then reconsider the amendment. If the Board approves the amendment or an amended version, it must be filed with, and approved by, the Securities and Exchange Commission before it becomes effective.

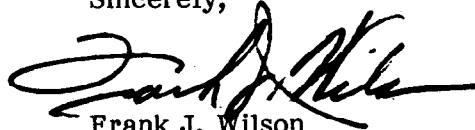
All written comments should be addressed to the following:

James M. Cangiano, Secretary
National Association of Securities Dealers, Inc.
1735 K Street, N.W.
Washington, D.C. 20006

All comments must be received by April 15, 1985. All comments received will be made available for public inspection.

Any questions regarding this notice should be directed to Suzanne E. Rothwell or Richard J. Fortwengler of the Corporate Financing Department at (202) 728-8258.

Sincerely,



Frank J. Wilson
Executive Vice President
Legal and Compliance

Attachment

Proposed Amendment to Sections 5(e) and 5(f) of Appendix F to
Article III, Section 34 of the Rules of Fair Practice*

Section 5 Organization and Offering Expenses

(e) No sponsor, affiliate of a sponsor (other than a member dealing with persons associated with that member), or program shall directly or indirectly offer or provide any non-cash compensation or sales incentive items including, but not limited to, travel bonuses, prizes, and awards to a member or a person associated with a member and no member or person associated with a member shall agree to accept such compensation. This section shall not prohibit a sponsor, affiliate of a sponsor, or program from providing non-cash sales incentive items directly to a person associated with a member unless where:

- (1) the aggregate value of all such items to be received paid by any sponsor or affiliate of a sponsor to each associated person during any year does not exceed \$50;
- (2) the value of all such items to be made available in connection with an offering is included as compensation to be received in connection with the offering for purposes of paragraph (b)(1) of this section; and
- (3) the proposed payment or transfer of all such items are disclosed in the prospectus or similar offering document.

~~(f) No sponsor, affiliate of a sponsor, or program shall provide compensation to a member in the form of sales incentive items including, but not limited to, travel bonuses, prizes, and awards unless all of the following conditions are satisfied:~~

- ~~(1) a fair market dollar value of the incentive items has been established;~~
- ~~(2) the value of all such items to be made available in connection with an offering is included as compensation to be received in connection with the offering for purposes of subsection (b) of this section;~~
- ~~(3) arrangements relating to the proposed payment or transfer of all such items are disclosed in the prospectus or similar offering document;~~
- ~~(4) the manner of receiving all such items and their subsequent disposition, whether to associated persons or otherwise, is controlled solely by the member in a manner which enables the member to properly supervise its associated persons; and~~
- ~~(5) the value of all such items is reflected on the books and records of the recipient member as compensation received in connection with the offering.~~

* New language is underlined; deleted language is stricken.



National Association of Securities Dealers, Inc.
1735 K St., N.W. • Washington, D.C. 20006 • (202) 728-8000

notice to members 85-18

March 15, 1985

IMPORTANT MAIL VOTE

OFFICERS, PARTNERS AND PROPRIETORS

TO: All NASD Members

RE: Proposed Amendment to Article III, Section 33 of the Rules of Fair Practice - "Options"

LAST VOTING DATE IS APRIL 15, 1985

Enclosed herewith is a proposed amendment to Article III, Section 33 of the Rules of Fair Practice. This amendment has been approved by the Association's Board of Governors for submission to the membership for a vote. If approved, the amendment must then be filed with, and approved by, the Securities and Exchange Commission.

BACKGROUND OF THE PROPOSED AMENDMENT

Article III, Section 33 of the Rules of Fair Practice (the "Rule") authorizes the Board of Governors to adopt rules, regulations and procedures relating to members' transactions in options contracts, including transactions in options displayed on the NASDAQ System ("NASDAQ Options").

In 1977, when the Rule was adopted, only stock options were commonly traded or proposed for display in NASDAQ. Therefore, the language of the Rule did not contemplate trading in index options and other options where the underlying vehicle is not technically a security.

The amendment to the Rule proposed herein is intended to broaden the definition of the term "option" contained in the Rule to encompass the various new options products trading in today's marketplace, and to provide for the effective regulation of index options products which may be introduced in the future, including NASDAQ index options. Thus, the changes proposed by the Board are more technical rather than substantive in nature and reflect similar actions by other self-regulatory organizations.

In view of the above, the Board has determined that this proposal should be circulated to the membership for approval.

DISCUSSION OF THE PROPOSED RULE AMENDMENT

Paragraph (d) of the Rule defines the term "option" for purposes of the Rule as a put, call, straddle or other option or privilege to buy or sell a security. Therefore, the definition of an option contained in the Rule would exclude an index option, which is an option to receive or deliver a cash amount based on the value of an index of securities.

To expand the definition of the term "option" contained in the Rule, the proposed amendment will reference Section 2(1) of the Securities Act of 1933 which was recently amended to specifically define index options as securities.

By relying on this 1933 Act definition, the amendments to Article III, Section 33 will make clear the Board's authority to adopt rules relating to members' transactions in all options which are securities as defined in the 1933 Act.

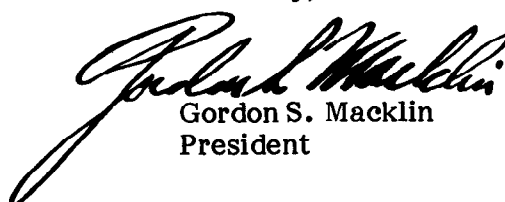
* * *

The text of the proposed rule is attached and merits your immediate attention. Please mark the enclosed 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 April 15, 1985.

The Board of Governors believes the proposed amendment is necessary and appropriate and recommends that members vote their approval.

Questions concerning this notice may be directed to Peter T. Canada, Assistant Director, NASDAQ Operations, at (202) 728-8479, or to your District Director.

Sincerely,



Gordon S. Macklin
President

Enclosure

TEXT OF PROPOSED REVISIONS

Sec. 33 Options

(a) A member or a person associated with a member shall not effect any transaction in an option contract, including an option displayed on the NASDAQ System, except in accordance with the provisions of rules, regulations and procedures adopted by the Board of Governors pursuant to the authorization granted in subsection (b) hereof.

(b) The Board of Governors is authorized, for the purpose of preventing fraudulent and manipulative acts and practices, promoting just and equitable principles of trade, providing safeguards against unreasonable profits or unreasonable rates of commission or other charges, and for the protection of investors and the public interest, to adopt rules, regulations and procedures for transactions in options relating to:

- (1) transactions in option contracts, including options displayed on the NASDAQ System, by members for their own account or the accounts of public customers;
- (2) the comparison-clearance and settlement of transactions in options;
- (3) the reporting of transactions in options;
- (4) the qualifications and standards for registered market makers in options;
- (5) the standards for authorization of underlying securities eligible to be subject to options displayed on the NASDAQ System;
- (6) the endorsement and guarantee of performance options; and,
- (7) such other areas of options activity and trading as may be required to achieve the above-stated purposes.

(c) The rules, regulations and procedures authorized by subsection (b) hereof shall be incorporated into Appendix E to be attached to and made a part of these Rules of Fair Practice. The Board of Governors shall have the power to adopt, alter, amend, supplement or modify the provisions of Appendix E from time to time without recourse to the membership for approval, as would otherwise be

required by Article VII of the By-Laws, and Appendix E shall become effective as the Board of Governors may prescribe unless disapproved by the Securities and Exchange Commission.

(d) For the purposes of this section, the term "option" shall mean any put, call, straddle or other option or privilege **of buying a security from or selling a security to another without being bound to do so** which is a "security" as defined in Section 2(1) of the Securities Act of 1933, as amended, but shall not include any tender offer, registered warrant, right, convertible security or any other option in respect to which the writer is the issuer of the security which may be purchased or sold upon the exercise of the option.

* * *

New language underlined; deleted language stricken.

NASD

National Association of Securities Dealers, Inc.
1735 K St., N.W. • Washington, D.C. 20006 • (202) 728-8000

notice to members 85-19

March 21, 1985

TO: All NASD Members and Level 2 and Level 3 Subscribers

RE: NASDAQ National Market System Grows to 1,766 Securities With 100
Voluntary Additions on April 2, 1985

On Tuesday, April 2, 1985, 100 issues are scheduled to join the NASDAQ National Market System bringing the total number of issues in NASDAQ/NMS to 1,766. These 100 issues, which will begin trading under real-time trade reporting, are entering the NASDAQ/NMS pursuant to the Securities and Exchange Commission's criteria for voluntary designation.

The 100 issues scheduled to join NASDAQ/NMS on Tuesday, April 2, 1985, are:

Symbol	Company Name	Location
ABWY	Affiliated Bank Corporation of Wyoming	Casper, WY
ALTN	AlternaCare Corp.	Los Angeles, CA
ARSD	Arabian Shield Development Company	Dallas, TX
ASBC	Associated Banc-Corp	Green Bay, WI
ATFC	Atico Financial Corporation	Miami, FL
BRRS	Barris Industries, Inc.	Beverly Hills, CA
BSIM	Burnup & Sims, Inc.	Ft. Lauderdale, FL
CCNC	CCNB Corporation	New Cumberland, PA
CVBF	CVB Financial Corp.	Chino, CA
CHFD	Charter Federal Savings and Loan Association	Bristol, VA
CNDN	Chittenden Corporation	Burlington, VT
CNMW	Cincinnati Microwave, Inc.	Cincinnati, OH
WBED	Classic Corporation	Jessup, MD
CSTIF	Coastal International, Ltd.	Hamilton, Bermuda
COMD	Command Airways, Inc.	Wappingers Falls, NY
CBSH	Commerce Bancshares, Inc.	Kansas City, MO
CCLR	Commerce Clearing House, Inc.	Chicago, IL
CSTL	Constellation Bancorp	Elizabeth, NJ
CWED	Conwed Corporation	St. Paul, MN

Symbol	Company Name	Location
COVT	Covington Technologies	Fullerton, CA
CDCK	Craddock-Terry Shoe Corporation	Lynchburg, VA
DOCO	D.O.C. Optics Corporation	Southfield, MI
DSII	Decom Systems, Inc.	San Marcos, CA
DEPS	Deposit Guaranty Corp.	Jackson, MS
DOUG	Douglas & Lomason Company	Farmington Hills, MI
DYCO	Dycom Industries, Inc.	West Palm Beach, FL
ESIO	Electro Scientific Industries, Inc.	Portland, OR
ENVT	Environmental Tectonics Corporation	Southampton, PA
EQUI	Equion Corporation (The)	Harrodsburg, KY
ESEX	Essex Corporation	Alexandria, VA
EXCG	Exchange International Corporation	Chicago, IL
FMNT	F & M National Corporation	Winchester, VA
FFIC	Fairmont Financial, Inc.	Burbank, CA
FARM	Farmer Brothers Company	Torrance, CA
FAMA	First Amarillo Bancorporation, Inc.	Amarillo, TX
FFSM	First Federal Savings Bank of Montana	Kalispell, MT
FFBC	First Financial Bancorp	Monroe, OH
FSKY	First Security Corporation of Kentucky	Lexington, KY
FSNR	Forschner Group, Inc. (The)	Shelton, CT
FKLN	Franklin Corporation (The)	New York, NY
FRRI	Franklin Resources, Inc.	San Mateo, CA
FNTM	Funtime, Inc.	Aurora, OH
GBND	General Binding Corporation	Northbrook, IL
GMED	Graphic Media, Inc.	Fairfield, NJ
HEIC	HEI Corporation	Houston, TX
HFLA	Heritage Federal Savings and Loan Association	Daytona Beach, FL
HOMA	Home Federal Savings and Loan Association of Atlanta	Atlanta, GA
HROK	Home Federal Savings and Loan Association of the Rockies	Fort Collins, CO
IMAT	Imatron Inc.	San Francisco, CA
IMATW	Imatron Inc. Warrants	San Francisco, CA
INHO	Independence Holding Company	Stamford, CT
IACI	Industrial Acoustics Company, Inc.	Bronx, NY
INSI	Information Science Incorporated	Montvale, NJ
INTE	Intech Incorporated	Santa Clara, CA
ITHM	Intertherm Inc.	St. Louis, MO
JEFG	Jefferies Group, Inc.	Los Angeles, CA
LNCE	Lance, Inc.	Charlotte, NC

Symbol	Company Name	Location
LOLS	Land of Lincoln Savings and Loan	Berwyn, IL
LANA	Liquid Air Corporation	San Francisco, CA
LABS	Louisiana Bancshares, Inc.	Baton Rouge, LA
MARS	Marsh Supermarkets, Inc.	Yorktown, IN
MRBA	Merchants Bancorp, Inc.	Allentown, PA
MINL	Minnetonka, Inc.	Chaska, MN
MITSY	Mitsui & Co., Ltd.	Tokyo, Japan
MBLE	Mobile Gas Service Corporation	Mobile, AL
MFGI	Moore Financial Group Incorporated	Boise, ID
NCETS	National Capital Real Estate Trust	San Francisco, CA
NOHL	North Hills Electronics, Inc.	Glen Cove, NY
NOVC	Northview Corporation	San Diego, CA
OILC	Oil-Dri Corporation of America	Chicago, IL
OFFI	Old Fashion Foods, Inc.	Austell, GA
OSTN	Old Stone Corporation	Providence, RI
OSTNO	Old Stone Corporation Preferred Series B	Providence, RI
OLSN	Olson Farms, Inc.	Sherman Oaks, CA
OPTKF	Optrotech Ltd.	New Ziona, Israel
PARP	Par Pharmaceutical, Inc.	Upper Saddle River, NJ
PASQA	Pasquale Food Company, Inc. Class A	Birmingham, AL
PASQB	Pasquale Food Company, Inc. Class B	Birmingham, AL
PTRL	Petrol Industries, Inc.	Shreveport, LA
PTRO	Petrominerals Corporation	Stanton, CA
PFBS	Ponce Federal Bank, F.S.B.	Ponce, PR
PLFE	Presidential Life Corporation	Nyack, NY
PBSB	Prudential Bank, FSB	Seattle, WA
PUBO	Pubco Corporation	Cleveland, OH
RJFN	R. J. Financial Corporation	St. Petersburg, FL
REAS	Reid-Ashman, Inc.	Santa Clara, CA
RIGS	Riggs National Corporation	Washington, D.C.
ROBN	Robbins & Myers, Inc.	Dayton, OH
RMUC	Rocky Mount Undergarment Co., Inc.	Rocky Mount, NC
SCHL	Scholastic Inc.	New York, NY
SWTR	Southern California Water Company	Los Angeles, CA
SUPE	Superior Electric Company (The)	Bristol, CT
SURV	Survival Technology, Inc.	Bethesda, MD
TSIC	Transducer Systems, Inc.	Kulpsville, PA
UMED	Unimed, Inc.	Somerville, NJ
UBAN	Union Bancorp Inc.	Grand Rapids, MI
UWSB	Union Warren Savings Bank	Boston, MA

Symbol	Company Name	Location
USHI	U. S. Health, Inc.	Towson, MD
TOTE	United Tote, Inc.	Shepherd, MT
WEYS	Weyenberg Shoe Manufacturing Company	Milwaukee, WI

Interim Additions

<u>Symbol</u>	<u>Company Name</u>	<u>Date of Entry</u>
CANLZ	Canal-Randolph Limited Partnerships	3/06/85
SNRU	Sunair Electronics, Inc.	3/11/85
ZNTLV	Zehntel, Inc. (When Issued)	3/18/85

The following changes to the list of NASDAQ/NMS securities occurred since March 7, 1985.

NASDAQ/NMS Symbol AND/OR NAME CHANGES

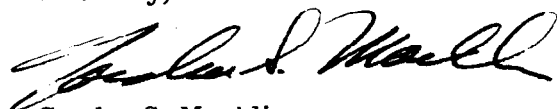
<u>New/Old Symbol</u>	<u>New/Old Security Name</u>	<u>Date of Change</u>
CMRK/HHCA	Home Health Care of America, Inc./Home Health Care of America, Inc.	3/13/85
WDHD/WDHD	Woodhead Industries, Inc./Daniel Woodhead, Inc.	3/14/85
PTCI/PTCI	Pullman Company/Pullman Transportation Company	3/18/85

NASDAQ/NMS Deletions

<u>Symbol</u>	<u>Security Name</u>	<u>Date</u>
MKIV	Mark IV Industries	3/07/85
RIOC	Royal International Optical	3/20/85

Any questions regarding this notice should be directed to Donald Botic, Assistant Director, NASDAQ Operations, at (202) 728-8043. Questions pertaining to trade reporting rules should be directed to Steve Hickman, Market Surveillance, at (202) 728-8202.

Sincerely,



Gordon S. Macklin
President

NASD

March 28, 1985

TO: All NASD Members

RE: Request for Comment on Proposed Corporate Governance Requirements for NASDAQ National Market System Companies

LAST DATE FOR COMMENT: APRIL 28, 1985

The National Association of Securities Dealers, Inc., is requesting comment on proposed rule amendments which would require that companies with securities included in the NASDAQ National Market System (NASDAQ/NMS) adhere to certain standards of corporate governance. This notice contains a discussion of the background of these rules and a section-by-section analysis. The text of the proposed rules is attached.

HISTORY AND BACKGROUND

The publication of the proposed rules is a result of an effort of several months by the NASD Corporate Advisory Board. The Corporate Advisory Board is a body consisting principally of the chief executive officers of NASDAQ companies, chaired by Wilson C. Wearn, Chairman and Chief Executive Officer of Multimedia, Inc., which reports to the NASD Board of Governors. The Advisory Board has played an important role in the evolution of NASDAQ as the fastest-growing and second-largest securities market in the United States, and in the development of NASDAQ/NMS.

Since its inception in 1982, NASDAQ/NMS has grown steadily in size and stature. In November 1984, the Securities and Exchange Commission approved a change to NASDAQ/NMS inclusion criteria which has resulted in a further enhancement in the quality of NASDAQ/NMS companies. As of the end of 1984, the average NASDAQ/NMS company had assets of over \$570 million and equity in excess of \$84 million. Their revenues averaged \$181 million with net income of over \$8 million. The average price per share for NASDAQ/NMS issues was in excess of \$15 and the average issue had almost 8 million shares outstanding with a public float of 5.8 million shares and a market value in excess of \$120 million. NASDAQ/NMS issues had an average of 11.5 market makers in the system.

As NASDAQ/NMS has matured, the Corporate Advisory Board has come to believe that it is appropriate to consider the quality of corporate governance of NASDAQ/NMS companies. This concern has been heightened by numerous state

securities administrators who have noted the differences in approach to corporate governance by NASDAQ/NMS and certain of the exchanges. The Corporate Advisory Board believes that the likelihood of achieving a "blue-sky" exemption for NASDAQ/NMS companies in all 50 states will be greatly improved by the implementation of corporate governance criteria.

A special subcommittee of the Corporate Advisory Board chaired by B. Lee Karns, President and Chief Executive Officer of Comprehensive Care Corporation, devoted considerable time during the fall of 1984 to an analysis of corporate governance principles and the propriety of adopting corporate governance standards for NASDAQ/NMS. In January, the subcommittee reported its conclusions to the Corporate Advisory Board and recommended that numerous corporate governance rules be proposed for NASDAQ/NMS and that a survey be conducted of NASDAQ companies concerning additional aspects of corporate governance.

After careful consideration, the Corporate Advisory Board accepted the subcommittee's recommendations and in turn recommended to the NASD Board of Governors that the following corporate governance rules be proposed and that a survey on other possible rules be conducted. The NASD Board of Governors concurred in these recommendations.

SUMMARY OF PROPOSED RULES

The proposed rules, as drafted, would be added to Schedule D to the NASD By-Laws and would become additional criteria for eligibility in NASDAQ/NMS. The rules contain requirements generally similar to those of the New York Stock Exchange and the American Stock Exchange. The proposed rules are summarized below. The text of the rules appears as Exhibit A.

Applicability — The rules would apply to any issuer with a security traded in the NASDAQ/NMS market.

Eligibility — The Corporate Advisory Board contemplates that compliance with the corporate governance rules would be a requirement for a company to be eligible for continued inclusion in NASDAQ/NMS. ^{1/}

Distribution of Annual and Interim Reports — The rules would require issuers to distribute both annual and interim reports to shareholders. Annual reports will be required to be distributed within "a reasonable period of time prior to the company's annual meeting," whereas interim reports would be distributed "within a reasonable time" following filing of required interim financial reports with the SEC or other regulatory authority. For companies required to file Form 10-Q with the SEC, quarterly reports to shareholders (on Form 10-Q or otherwise) would be required. Other companies would be required to provide shareholders with reports reflecting information contained in interim financial reports filed with the appropriate regulatory body.

Independent Directors — The rules would require issuers to maintain a minimum of two independent directors on each company's board. "Independent

^{1/} This approach is discussed further on in connection with sanctions.

director" is defined so as to exclude officers or employees of the company or its subsidiaries or any other individual having a relationship which, in the opinion of the Board of Directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The determination of independence of any particular director would therefore be left to the judgment of each company's board.

Audit Committees — The rules require an issuer to establish and maintain an audit committee, a majority of the members of which shall be independent directors.

Shareholder Meetings — Companies will be required to hold an annual meeting of shareholders.

Quorum — The rules would require companies to establish a quorum requirement of at least 50% of the outstanding shares for any meeting of the holders of common stock.

Solicitation of Proxies — Issuers would be required to solicit proxies and distribute proxy statements for all meetings of shareholders and file copies of proxy solicitations with the NASD.

Conflicts of Interest — The rules would address situations in which companies may have a conflict of interest in transactions with persons related to the company. The rules would require that companies conduct "an appropriate review" of all related party transactions on an ongoing basis and that the audit committee be utilized for the review of potential conflicts where appropriate.

Listing Agreement — As drafted, the rules would require each NASDAQ/NMS issuer to execute a listing agreement as prescribed by the NASD. A listing agreement would establish a contractual relationship between each issuer and the NASD.

Effective Date — The rules provide a 12-month "grandfather" period for any NASDAQ/NMS issuer in the system at the time the rules are approved. They would immediately apply to all companies entering the system after they became effective. In addition, the effectiveness of the rules could be delayed for securities entering the system until some reasonable period following approval of the rules.

In view of the fact that some companies may be required to change their corporate charters, comments are specifically requested with respect to the issues of grandfathering and an appropriate phase-in period for the rules.

SANCTIONS FOR NON-COMPLIANCE

The Corporate Advisory Board believes that the appropriate sanction for a NASDAQ/NMS company which fails to meet corporate governance criteria should be deleted from NASDAQ/NMS. Under such an approach, companies deleted from NASDAQ/NMS would remain in NASDAQ. Under present SEC rules, however, any NASDAQ security meeting Tier 1 criteria is mandated to be included in NASDAQ/NMS and cannot be deleted from NASDAQ/NMS while remaining in NASDAQ. The NASD is submitting Section 2 of the proposed rules for comment with the expectation that these rules will be amended.

SURVEY ON VOTING RIGHTS AND CHANGE OF CORPORATE CONTROL

As noted above, the NASD Board of Governors has also approved a survey of NASDAQ companies on two other aspects of corporate governance. That survey will be sent to all NASDAQ companies in the near future.

The first topic addressed by the survey concerns voting rights. The NASD is not proposing at this time to restrict the voting rights assigned to various classes of stock issued by NASDAQ/NMS companies. As the question of voting rights has assumed greater importance in recent years, the New York Stock Exchange has undertaken a review of its policies in this area. The California Corporations Department is also conducting a review of that state's policies on voting rights. In this environment, it was concluded that the Association should survey NASDAQ companies to determine their views on this important issue.

The second matter included in the survey concerns possible restrictions on a corporation's issuance of stock in connection with a change of control. Certain exchanges restrict the percentage of new shares which a company may issue without shareholder approval. In view of the multiplicity of issues related to such restrictions and the continuing evolution of practices concerning mergers and acquisitions, it was concluded that the Association should obtain more information with respect to NASDAQ companies' views prior to developing specific rule proposals on this question.

NASDAQ companies are urged to review the survey carefully when it is received and return it to the Association with a complete expression of their views.

REQUEST FOR COMMENTS

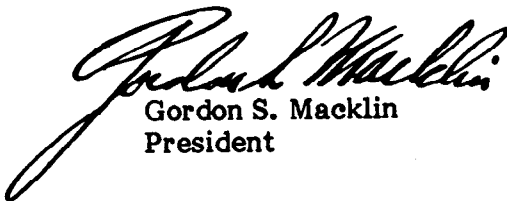
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All written comments should be addressed to:

James M. Cangiano, Secretary
National Association of Securities Dealers, Inc.
1735 K Street, N.W.
Washington, D.C. 20006

All comments must be received by April 28, 1985. Any questions regarding this notice should be directed to either Dennis C. Hensley or T. Grant Callery at (202) 728-8294.

Sincerely,


Gordon S. Macklin
President

Attachment

**DRAFT CORPORATE GOVERNANCE PROVISIONS
AS APPROVED BY THE CORPORATE ADVISORY BOARD**

Add new Part II D to Schedule D to the NASD By-Laws as follows; existing sections D and E to be redesignated as E and F respectively.

D. Rules for Issuers of NASDAQ National Market System Securities

1. Applicability

- a. This Part II D shall apply to any NASD/NMS issuer.
- b. For purposes of this Part II D, "NASDAQ/NMS issuer" shall mean the issuer of a security included in the NASDAQ System which has been designated as a national market system security pursuant to Rule 11Aa2-1 under the Securities Exchange Act of 1934.

2. Eligibility

No security shall be eligible for inclusion in the NASDAQ National Market System unless the issuer of said security is in compliance with this Part II D.

3. Distribution of Annual and Interim Reports

- a. Each NASDAQ/NMS issuer shall distribute to shareholders copies of an annual report containing audited financial statements of the company and its subsidiaries. The report shall be distributed to shareholders a reasonable period of time prior to the company's annual meeting of shareholders and shall be filed with the Corporation at the time it is distributed to shareholders.
- b. (i) Each NASDAQ/NMS issuer which is subject to SEC Rule 13a-13 shall distribute copies of quarterly reports including statements of operating results and financial position to shareholders within a reasonable time following the company's filing of Form 10-Q with the Securities and Exchange Commission. If the form of such quarterly report differs from Form 10-Q, copies of the report shall also be provided to the Corporation. The financial statements contained in quarterly reports shall be prepared in a manner consistent with generally accepted accounting principles but are not required to be audited.
- (ii) Each NASDAQ/NMS issuer which is not subject to SEC Rule 13a-13 and which is required to file on a periodic basis with the Securities and Exchange Commission, or another federal or state regulatory authority reports relating primarily to operations and financial position shall distribute to shareholders reports which reflect the information contained in such interim reports. Such reports shall be distributed to shareholders within a reasonable period of time following filing with the appropriate regulatory authority. If the form

of the interim report provided to shareholders differs from that filed with the regulatory authority, copies of such report shall also be provided to the Corporation.

4. Independent Directors

Each NASDAQ/NMS issuer shall maintain a minimum of two independent directors on its board of directors. For purposes of this section, "independent director" shall mean a person other than an officer or employee of the company or its subsidiaries or any other individual having a relationship which, in the opinion of the board of directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

5. Audit Committee

Each NASDAQ/NMS issuer shall establish and maintain an Audit Committee, a majority of the members of which shall be independent directors.

6. Shareholders Meetings

Each NASDAQ/NMS issuer shall hold an annual meeting of shareholders and shall provide notice of such meeting to the Corporation.

7. Quorum

Each NASDAQ/NMS issuer shall provide in its by-laws for a quorum for any meeting of the holders of common stock of at least 50% of the outstanding shares of the company's common voting stock.

8. Solicitation of Proxies

Each NASDAQ/NMS issuer shall solicit proxies and provide proxy statements for all meetings of shareholders and shall provide copies of such proxy solicitation to the Corporation.

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10. Listing Agreement

Each NASDAQ/NMS issuer shall execute a Listing Agreement in the form designated by the Corporation.

11. Effective Date

This Part II D shall apply to any issuer which first has a security designated as a national market system security after _____, and shall become effective as to any other NASDAQ/NMS issuer on [twelve months after approval].

NASD

National Association of Securities Dealers, Inc.
1735 K St., N.W. • Washington, D.C. 20006 • (202) 591-8000

notice to members 85-21

March 29, 1985

TO: All NASD Members and Other Interested Persons

RE: Request for Comments on Proposed Rule on Private Securities
Transactions

The National Association of Securities Dealers ("Association" or "NASD") is publishing for comment by members and all other interested persons a proposed rule which would establish new requirements for the private securities transactions of persons associated with member firms. The rule would replace in its entirety the Private Securities Transactions Interpretation under Article III, Section 27 of the NASD Rules of Fair Practice. ^{1/}

The text of the new rule and the present Interpretation are attached. A discussion of the background of the rule and its proposed provisions follows below.

BACKGROUND

The Association has long been concerned about private securities transactions of persons associated with broker-dealers. These transactions can be generally grouped into two categories: first, transactions in which an associated person is selling securities to public investors on behalf of another party, e.g., as part of a private offering of limited partnership interests, without the participation of the person's employer firm; and second, transactions in securities owned by the associated person. The first category of transactions presents serious regulatory concerns because securities may be sold to public investors without the benefits of any supervision or oversight by a member firm and perhaps without adequate attention to various regulatory protections such as due diligence investigations and suitability determinations. In some cases, investors may be misled into believing that the associated person's firm has analyzed the security being offered and "stands behind" the product and transaction when in fact the firm may be totally

^{1/} NASD Manual (CCH), p. 2109-2.

unaware of the person's participation in the transaction. Under some circumstances, a firm may be held civilly liable for the actions of their associated person even though the firm was not aware of such person's participation in the transaction. ^{2/}

In view of these concerns, the NASD promulgated the Private Securities Transactions Interpretation several years ago. The Interpretation requires associated persons to notify their employer firms prior to participating in private securities transactions. A significant number of associated persons have been disciplined by the NASD for violation of the Interpretation over recent years. It is believed that the existence of the Interpretation has resulted in greater protection as firms have been able to exercise better supervision over their associated persons.

The Interpretation has been a source of substantial confusion, however, because it speaks only to associated persons' responsibilities in notifying member firms and does not specifically address responsibilities of those firms. The Board of Governors' Advisory Council and several District Business Conduct Committees have requested that the Interpretation be amended to clarify firms' responsibilities. After careful study and analysis, the Board has decided to propose a new rule of fair practice to replace the Interpretation.

ANALYSIS OF PROPOSED RULE

The proposed rule, the text of which is attached, would replace in its entirety the Private Securities Transactions Interpretation and would set forth specific responsibilities for associated persons and member firms regarding the handling of such persons' private securities transactions. On the basis of an analysis of regulatory problems regarding private securities transactions, the rule will treat transactions differently depending upon whether the associated person receives selling compensation. In either case, the rule specifies a member firm's responsibilities.

Applicability — The new rule would apply to any situation in which an associated person of a member proposes to participate in any manner in a private securities transaction. "Private securities transaction" is defined broadly and generally parallels the concept in the present Interpretation. Transactions subject to Article III, Section 28 of the Rules of Fair Practice ^{3/} and personal transactions in investment company and variable annuity securities are excluded. Because the most frequent regulatory problems occur in connection with private placements of new offerings, those transactions are specifically identified as included within the definition of "private securities transaction."

^{2/} This concern has been addressed in earlier NASD notices. See Notices to Members 82-39 (June 15, 1982), and 80-62 (December 1, 1980).

^{3/} Section 28 requires associated persons who handle personal securities transactions through a member (the "executing member") other than their employer to notify the executing member of their regulated status. That member is then required to notify the employer member of each person's activity. See NASD Manual (CCH), paragraph 2178.

Written Notice -- The rule requires an associated person to provide written notice to the member with which he is associated prior to participating in any private securities transaction. The notice would be required to include a detailed description of the proposed transaction and the individual's proposed role therein. Because the rule treats compensatory transactions differently, it would also be necessary for an associated person to state whether he will receive selling compensation in connection with the transaction.

The present Interpretation requires associated persons to provide written notice to their employers. The new rule, however, would require more detail concerning the transaction and the person's involvement in it.

Transactions for Compensation -- As noted above, the Board of Governors has concluded that it is important to draw a distinction between transactions in which persons receive selling compensation and those handled as an accommodation or under some other non-compensatory arrangement. The most serious regulatory concerns relate to situations in which associated persons are receiving selling compensation and therefore have an incentive to execute sales, perhaps without adequate supervision and without adequate attention to suitability and due diligence responsibilities. The rule would require that, in the case of transactions in which an associated person has or may receive selling compensation, a member receiving written notice from one of its associated persons shall respond to the person in writing indicating whether the firm approves or disapproves of the person's participation in the proposed transaction. If the firm approves of the person's participation, the firm is then required to treat the transaction as a transaction of the firm, to record the transaction on the firm's books and records, and to supervise the person's participation in the transaction to the same extent as if the transaction were executed on behalf of the firm.

If the firm disapproves of a person's participation, the associated person is prohibited from participating in the transaction in any manner.

Transactions Not For Compensation -- The Board believes that there may be some transactions in which associated persons participate without compensation which should not be subjected to the same level of scrutiny as other transactions. For example, a salesperson may own stock in a closely held family corporation and wish to transfer that stock to another family member. While his or her firm should be made aware of such a transaction, it appears unnecessary to treat that type of transaction as a transaction of the employer firm.

Accordingly, the new rule would require a member receiving notice that a person proposes to participate in a transaction without compensation to provide that person with written acknowledgment of said notice. The NASD has consistently taken the position that firms must be able to supervise and regulate effectively each associated person's securities activities. The rule would therefore provide the employer firm with the right to impose conditions upon each person's participation in non-compensatory transactions and would require that any person adhere to such conditions. It is intended that a firm would have full discretion to utilize this authority to restrict its associated persons' private securities activities, including activities performed on a non-compensatory basis.

Definition of Selling Compensation -- The definition of "selling compensation" plays a key role in the proposed rule. Because the treatment of transactions

varies significantly depending upon whether selling compensation is to be received, the definition of "selling compensation" is deliberately broad in its scope. The definition includes "any compensation paid directly or indirectly from whatever source in connection with or as a result of the purchase or sale of a security." Certain examples are provided, including commissions, finder's fees, securities, and rights of participation in profits, tax benefits or dissolution proceeds as a general partner or otherwise. While these examples are intended to include some of the most common forms of compensation, the definition is not intended to be restricted to those examples but rather to include any item of value received or to be received directly or indirectly.

It is important to note that the definition of "selling compensation" includes compensation received or to be received by one acting in the capacity of either a salesperson or in some other capacity, specifically including the capacity of a general partner. The definition is intended specifically to address a practice in which associated persons function as general partners in forming limited partnerships and then sell limited partnership interests in private securities transactions. Any involvement in a securities transaction by an associated person of an NASD member firm may be subject to the panoply of regulatory requirements to which one subjects himself upon becoming associated with a broker-dealer. Participation in transactions as a general partner therefore carries with it significant regulatory responsibilities.

* * * *

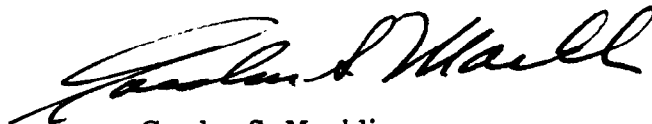
The Association encourages all members and other interested persons to comment on the rule proposal. Comments should be directed to:

James M. Cangiano
Secretary
National Association of Securities Dealers, Inc.
1735 K Street, N.W.
Washington, D.C. 20006

Comments must be received no later than April 29, 1985. All comments will be made available for public inspection.

Questions concerning this notice may be directed to Dennis C. Hensley, Vice President and Deputy General Counsel, at (202) 728-8245.

Sincerely,



Gordon S. Macklin
President

Attachment

PROPOSED NEW RULE OF FAIR PRACTICE

Sec. ___ Private Securities Transactions

(a) Applicability — No person associated with a member shall participate in any manner in a private securities transaction except in accordance with the requirements of this section.

(b) Written Notice — Prior to participating in any private securities transaction, an associated person shall provide written notice to the member with which he is associated, describing in detail the proposed transaction and the person's proposed role therein and stating whether he has received or may receive selling compensation in connection with the transaction.

(c) Transactions for Compensation —

(1) In the case of a transaction in which an associated person has received or may receive selling compensation, a member which has received notice pursuant to Subsection (b) shall advise the associated person in writing stating whether the member:

(A) approves the person's participation in the proposed transaction; or

(B) disapproves the person's participation in the proposed transaction.

(2) If the member approves a person's participation in a transaction pursuant to Subsection (c)(1), the transaction shall be recorded on the books and records of the member and the member shall supervise the person's participation in the transaction as if the transaction were executed on behalf of the member.

(3) If the member disapproves a person's participation pursuant to Subsection (c)(1), the person shall not participate in the transaction in any manner, directly or indirectly.

(d) Transactions Not for Compensation — In the case of a transaction in which an associated person has not and will not receive any selling compensation, a member which has received notice pursuant to Subsection (b) shall provide the associated person written acknowledgment of said notice and may, at its discretion, require the person to adhere to specified conditions in connection with his participation in the transaction.

(e) Definitions — For purposes of this section, the following terms shall have the stated meanings:

(1) "Private securities transaction" shall mean any securities transaction outside the regular course or scope of an associated person's employment with a member, including, though not limited to, new offerings of

securities which are not registered with the Commission; provided however, that transactions subject to the notification requirements of Article III, Section 28 of the Rules of Fair Practice and personal transactions in investment company and variable annuity securities shall be excluded.

(2) "Selling compensation" shall mean any compensation paid directly or indirectly from whatever source in connection with or as a result of the purchase or sale of a security, including, though not limited to, commissions; finder's fees; securities or rights to acquire securities; rights of participation in profits, tax benefits, or dissolution proceeds, as a general partner or otherwise; or expense reimbursements.

March 28, 1985

TO: All NASDAQ Companies

RE: Request for Comment on Proposed Corporate Governance Requirements
for NASDAQ National Market System Companies

LAST DATE FOR COMMENT: APRIL 28, 1985

The National Association of Securities Dealers, Inc., is requesting comment on proposed rule amendments which would require that companies with securities included in the NASDAQ National Market System (NASDAQ/NMS) adhere to certain standards of corporate governance. This notice contains a discussion of the background of these rules and a section-by-section analysis. The text of the proposed rules is attached.

HISTORY AND BACKGROUND

The publication of the proposed rules is a result of an effort of several months by the NASD Corporate Advisory Board. The Corporate Advisory Board is a body consisting principally of the chief executive officers of NASDAQ companies, chaired by Wilson C. Wearn, Chairman and Chief Executive Officer of Multimedia, Inc., which reports to the NASD Board of Governors. The Advisory Board has played an important role in the evolution of NASDAQ as the fastest-growing and second-largest securities market in the United States, and in the development of NASDAQ/NMS.

Since its inception in 1982, NASDAQ/NMS has grown steadily in size and stature. In November 1984, the Securities and Exchange Commission approved a change to NASDAQ/NMS inclusion criteria which has resulted in a further enhancement in the quality of NASDAQ/NMS companies. As of the end of 1984, the average NASDAQ/NMS company had assets of over \$570 million and equity in excess of \$84 million. Their revenues averaged \$181 million with net income of over \$8 million. The average price per share for NASDAQ/NMS issues was in excess of \$15 and the average issue had almost 8 million shares outstanding with a public float of 5.8 million shares and a market value in excess of \$120 million. NASDAQ/NMS issues had an average of 11.5 market makers in the system.

As NASDAQ/NMS has matured, the Corporate Advisory Board has come to believe that it is appropriate to consider the quality of corporate governance of NASDAQ/NMS companies. This concern has been heightened by numerous state

securities administrators who have noted the differences in approach to corporate governance by NASDAQ/NMS and certain of the exchanges. The Corporate Advisory Board believes that the likelihood of achieving a "blue-sky" exemption for NASDAQ/NMS companies in all 50 states will be greatly improved by the implementation of corporate governance criteria.

A special subcommittee of the Corporate Advisory Board chaired by B. Lee Karns, President and Chief Executive Officer of Comprehensive Care Corporation, devoted considerable time during the fall of 1984 to an analysis of corporate governance principles and the propriety of adopting corporate governance standards for NASDAQ/NMS. In January, the subcommittee reported its conclusions to the Corporate Advisory Board and recommended that numerous corporate governance rules be proposed for NASDAQ/NMS and that a survey be conducted of NASDAQ companies concerning additional aspects of corporate governance.

After careful consideration, the Corporate Advisory Board accepted the subcommittee's recommendations and in turn recommended to the NASD Board of Governors that the following corporate governance rules be proposed and that a survey on other possible rules be conducted. The NASD Board of Governors concurred in these recommendations.

SUMMARY OF PROPOSED RULES

The proposed rules, as drafted, would be added to Schedule D to the NASD By-Laws and would become additional criteria for eligibility in NASDAQ/NMS. The rules contain requirements generally similar to those of the New York Stock Exchange and the American Stock Exchange. The proposed rules are summarized below. The text of the rules appears as Exhibit A.

Applicability — The rules would apply to any issuer with a security traded in the NASDAQ/NMS market.

Eligibility — The Corporate Advisory Board contemplates that compliance with the corporate governance rules would be a requirement for a company to be eligible for continued inclusion in NASDAQ/NMS. ^{1/}

Distribution of Annual and Interim Reports — The rules would require issuers to distribute both annual and interim reports to shareholders. Annual reports will be required to be distributed within "a reasonable period of time prior to the company's annual meeting," whereas interim reports would be distributed "within a reasonable time" following filing of required interim financial reports with the SEC or other regulatory authority. For companies required to file Form 10-Q with the SEC, quarterly reports to shareholders (on Form 10-Q or otherwise) would be required. Other companies would be required to provide shareholders with reports reflecting information contained in interim financial reports filed with the appropriate regulatory body.

Independent Directors — The rules would require issuers to maintain a minimum of two independent directors on each company's board. "Independent

^{1/} This approach is discussed further on in connection with sanctions.

director" is defined so as to exclude officers or employees of the company or its subsidiaries or any other individual having a relationship which, in the opinion of the Board of Directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The determination of independence of any particular director would therefore be left to the judgment of each company's board.

Audit Committees — The rules require an issuer to establish and maintain an audit committee, a majority of the members of which shall be independent directors.

Shareholder Meetings — Companies will be required to hold an annual meeting of shareholders.

Quorum — The rules would require companies to establish a quorum requirement of at least 50% of the outstanding shares for any meeting of the holders of common stock.

Solicitation of Proxies — Issuers would be required to solicit proxies and distribute proxy statements for all meetings of shareholders and file copies of proxy solicitations with the NASD.

Conflicts of Interest — The rules would address situations in which companies may have a conflict of interest in transactions with persons related to the company. The rules would require that companies conduct "an appropriate review" of all related party transactions on an ongoing basis and that the audit committee be utilized for the review of potential conflicts where appropriate.

Listing Agreement — As drafted, the rules would require each NASDAQ/NMS issuer to execute a listing agreement as prescribed by the NASD. A listing agreement would establish a contractual relationship between each issuer and the NASD.

Effective Date — The rules provide a 12-month "grandfather" period for any NASDAQ/NMS issuer in the system at the time the rules are approved. They would immediately apply to all companies entering the system after they became effective. In addition, the effectiveness of the rules could be delayed for securities entering the system until some reasonable period following approval of the rules.

In view of the fact that some companies may be required to change their corporate charters, comments are specifically requested with respect to the issues of grandfathering and an appropriate phase-in period for the rules.

SANCTIONS FOR NON-COMPLIANCE

The Corporate Advisory Board believes that the appropriate sanction for a NASDAQ/NMS company which fails to meet corporate governance criteria should be deleted from NASDAQ/NMS. Under such an approach, companies deleted from NASDAQ/NMS would remain in NASDAQ. Under present SEC rules, however, any NASDAQ security meeting Tier 1 criteria is mandated to be included in NASDAQ/NMS and cannot be deleted from NASDAQ/NMS while remaining in NASDAQ. The NASD is submitting Section 2 of the proposed rules for comment with the expectation that these rules will be amended.

SURVEY ON VOTING RIGHTS AND CHANGE OF CORPORATE CONTROL

As noted above, the NASD Board of Governors has also approved a survey of NASDAQ companies on two other aspects of corporate governance. That survey will be sent to all NASDAQ companies in the near future.

The first topic addressed by the survey concerns voting rights. The NASD is not proposing at this time to restrict the voting rights assigned to various classes of stock issued by NASDAQ/NMS companies. As the question of voting rights has assumed greater importance in recent years, the New York Stock Exchange has undertaken a review of its policies in this area. The California Corporations Department is also conducting a review of that state's policies on voting rights. In this environment, it was concluded that the Association should survey NASDAQ companies to determine their views on this important issue.

The second matter included in the survey concerns possible restrictions on a corporation's issuance of stock in connection with a change of control. Certain exchanges restrict the percentage of new shares which a company may issue without shareholder approval. In view of the multiplicity of issues related to such restrictions and the continuing evolution of practices concerning mergers and acquisitions, it was concluded that the Association should obtain more information with respect to NASDAQ companies' views prior to developing specific rule proposals on this question.

NASDAQ companies are urged to review the survey carefully when it is received and return it to the Association with a complete expression of their views.

REQUEST FOR COMMENTS

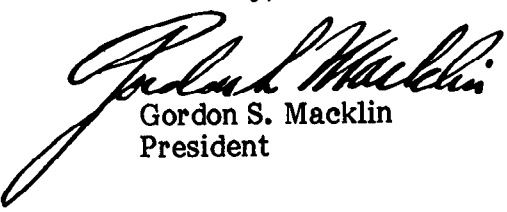
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All comments must be received by April 28, 1985. Any questions regarding this notice should be directed to either Dennis C. Hensley or T. Grant Callery at (202) 728-8294.

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