

NASD

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

notice to members 87-60

September 10, 1987

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

RE: NASDAQ National Market System Grows to 3,046 Securities With 11 Additions on September 15, 1987

On Tuesday, September 15, 1987, the following 11 issues are scheduled to join the NASDAQ National Market System, bringing the total number of issues in NASDAQ/NMS to 3,046:

Symbol*	Company	Location
ATKM	Atek Metals Center, Inc.	Cincinnati, OH
ACOL	American Colloid Company	Arlington Heights, IL
CPBI	CPB, Inc.	Honolulu, HI
CJSL	Central Jersey Savings and Loan Association	East Brunswick, NJ
CCIMF	City Resources (Canada) Ltd.	Vancouver, Canada
COGNF	Cognos Incorporated	Ottawa, Canada
LABL	Multi-Color Corporation	Cincinnati, OH
PASI	Pacific Silver Corporation	Salt Lake City, UT
PICBF	Paperboard Industries Corporation	Toronto, Canada
SILV	Silver King Mines, Inc.	Salt Lake City, UT
UNEWY	United Newspapers, Plc.	London, England

The following issues have filed for inclusion in NASDAQ/NMS upon effectiveness of their registration statements with the SEC or other appropriate regulatory authority. Their inclusion may commence prior to the next regularly scheduled phase-in date.

* NASDAQ symbols are proprietary to the National Association of Securities Dealers, Inc.

NASDAQ/NMS Pending Additions

Symbol*	Company	Location
AAICA	Albany International Corporation (CI A)	Menands, NY
CNTX	Centex Telemanagement, Inc.	San Francisco, CA
DKMB	DKM Broadcasting Corporation	Atlanta, GA
EHYC	Egg Harbor Yacht Company, Inc.	Egg Harbor City, NJ
GPRO	Gen-Probe Incorporated	San Diego, CA
ISOE	ISOETEC Communications, Inc.	Darien, CT
POAI	Properties of America, Inc.	Williamstown, MA
SPGLA	Speigel, Inc. (CI A)	Oak Brook, IL
WHRG	Watch Hill Retail Group, Inc. (The)	New York, NY
WHTI	Wheelabrator Technologies, Inc.	Hampton, NH

The registration statements of the following issues have been declared effective by the SEC or other appropriate regulatory authority, and commenced trading in NASDAQ/NMS since August 24, 1987:

NASDAQ/NMS Interim Additions

Symbol*	Security	Date of Entry
APOS	Advanced Polymer Systems, Inc.	8/26/87
ACMTA	ACMAT Corporation (CI A)	8/31/87
HARL	Harleysville Savings Association	9/01/87
SGHB	Sag Harbor Savings Bank	9/02/87
ETCO	Earth Technology Corporation (USA) (The)	9/03/87
HRLD	Harold's Stores, Inc.	9/03/87
VLCM	ValCom, Inc.	9/03/87

The following changes to the list of NASDAQ/NMS securities occurred since August 24, 1987:

NASDAQ/NMS Symbol* and/or Name Changes

New/Old Symbol*	New/Old Security	Date of Change
TODDA/TODD	Todd-AO Corp. (The) (CI A)/ Todd-AO Corp. (The)	8/25/87

New/Old Symbol*	New/Old Security	Date of Change
PACCB/PACC	Provident Life & Accident Insurance Company of America (CI B)/Provident Life & Accident Insurance Company	9/01/87
CMCO/CMCO	CVN Companies, Inc./C.O.M.B. Company	9/01/87
CRFC/UVBK	Crestar Financial Corporation/United Virginia Bankshares, Inc.	9/01/87
DSBC/DSBC	DS Bancor, Inc./Derby Savings Bank	9/01/87

NASDAQ/NMS Deletions

Symbol*	Security	Date
ETCC	Environmental Treatment and Technologies Corporation	8/25/87
NCAC	NCA Corporation	8/26/87
ATCO	Atcor, Inc.	8/27/87
PLIN	Leiner (P.) Nutritional Products Corporation	8/27/87
STRL	Sterling, Inc.	8/27/87
TPPS	Tops Markets, Inc.	8/27/87
ARGI	ARGO Systems, Inc.	8/28/87
ELDR	Elder-Beerman Stores Corporation	8/28/87
SHSB	Southern Home Savings Bank	8/31/87
RBAN	Rainier Bancorporation	9/01/87

Questions regarding this notice should be directed to Kit Milholland, Senior Analyst, NASDAQ Operations, at (202) 728-8281. Questions pertaining to trade reporting rules should be directed to Leon Bastien, Assistant Director, NASD Market Surveillance, at (202) 728-8192.

Sincerely,



Lynn Nellius
Secretary



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

notice to members 87-61

September 10, 1987

TO: All NASD Members and Other Interested Persons

RE: Suggested Escrow Agreement Provisions for Members' Compliance With Securities and Exchange Commission Rule 15c2-4

EXECUTIVE SUMMARY

The NASD is publishing Suggested Escrow Agreement Provisions and Suggested Language for Selected Dealer Agreements to assist members and their counsel in complying with SEC Rule 15c2-4.

BACKGROUND AND SUMMARY

Through its review of public offerings of securities conducted by the Corporate Financing Department, the NASD has the responsibility to ensure compliance by members with Securities and Exchange Commission Rule 15c2-4. This rule applies to public and private offerings of securities that are distributed by members on a best-efforts basis. Subsection (b) of Rule 15c2-4 applies to those best-efforts offerings that include a contingency that may result in the return of investors' funds if the contingency is not met. In such contingent offerings, Rule 15c2-4 requires that a \$5,000 broker-dealer or a \$25,000 broker-dealer affiliated with the issuer may only deposit investors' funds in an escrow account with a bank independent of the issuer and broker-dealer.

The NASD is aware of problems experienced by members in determining whether the form of escrow agreements proposed by banks meets the requirements of Rule 15c2-4. To assist members and their counsel in complying with Rule 15c2-4, the NASD is publishing suggested escrow provisions in the form of an escrow agreement and is publishing suggested language for inclusion in selected dealer agreements used in connection with public and private offerings, along with comments explaining the provisions.

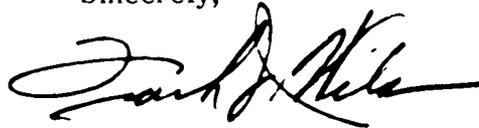
Attached are Suggested Escrow Agreement Provisions and Suggested Language for Selected Dealer Agreements. Please note that they are intended only

to provide assistance and guidance to members and their counsel in complying with SEC Rule 15c2-4 in public and private offerings of securities. Neither the Suggested Escrow Agreement Provisions nor the Suggested Language is intended to be a required model. They were drafted for an offering underwritten on a best-efforts part-or-none basis. Therefore, the Suggested Escrow Agreement Provisions do not specifically address a best-efforts all-or-none offering, arrangements for a \$25,000 broker-dealer to "sweep" customer accounts into the escrow, or state requirements for establishing an escrow account. Thus, certain provisions that are generally found in escrow agreements, but are unrelated to compliance with Rule 15c2-4, such as liability and indemnification, are not included. Members should consult with counsel to ensure that any escrow agreement is in compliance with applicable state requirements.

Finally, the NASD Corporate Financing Department will continue to accept escrow agreements and selected dealer agreements with other provisions, a different structure, and different language, so long as such provisions comply with SEC Rule 15c2-4.

Questions concerning this notice may be directed to either Charles L. Bennett or Richard J. Fortwengler, NASD Corporate Financing Department, at (202) 728-8258.

Sincerely,

A handwritten signature in black ink, appearing to read "Frank J. Wilson", written in a cursive style.

Frank J. Wilson
Executive Vice President
Legal and Compliance

Attachments

SUGGESTED ESCROW AGREEMENT PROVISIONS

This Agreement is made and entered into as of _____, 19 __, by and among [INSERT NAME OF BANK] (the "Escrow Agent"), [INSERT NAME OF BROKER-DEALER] (the "Underwriter"), and [INSERT NAME OF ISSUER] (the "Company" or the "Partnership").

Comment:

This introductory paragraph sets forth the date as of which the agreement is entered into and the name of the parties. SEC Rule 15c2-4(b) under the Securities Exchange Act of 1934 (the "Rule") requires that when an escrow account is used for distributions conducted on a contingency basis (e.g., best-efforts all-or-none or part-or-none offerings), the escrow agent must be a commercial bank that is unaffiliated with either the issuer or the underwriter. A "bank" is defined in Section 3(a)(6) of the Securities Exchange Act of 1934, to include a U.S. chartered bank, a bank that is a member of the Federal Reserve System, or a bank examined by a state or federal authority. In addition, pursuant to SEC staff interpretation, a savings and loan institution that is FSLIC-insured and FHLBB-regulated may act as an escrow agent under Rule 15c2-4(b). Further, since Rule 15c2-4(b) applies only to broker-dealers, the underwriter must be one of the contracting parties. It is not necessary for the issuer to be a contracting party to the escrow agreement to meet the requirements of Rule 15c2-4.

RECITALS

The Company/Partnership proposes to offer for sale to investors through one or more registered broker-dealers up to _____ shares of common stock/units of limited partnership interest (the "Securities") at a price of \$ _____ per share/unit (the "Proceeds").

The Underwriter intends to sell the Securities as the Company's/Partnership's agent on a best-efforts part-or-none basis for _____ shares/units and on a best-efforts basis for the remaining Securities in a public/private offering (the "Offering").

The Company and the Underwriter desire to establish an escrow account in which funds received from subscribers will be deposited pending completion of the escrow period. [INSERT NAME OF BANK] agrees to serve as Escrow Agent in accordance with the terms and conditions set forth herein.

The term Selected Dealer as used herein shall include the Underwriter and other co-underwriters and/or other selected dealers as part of the selling group. All Selected Dealers shall be bound by this Agreement. However, for purposes of communications and directives, the Escrow Agent need only accept those signed by [INSERT NAME OF BROKER-DEALER].

AGREEMENT

Now therefore, in consideration of the foregoing, it is hereby agreed as follows:

1. Establishment of Escrow Account. On or prior to the date of the commencement of the offering, the parties shall establish an interest-bearing/non-interest-bearing escrow account with the Escrow Agent, which escrow account shall be entitled [INSERT NAME OF THE ACCOUNT] (the "Escrow Account"). The Selected Dealer will instruct subscribers to make checks for subscriptions payable to the order of the Escrow Agent. Any checks received that are made payable to a party other than the Escrow Agent shall be returned to the Selected Dealer who submitted the check.

Comment:

This paragraph focuses on two important aspects of Rule 15c2-4: (1) the type of account that must be established to hold subscribers' funds and (2) to whom subscribers' checks should be made payable. The second and third sentences of this paragraph are optional depending on the category of broker-dealers participating in the distribution of the offering. Under Rule 15c2-4, a broker-dealer's obligation with regard to funds received from an investor depends on whether it is a "\$5,000 broker-dealer" or a "\$25,000 broker-dealer" under the SEC's net capital rules and whether the broker-dealer is affiliated with the issuer.

A \$5,000 broker-dealer is required to establish an escrow account to hold subscribers' funds until the contingency occurs, may only receive investors' checks payable to an unaffiliated bank acting as escrow agent, and may not receive cash or checks payable to the issuer or the broker-dealer.

As an alternative to establishing an escrow account, \$25,000 broker-dealers unaffiliated with the issuer may act as agent or trustee for a separate bank account until the offering contingency occurs. A "separate bank account" is one which is independent of the broker-dealer's operating account and is specifically identified as being for the benefit of a particular offering. If the "separate bank account" method of holding customer funds is elected by a \$25,000 broker-dealer, a separate account at a bank must be maintained by the firm for each offering in which it is acting as an underwriter or selected dealer; funds of different offerings may not be commingled.

A \$25,000 broker-dealer is permitted to receive cash and checks payable to the broker-dealer. Therefore, if all members of the selling group are \$25,000 broker-dealers, it is not mandatory to have checks made payable to the Escrow Agent. However, pursuant to SEC staff interpretation of Subsection (b)(2) of Rule 15c2-4, a \$25,000 broker-dealer affiliated with the issuer must forward checks to an escrow account and may not act as agent or trustee for a separate bank account. Further, any checks received by an issuer affiliated with a broker-dealer are

considered received by the broker-dealer and must be forwarded to an escrow account.

2. Escrow Period. The Escrow Period shall begin with the commencement of the Offering and shall terminate upon the earlier to occur of the following dates:

- A. The date upon which the Escrow Agent confirms that it has received in the Escrow Account gross proceeds of \$_____ in deposited funds (the "Minimum") and/or _____;* or
- B. The expiration of _____ days from the date of commencement of the Offering (unless extended as permitted in the offering document for an additional _____ days by mutual written agreement between the Company/Partnership and the Underwriter with a copy of such extension to the Escrow Agent); or
- C. The date upon which a determination is made by the Company/Partnership and the Underwriter to terminate the offering prior to the sale of the Minimum.

During the escrow period, the Company/Partnership is aware and understands that it is not entitled to any funds received into escrow and no amounts deposited in the Escrow Account shall become the property of the Company/Partnership or any other entity, or be subject to the debts of the Company/Partnership or any other entity.

Comment:

Pursuant to Rule 10b-9 of the Securities Exchange Act of 1934, the escrow period may only be extended beyond the latest period disclosed in the offering document if the escrow period has not yet terminated and either investors' funds are returned to them or the investors affirmatively confirm in writing their decision to continue their investment before the expiration of the latest disclosed escrow period.

3. Deposits into the Escrow Account. The Selected Dealer agrees that it shall promptly deliver all monies received from subscribers for the payment of the Securities to the Escrow Agent for deposit in the Escrow Account together with a written account of each sale, which account shall set forth, among other things, the subscriber's name and address, the number of securities purchased, the amount paid therefor, and whether the consideration received was in the form of a check, draft, or money order. All monies so deposited in the Escrow Account are hereinafter referred to as the "Escrow Amount."

* Other conditions may be included which have been set forth in the offering document.

Comment:

Under Rule 15c2-4 and pursuant to the SEC net capital rules, a \$5,000 broker-dealer may not receive cash from its customers. Only \$25,000 broker-dealers may accept customers' cash or checks payable to the broker-dealer. All \$5,000 broker-dealers whose customers tender cash or incorrectly drawn checks, i.e., checks not payable to the Escrow Agent, must return such payment to the customers and request that payment be made in the proper form.

4. Disbursements from the Escrow Account. In the event the Escrow Agent does not receive the Minimum deposits totaling \$ _____ prior to the termination of the Escrow Period, the Escrow Agent shall refund to each subscriber the amount received from the subscriber, without deduction, penalty, or expense to the subscriber, and the Escrow Agent shall notify the Company/Partnership and the Selected Dealer of its distribution of the funds. The purchase money returned to each subscriber shall be free and clear of any and all claims of the Company/Partnership or any of its creditors.

In the event the Escrow Agent does receive the Minimum prior to termination of the Escrow Period, in no event will the Escrow Amount be released to the Company/Partnership until such amount is received by the Escrow Agent in collected funds. For purposes of this Agreement, the term "collected funds" shall mean all funds received by the Escrow Agent which have cleared normal banking channels and are in the form of cash.

Comment:

Pursuant to the requirements of both Rules 15c2-4 and 10b-9, the SEC requires that in the event the agreed-upon contingency is not met, all or a specified amount of the consideration paid must be promptly returned to each individual subscriber. Funds are not to be returned to the Selected Dealer for delivery to its customers or to the issuer for return to subscribers in the event the contingency is not met. It is the Escrow Agent's duty to directly return such funds to the subscribers. Furthermore, the Escrow Agent may not attach or place a lien on the escrowed funds for its fees until the Minimum is met.

In offerings where an interest-bearing escrow account has been established, refunds to subscribers may, but are not required to, include each subscriber's pro-rata share of any interest earned while the subscriber's funds were on deposit. Such interest may properly be paid to the broker-dealer, the issuer, or the purchaser. However, appropriate disclosure should be made in the offering document as to whom any interest will be paid. It should be noted that if the interest is to be paid to the broker-dealer, the NASD will consider such payment additional underwriting compensation.

The Minimum may be met by funds that are deposited from the effective date of the offering up to and including the date on which the contingency must be met, i.e., during the

Escrow Period. However, escrow cannot be broken and the offering may not proceed to closing until customer checks have been collected through the normal banking channels in an aggregate amount sufficient to meet the Minimum. The Escrow Agent makes the determination as to when sufficient funds have been deposited and collected to break escrow. If the Minimum is met with checks tendered on the last day of the Escrow Period and, subsequently, such checks fail to clear the banking system, thereby reducing the funds received by the Escrow Agent to an amount less than that necessary to meet the Minimum, the offering contingency has not been met. In this event, the Escrow Agent must promptly return all funds to subscribers.

In this connection, it should also be noted that purchases made after the Escrow Period has terminated, but prior to the date escrow is broken pending clearance of subscribers' funds, may not subsequently be counted to meet the Minimum should checks tendered prior to the termination of the Escrow Period fail to clear the banking system. Further, under Rule 15c2-4 and Rule 10b-9, a broker-dealer may not substitute its own good check for the check of a customer that has insufficient funds nor otherwise purchase to satisfy the offering contingency unless the broker-dealer is purchasing for investment prior to the termination of the Escrow Period and the offering document discloses the maximum amount of such potential purchase.*

5. Collection Procedure. The Escrow Agent is hereby authorized to forward each check for collection and, upon collection of the proceeds of each check, deposit the collected proceeds in the Escrow Account. As an alternative, the Escrow Agent may telephone the bank on which the check is drawn to confirm that the check has been paid.

Any check returned unpaid to the Escrow Agent shall be returned to the Selected Dealer that submitted the check. In such cases, the Escrow Agent will promptly notify the Company/Partnership of such return.

If the Company/Partnership rejects any subscription for which the Escrow Agent has already collected funds, the Escrow Agent shall promptly issue a refund check to the rejected subscriber. If the General Partner rejects any subscription for which the Escrow Agent has not yet collected funds but has submitted the subscriber's check for collection, the Escrow Agent shall promptly issue a check in the amount of the subscriber's check to the rejected subscriber after the Escrow Agent has cleared such funds. If the Escrow Agent has not yet submitted a rejected subscriber's check for collection, the Escrow Agent shall promptly remit the subscriber's check directly to the subscriber.

6. Investment of Escrow Amount. The Escrow Agent may invest the Escrow Amount only in such accounts or investments as the Company/Partnership

* If the amount is significant, consideration should be given to disclosing such potential purchases as a risk factor.

may specify by written notice. The Company/Partnership may only specify investment in (1) bank accounts, (2) bank money-market accounts, (3) short-term certificates of deposit issued by a bank, or (4) short-term securities issued or guaranteed by the U.S. Government.

Comment:

Bank accounts, including savings accounts and bank money-market accounts, are the types of investments permitted under Rule 15c2-4 pursuant to SEC staff interpretation. The SEC staff has also indicated it will not recommend any enforcement action under Rule 15c2-4 if the Escrow Agent invests offering proceeds in either short-term certificates of deposit issued by a bank, or short-term securities issued or guaranteed by the U.S. Government. It should be noted that it would be inappropriate for a bank escrow agent to invest in an otherwise permissible investment under Rule 15c2-4 if that investment's maturity date extends beyond the anticipated contingency occurrence date, unless the investments can readily be disposed of for cash by the time the contingency occurs without any dissipation of the offering proceeds invested.

Certain investments are specifically not permissible within the meaning of Rule 15c2-4:

- money-market funds;
- corporate equity or debt securities;
- repurchase agreements;
- banker acceptances;
- commercial paper; and
- municipal securities.

7. Compensation of Escrow Agent. The Company/Partnership shall pay the Escrow Agent a fee for its escrow services in an amount of \$ _____. If it is necessary for the Escrow Agent to return funds to the Purchasers of the Securities, the Company/Partnership shall pay to the Escrow Agent an additional amount sufficient to reimburse it for its actual cost in disbursing such funds. However, no such fee, reimbursement for costs and expenses, indemnification for any damages incurred by the Escrow Agent, or any monies whatsoever shall be paid out of or chargeable to the funds on deposit in the Escrow Account.

Comment:

Until and unless the Minimum is reached, the Escrow Agent may not attach or otherwise place a lien on funds deposited in the Escrow Account.

SUGGESTED LANGUAGE FOR SELECTED DEALER AGREEMENT

Transmittal of Funds for Deposit Into the Escrow Account

Comment:

When an Escrow Account is utilized to meet the requirements of Rule 15c2-4(b), it is suggested that the following language regarding transmittal of subscriber funds to the Escrow Agent for deposit into the Escrow Account be included in the Selected Dealer Agreement. If parallel language is not contained in the Underwriting Agreement, then the managing underwriter may sign the Selected Dealer Agreement and be bound by its terms or the Underwriting Agreement may incorporate by reference the Selected Dealer Agreement.

Corporate Offerings

Until the contingency is met, Selected Dealers shall promptly, upon receipt of any and all checks, drafts, and money orders received from prospective purchasers of the shares/units, deliver same to the Escrow Agent for deposit in the Escrow Account by noon of the next business day following the receipt, together with a written account of each purchaser which sets forth, among other things, the name and address of the purchaser, the number of securities purchased and the amount paid therefor. Any checks received which are made payable to any party other than the Escrow Agent, shall be returned to the purchaser who submitted the check and not accepted.

Comment:

When an Escrow Account is established to meet the requirements of Rule 15c2-4 (b), the rule requires that investors' funds be transmitted promptly. The SEC has interpreted "promptly" to mean by noon of the next business day following receipt until the Minimum contingency has been met. (See also comment to paragraph 1 of the Standard Form Escrow Agreement regarding the category of broker-dealers that may accept cash.)

Direct Participation Program Offerings

The Selected Dealers shall promptly, upon receipt of any and all checks, drafts, and money orders received from prospective purchasers of units, transmit same together with a copy of the executed Subscription Agreement or copy of the signature page of such agreement, stating among other things, the name of the purchaser, current address, and the amount of the investment to: [Insert one or more of paragraphs A-D following, as appropriate].

Comment:

Paragraphs A through D following are alternative provisions, one or more of which may be included in the Underwriting and Selected Dealer Agreements depending on the structure of

the distribution and the internal supervisory review procedures of participating broker-dealers. Under SEC staff interpretation of Rule 15c2-4, the procedure for transmittal of purchaser payments to the escrow agent for deposit in an offering of direct participation program securities may be accomplished by one of several methods depending on whether: (1) pursuant to a soliciting broker-dealer's internal supervisory procedures, internal supervisory review is conducted at the same location at which subscription documents and checks are received from purchasers; or (2) internal supervisory review is conducted at a different location from that which receives the subscription documents and checks from purchasers; or (3) a "processing broker-dealer," whose responsibilities in the offering include reviewing investor suitability, processing, and documentation of subscriptions and investor funds received, is involved in the distribution process.

A. the Escrow Agent by noon of the next business day following receipt.

B. the Escrow Agent by noon of the second business day after the General Partner receives the subscription documents for purposes of a suitability determination, which documents were forwarded to the General Partner by noon of the next business day following receipt of the check by the Selected Dealer.

C. the Escrow Agent or the Processing Broker-Dealer by the end of the next business day following receipt where internal supervisory review is conducted at the same location at which subscription documents and checks are received and thereafter transmitted to the Escrow Agent by the Processing Broker-Dealer by the end of the second business day following receipt by the Processing Broker-Dealer.

D. the Final Review Office by the end of the next business day following receipt where internal supervisory review is conducted at a different location at which subscription documents and checks are received, and thereafter transmitted to the Escrow Agent or the Processing Broker-Dealer by the Final Review Office by the end of the next business day following receipt by the Final Review Office and thereafter transmitted to the Escrow Agent by the end of the second business day following receipt by the Processing Broker-Dealer.

* * * *

Incorporation of Escrow Agreement by Reference

The Selected Dealer agrees that it is bound by the terms of the Escrow Agreement executed by the Underwriter and the Company/Partnership.

Comment:

It is suggested that the Selected Dealer Agreement include a provision that will bind the Selected Dealers to the terms of the Escrow Agreement.



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

notice to members 87-62

September 22, 1987

TO: All NASD Members and Other Interested Persons

RE: NASD Board of Governors' Decision Concerning Regulation of Market Making by Issuer Affiliates

EXECUTIVE SUMMARY

In Notice to Members 87-25, dated April 14, 1987, the NASD requested comments and suggestions on the concept of a rule that would restrict broker-dealers affiliated with issuers from making markets or trading in the securities of those issuers.

The NASD's request was the result of concerns as to whether conflicts of interest may exist or whether rule violations are more likely when broker-dealers engage in making markets or trading in securities issued by affiliates.

At its July 1987 meeting, the NASD Board of Governors considered the comments received in response to Notice to Members 87-25. The Board of Governors decided that, at this time, no restrictions should be placed on trading in proprietary products, such as limited partnerships, closed-end investment companies, unit investment trusts, or in mortgage-backed, asset-backed, and other pass-through instruments. However, the Subcommittee on Market Making by Issuer Affiliates will continue to consider the need for rulemaking to prevent trading abuses that might arise due to market making by a member in the common stock of its parent or other affiliate.

BACKGROUND

In January 1987, the Subcommittee on Market Making by Issuer Affiliates (Subcommittee) was created as a result of questions that arose late last year

concerning situations in which members were, or were proposing to begin, making markets in NASDAQ securities issued by the firms' parents or affiliated issuers.

Upon the Subcommittee's recommendation, the NASD issued Notice to Members 87-25 (Notice) on April 14, 1987, requesting comments and suggestions on the concept of a rule that would restrict broker-dealers affiliated with issuers from making markets or trading in the securities of those issuers. The Notice pointed out that both the Securities Act of 1933 (Securities Act) and the Securities Exchange Act of 1934 (Exchange Act) contain numerous requirements that must be satisfied before an affiliate of an issuer can engage in such transactions. The Notice also stated that while some self-regulatory organizations restrict member broker-dealer activity in their own securities and those of affiliates, ^{1/} the NASD currently does not have a rule that specifically prohibits or restricts trading by members in securities of their affiliates. Further, the Notice stated that the NASD had not formulated a specific approach on the regulation of trading by issuer affiliates and that it was soliciting comments on approaches that should be considered.

RESPONSE TO NASD NOTICE TO MEMBERS 87-25

The NASD received 42 comment letters in response to its Notice. ^{2/} Six commentators favored the concept of a rule that would restrict market making by affiliates; 18 commentators said they would favor such a rule only if certain exemptions and/or restrictions were included in the rule's provisions; and 18 commentators opposed the concept of such a rule, citing various reasons.

Many of the commentators opposing the rule concept questioned whether such a rule should be promulgated, absent data evidencing the need for such a rule governing specific types of securities. Some also believed that existing regulatory provisions adequately regulate trading by affiliates in issuer securities. These commentators pointed to the existing disclosure and suitability requirements imposed under the federal securities laws and by the NASD Rules of Fair Practice as sufficient safeguards to protect investors and to guard against adverse effects of an affiliate's trading in the securities of an issuer.

Many commentators, while not opposing or favoring the rule concept, focused instead on exemptions or restrictions that they believe should be included in such a rule proposal. Several commentators believed that the provisions of any rule should exempt or exclude trading in proprietary products such as investment company products, limited partnerships, mortgage-backed, asset-backed, or other pass-through instruments. They believed that these products, and any conflicts related to trading in them, are already closely regulated.

^{1/} See, for example, New York Stock Exchange Rule 312(g).

^{2/} Thirty-one comment letters were from investment firms, five were from law firms, three were from industry associations, and the others were from a bank, an insurance company, and a government organization.

SUBCOMMITTEE'S RECOMMENDATIONS AND BOARD APPROVAL

The Subcommittee on Market Making by Issuer Affiliates reviewed the comments received and considered the existing federal and NASD regulatory provisions pertaining to market making by affiliates. The Subcommittee then recommended to the NASD National Business Conduct Committee (NBCC) and to the NASD Board of Governors that no restrictions should be placed, at this time, on proprietary products or pass-through instruments, such as limited partnerships, closed-end investment companies, unit investment trusts, or on mortgage-backed and asset-backed instruments.

Notwithstanding its recommendation to the NBCC, the Subcommittee believes that it may be necessary to restrict market making by a member in its common stock, or that of its parent corporation or an affiliate.

The NBCC concluded that the Subcommittee should continue to consider the need for rulemaking and to provide recommendations on how the NASD should regulate market making by issuer affiliates in the future. The NASD will publish for comment any proposals developed by the Subcommittee that are approved by the NASD Board of Governors.

The NASD Board approved the Subcommittee's recommendations, concluding that the NASD should not at this time apply any further restrictions on affiliates' trading in proprietary products or pass-through instruments, including asset-backed instruments.

EXISTING REGULATION

Federal Provisions

Provisions in the federal securities laws and in NASD rules govern a market maker trading in its issuer's common stock. Among the federal regulatory provisions, Section 5 of the Securities Act prohibits the use of interstate commerce to sell any security unless a registration statement has been filed with and declared effective by the Securities and Exchange Commission (SEC). ^{3/} Resales in market-making transactions by an affiliate of an issuer of securities acquired in the open market may be subject to the registration provisions of Section 5. Members should consult their counsel to determine the applicability of this section to their activities.

In addition, Section 10 under the Exchange Act contains prohibitions against manipulating securities prices. Rule 10b-5 under Section 10 of the Exchange Act proscribes using manipulative or deceptive devices in the trading of securities

^{3/} The requirements of Section 5 under the Securities Act should be read in conjunction with the definitions in Section 2 and the exemptive-transaction provisions in Section 4. Section 2 also delineates categories of persons who may be involved in a transaction in securities covered by the registration requirements of the Securities Act.

and the fraudulent use of inside information in connection with the purchase or sale of any security. Trading by a firm in its own securities or in the securities of an affiliate presents serious concerns about the potential for misuse of non-public information and creates a need for the firm to focus particular attention on its mechanisms to guard against such abuse.

As indicated by several commentators, SEC Rules 10b-6 and 10b-18 under the Exchange Act provide significant safeguards against market manipulation by an issuer's affiliates. Rule 10b-6 prohibits trading by persons interested in a distribution, and Rule 10b-18 regulates purchases of certain equity securities by the issuers of the securities and others. In addition, Rule 15c1-5 under Section 15 of the Exchange Act requires that broker-dealers in the over-the-counter market disclose that they are trading in an affiliate's securities.

NASD Provisions

Schedule E to the NASD By-Laws regulates the distribution of securities of members and their affiliates, defines "affiliation," and ensures the fair pricing of securities. Article III, Section 13 of the NASD Rules of Fair Practice requires that a member disclose to a customer the firm's affiliation with the issuer of a security before engaging in the purchase or sale of those securities on behalf of the customer. The NASD Rules of Fair Practice also require that the business practices of members in connection with the investment banking and securities business shall be just and equitable.

* * * * *

Members that propose to make markets in their own securities or in the securities of affiliates are strongly encouraged to consult counsel to ensure compliance with all applicable regulatory requirements.

While these regulatory provisions seem to provide substantial investor protection and guidance to market-maker affiliates and issuer corporations with regard to their obligations to customers and to the marketplace, any specific concerns that may arise in the future regarding market making by issuer affiliates will be brought to the attention of the Subcommittee for its review.

Questions concerning this notice may be directed to Eneida Rosa, NASD Assistant General Counsel, at (202) 728-8294.

Sincerely,



Frank J. Wilson
Executive Vice President
and General Counsel



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

notice to members 87-63

September 23, 1987

TO: All NASD Members and Municipal Securities Bank Dealers
 FROM: All Operations Personnel
 RE: Columbus Day: Trade Date-Settlement Date Schedule

The schedule of trade dates/settlement dates below reflects the observance by the financial community of Columbus Day, Monday, October 12, 1987. On this day, the NASDAQ System and the exchange markets will be open for trading. However, it will not be a settlement date since many of the nation's banking institutions will be closed in observance of Columbus Day.

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

<u>Trade Date</u>		<u>Settlement Date</u>		<u>Regulation T Date*</u>	
October	2	October	9	October	13
	5		13		14
	6		14		15
	7		15		16
	8		16		19
	9		19		20
	12		19		21
	13		20		22

* Pursuant to Sections 220.8(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."

It should be noted that October 12, 1987, is considered a business day for receiving customers' payments under Regulation T of the Federal Reserve Board.

Transactions made on Monday, October 12, will be combined with transactions made on the previous day, October 9, for settlement on October 19. Securities will not be quoted ex-dividend, and settlements, marks to the market, reclamations, buy-ins, and sell-outs, as provided in the Uniform Practice Code, will not be made and/or exercised on October 12.

The foregoing settlement dates should be used by brokers, dealers, and municipal securities dealers for purposes of clearing and settling transactions pursuant to the NASD 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 NASD Uniform Practice Department at (212) 839-6256.

* * * * *



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

notice to members 87-64

October 2, 1987

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

RE: NASDAQ National Market System Grows to 3,063 Securities With 17 Additions on October 6, 1987

On Tuesday, October 6, 1987, the following 17 issues are scheduled to join the NASDAQ National Market System, bringing the total number of issues in NASDAQ/NMS to 3,063.

Symbol*	Company	Location
ARTW	Art's-Way Manufacturing Company, Incorporated	Armstrong, IA
BARC	Barrett Resources Corporation	Denver, CO
BHAMY	Beecham Group, plc	Middlesex, England
CADE	Cade Industries, Inc.	Milwaukee, WI
CADEW	Cade Industries, Inc. (Wts)	Milwaukee, WI
CSAR	Calstar, Inc.	Edina, MN
CSARW	Calstar, Inc. (Wts)	Edina, MN
COIL	Crystal Oil Company	Shreveport, LA
COILP	Crystal Oil Company (Pfd)	Shreveport, LA
XRAY	GENDEX Corporation	Milwaukee, WI
GLTX	Goldtex, Inc.	Goldsboro, NC
HFOX	Home Federal Savings Bank	Xenia, OH
MPAC	Impact Systems, Inc.	San Jose, CA
KMDC	Kirschner Medical Corporation	Timonium, MD

* NASDAQ symbols are proprietary to the National Association of Securities Dealers, Inc.

Symbol*	Company	Location
SDNB	SDNB Financial Corp.	San Diego, CA
SSOA	Software Services of America, Inc.	North Andover, MA
WCBK	Workingmens Co-Operative Bank	Boston, MA

NASDAQ/NMS Pending Additions

The following issues have filed for inclusion in NASDAQ/NMS upon effectiveness of their registration statements with the SEC or other appropriate regulatory authority. Their inclusion may commence prior to the next regularly scheduled phase-in date.

Symbol*	Company	Location
IIVI	II-VI Incorporated	Saxonburg, PA
ANSL	Anchor Savings and Loan Association	Somers Point, NJ
CAMBY	Cambridge Instrument Company, plc (The)	Cambridge, England
CTIA	Communications Transmission, Inc.	Austin, TX
DANR	Dan River Holding Company	Danville, VA
FELL	Fellowship Savings and Loan Association	Bergenfield, NJ
FATS	First Atlantic Savings and Loan Association	South Plainsfield, NJ
FSCC	First Federal Bank of Charlotte County	Punta Gorda, FL
GFCT	Greenwich Financial Corporation	Greenwich, CT
HHBX	HHB Systems, Inc.	Mahwah, NJ
KPTL	Keptel, Inc.	Tinton Falls, NJ
SWVA	Steel of West Virginia, Inc.	Huntington, WV
TTOI	TEMPEST Technologies, Inc.	Herndon, VA
VGINY	Virgin Group, plc	London, England

NASDAQ/NMS Interim Additions

The registration statements of the following issues have been declared effective by the SEC or other appropriate regulatory authority and commenced trading in NASDAQ/NMS since September 4, 1987.

Symbol*	Security	Date of Entry
WHTI	Wheelabrator Technologies, Inc.	9/17/87

Symbol*	Security	Date of Entry
JMPC	J. M. Peters Company, Inc.	9/18/87
CBAM	Cambrex Corporation	9/22/87
ETRC	Entree Corporation	9/22/87
IMKTA	Ingles Markets, Incorporated (CI A)	9/22/87
DPHZ	DATAHAZ, Inc.	9/23/87
NRTN	Norton Enterprises, Inc.	9/24/87
PTAC	Penn Treaty American Corporation	9/24/87
CETH	Catalyst Thermal Energy Corporation	9/25/87
CNCAA	Centel Cable Television Corporation (CI A)	9/25/87

NASDAQ/NMS Symbol* and/or Name Changes

The following changes to the list of NASDAQ/NMS securities occurred since September 4, 1987.

New/Old Symbol*	New/Old Security	Date of Change
CAVN/CMCO	CVN Companies, Inc./CVN Companies, Inc.	9/10/87
CKCP/CKCP	CYBERTEK Corporation/CYBERTEK Computer Products, Inc.	9/10/87
STOB/STOB	Standard Commercial Corporation/ Standard Commercial Tobacco Company, Inc.	9/10/87
NESB/NESB	NESB Corp./New England Savings Bank	9/17/87
PSSP/PSSP	Price/Stern/Sloan, Inc./Price/Stern/Sloan Publishers, Inc.	9/17/87
ITCH/BITC	Infotechnology, Inc./Biotech Capital Corp.	9/18/87
CBCT/CBCT	Cenvest, Inc./Central Bank for Savings	9/23/87
TOBK/TOBK	Tolland Bank/Tolland Bank, F.S.B.	9/23/87
DXTKZ/DXTKZ	Diagnostek, Inc. (CI B 3/31/88 Wts)/Diagnostek, Inc. (CI B 9/30/87 Wts)	9/24/87

NASDAQ/NMS Deletions

Symbol*	Security	Date
PRAT	Pratt Hotel Corporation	9/02/87
BMGC	Battle Mountain Gold Company (Cl A)	9/09/87
PORX	Porex Technologies Corporation	9/11/87
POLR	Polymeric Resources Corporation	9/15/87
CMLI	CML Group, Inc.	9/17/87
RENT	Rent-A-Center, Inc.	9/17/87
SBAR	San/Bar Corporation	9/17/87
MASXZ	Masco Industries, Inc. (Pfd)	9/21/87
FFSB	First Federal Savings Bank of California	9/22/87
ELDB	Eldorado Bancorp	9/24/87

Questions regarding this notice should be directed to Kit Milholland, Senior Analyst, NASDAQ Operations, at (202) 728-8281. Questions pertaining to trade reporting rules should be directed to Leon Bastien, Assistant Director, NASD Market Surveillance, at (202) 728-8192.

Sincerely,



Joseph R. Hardiman
President



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

notice to members 87-65

October 9, 1987

TO: All NASD Members and Other Interested Persons

RE: Statutorily Disqualified Persons Who Obtain a Controlling Interest in an NASD Member Firm and Failure of NASD-Registered Persons Who Become Statutorily Disqualified to Timely Amend Form U-4

EXECUTIVE SUMMARY

The NASD reminds members that the NASD By-Laws require a statutorily disqualified person who wishes to obtain a controlling interest in, or become a controlling person of, an NASD member firm must, before assuming such a position, apply to the NASD for approval through the Eligibility Proceedings described in the NASD By-Laws and Code of Procedure. In addition, the NASD By-Laws require members and their associated persons to make timely filings of amendments to Form BD and Form U-4 when changes occur in the information contained on the original applications.

BACKGROUND

The NASD Board of Governors has become aware that, in several instances, a statutorily disqualified ^{1/} person has obtained a "controlling interest" ^{2/} in an

^{1/} "Statutory disqualifications" are defined in Sections 3(a)(39) and 15(b)(4) of the Securities Exchange Act of 1934, and Article II, Sections 3 and 4 of the NASD By-Laws.

^{2/} SEC Rule 19h-1, which governs the NASD's handling of applications from disqualified persons and firms, in paragraph (f)(2) defines "control" as, "the power to direct or cause the direction of the management or policies of a company whether through ownership of securities, by contract or otherwise; provided, however, that (i) any person who, directly or indirectly, (A) has the right to vote 10 percent or more of the voting securities, (B) is entitled to receive 10 percent or more of the net profits, or (C) is a director (or person occupying a similar status or performing similar functions) of a company shall be presumed to be a person who controls such company."

NASD member without approval through an NASD Eligibility Proceeding. The Board is also concerned by the failure of these registered persons to timely amend Form U-4 to reflect disciplinary actions taken against them by federal or state agencies or self-regulatory organizations, or to reflect certain criminal convictions.

Acquisition of Control by Disqualified Persons

Article II, Section 3(b) of the NASD By-Laws prohibits a member firm from continuing in membership if the firm has an associated person who is disqualified. Article II, Section 4 of the By-Laws specifies the conditions that disqualify a person. Section 3(a)(21) of the Securities Exchange Act of 1934 defines "associated person with a member" as "... any person directly or indirectly controlling, controlled by or under common control with such member, or any employee of such member." Therefore, if a disqualified person obtains a "controlling" interest in an NASD member, that person is considered an associated person of the member.

Before a disqualified person can obtain a "controlling interest" in an NASD member, that person must apply to the NASD for approval through the NASD's Eligibility Proceedings, found in Article II, Section 3(d) of the By-Laws and Article VII of the Code of Procedure. Failure to receive approval by the NASD Board of Governors prior to obtaining the "controlling" interest will result in the immediate institution of a Revocation Proceeding under Article VI of the Code of Procedure against both the disqualified person and the NASD member that allowed the disqualified person to obtain the "controlling interest."

Failure to Amend Form U-4

Associated persons of NASD members have an obligation to keep current and accurate the information on Form U-4 (Uniform Application for Securities Industry Registration or Transfer) on file with the NASD. Similarly, member firms are obligated to ensure that Form BD (Uniform Application for Broker-Dealer Registration) is amended to reflect current information.

Article IV, Section 2(c) of the By-Laws, which relates to registered representatives and associated persons, requires that "Every application for registration filed with the Corporation shall be kept current at all times by supplementary amendments to the original application."

The instructions to Form U-4 provide that "amendment filings are required to (1) correct deficiencies in a previous filing; (2) update and keep current the information required on the form. . . ." Form U-4 is signed by the registered person and a representative of the member firm and both have the responsibility to update Form U-4 in a timely manner.

Article III, Section 1(d) of the By-Laws, which relates to membership applications, provides that "Each member shall ensure that its membership application with the Corporation is kept current at all times by supplementary amendments to the original application."

The instructions for Form BD provide that "... the applicant must update the Form BD information by submitting amendments whenever the information on file changes."

If a registered person becomes subject to a statutory disqualification, this fact must be reported promptly on an amended Form U-4 (and Form BD, if appropriate). The NASD Board of Governors has interpreted "promptly" to mean "within ten days of the occurrence of the disqualifying event." (The NASD must be notified so it can carry out its responsibilities under Section 15A(b)(6) of the Securities Exchange Act of 1934 and SEC Rule 19h-1.) Failure to file, or late filing, of an amended Form U-4 (or Form BD) may warrant disciplinary action with significant sanctions. In addition, failure to file, or failure to file in a timely manner, may be grounds to deny the application of the disqualified person to remain associated with the NASD member firm.

Questions concerning this notice may be directed to Craig L. Landauer, Attorney, NASD Office of General Counsel, at (202) 728-8291.

Sincerely,

A handwritten signature in black ink, appearing to read "Frank J. Wilson", written in a cursive style.

Frank J. Wilson
Executive Vice President
Legal and Compliance



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

notice to members 87-66

October 14, 1987

TO: All NASD Members and Other Interested Persons

RE: Quarterly Check List of NASD Notices to Members

The following are NASD Notices to Members issued during the third quarter of 1987. Requests for copies of any notice should be accompanied by a self-addressed mailing label and directed to: NASD Administrative Services, 1735 K Street, N.W., Washington, D.C. 20006-1506.

Notice Number	Date	Topic
87-42	July 1, 1987	NASDAQ National Market System Grows to 2,972 Securities With 29 Voluntary Additions on July 7, 1987
87-43	July 1, 1987	Adoption of Amendment to Article III, Section 35 of the NASD Rules of Fair Practice Regarding Advertising and Sales Literature for Direct Participation Programs
87-44	July 6, 1987	Proposed Amendment to Article III, Section 26(m) of the NASD Rules of Fair Practice Governing Prompt Payment for Investment Company Shares
87-45	July 15, 1987	NASDAQ National Market System Grows to 2,993 Securities With 20 Voluntary Additions on July 21, 1987
87-46	July 21, 1987	SEC Approval of NASD Corporate Governance Standards for NASDAQ/NMS Issuers and Amendments To Schedule D to the NASD By-Laws Concerning Designation of NASDAQ National Market System (NASDAQ/NMS) Securities

Notice Number	Date	Topic
87-47	July 22, 1987	Request for Comments on a Proposed New Level of Registration, Designated Assistant Representative-Order Processing, Under Schedule C to the NASD By-Laws
87-48	July 29, 1987	NASDAQ National Market System Grows to 3,019 Securities With 30 Voluntary Additions on August 4, 1987, And One Mandatory Inclusion on August 4, 1987
87-49	August 10, 1987	New \$10 NYSE Series 7 Development Fee to Begin in August
87-50	August 10, 1987	Amendments to SEC Rules 15c3-1, 17a-3, and 17a-13 Regarding Treatment of Repurchase and Reverse Repurchase Agreements
87-51	August 12, 1987	Treasury Department Adopts Changes To the Requirements Concerning Financial Recordkeeping and Reporting Of Currency and Foreign Transactions
87-52	August 12, 1987	Request for Comments on Proposed Amendment to the NASD Board of Governors' Corporate Financing Interpretation Concerning Public Offerings When Proceeds Are Directed to NASD Members
87-53	August 12, 1987	Request for Comments on Proposed Amendments to NASD By-Laws and Rules of Fair Practice, and Proposed New Government Securities Rules
87-54	August 13, 1987	NASDAQ National Market System Grows to 3,018 Securities With 8 Additions on August 18, 1987
87-55	August 14, 1987	Amendments to NASD Code of Arbitration Procedure Effective July 1, 1987
87-56	August 19, 1987	Labor Day: Trade Date-Settlement Date Schedule
87-57	August 27, 1987	NASDAQ National Market System Grows to 3,039 Securities With 23 Additions on September 1, 1987

Notice Number	Date	Topic
87-58	August 31, 1987	Amendments to SEC Rule 15c3-3 Regarding Treatment of Hold-in-Custody Repurchase Agreements
87-59	August 31, 1987	Quarterly Check List of NASD Notices To Members
87-60	September 10, 1987	NASDAQ National Market System Grows to 3,046 Securities With 11 Additions on September 15, 1987
87-61	September 10, 1987	Suggested Escrow Agreement Provisions for Members' Compliance With Securities and Exchange Commission Rule 15c2-4
87-62	September 22, 1987	NASD Board of Governors' Decision Concerning Regulation of Market Making by Issuer Affiliates
87-63	September 23, 1987	Columbus Day: Trade Date-Settlement Date Schedule



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

notice to members 87-67

October 14, 1987

IMPORTANT MAIL VOTE

OFFICERS, PARTNERS, AND PROPRIETORS

TO: All NASD Members

RE: Proposed Amendment to Article III, Section 35 of the NASD Rules of Fair Practice Concerning Testimonials

LAST VOTING DATE IS NOVEMBER 13, 1987.

EXECUTIVE SUMMARY

NASD members are invited to vote on a proposed amendment to Article III, Section 35(d)(2)(D) relating to testimonials used in members' communications with the public. The proposed amendment would conform the NASD rule to that of the New York Stock Exchange.

The text of the proposed amendment is attached.

BACKGROUND

Article III, Section 35 of the NASD Rules of Fair Practice relates to members' communications with the public and contains specific standards governing testimonials used in such communications. The current NASD rule applies to testimonial material concerning any advice, analysis, report, or other investment or related service rendered by the member and requires that members make clear that such experience is not necessarily indicative of future performance or of results obtained by others. A testimonial also must disclose compensation paid to the

maker, and, if it implies a specialized opinion, the qualifications of the maker of the testimonial must be stipulated.

When the NASD rule was originally adopted in 1980, the standards incorporated in the rule were patterned after those of New York Stock Exchange Rule 472.40(8) for purposes of consistency and reduction of unnecessary regulatory burdens on dual NASD/NYSE members. The NYSE has since amended its testimonial rule and a conforming amendment to Article III, Section 35(d)(2)(D) of the NASD Rules of Fair Practice has been approved by the NASD Board of Governors and is now being submitted for membership approval. Prior to becoming effective, the rule change must also be approved by the Securities and Exchange Commission.

PROPOSED AMENDMENT

The NASD's proposed amendment applies only to testimonials that concern the quality of a firm's investment advice. Limiting testimonial treatment to communications that relate to the quality of investment advice is consistent with other provisions of the NASD rule that focus upon disclosing that future performance may not be consistent with the experience of the individual giving the testimonial. The NASD's proposed amendment also requires disclosure of compensation only if it is more than a nominal amount.

COMMENTS RECEIVED

The proposed amendment to Article III, Section 35(d)(2)(D) of the NASD Rules of Fair Practice was published for comment in NASD Notice to Members 87-40 dated June 22, 1987. The NASD received four comment letters, which generally favored the rule proposal. Of these, one favored adopting the rule amendment without reservation while the other three favored the proposal but recommended that the amendment's provisions include more explicit standards. For example, it was suggested that the term "nominal" be defined.

The NASD National Business Conduct Committee reviewed the comments and recommended that the NASD Board of Governors approve the amendment as originally proposed. The Board of Governors approved the NBCC's recommendation.

* * * *

The Board believes that the proposed amendment to Article III, Section 35(d)(2)(D) of the NASD Rules of Fair Practice is necessary and appropriate to eliminate inconsistent regulation in the securities industry and recommends that members vote their approval.

Please mark the attached 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 November 13, 1987.

Questions concerning this notice may be directed to either Ms. R. Clark Hooper, NASD Advertising Department, at (202) 728-8330, or Ms. Eneida Rosa, NASD Office of General Counsel, at (202) 728-8294.

Sincerely,

A handwritten signature in black ink, appearing to read "Frank J. Wilson", written in a cursive style.

Frank J. Wilson
Executive Vice President
Legal and Compliance

Attachment

PROPOSED AMENDMENT TO ARTICLE III, SECTION 35
OF THE
NASD RULES OF FAIR PRACTICE*
Communications With the Public

Section 35

·
·

(d) Standards Applicable to Communications With the Public

(2) Specific Standards

·
·
·

(D) Testimonials: [Testimonial material concerning the member or concerning any advice, analysis, report, or other investment or related service rendered by the member must make clear that such experience is not necessarily indicative of future performance or results obtained by others. Testimonials must also disclose that compensation has been paid to the maker directly or indirectly, if applicable, and if they imply an experienced or specialized opinion, the qualifications of the maker of the testimonial should be given.]

In testimonials concerning the quality of a firm's investment advice, the following points must be clearly stated in the communication:

(i) The testimonial may not be representative of the experience of other clients.

(ii) The testimonial is not indicative of future performance or success.

(iii) If more than a nominal sum is paid, the fact that it is a paid testimonial must be indicated.

(iv) If the testimonial concerns a technical aspect of investing, the person making the testimonial must have knowledge and experience to form a valid opinion.

* New language is underlined; deleted language is in brackets.



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

notice to members 87-68

October 15, 1987

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

RE: NASDAQ National Market System Grows to 3,077 Securities With 10 Additions on October 20, 1987

On Tuesday, October 20, 1987, the following 10 issues are scheduled to join the NASDAQ National Market System, bringing the total number of issues in NASDAQ/NMS to 3,077:

Symbol*	Company	Location
CNTX	Centex Telemanagement, Inc.	San Francisco, CA
DSMI	Dallas Semiconductor Corporation	Dallas, TX
EECIF**	Encor Energy Corporation	Alberta, Canada
FLEX	Flextronics, Inc.	Newark, CA
GVMJ	GV Medical, Inc.	Minneapolis, MN
HRDG	Harding Associates, Inc.	Novato, CA
IFED	Inter Federal Savings Bank	Chattanooga, TN
QZMGF	Quartz Mountain Gold Corporation	Vancouver, Canada
TUHC	Tucker Holding Company, Inc.	Jacksonville, FL
WALS	Walshire Assurance Company	Gettysburg, PA

* NASDAQ symbols are proprietary to the National Association of Securities Dealers, Inc.

** This issue is scheduled to commence trading in the NASDAQ System concurrent with its designation as a NASDAQ/NMS security on October 20, 1987.

NASDAQ/NMS Pending Additions

The following issues have filed for inclusion in NASDAQ/NMS upon effectiveness of their registration statements with the SEC or other appropriate regulatory authority. Their inclusion may commence prior to the next regularly scheduled phase-in date.

Symbol*	Company	Location
ACCS	Access Technology, Inc.	South Natick, MA
EZCO	EZ Communications, Inc.	Fairfax, VA
FFLX	First Federal Savings & Loan Association of La Crosse	La Crosse, WI
GMGW	Geraghty & Miller, Inc.	Plainview, NY
LIDA	Lida, Inc.	Charlotte, NC
PBKS	Provident Bankshares Corporation	Baltimore, MD
SDAS	SDA Systems, Inc.	San Jose, CA
SPGF	Spectrographics Corporation	San Diego, CA

NASDAQ/NMS Interim Additions

The registration statements of the following issues have been declared effective by the SEC or other appropriate regulatory authority and commenced trading in NASDAQ/NMS since September 25, 1987:

Symbol*	Security	Date of Entry
FSCC	First Federal Savings Bank of Charlotte County	9/25/87
SDRC	Structural Dynamics Research Corporation	9/29/87
AAICA	Albany International Corporation (Cl A)	9/30/87
ANSL	Anchor Savings & Loan Association	9/30/87
GPRO	Gen-Probe Incorporated	9/30/87
PSPA	Pennview Savings Association	9/30/87
SUGR	Summagraphics Corporation	9/30/87
IIVI	II-VI Incorporated	10/02/87
CAMBY	Cambridge Instrument Company, plc (The)	10/02/87
VGINY	Virgin Group, plc	10/02/87
SPGLA	Spiegel Inc. (Cl A)	10/06/87
SWVA	Steel of West Virginia, Inc.	10/06/87

Symbol*	Security	Date of Entry
HHBX	HHB Systems, Inc.	10/08/87
CTIA	Communications Transmission, Inc.	10/09/87
ISOE	ISOETEC Communications, Inc.	10/09/87
JWAIA	Johnson Worldwide Associates, Inc. (C1 A)	10/09/87
NMRKV	NewMark Illinois Corporation (WI)	10/12/87

NASDAQ/NMS Symbol* and/or Name Changes

The following changes to the list of NASDAQ/NMS securities occurred since September 25, 1987:

New/Old Symbol*	New/Old Security	Date of Change
BAPY/BAPYZ	Burnham American Properties, Inc./ Burnham American Properties, Inc. (Uts)	10/01/87
CIMC/CIMC	CIMCO, Inc./CIMCO	10/01/87
CLRK/CLRK	CLARCOR, Inc./J. L. Clark Manufacturing Company	10/01/87
WLBK/WLBK	Waltham Corporation/Waltham Savings Bank (The)	10/01/87
MRMK/LIFS	Merrimack Bancorp, Inc./Lowell Institution for Savings	10/06/87
UFSB/UFSB	University Savings Bank/University Federal Savings Bank	10/08/87
HCCI/HCCI	HCC Industries, Inc./HCC Industries	10/09/87

NASDAQ/NMS Deletions

Symbol*	Security	Date
CARG	Carriage Industries, Inc.	9/29/87
PESO	Two Pesos, Inc.	9/29/87
BLAN	Bridge Communications, Inc.	9/30/87
FUFS	First Limited Financial Services, Inc.	10/01/87
FFBV	First Federal Savings & Loan Association of Brooksville	10/02/87

Symbol*	Security	Date
THEN	Thermo Analytical, Inc.	10/02/87
NTWK	Network Security Corporation	10/05/87
UWSB	Union Warren Savings Bank	10/08/87
SPDY	Spectradyne Inc.	10/09/87

Questions regarding this notice should be directed to Kit Milholland, Senior Analyst, NASDAQ Operations, at (202) 728-8281. Questions pertaining to trade reporting rules should be directed to Leon Bastien, Assistant Director, NASD Market Surveillance, at (202) 728-8192.

Sincerely,


Lynn Nellius
Secretary



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

notice to members 87-69

October 20, 1987

TO: All NASD Members and Other Interested Persons

RE: Front-Running of Blocks--Interpretation of the Board of Governors on Article III, Section 1 of the Rules of Fair Practice

SUMMARY

The NASD Board of Governors believes it is necessary to clarify its policy with respect to trading in stock and index options by members or persons associated with a member while in possession of material, non-public market information concerning imminent transactions of block size. Under certain circumstances, this type of activity, generally described as "front-running," shall constitute conduct inconsistent with just and equitable principles of trade in violation of Article III, Section 1 of the NASD Rules of Fair Practice.

Pursuant to the provisions of Article VII, Section 1(a)(2) of the NASD By-Laws and Article I, Section 3 of the NASD Rules of Fair Practice, the NASD Board of Governors has adopted an Interpretation of Article III, Section 1 of the NASD Rules of Fair Practice clarifying its position. The text of the Interpretation is attached.

Although the Board believes it is important to provide guidelines describing the kind of conduct that will not be permitted, members and persons associated with a member should be aware that any conduct that is not consistent with their fiduciary responsibilities in this area would be a violation of Article III, Section 1 of the Rules of Fair Practice. Members and persons associated with a member should also be aware that such prohibitions also apply when members or persons associated with a member provide material, non-public market information to customers who then trade on the basis of the information.

* * * * *

The NASD will continue to address possible front-running violations on a case-by-case basis, taking into consideration the facts in each situation.

Questions concerning this notice should be directed to James Cangiano, Director, NASD Market Surveillance, at (202) 728-8186, or Eneida Rosa, Assistant General Counsel, NASD Office of General Counsel, at (202) 728-8294.

Sincerely,

A handwritten signature in black ink, appearing to read "Frank J. Wilson". The signature is fluid and cursive, with a large initial "F" and "W".

Frank J. Wilson
Executive Vice President
and General Counsel

Attachment

ARTICLE III, SECTION 1 OF THE NASD'S RULES OF FAIR PRACTICE

● ● ● Interpretation of the Board of Governors

Front-Running Policy

It shall be considered conduct inconsistent with just and equitable principles of trade for a member or person associated with a member, for an account in which such member or person associated with a member has an interest, or for an account with respect to which such member or person associated with a member exercises investment discretion, or for certain customer accounts, to cause to be executed:

- (1) an order to buy or sell an option when such member or person associated with a member causing such order to be executed has material, non-public market information concerning an imminent block transaction in the underlying security, or when a customer has been provided such material, non-public market information by the member or any person associated with a member, or
- (2) an order to buy or sell an underlying security when such member or person associated with a member causing such order to be executed has material, non-public market information concerning an imminent block transaction in an option overlying that security, or when a customer has been provided such material, non-public market information by the member or any person associated with a member,

prior to the time information concerning the block transaction has been made publicly available.

The violative practice noted above may include transactions that are executed based upon knowledge of less than all of the terms of the block transaction, so long as there is knowledge that all of the material terms of the transaction have been or will be agreed upon imminently.

These general prohibitions shall not apply to transactions executed by member participants in automatic execution systems in instances where participants must accept automatic executions.

These prohibitions also do not include situations in which a member or person associated with a member receives a customer's order of block size relating to both an option and the underlying security. In such cases, the member and person associated with a member may position the other side of one or both components of the order. However, in these instances, the member and person associated with a member would not be able to cover any resulting proprietary position(s) by entering an offsetting order until information concerning the block transaction has been made publicly available.

The application of this front-running policy is limited to transactions that are required to be reported on the last-sale reporting systems administered by

NASDAQ, CTA, or OPRA. Information as to a block transaction shall be considered to be publicly available when it has been disseminated via the tape or high-speed communications line of one of those systems or of a third-party newswire service.

A transaction involving 10,000 shares or more of an underlying security or options covering such number of shares is generally deemed to be a "block" transaction, although a transaction of less than 10,000 shares could be considered a block transaction in appropriate cases. A block transaction that has been agreed upon does not lose its identity as such by arranging for partial executions of the full transaction in portions which themselves are not of block size if the execution of the full transaction may have a material impact on the market. In this situation, the requirement that information concerning the block transaction be made publicly available will not be satisfied until the entire block transaction has been completed and publicly reported.



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

notice to members 87-70

October 22, 1987

TO: All NASD Members and Municipal Securities Bank Dealers
 FROM: All Operations Personnel
 RE: Veteran's Day and Thanksgiving Day: Trade Date-Settlement Date Schedules

The schedule of trade dates/settlement dates below reflects the observance by the financial community of Veteran's Day, Wednesday, November 11, and Thanksgiving Day, Thursday, November 26. On Wednesday, November 11, the NASDAQ System and the exchange markets will be open for trading. However, it will not be a settlement date since many of the nation's banking institutions will be closed in observance of Veteran's Day. All securities markets will be closed on Thursday, November 26, in observance of Thanksgiving Day.

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

<u>Trade Date</u>		<u>Settlement Date</u>		<u>Regulation T Date*</u>	
November	3	November	10	November	12
	4		12		13
	5		13		16
	6		16		17
	9		17		18
	10		18		19
	11		18		20
	18		25		30
	19		27	December	1
	20		30		2
	23	December	1		3
	24		2		4
	25		3		7
	26	MARKETS CLOSED			—
	27		4		8

- * Pursuant to Sections 220.8(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."

Please note that November 11 is considered a business day for receiving customers' payments under Regulation T of the Federal Reserve Board.

Transactions made on November 11 will be combined with transactions made on the previous day, November 10, for settlement on November 18. Securities will not be quoted ex-dividend, and settlements, marks to the market, reclamations, buy-ins, and sell-outs, as provided in the Uniform Practice Code, will not be made and/or exercised on November 11.

The foregoing settlement dates should be used by brokers, dealers, and municipal securities dealers for purposes of clearing and settling transactions pursuant to the NASD 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 NASD Uniform Practice Department at (212) 839-6256.

* * * * *

NASD

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

notice to members 87-71

October 23, 1987

TO: All NASD Members

RE: H.B. Shaine & Co., Inc.
111 Pearl Street, N.W.
Grand Rapids, Michigan 49503

ATTN: Operations Officer, Cashier, Fail-Control Department

On October 20, 1987, the United States District Court for the Western District of Michigan appointed a SIPC trustee for the above-captioned firm.

Members may use the "immediate close-out" procedures as provided in Section 59(i) of the NASD's Uniform Practice Code to close out open OTC contracts. Also, MSRB Rule G-12(h)(iv) provides that members may use the above procedures to close out transactions in municipal securities.

Questions regarding the firm should be directed to:

SIPC Trustee

Cyril Moscow, Esquire
c/o Honigman, Miller, Schwarz & Cohn
2290 1st National Building
Detroit, Michigan 48226
Telephone: (313) 256-7800

* * * * *

NASD

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

notice to members 87-72

October 28, 1987

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

RE: NASDAQ National Market System Grows to 3,087 Securities With 15 Additions on November 3, 1987

On Tuesday, November 3, 1987, the following 15 issues are scheduled to join the NASDAQ National Market System, bringing the total number of issues in NASDAQ/NMS to 3,087:

Symbol*	Company	Location
BMED	Ballard Medical Products	Midvale, UT
CHTB	Cohasset Savings Bank	Cohasset, MA
MCON	EMCON Associates	San Jose, CA
FPBT	Fountain Powerboat Industries, Inc.	Washington, NC
FPBTW	Fountain Powerboat Industries, Inc. (Wts)	Washington, NC
HMSS	H.M.S.S., Inc.	Houston, TX
HIVT	Health Insurance of Vermont, Inc.	Colchester, VT
INVS	Investors Savings Corp.	Minnetonka, MN
INVN	Invitron Corporation	St. Louis, MO
NAIG	National Insurance Group	San Bruno, CA
NLBK	National Loan Bank	Houston, TX
CBRYA	Northland Cranberries, Inc. (CI A)	Wisconsin Rapids, WI

* NASDAQ symbols are proprietary to the National Association of Securities Dealers, Inc.

OPTX	Optek Technology, Inc.	McKinney, TX
PHPH	PHP Healthcare Corporation	Alexandria, VA
QMAX	Qmax Technology Group, Inc.	Dayton, OH

NASDAQ/NMS Pending Additions

The following issues have filed for inclusion in NASDAQ/NMS upon effectiveness of their registration statements with the SEC or other appropriate regulatory authority. Their inclusion may commence prior to the next regularly scheduled phase-in date.

Symbol*	Company Name	Location
ADHC	Advantage Health Corporation	Woburn, MA
AAIS	Applied ImmuneSciences, Inc.	Menlo Park, CA
AAFC	Arctic Alaska Fisheries Corporation	Seattle, WA
CLFI	Country Lake Foods, Inc.	Saint Paul, MN
DGRX	Douglas Drug, Inc.	North Providence, RI
FBKG	Ford Bank Group, Inc.	Lubbock, TX
HUHO	Hughes Homes, Inc.	Tacoma, WA
HPRY	Humphreys, Inc.	Chicago, IL
INSY	Interim Systems Corporation	Northbrook, IL
MALC	Mallard Coach Company, Inc.	Nappanee, IN
MFLR	Mayflower Co-Operative Bank	Middleboro, MA
MDSS	Medical Support Systems, Inc.	Dallas, TX
NYBC	New York Bancorp, Inc.	North Hills, NY
PGRMF	PolyGram, N.V.	Baarn, The Netherlands
PLCO	Pool Company of Texas	Houston, TX
PLSEA	Pulse Engineering, Inc. (CI A)	San Diego, CA
SWREA	Southwire Corporation (CI A)	Carrollton, GA
CALL	Telephone Management Corporation	Atlanta, GA
TUSC	Tuscarora Plastics, Inc.	New Brighton, PA
USWN	U.S. West NewVector Group, Inc.	Bellevue, WA
WKBC	Wake Bancorp, Inc.	Wakefield, MA

NASDAQ/NMS Interim Additions

The registration statements of the following issues have been declared effective by the SEC or other appropriate regulatory authority and commenced trading in NASDAQ/NMS since October 12, 1987:

Symbol*	Security	Date of Entry
TTOI	TEMPEST Technologies, Inc.	10/14/87
UMBIL	Universal Medical Buildings, L.P. (Ser A Pfd Uts)	10/15/87

NASDAQ/NMS Symbol* and/or Name Changes

The following changes to the list of NASDAQ/NMS securities occurred since October 12, 1987:

New/Old Symbol*	New/Old Security	Date of Change
BECHY/BHAMY	Beecham Group, plc./Beecham Group, plc.	10/13/87
GACC/FMIF	Great American Communications Company/FMI Financial Corporation	10/14/87
MRCCV/NMRKV	Mark Controls Corporation (WI)/ New Mark Illinois Corporation (WI)	10/19/87
NMSB/NMSB	New MilBancorp, Inc./New Milford Savings Bank	10/20/87
LVMHY/LVTNY	LVMH Moet-Hennessy Louis Vuitton (ADRs)/Louis Vuitton (ADRs)	10/23/87

NASDAQ/NMS Deletions

Symbol*	Security	Date
WEXCW	Wolverine Exploration Company (Wts)	10/13/87
LPLI	LPL Investment Group, Inc.	10/14/87
WOLA	Wolverine Technologies, Inc.	10/14/87
MBOXQ	MBI Business Centers, Inc.	10/15/87
NBBS	New Bedford Institution for Savings	10/15/87
RYALQ	Royale Airlines, Inc.	10/15/87
IVAC	IVACO Industries, Inc.	10/16/87

Symbol*	Security	Date
BABY	Burnham American Properties, Inc.	10/19/87
DATC	Data Card Corporation	10/19/87
JACK	Jackpot Enterprises, Inc.	10/19/87
PNCF	PNC Financial Corporation	10/21/87
GNTE	Granite Co-Operative Bank	10/22/87

Questions regarding this notice should be directed to Kit Milholland, Senior Analyst, NASDAQ Operations, at (202) 728-8281. Questions pertaining to trade reporting rules should be directed to Leon Bastien, Assistant Director, NASD Market Surveillance, at (202) 728-8192.

Sincerely,


Lynn Nellius
Secretary