Notice to Members: 75-27

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

To: All NASD Members Date: April 2, 1975

Re: G. H. Sheppard & Co., Inc.
15 Maiden Lane
New York, New York 10038

Attn: Operations Officer, Cashier, Fail-Control Department

As previously indicated in NASD Notice to Members: 75-22 issued on March 7, 1975, a court-appointed Temporary Receiver was named on March 5, 1975 for the above firm. Members were instructed that they 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.*

On Tuesday, March 25, 1975, the court appointed the Temporary Receiver as the SIPC Trustee for the firm. Accordingly, questions regarding the firm should be directed to:

SIPC Trustee

Jerome M. Selvers, Esquire
Charney, White & Weinberg
140 Broadway
New York, New York 10005
Telephone (212)422-7550

Questions regarding this notice may be directed to the Uniform Practice Division of National Clearing Corporation, Two Broadway, New York, N.Y. 10004 - (212)952-4018.

*This notice, which applies to all NASD Members, has been issued by National Clearing Corporation. The Board of Directors of NCC interprets and enforces the provisions of the NASD's Uniform Practice Code.

Notice to Members: 75-28

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

April 2, 1975

To: All NASD Members

The Board of Governors, at its meeting on March 14, 1975, authorized commencement of negotiations with the Bunker Ramo Corporation for the addition of a block information display capability to the NASDAQ System.

The possibility of including a block information system in NASDAQ has been under study by a Special Committee of the NASDAQ Committee which recommended proceeding with such a system. The addition of a block capability to NASDAQ would facilitate the Association's regulation of members' activities.

A Bunker Ramo official commented, and the Committee believes, that a block system comparable in nearly all respects to those planned or currently used by Association members should constitute a natural add-on to the present NASDAQ System. Utilization of present NASDAQ computers, communications lines and terminals should allow the Association to offer a block system at substantial savings to members over any block system either currently in use or being planned.

Negotiations with Bunker Ramo should be completed within the next 90 days and work will then proceed subject to final approval of the Board of Governors. It is estimated that an NASD block system could be operational, upon non-disapproval by the Securities and Exchange Commission of the necessary rule modifications, within one year from the time that a contract to build the system is signed.

Sincerely,

Gordon S. Macklin
President

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

April 21, 1975

To: All NASD Members

Re: Quarterly Check-List of Notices to Members (First Quarter, 1975)

Listed below are the Notices to Members which have been issued during the first quarter of 1975.

Members should note that only one copy of each Notice to Members is mailed to every main office of every member. Copies are not mailed to branch offices or to additional personnel in the main office other than the Executive Representative. Therefore, we suggest that all members retain the original copy of each Notice to Members in a separate file in their main office, and that copies needed for internal or branch office distribution be duplicated from the original Notice.

If your main office file is missing any of the following notices, please write to the Office Services Administrator at the NASD Executive Office. Requests for copies should be accompanied by a self-addressed label.

Serial No.	Subject	Date
75-1	Appointment of SIPC Trustee for Universal Underwriting Service	12/31/74
75-2	Potential Problems Relating to Transactions By Members With a Pension Plan Under the Employee Retirement Income Security Act of 1974	1/7/75
75-3	Quarterly Check List (Fourth Quarter, 1974)	1/7/75
75-4	Use of Certificates of Deposit in "Reserve Bank Account"	1/10/75
75-5	Lost, Stolen and Counterfeit Certificates: A Special Report from the Department of Justice	1/10/75
75-6	Mandatory Fidelity Bonding Rule	1/13/75

75-7	Revised Schedule of Examination Centers for the General Securities Registered Representative Examination (Series 7)	1/13/75
75-8	Mail Vote on Proposed Amendments to Regulations Governing Sales Charges on Mutual Fund Shares and Variable Annuity Contracts	1/27/75
75-9	False Identification Questionnaire	2/5/75
75-10	1975 Schedule of Holidays	2/5/75
75-11	NCC Settlement Date Schedule for Lincoln's and Washington's Birthdays	2/5/75
75-12	Mail Vote: Proposed Article XVIII of the Association's By-Laws concerning Consolidated Tape Reporting	2/7/75
75-13	Appointment of SIPC Trustee for R. L. Whitney Securities, Inc.	2/10/75
75-14	Proposed Amendments to Schedule E of Article IV, Section 2(c) of the By-Laws Concerning the Public Distribution of Issues of Members' Securities and Affiliates Thereof.	2/18/75
7-15	Recent Amendment to SEC Rule 17a-5(n) - Financial Statements Furnished to Customers of Broker/Dealers	2/20/75
75-16	Payments By Issuers to Market Makers	2/20/75
75-17	Appointment of SIPC Trustee for Executive Securities Corp	2/20/75
75-18	Appointment of SIPC Temporary Receiver for Saxon Securities Corp	2/26/75
75-19	Qualification Examinations for Registered Representatives Selling Investment Company Products and Variable Contracts	2/26/75
75-20	Implementation of Series 7 Qualification Examination for General Securities Registered Representative	2/28/75
75-21	Questions and Answers concerning Form U-4/ "Uniform Application for Securities and Commodities Industry Representative and/or Agent"	2/28/75

75-22	Appointment of SIPC Temporary Receiver for G. H. Sheppard & Co., Inc.	3/7/75
75-23	Scheduling of Foreign Qualification Examinations	3/12/75
75-24	NCC Settlement Dates for Good Friday Closing	3/13/75
75-25	Proposed Amendments to Schedule C, Article 1, Section 2(d) of the By-Laws concerning Entry Standards	3/31/75
75-26	Proposed Amendment to Appendix C of Article III, Section 32, Rules of Fair Practice concerning Fidelity Bonding	3/31/75

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NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

April 21, 1975

To: All NASD Members

Re: Saxon Securities Corp.
52 Broadway
New York, New York 10004

Attn: Operations Officer, Cashier, Fail-Control Department

As previously indicated in NASD Notice to Members: 75-18, a court appointed Temporary Receiver was named for the above firm on Friday, February 21, 1975. Members were instructed that they 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.*

On Tuesday, April 1, 1975, the court appointed the Temporary Receiver as the SIPC Trustee for the firm. Accordingly, questions regarding the firm should be directed to:

SIPC Trustee

Mr. Joseph Barton
52 Broadway, Room 416
New York, New York 10004
(212)344-8873

Questions regarding this notice may be directed to the Uniform Practice Division of National Clearing Corporation, Two Broadway, New York, New York 10004 - (212)952-4018.

*This notice, which applies to all NASD Members, has been issued by National Clearing Corporation. The Board of Directors of NCC interprets and enforces the provisions of the NASD's Uniform Practice Code.

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

April 21, 1975

To: All NASD Members

Re: Richardson & Co., Inc.
1901 Avenue of the Stars, Suite 1136
Los Angeles, California 90067

Attn: Operations Officer, Cashier, Fail Control Department

On Wednesday, April 16, 1975, a Temporary Receiver was appointed for the above firm. Accordingly, members may use the immediate close-out procedures detailed in Section 59 (i) of the NASD's Uniform Practice Code to close-out open OTC contracts. *

The firm is not a member of NCC.

Questions may be directed to:

Temporary Receiver

Eugene W. Bell, Esq.
Stephens, Jones, La Fever & Smith
800 Wilshire Blvd.
Los Angeles, California 90017
Telephone (213) 485-1111

Questions regarding this notice may be directed to the Uniform Practice Division of National Clearing Corporation, Two Broadway, New York, New York 10004 - (212) 952-4018.

* This notice, which applies to all NASD Members, has been issued by National Clearing Corporation. The Board of Directors of NCC interprets and enforces the provisions of the NASD's Uniform Practice Code.

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.
1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

IMPORTANT NOTICE
LOST OR STOLEN SECURITIES

April 21, 1975

TO: NASD Members

Please take notice that the following bearer bonds have been reported missing:

Description of Issue	Certificate Numbers	
U.S. Treasury Bonds, 3 1/2% due November 15, 1998, with May 15, 1975, coupons attached:		
7 @ $10,000	115425	88076
	115426	88077
	115427	26883
	115428	
1 @ $5,000	9566	

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

If any NASD member comes into possession of any of the above cited certificates or receives any information concerning these certificates, he should contact local law enforcement authorities, the Federal Bureau of Investigation, or

Harry Stoddard, Esq.
One Beacon Street
Boston, Massachusetts 02110
(617) 523-2100

Sincerely,

Frank J. Wilson
Senior Vice President
Regulation

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

April 25, 1975

IMPORTANT

NEW REGULATORY PROPOSALS FOR COMMENT

TO: All NASD Members and Interested Persons

RE:
(1) Proposed Statement of Policy of the Board of Governors Concerning Due Diligence Requirements For Public Offerings of Securities

(2) Proposed Amendment to the Statement of Policy of the Board of Governors Concerning Fair Dealing With Customers

(3) Proposed Amendment to Article III, Section 15 of the Rules of Fair Practice Concerning Discretionary Accounts

(4) Proposed Amendment to "Review of Corporate Financing" Interpretation of the Board of Governors Concerning Issuer Reserved or Directed Securities

(5) Proposed New Article III, Section 34 of the Rules of Fair Practice Concerning Best Efforts Offerings of Securities

The Board of Governors of the Association has made certain regulatory proposals which have as their purpose the recommendation of procedures for the establishment of a system of regulation in the areas of underwriter inquiry and investigation (due diligence) respecting distributions of new issues of securities to the public, recommendations to customers regarding the purchase of securities in a public offering of a new issue, the purchase or resale of securities which are or were part of a public offering of a new issue by means of discretionary power, the reserving or directing

by an issuer of shares in a public offering of securities and the distribution of "best efforts offerings" to the public.

These proposals are being published by the Board at this time to enable all members and other interested persons an opportunity to comment thereon. Comments on the proposals contained herein must be in writing and received by the Association by May 26, 1975 in order to receive consideration. After the comment period has expired the proposals must again be reviewed by the Board taking into consideration the comments received. If the proposals, or an amended revision thereof, are at that time approved by the Board, the Statements of Policy must be submitted to the Securities and Exchange Commission for nondisapproval while the new and amended rules must be submitted to the membership for vote and subsequently filed with the Securities and Exchange Commission for nondisapproval.

All comments should be directed to Mr. Donald H. Burns, Secretary, National Association of Securities Dealers, Inc., 1735 K Street, N.W., Washington, D. C. 20006. All communications will be considered available for inspection. Any questions concerning this notice should be directed to George E. Warner or S. William Broka at (202) 833-7240.

Sincerely,

Frank J. Wilson

Frank J. Wilson
Senior Vice President
Regulation

Background and Explanation of Proposals

These proposals resulted largely from the Securities and Exchange Commission's written requests on July 26, 1972 of the Association that it consider the establishment of underwriter inquiry standards and customer suitability rules respecting first time public offerings and examine the question of what constitutes a bona fide public distribution in such offerings. Subsequent to those requests, the Association's Board of Governors established the Ad Hoc Committee to Study New Issue Rules. The Committee made several recommendations to the Board some of which were formalized into proposed rules and submitted to the membership and other interested persons for comment on March 14, 1973 (1973 proposals). That release, Notice to Members 73-17, presented proposals dealing with due diligence, suitability and the concept of a qualified underwriter principal. The proposals regarding due diligence and suitability received extensive adverse comment and were subsequently returned to the Committee which made major modifications. They were thereafter resubmitted to the Board of Governors and approved by it in the form here submitted. The proposals contained herein represent a major departure from the 1973 proposals and also present some new proposals not included in any prior release. The originally proposed section dealing with the establishment of a qualified underwriter principal included in the 1973 proposals received no adverse comment and was subsequently approved by the Board. It therefore will not be reconsidered for further comment here although some reference is made thereto throughout these proposals. This special category is not yet effective, however, since the provisions thereof will become, with certain amendments, part of Schedule C which is currently in the process of being completely rewritten. Amendments in respect thereto are currently before the membership for comment (see Notice to Members 75-25). The appropriate qualifications examination is also being developed for "underwriter principals."

In response to the comments received on the due diligence proposal, the Committee recommended, and the Board concurred, that in lieu of requiring by rule that underwriters establish their own inquiry or "due diligence standards" as envisioned in the 1973 proposals, the Board of Governors should promulgate a Statement of Policy concerning the subject. This approach is reflected in the proposed Statement of Policy Concerning Due Diligence Requirements For Public Offerings of Securities. The proposed Statement of Policy stresses an underwriter's responsibilities and liabilities for compliance with the anti-fraud provisions of the federal securities acts and

emphasizes the need for each member firm to insure that an adequate due diligence investigation has been performed prior to participating in the distribution of an issue of securities to the public. In addition, the proposal cites specific examples of generally acceptable industry practice in the investigation of direct participation programs which in some respects go beyond the traditional concept of due diligence in corporate offerings. Delineation of these examples resulted from comments received from the membership on the 1973 proposals as well as from the recommendations of a Subcommittee of the Committee on Direct Participation Programs which is composed of experts in that area of securities industry activity.

The amendment to Article III, Section 2 of the Rules of Fair Practice concerning Suitability of Recommendations to Customers as proposed in the 1973 proposals has, consistent with the comments received, been significantly modified and is now in the form of an addition to the Statement of Policy of the Board of Governors Concerning Fair Dealing With Customers. The addition describes guidelines for members to use in connection with their recommendations to customers of purchases of securities which are part of the public distribution of new issues. The guidelines would be especially applicable if the securities were being issued by a company going public for the first time. Adoption of a statement of policy approach in this area rather than an amendment to an existing rule as proposed in 1973 leaves the judgment of determining the suitability of a given offering for a particular investor in the hands of the broker/dealer, as in the case of any security, but emphasizes his responsibility to see that an investment is indeed suitable for each customer making a purchase. In short, the Board believes the existing suitability rule is adequate for implementation in respect to new issues and that a new rule, embodying the new suitability concepts specified in the 1973 proposals, is not necessary.

After presenting the 1973 proposals to the membership, the Board of Governors and the Ad Hoc Committee continued their efforts in pursuit of a response to the Commission on the question of establishing standards for new issues regarding the components of a bona fide public distribution. No suggestions in this respect were made in the 1973 proposals. The Commission initially asked that the Association "establish guidelines particularizing what constitutes a bona fide public offering" and recommended that such guidelines take into consideration the total number of securities to be offered, the price of the securities to be offered, the number of persons to whom the securities would be distributed and the "float" in the hands of the public as opposed to that in the hands of affiliates

of the issuer, among other things. The Ad Hoc Committee rejected recommending to the Board requirements along those lines believing that such would infringe on the management prerogatives of the issuer. As an alternative, however, it recommended to the Board, which agreed, a proposed amendment to Article III, Section 15 of the Rules of Fair Practice, an amendment to the Interpretation of the Board of Governors With Respect to "Review of Corporate Financing" and an expanded version of a rule pertaining to best efforts offerings proposed in 1971 but which was subsequently set aside. The Board believes that the combination of these proposals and other changes in the Association's regulations relating to new issues would help to combat abuses evident in some areas dealing with new issues as revealed by the Securities and Exchange Commission's special study covering hot issues and by the Association's own investigations. Each of these proposals is designed to attack elements which have been identified as being components of market manipulation schemes. It is hoped that in the aggregate they will make manipulation in connection with initial distributions more difficult to perpetrate.

The proposed amendment to Article III, Section 15 would prohibit the use of discretionary power in effecting for any customer's account the purchase or resale of a security which is or was part of the initial public distribution of an issuer's securities. Discretionary power has been improperly used by manipulators by allocating shares to accounts to decrease public float, thereby creating false demand and establishing artificial markets to aid in the perpetration of their schemes.

The amendment to the "Review of Corporate Financing" Interpretation of the Board of Governors would prohibit a member from soliciting or accepting instructions from an issuer to reserve or direct securities to a specified person or class of persons, including persons related to the issuer's business. The Board believes such an amendment is necessary to assist in preventing artificial stimulation of the price of an initial offering, so-called "free rides," by some company related investors, and to insure that there will be more shares of an initial public offering of securities available for purchase by the public rather than a compressed and potentially small percentage of the amount stated in the prospectus as comprising the offering.

The proposed rule concerning best efforts offerings is embodied in proposed new Rule of Fair Practice, Article III, Section 34. The Board proposed a similar rule in 1971 as a result of a study made by the Association of what appeared to be improper

activity in connection with the distribution of certain best efforts underwritings and secondary market trading in them. The proposed rule was submitted to the membership for comment in February 1972. In March 1972, following a review of the comments received, a mail vote on the proposed rule was requested. The proposal was approved by the membership but nondisapproval by the Commission was never received due to technical opposition to certain provisions thereof.

The best efforts proposal being made here represents a revision of the earlier rule. Reconsideration of the rule was prompted by the Commission's July 1972 request of the Association to examine the components of the bona fide public distribution of an issue of securities, partially as a result of some of the flagrant practices evidenced in certain offerings that surfaced as a result of the Commission's hearings, and by practices the Association has seen in its own investigations. Indications were that in certain situations, primarily involving small, low-priced, speculative best efforts distributions, some underwriters maintained strict control over the supply of shares in the market by refusing to deliver to purchasers in the offering or by discouraging or refusing to accept sell orders entered by their own customers. Thus, the underwriter was able to have an aftermarket price established and maintained at a predetermined or continuously increasing level. This type of activity while the distribution was still in process assisted the underwriter in disposing of unsold securities of the offering. In some cases, the inflated price of the securities of the offering was used by the underwriter as evidence of a "track record" for inducing sales in future offerings. Essential to the successful consummation of this scheme was the unavailability of certificates of the securities sold in the offering. In many cases certificates were not made available for several months after the offering had been completed. By not making them available, the securities could not be disposed of by the purchasers through other broker/dealers due to certain regulatory restrictions previously imposed upon the membership but which have since been modified. The purchasers were, therefore, effectively prevented from taking advantage of the aftermarket prices thereby enabling those prices to remain or increase to artificially inflated levels. The new proposed rule is taken largely from the earlier proposal but does contain some new and broadened definitions which will be discussed below. The new proposal would also require the establishment of an escrow account into which a member or issuer would be required to place all funds received in connection with a best efforts distribution until the distribution of the issue had been legally terminated.

A section by section analysis of each of the proposals follows:

Proposed Statement of Policy of the Board of Governors Concerning Due Diligence Requirements For Public Offerings of Securities

This proposed policy statement is self-explanatory and no elaboration is needed here. It should be noted, however, that adequate due diligence in respect to a particular offering can be determined only by reference to the peculiar facts relative thereto and the issue involved. Thus, greater or lesser emphasis could and should be placed upon the various factors discussed in the Statement of Policy, or other areas of inquiry, depending upon the facts surrounding the issue and the issuer itself. The determination of adequacy of the inquiry is, in the first instance, always a subjective judgment on the part of the underwriter. This determination should always be made with full recognition of the legal requirements and potential liabilities in mind. The Board hopes that the proposed policy statement will assist in causing members to focus more clearly on such.

Proposed Amendment to the Statement of Policy of the Board of Governors Concerning Fair Dealing With Customers

A technical amendment would be made to the language in the last sentence of the introductory paragraph of the existing Statement of Policy deleting the word "and" and inserting the word "or" in its place.

A new paragraph 6 would be added to existing paragraphs 1-5 to serve as a guide for members regarding fair dealing with their customers when recommending the purchase of securities which are part of a distribution of an initial issue to the public. This paragraph would remind members of their responsibility to insure that any such purchase recommendations are not violative of the Association's suitability rule.

Proposed Amendment to Article III Section 15 of the Rules of Fair Practice

This existing rule under Section 15 would be amended by redesignating existing paragraphs (b), (c) and (d) as (c), (d) and (e) and by adding a new paragraph (b) thereto. The new paragraph (b) would prohibit the use of discretionary accounts for purposes of purchasing or reselling shares in initial issues of securities.

Under this prohibition no member would be able to effect for any customer's account in which it or its agents had been vested with discretionary power any transaction of purchase or resale of a security which is part of the initial distribution. The Board believes that the use of discretionary accounts in the distribution of new issues of securities can, and in a number of instances has, contributed to the artificial inflation of market prices by limiting the number of securities available. It further believes because of the very speculative nature of many initial distributions discretionary power should not be available to the member or its agent but the decision of whether to buy or sell in these situations should rest entirely with the customer.

Proposed Amendment to Interpretation of the Board of Governors With Respect to "Review of Corporate Financing" Concerning Issuer Reserved or Directed Securities

The present paragraph of the Interpretation of the Board of Governors With Respect to "Review of Corporate Financing" entitled "Issuer Reserved or Directed Securities," contained in Paragraph 2151, pages 2030 and 2031 of the NASD Manual, would be deleted and the new proposal inserted in lieu thereof. The existing Interpretation allows a reasonable number of securities (interpreted as being no greater that 10%) of a public offering to be reserved or directed by an issuer to persons who are directly related to the conduct of the issuer's business provided that contractual purchase commitments are made by such recipients by the close of business on the business day following the effective date of the offering and provided further that payment for such securities is made in accordance with established requirements. The proposed Interpretation would prohibit a member, in an initial public offering, from soliciting or accepting any instructions from an issuer to reserve or direct securities to any specified person or class of persons, including persons related to the issuer's business. Such persons would not be prohibited from purchasing securities in the public offering, but they would have to do so through the normal channels available to the investing public at large and in accordance with all applicable rules and regulations respecting the purchase of securities. The Board does not believe the use of this procedure, which recognizes that other means are available by which employees can acquire securities of its employer, such as an employee stock option plan, will inhibit the flow of securities to employees. It does believe, however, that it will contribute to a more orderly after-market since it appears that recipients of directed shares often immediately resell them

in the after-market if there is an increase in price rather than hold them for long-term investment.

Proposed Section 34 of the Rules of Fair Practice Concerning Best Efforts Offerings of Securities

Subparagraph (a)(1) would define the term "best efforts offering" for purposes of the Rule as being any public distribution of an initial issue of securities wherein any portion of such, excluding overallotment options of no more than ten percent of the distribution, is not the subject of a firm commitment by a member or nonmember underwriter. Excluded from the definition would be any public distribution of an investment company registered pursuant to the provisions of the Investment Company Act of 1940, as amended; units of a separate account as defined in Section 2(a)(37) of the Investment Company Act of 1940, as amended; a Direct Participation Program; an exchange offer by a nontraded company for the outstanding securities of a publicly traded company; or any offering of which there is not intended to be free transferability of the securities which are the subject thereof. The latter category would for example include offerings of limited partnership interests, joint ventures, and other investment contracts for which there would commonly not be a public trading market.

Subparagraphs (a)(2) and (a)(3) define the terms "prospectus" and "direct participation program" consistent with the manner in which those terms appear in other rules or proposed rules of the Association.

Paragraph (b) would prohibit a member or person associated with a member from engaging in the distribution of a best efforts offering as an underwriter, a selling group participant or otherwise, unless the prospectus clearly states that the terms of the offering require that the funds received from the distribution be placed in an escrow account until the issue has been legally terminated and other provisions of the Rule have been complied with. This would insure protection of investor funds, and the return of such to them, if the terms of the offering had not been achieved and it had to be cancelled.

Paragraph (c) would require the managing underwriter to file a "Notice of Termination and Release of Issue for Trading" (Notice) with the District Committee in the District where its main office is located with a copy to the Corporate Financing Department in the Association's Executive Office, prior to trading in the secondary

market securities of any offering subject to the provisions of the Rule and/or prior to publishing any quotation or bid for any security which is or has been part of such an offering. The notice would be required to specify the following: (1) that the offering has been terminated as of the time of the filing of the notice; (2) the date and time of release of the issue for trading; and (3) the total number of shares, units or other appropriate designation of certificates representing the completed offering. Such notification would also be accompanied by a copy of the prospectus relating to the offering. This paragraph also provides that the size of the offering would be limited to and fixed at no more than the number of shares specified in the notification to the Association, regardless of the number of shares registered as part of the offering. Aftermarket trading would be prohibited until the notice had been filed. Additional sales of shares from the issue would be prohibited after it has been filed. A copy of the proposed Notice form is attached to the proposed Rule.

Paragraph (d) outlines conditions for effecting settlement and delivering certificates to original purchasers of the issue, requiring that settlement be effected and certificates placed in the mails or otherwise delivered in negotiable form at the public offering price within seven business days following the date of the filing of the Notice described in paragraph (c) above. Such delivery would be required to take place unless: (1) the purchaser directed otherwise as provided under paragraph (e) of the Rule or (2) upon written application made to the Association by the underwriter, or by the issuer in the case of a non-underwritten issue, an extension of time for delivery had been granted. Such extension would not be granted unless the applicant was able to clearly demonstrate that delivery within the seven-day period would not be possible because of, for example, the size of the issue, the number of purchasers or some other similar reason. Extensions would not automatically be granted and each request and the reasons therefor would be closely studied before any action would be taken on the request.

Paragraph (e) would require that a member who participates in an offering subject to the provisions of the Rule deliver to each purchaser with each confirmation of sale at the public offering price a notice which advises the purchaser of the number of shares of the offering sold as of that date and include therewith a statement that certificates will be delivered to the purchaser as provided in paragraph (d) above, unless the purchaser, after receipt of such notice, originates written instructions to the contrary identifying the issue and specifying the alternative dis-

position of the certificates.

Paragraph (f) addresses situations in which the distribution of an issue of securities subject to the provisions of the Rule is being made by a nonmember issuer without the services of an underwriter, or where the underwriter is a nonmember of the Association. In such instances, no member would be permitted to trade such securities in the secondary market and/or publish any quotation or bid for any such security during the life of the prospectus, unless the issuer and/or the nonmember underwriter has undertaken in the prospectus to comply and has complied with all provisions of this Section to the same extent as though he were a member of the Association.

The final paragraph establishes the effectiveness of the provisions and makes the Rule not applicable to offerings which commence distribution prior to (date to be determined) nor to the trading of any new issue which commenced distribution prior to the effective date of the Rule.

PROPOSED STATEMENT OF POLICY OF BOARD OF GOVERNORS CONCERNING DUE DILIGENCE REQUIREMENTS FOR PUBLIC OFFERINGS OF SECURITIES

The Securities and Exchange Commission's Public Investigation in the matter of the Hot Issues Securities Markets revealed that some underwriters may not be conducting reasonable due diligence investigations so as to enable them to determine whether the disclosures contained in registration statements and offering circulars describe accurately and completely all material facts relating to the business of new high risk ventures. Proper and adequate due diligence inquiry is a mandatory obligation of all underwriter members. The purpose of this Policy, therefore, is to review the responsibilities of members for the investigation of an issuer prior to a public offering of securities.

The Securities Act of 1933 grants certain rights to purchasers of securities. Section 11(a) of that Act provides that if the registration statement of an issuer, when such becomes effective, contains an untrue statement of material fact or fails to state a material fact required to be stated therein or necessary to make the statements therein not misleading, any person acquiring a security issued pursuant thereto, may sue, among others, every underwriter with respect to such security. Section 11(b) of the Securities Act, however, provides shelter from liability for any misstatement or omission of material fact if an underwriter made a reasonable investigation of the issuer's business activities and thereafter had reasonable grounds to believe, and did believe, at the time of effectiveness of the registration statement that the statements contained therein were true and that there was no omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading. All underwriters are urged to familiarize themselves with all of the provisions of Section 11, which is complex in nature, and the various judicial determinations made thereunder. These provisions and decisions, as well as all other provisions of the Securities Act of 1933, should be closely reviewed with knowledgeable securities counsel by underwriters prior to undertaking an underwriting commitment.

Further, the anti-fraud provisions of the federal securities acts make it unlawful, among other things, for any person to employ any device, scheme or artifice to defraud, to obtain money or property by false or misleading statements of material facts or to engage in any transaction, practice or course of busi-

ness which would operate as a fraud or deceit upon purchasers. Those provisions, therefore, impose liability in instances of misrepresentations or where opinions are unfounded and unsubstantiated. The anti-fraud provisions impose similar responsibilities upon underwriters participating in the distribution of offerings exempt from registration and not subject to Section 11, such as Regulation A offerings and intrastate offerings. The Association believes, therefore, that failure to fulfill the obligation of due diligence described under the Securities Act of 1933, or in a manner inconsistent with the anti-fraud provisions, constitutes conduct inconsistent with high standards of commercial honor and just and equitable principles of trade.

While adequate and reasonable inquiry of an issuer is required prior to the offering of any security of any company to the public, hearings conducted by the Securities and Exchange Commission have demonstrated that an underwriter's due diligence responsibility is most important in initial offerings of speculative or promotional issuers. Thus, a particularly thorough and intensive due diligence investigation is necessary in connection with an offering of a company either in the developmental stage or a promotional company engaged in marketing highly technical products particularly when such distribution is a first time offering.

In an effort to aid members, the Association has reviewed areas of acceptable standards of inquiry performed during the course of due diligence investigations. It is realized that the scope and content of each due diligence investigation must be tailored to such determinants as the nature of the offering, the size of the issuing company, the availability of information, the issuer's operating history, the legal entity under which it is offered, the SEC form under which it is registered, and the speculative nature of the public distribution, among many other things.

Areas which appear to be covered at minimum in most due diligence investigations performed in connection with corporate offerings, however, include a review of the issuer's corporate charter, by-laws and corporate minutes including executive committee minutes for at least the previous five (5) years (or for the entire life of the issuer if it has been in existence a shorter period; or for even a longer period than five years if circumstances dictate such) and a review of the issuer's audited and unaudited financial statements, including footnotes, for at least the same five (5) year or shorter or longer period commencing with the most recent statement as well as an investigation of any changes in auditors within that time period and the reasons therefor. Also, investi-

gations involve a sampling and examination of the issuer's chief products, major customers and suppliers and an examination of any trademarks, patents, copyrights and similar devices where such are material and utilized to protect the issuer's business. To the extent necessary for the underwriter to verify material information furnished by the issuer and/or to arrive at an understanding of the issuer's business, investigations include a review of the issuer's current and past relationships with banks, creditors, suppliers and trade associations. Most due diligence investigations also include communication by the underwriter with key company officials and appropriate marketing and operating personnel regarding the nature of the issuer's business and the role of each of the above individuals as well as an on site inspection, at least on a random sampling basis, by the underwriter of the issuer's material or property, plant and equipment. Prior to completing most due diligence investigations of promotional companies, underwriters may want to consult with experts in the scientific and technological fields if the underwriter feels it lacks sufficient capabilities to conduct a proper investigation on its own.

Regarding the above, underwriters must consider that the intent of the Securities Act of 1933 is to insure that all material information concerning an issuer and its major customers is included in the registration statement and hence, made available to investors. The attention of an underwriter should be directed to a reasonable investigation of each material fact disclosed by the registrant in the registration statement. Disclosure should be based on the various requirements, types and formats appropriate to the different Securities and Exchange Commission forms used, as well as the guides to these forms, such as S-1, S-7 and S-11, among others. For these purposes many investment banking firms require that underwriter personnel develop a written record of registration work for each situation in which the member assumes underwriting liability. Such documentation could not only assist in defending a lawsuit brought pursuant to Section 11 challenging the adequacy of an underwriter's due diligence investigation but could also serve as a guide for the performance of future underwriting ventures on behalf of the same or other issuers.

In each situation the member assuming the underwriting liability should, for its own protection, maintain a written record of the investigation and where reliance is upon the investigative actions of another person or member, the name of such person or member and an indication of the review which was made of that person's or member's records, if any, should be kept.

As noted previously, every underwriter in a securities distribution is potentially liable under Section 11 of the Securities Act of 1933 for misleading statements and omissions in a registration statement. This should be of major concern to members acting as underwriters in a distribution of securities to the public. As a standard industry practice, participating underwriters defer all or a major portion of due diligence investigation to the managing underwriter. In this regard, it should be noted that court decisions, e.g. Escott vs. Barchris Construction Company, 283 F. Supp 697 (S.D., N.Y. 1968), held that participating underwriters who make no independent investigation of their own were bound by the managing underwriter's failure to carry out his investigatory functions. Participating underwriters should therefore be mindful that the delegation of the function does not necessarily obviate the responsibility therefor or potential liability attached thereto. The Association does not desire to suggest any alternative to the apparently satisfactory industry practice of delegation of due diligence performance to the managing underwriter. Nevertheless, it does believe some machinery should be available to participating underwriters to enable them to have ample opportunity for consultation with the managing underwriter. Therefore, the Association believes it appropriate to request that any managing underwriter who utilizes the services of participating underwriters furnish them with the identity of the Underwriter Principal of the manager whose responsibility is the organization and supervision of the due diligence investigation of the subject distribution. This procedure would insure that participating underwriter members have at hand the identity of a person to whom inquiries can be directed regarding the scope of the managing underwriter's due diligence investigations. (NOTE: This presumes the subsequent effectiveness of the proposed requirement that members engaged in underwritings have an underwriter principal. That proposal is in the advanced stages of development and should become effective in the not too distant future.)

Further, in those cases wherein a corporate security is "self-underwritten" by the issuer itself or through an affiliate, all participating dealers, to the extent they are deemed underwriters pursuant to the provisions of Section 2(11) of the Securities Act of 1933, must assure themselves as to the adequacy of disclosure in such situations due to the absence of an independent due diligence investigation. It is, therefore, incumbent upon such dealers to maintain close contact with the distributor to ascertain that proper and adequate due diligence investigations have in fact been conducted. Absent such verification, the participating dealer may find it beneficial and, in fact, necessary to perform part or all of the due diligence investigation itself or alternatively, to not participate in the distribution.

In addition to communication with the managing underwriter afforded by contact with the manager's Underwriter Principal, as discussed above, participating underwriters should utilize the due diligence meeting to interview and discuss with management questions they have relating to material registration statement disclosures of the issuer, among other things.

While the foregoing is representative of the basic investigative actions necessary in most underwritings, there are certain types of offerings which require more than the conventional investigation. Thus, the scope and content of the due diligence investigation must be tailored to the issuer itself. The Association believes, for instance, that due diligence investigations should go beyond the traditional concept of such in many instances in the case of direct participation programs. In view of the emphasis on management, a due diligence investigation requires looking beyond the prospectus in a direct participation program to assess adequate disclosure of the economic realities of the offering itself. This is especially true because these offerings generally involve high risk new ventures where little prior information is available to the public.

The Association believes the following can be used as examples of what may be acceptable industry practice in direct participation offerings. They should, of course, be pursued in conjunction with the more familiar due diligence approaches discussed above but they should not be considered all inclusive:

(1) Investigation of whether the basic economic merit of the proposed undertaking and the results of prior activities have been adequately and meaningfully disclosed;

(2) Review of applicable partnership agreements for basics of legal adequacy and tax advantages;

(3) Random physical inspections of properties, plant and equipment of the sponsor and any affiliates offering services to the program;

(4) Review of the financial stability, reputation within the industry and other available information on the sponsor's background, qualifications and experience;

(5) Examination of the program for conflicts, risk factors, proposed activities and financial status;

(6) Examination of records submitted by appraisers, engineers, and financial consultants;

(7) Examination of items of compensation, having an understanding of true compensation, with emphasis on disclosure of all forms of compensation;

(8) Study of all tax aspects of the program to determine whether there is a reasonable basis for assuming the benefits are likely to occur; and

(9) Examination of experience of management and technical staff in operations and handling of funds. Likewise, examination should be made of the management of projects or services offered to the program.

Further, the Association believes, in view of the lack of traditional underwriting methods used in the distribution of these securities and the need for technical knowledge in the specific areas of business activity which the program relates to, some additional steps may be necessary. In the absence of a managing underwriter or dealer manager, participating members for various reasons such as economics, lack of experience and the time required to fulfill the responsibility may desire to pool their resources. If such is the case they should not hesitate to do so. Likewise, the lack of expertise in certain areas may require contracting the services of outside consultants or engineers.

The Securities Act makes it clear that reliance on the issuer, its affiliates or its agents for verification of statements or opinions does not constitute a discharge of the underwriter's responsibility to conduct a reasonable due diligence investigation. The Association is of the opinion that reliance on the sponsor of a direct participation program for due diligence also does not satisfy compliance with that obligation.

For purposes of this Statement of Policy the term "direct participation program" shall have the following meaning which is consistent with the definition of the term as contained in other rules, or proposed rules, of the Association:

Direct participation program -- a program which provides for flow-through tax consequences regardless of the structure of the legal entity or vehicle for distribution including, but not limited to, oil and gas programs, real estate programs, agricultural pro-

grams, cattle programs, condominium securities, Subchapter S corporate offerings and all other programs of a similar nature, regardless of the industry represented by the program, or any combination thereof. Excluded from this definition are real estate investment trusts, tax qualified pension and profit sharing plans pursuant to Sections 401 and 403(a) of the Internal Revenue Code and individual retirement plans under Section 408 of that Code, tax sheltered annuities pursuant to the provisions of Section 403(b) of the Internal Revenue Code, and any company, including separate accounts, registered pursuant to the Investment Company Act of 1940.

PROPOSED AMENDMENT TO THE STATEMENT OF POLICY OF THE BOARD OF GOVERNORS CONCERNING FAIR DEALING WITH CUSTOMERS

(New material indicated by underlining)
(Deleted material indicated by striking out)

Sec. 2. (of Rules of Fair Practice) In recommending to a customer the purchase, sale or exchange of any security, a member shall have reasonable grounds for believing that the recommendation is suitable for such customer upon the basis of the facts, if any, disclosed by such customer as to his other security holdings and as to his financial situation and needs.

Policy of the Board of Governors

Fair Dealing With Customers

(Introductory paragraphs omitted)
(Numbers 1 - 5 indicate existing paragraphs)

Some practices that have resulted in disciplinary action ~~and~~ or that clearly violate this responsibility for fair dealing are set forth below as a guide to members:

1. Recommending Speculative Low-Priced Securities

* * * * *

2. Excessive Trading Activity

* * * * *

3. Trading in Mutual Fund Shares

* * * * *

4. Fraudulent Activity

* * * * *

5. Recommending Purchases Beyond Customer Capability

* * * * *

6. Improper Recommending to Customers Purchases of Speculative New Issues of Securities

Recommending to customers the purchase of securities regardless of the investment merit of such securities, the financial ability of a customer to complete the transaction, or by improper sales practices. Since each customer, regardless of his financial or market sophistication, is entitled to rely on the implied representation made by a member or a person associated therewith that he will be treated fairly, particular care must be taken in recommending to customers the purchase of new issues, especially those securities issued by companies going public for the first time in a speculative market, to insure that such recommendations are not violative of the Association's suitability rule.

PROPOSED AMENDMENT TO ARTICLE III, SECTION 15 OF THE RULES OF FAIR PRACTICE

Section 15 would be amended by redesignating existing paragraphs (b), (c) and (d) as (c), (d) and (e) and by adding a new paragraph (b) thereto as follows:

Prohibition in New Issues

(b) No member shall effect with or for any customer's account in respect to which such member or his agent or employee is vested with discretionary power any transaction of purchase or resale of a security if such security is or was part of the initial distribution of an issuer's securities to the public.

PROPOSED AMENDMENT TO "REVIEW OF CORPORATE FINANCING" INTERPRETATION ISSUER RESERVED OR DIRECTED SECURITIES

The Interpretation of the Board of Governors With Respect to Review of Corporate Financing shall be amended by deleting that section commencing on page 2030 and ending on page 2031 of the Association's manual entitled Issuer Reserved or Directed Securities. The following shall be inserted in lieu thereof:

Issuer Reserved or Directed Securities:

The failure to make a bona fide distribution of an offering of securities to the public can be a factor in artificially stimulating the price of such an offering. Therefore, in order to insure that there will be an adequate number of shares of an initial public offering of securities for purchase by the public customers of a member, the member shall not solicit or accept any instructions from an issuer to reserve or direct securities to any specified

person or class of persons, including persons related to the issuer's business. Such persons are not prohibited from purchasing the securities of the registrant, but such must be through the normal channels available to the investing public at large and then only when in accordance with all applicable rules and regulations respecting the purchase of securities in the consummation of securities transactions.

PROPOSED SECTION 34 OF THE RULES OF FAIR PRACTICE BEST EFFORTS OFFERINGS OF SECURITIES

(a) Definitions.

For purposes of this section, the following words shall have the stated meanings:

(1) Best Efforts Offering - Shall mean any distribution of an initial issue of securities to the public wherein any portion of such, excluding overallotment options which shall be limited to ten percent of the distribution, is not the subject of a firm commitment by a member or non-member underwriter; provided, however, such shall not include any distribution of an investment company registered with the Securities and Exchange Commission pursuant to the provisions of the Investment Company Act of 1940, as amended; units of a separate account as defined in Section 2(a)(37) of the Investment Company Act of 1940, as amended; a Direct Participation Program; an exchange offer for the outstanding securities of a publicly traded company, or any offering of which there is not intended to be free transferability of the securities which are the subject thereof.

(2) Prospectus - Shall have the meaning given to that term by Section 2(10) of the Securities Act of 1933; provided, however, such term as used herein shall also include an offering circular as required by Rule 256 of the General Rules and Regulations under the Securities Act of 1933 and in the case of an intrastate or foreign offering, any document, by whatever name known, which is required by any state or foreign country in connection with the offering of securities which is being made to the public or which is used in connection with the distribution thereof.

(3) Direct Participation Program - A program which provides for flow-through tax consequences regardless of the struc-

ture of the legal entity or vehicle for distribution including, but not limited to, oil and gas programs, real estate programs, agricultural programs, cattle programs, condominium securities, Subchapter S corporate offerings and all other programs of a similar nature, regardless of the industry represented by the program, or any combination thereof. Excluded from this definition are real estate investment trusts, tax qualified pension and profit sharing plans pursuant to Sections 401 and 403(a) of the Internal Revenue Code and individual retirement plans under Section 408 of that Code, tax sheltered annuities pursuant to the provisions of Section 403(b) of the Internal Revenue Code, and any company, including separate accounts, registered pursuant to the Investment Company Act of 1940.

(b) No member or person associated with a member shall engage in the distribution of a best efforts offering as an underwriter, a selling group participant, or otherwise, unless the terms of the offering, clearly stated in the prospectus, require that funds received from the distribution be placed in an escrow account where they shall remain until the issue has been legally terminated and the provisions of this rule have been complied with.

(c) Before the securities of an offering subject to the provisions hereof may be traded by a member in the secondary market, or before a member may publish any quotation or bid for any security which is or has been part of such an offering, a "Notice of Termination and Release of Issue for Trading" shall be filed by the managing underwriter with the District Committee in the District where its main office is located with a copy to the Corporate Financing Department in the Association's Executive Office. Such notice shall specify that the offering has been terminated as of the time of the filing of the notice, the date and time of release of the issue for trading, and the total number of shares, units or other appropriate designation of certificates representing the completed offering. Such notice shall also be accompanied by a copy of the prospectus relating to the offering. Notwithstanding the number of shares registered as part of the offering, the size of the offering shall be limited to and fixed at no more than the number of shares specified in the notification filed with the Association.

(d) Within seven business days following the date of the filing of the "Notice of Termination and Release of Issue for Trading"

settlement shall be effected and certificates shall be placed in the mails or otherwise delivered in negotiable form to all original purchasers of the issue at the public offering price unless:

(1) the purchaser has directed otherwise as provided in paragraph (e) of this section, or

(2) upon written application made to the Association by the underwriter, or by the issuer in the case of a non-underwritten issue, an extension of time for delivery has been granted. Extensions shall not be granted unless the applicant is able to clearly demonstrate that delivery within the stated seven-day period will not be possible because, for example, of the size of the issue, the number of purchasers or some other similar reason. Extensions will not automatically be granted.

(e) A member who participates in an offering subject to the provisions of this section shall deliver to the purchaser with each confirmation of sale at the public offering price a notice which advises the purchaser of the number of shares of the offering sold to date and includes a statement that certificates will be delivered as provided in paragraph (d) hereof unless the customer originates, after receipt of such notice, written instructions to the contrary identifying the issue and specifying the alternative disposition of the certificates.

(f) In those cases where a nonmember issuer is making a distribution of an issue of securities subject to the provisions hereof without the services of an underwriter, or where the underwriter is a nonmember of the Association, no member shall trade such securities in the secondary market during the life of the prospectus, nor shall a member publish any quotation or bid for any such security, unless the issuer and/or the nonmember underwriter has undertaken in the prospectus to comply and has complied with all provisions of this section to the same extent as though he were a member of the Association.

This Rule shall not apply to offerings in which distribution commenced prior to (date to be determined) nor to the trading of any new issue which has commenced distribution prior to the effective date of this Rule.

PROPOSED
NOTICE OF TERMINATION AND RELEASE
OF ISSUE FOR TRADING

* * * * * *

TO: District _____

FROM: _____
(member firm)

DATE: _____

RE: Best Efforts Offering of _____
(issuing company)

Pursuant to the provisions of Paragraph (c) of Article III, Section 34 of the Association's Rules of Fair Practice we hereby confirm that the public offering of _____ of the above referenced issuer has been terminated as of the date of this notice with a total _____ sold. The issue was (will be) released for trading at _____ on _____. A copy of the final prospectus is attached hereto.
(type of security) (# and type of securities) (time) (date)

Our firm participated or intends to participate in the following capacity: (check appropriate box or boxes)

☐ Managing Underwriter/Dealer Manager
☐ Participating Underwriter or Dealer/ Soliciting Dealer
☐ Market Maker

_____ _____
(Signature of Member Representative) (Signature of Issuer Representative)

NOTE: A copy of this notice and prospectus are to be forwarded to Director, Corporate Financing Department at the Association's Executive Office.

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

April 29, 1975

TO: All NASD Members and Interested Persons

RE: New Interpretation of Article III, Section 1 of the Rules of Fair Practice Relating to "Private Transactions"

The Board of Governors of the Association has proposed an Interpretation of Article III, Section 1 of the Rules of Fair Practice which is being published by the Board at this time to enable all interested persons an opportunity to comment thereon. Such comments must be in writing and must be received by May , 1975 in order to receive consideration.

Under the provisions of Article VII, Section 3(a) of the By-Laws the Board may issue Interpretations of the Rules of Fair Practice without recourse to the membership for vote. This proposed Interpretation, if adopted, will be inserted in the Manual after Article III, Section 1 of the Rules of Fair Practice. After the comment period has expired the proposed Interpretation must again be reviewed by the Board. If the changes, or an amended version thereof, are at that time approved by the Board it must then be submitted to the Securities and Exchange Commission prior to becoming effective.

Any comments should be addressed to Mr. Donald H. Burns, Secretary, National Association of Securities Dealers, Inc., 1735 K Street, N. W., Washington, D. C. 20006, on or before May , 1975. All communications will be considered available for inspection.

Sincerely,

Frank J. Wilson
Senior Vice President
Regulation

INTERPRETATION OF THE BOARD OF GOVERNORS

In dealings with customers and others, persons associated with a member assume a position of trust. They are bound ethically and legally to serve the best interests of the customer. Many of the obligations of registered representatives, registered principals, and persons associated with a member are specifically enumerated in the Association's Rules of Fair Practice. Beyond the obligations to customers, all persons associated with a member are bound, as agents of the member, by an obligation of good faith and loyalty in their dealings with the member in matters within the scope of their ficudiary relationship.

The Board of Governors, under its obligation to "prevent fraudulent and manipulative acts, /and/ practices and to promote just and equitable principles of trade", believes it should make members aware of their responsibility to exercise appropriate supervision over personnel associated with them, as well as make such persons aware of their responsibilities to the member with whom they are associated. Where a person associated with a member effects a transaction outside the regular course or scope of his affiliation or employment for himself or with or for a customer or other person and without disclosure of such to the member, i.e. "private transactions", the public is deprived of protection which it is entitled to expect. In addition, the member may also be exposed to risks to which it should not be exposed, and such conduct may be inconsistent with the obligation of persons associated with members to serve such members faithfully.

Further, these activities have been conducted without any supervisory accountability, have often involved high risk, speculative ventures, or unregistered securities, and have nowhere been reflected on broker/dealer books and records which, in the normal course, should be subject to inspection and examination by the Association. These activities have exposed both the participants and the member with whom they were associated to charges of serious violations of federal securities laws as well as industry rules and regulations, and to civil liability. In a number of instances, severe sanctions have been imposed on registered and associated personnel for failing to disclose to the member with whom they were affiliated, securities transactions effected outside the scope of their affiliation, whether on behalf of themselves or on behalf of customers and others. Further, sanctions have been imposed upon members for failing to adequately supervise registered and unregistered personnel with respect to such transactions. Accordingly, the Board of Governors has adopted the following Interpretation to make it unmistakably clear that in such situations

no person associated with a member may be involved in any way with a securities transaction outside the regular course or scope of his affiliation or employment without obtaining the written consent of the member with which he is associated. In this respect, the member may at its option request duplicate copies of all confirmations, documents and statements related to such transactions and the person requesting the member's consent shall promptly comply with that request.

Interpretation

Article III, Section 1 states:

> "A member, in the conduct of his business, shall observe high standards of commercial honor and just and equitable principles of trade."

In accordance with Article VII, Section 3(a) of the By-Laws and Article I, Section 3 of the Rules of Fair Practice, the following Interpretation of Article III, Section 1 of the Rules of Fair Practice has been adopted by the Board:

> It shall be deemed conduct inconsistent with just and equitable principles of trade for any person associated with a member to engage in a securities transaction for himself or with or for any other person without prior written notification to the member and the member's written consent. In order for that member to exercise supervision over such transactions, it may request, where it is deemed appropriate, duplicate copies of all confirmations and other documents or other information related to such transactions from the person requesting the member's consent and that person shall promptly comply with such request.

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

April 29, 1975

Important

TO: All NASD Members and Interested Persons

RE: Notice to Members: 75-25

On March 31, 1975 the Association distributed to all NASD members and interested persons a notice of proposed amendments to Schedule C of Article 1, Section 2(d), of the By-Laws concerning qualification standards for membership in the Corporation and the requirements for registration with the Corporation of persons associated with a member. (See NASD Notice to Members: 75-25 dated March 31, 1975)

The comment period for these proposals was announced at that time to end April 30, 1975. In view of the complexity of the proposals and in response to requests made for an extension of the comment period, the filing deadline for comments has been extended to May 15, 1975.

Sincerely,

Frank J. Wilson
Senior Vice President
Regulation

NOTICE TO MEMBERS NO. 75-36

NASD

Notices to Members should be retained for future reference.

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

May 1, 1975

To: All NASD Members

Re: Appointment of a SIPC Trustee for a SECO Firm

Attn: Operations Officer, Cashier, Fail-Control Department

On Friday, April 24, 1975 a SIPC Trustee was appointed for the below indicated SECO firm. While not a member of the Association or National Clearing Corporation, members are advised to direct any questions regarding the firm to the Trustee.

SECO Firm
Horvat, Maniscalo & Co.
205 N. Washington Ave.
Bergenfield, New Jersey 07621

SIPC Trustee
Lawrence Jaffe, Esq.
Marcus, Rosen, Breslow,
Levy, Jaffe, Fiorello
409 Minisink Rd.
Totowa, New Jersey 07512
Telephone (201)785-4000

Questions regarding this notice may be directed to the Uniform Practice Division of National Clearing Corporation, Two Broadway, New York, N. Y. 10004 - (212)952-4018.

* This notice, which applies to all NASD Members, has been issued by National Clearing Corporation. The Board of Directors of NCC interprets and enforces the provisions of the NASD's Uniform Practice Code.

NOTICE TO MEMBERS: 75-37

NASD

Notices to Members should be retained for future reference.

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

May 1, 1975

IMPORTANT

TO: All NASD Members and Interested Persons

RE: Correction of Omission in Notice to Members No. 75-34, April 29, 1975

The last date for receiving comments concerning New Interpretation of Article III, Section 1 of the Rules of Fair Practice Relating to "Private Transactions" is May 29, 1975. This date was inadvertently omitted from the Notice.

Any comments should be addressed to Mr. Donald H. Burns, Secretary, National Association of Securities Dealers, Inc., 1735 K Street, N.W., Washington, D.C. 20006, on or before May 29, 1975.

Notice to Members: 75-38

NASD

Notices to Members should be retained for future reference.

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

IMPORTANT NOTICE
LOST OR STOLEN SECURITIES

May 1, 1975

TO: NASD Members

Please take notice that the following bearer bonds have been reported missing:

Description of Issue	Certificate Numbers	
U.S. Treasury Notes, 8%, due 2/15/77 2 @ $5,000	18475	18476
U.S. Treasury Bonds, 4 1/8%, due 5/15/94 1 @ $10,000	22198J	
U.S. Treasury Bonds, 3 1/4%, due 5/15/85 2 @ $5,000	4419	4302

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

If any NASD member comes into possession of any of the above cited certificates or receives any information concerning these certificates, he should contact local law enforcement authorities, the Federal Bureau of Investigation, or

Harry Stoddard, Esq.
One Beacon Street
Boston, Massachusetts 02110
(617) 523-2100

Sincerely,

Frank J. Wilson
Senior Vice President
Regulation

NOTICE TO MEMBERS: 75-39

Notices to Members should be retained for future reference.

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

May 1, 1975

TO: All NASD Members

RE: President's Veterans Program

In response to a request from the President of the United States, the NASD urges its members to consider the predicament of Vietnam era veterans seeking jobs.

The Secretary of Commerce has advised us that there are approximately 300,000 veterans in the 20-35 age group who are in need of employment. He has advised us further that 80 percent of all veterans have received training in one or more of the 1500 military skills that have direct and comparable relationships to civilian needs.

We hope that you will join with the National Alliance of Businessmen in supporting the President's Veterans Program.

Sincerely,

Gordon S. Macklin
President

NOTICE TO MEMBERS: 75-40

NASD Notice to Members should be retained for future reference.

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

May 13, 1975

TO: All NASD Members

RE: Memorial Day-Holiday Settlement Schedule for Non-NCC Transactions

Securities Markets and the NASDAQ System will be closed on Memorial Day, Monday, May 26, 1975. Non-NCC transactions + ("regular-way") made on the business days immediately preceding May 26, will be subject to the following schedule of settlement dates:

Settlement dates for "regular-way" transactions

Trade Date		Settlement Date	
May	19	May	27
	20		28
	21		29
	22		30
	23	June	2
May	26 (Memorial Day)		-
	27	June	3
	28		4

+ Members with NCC transactions should refer to NCC Important Notice for information which will be distributed shortly.

Questions regarding this notice may be directed to the Uniform Practice Division of National Clearing Corporation*, Two Broadway, 8th Floor, New York, N.Y. 10004, (212) 952-4018.

* This notice, which applies to all NASD Members, has been issued by National Clearing Corporation. The Board of Directors of NCC interprets and enforces the provisions of the NASD's Uniform Practice Code.

NASD

Notices to Members should be retained for future reference.

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

May 16, 1975

TO: All NASD Members

RE: Adoption of SEC Rule 17a-20 and Related Form X-17A-20

On May 1, 1975, SEC Rule 19b-3 became effective. In essence, the rule prohibits exchanges from fixing commission rates on exchange transactions. In adopting Rule 19b-3, the Commission indicated that it proposed to take steps to provide appropriate increased monitoring of the activities of brokers and their financial condition and operations as well as possible shifts in patterns of trading for some period subsequent to May 1, 1975, in order to assure that the objectives of the Securities Exchange Act of 1934, including the protection of investors and the maintenance of fair and orderly markets, are upheld during any transitional phase.

In order to accomplish this, the Commission recently adopted Rule 17a-20 and related Form X-17A-20 under the Securities Exchange Act of 1934.[1/] The rule puts into place a monitoring program which has been designed to provide the Commission with information in respect to various industry trends in securities revenues, securities market activity and self-regulatory revenues and related activity. As part of the overall program, the rule requires certain broker-dealers to file with the Commission revenue and expense and related financial and other information. In this connection, the Commission has stated that it does not anticipate that the reporting prescribed by Rule 17a-20 would be required beyond June 30, 1976.

The rule requires broker-dealers whose annual gross income was in excess of $5,000,000 for either calendar year 1973 or 1974 to file Form X-17A-20 on a monthly basis. Broker-dealers whose annual gross income for this same period was between $500,000 and $5,000,000 are required to file Form X-17A-20 on a calendar quarter basis. In addition,

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1/ See Securities Exchange Act Release No. 11395, dated May 2, 1975.

the rule provides that any firm who wishes to participate in this monitoring program and does not fall into the above income categories may do so on a voluntary basis if it so desires. The information received on the basis of voluntary filings will be analyzed separately and considered along with the other information obtained as part of the monitoring program.

To avoid unnecessary duplication, Rule 17a-20 follows the format of Rule 17a-10 by providing that the financial information may be submitted under the auspices of an approved plan of a self-regulatory organization. In this regard, recently filed plans by the NASD and NYSE were declared effective by the Commission. Under the Association's plan, members, other than those who are members of the NYSE, which are required to file Form X-17A-20 will file with the Association an NASD Form 17A-20 containing all required information. The first monthly filing for the month of April 1975 will be due at the Association by May 30, 1975, and thereafter by the twentieth calendar day of each month. The first quarterly filing will be due at the Association by July 24, 1975, and thereafter on the twentieth calendar day in the month following each successive quarter. All reports collected by the NASD will be computer processed and forwarded to the SEC on a regular basis.

Those Association members required to file NASD Form 17A-20 will be contacted directly and provided with additional information regarding the Commission's monitoring program. A supply of the necessary reporting forms will be distributed shortly to all such members. Members not subject to the requirements of Rule 17a-20 who may wish to submit NASD Form 17A-20 on a voluntary basis may obtain additional information by contacting Peter Mecklenburg at (202) 833-7348.

Sincerely,

Frank J. Wilson
Senior Vice President
Regulation

NOTICE TO MEMBERS: 75-42

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

June 10, 1975

IMPORTANT

RULES GOVERNING REPORTING OF TRANSACTIONS TO CONSOLIDATED TAPE TO BECOME EFFECTIVE June 16, 1975

To: All NASD Members and Interested Persons

Re: Adoption of Article XVIII of the Association's By-Laws and Schedule G thereunder

Enclosed herewith is a new Article XVIII of the By-Laws and Schedule G thereunder which have been declared effective as of June 16, 1975. The new article and schedule are being sent to the membership subject to being declared effective by the Securities and Exchange Commission. If the Commission modifies the article or schedule, the membership will be notified.

Background of Consolidated Tape

On December 15, 1972, the Securities and Exchange Commission as a step in the establishment of a Consolidated Tape, adopted Rule 17a-15 requiring the national securities exchanges and the Association to file with the Commission a written plan or plans meeting specific standards respecting the collection and dissemination of information relating to transactions executed by members in certain listed securities. Rule 17a-15 also requires every member of a national securities exchange and every member of the Association to promptly transmit to the exchange or Association, any information and records required under such required plan or plans. On May 17, 1974, the Commission declared effective a joint plan filed by the Association and the national securities exchangws. The plan as filed requires reporting of all transactions in eligible securities to the Consolidated Tape. The term "eligible securities" is defined by the plan as (1) any common stock, long-term warrant or preferred stock registered or admitted to unlisted trading

privileges on the New York Stock Exchange or the American Stock Exchange on the date full implementation of the Consolidated Tape is commenced; (2) any common stock, long-term warrant or preferred stock registered or admitted to unlisted trading privileges on any other national securities exchange which, on the date full implementation of the Consolidated Tape is commenced, substantially meets the original listing requirements of the New York Stock Exchange or the American Stock Exchange; (3) after the date on which full implementation of the Consolidated Tape is commenced, any common stock, long-term warrant or preferred stock which becomes registered on any national securities exchange and which at the time of such registration substantially meets the original listing requirements of the New York Stock Exchange or the American Stock Exchange; and (4) any right admitted to trading on a national securities exchange which entitles the holder to purchase or acquire a share or shares of an eligible security provided that both the right and the eligible security are admitted to trading on the same national securities exchange.

On October 18, 1974, the Consolidated Tape commenced on a test basis covering transactions in fifteen selected securities executed by members of the American, New York, Pacific and PBW stock exchanges and certain third market makers.

On June 16, 1975, the Consolidated Tape will be expanded to include all New York Stock Exchange issues currently reported on the NYSE tape and will also include all over-the-counter trades in such issues. Therefore, as of June 16, 1975, all members who execute over-the-counter transactions in NYSE listed issues must report such transactions pursuant to the provisions of Schedule G.

The expanded operation of the Consolidated Tape on June 16, 1975 will include the following features:

(1) Tape - Only Tape "A" which contains NYSE listed issues will be involved. Tape "B" which contains AMEX traded issues and regional stock exchange issues will begin at a later date.

(2) Issues - All NYSE listed common stocks, long-term warrants rights and preferred stocks will be included. This includes all issues currently reported on the NYSE ticket network.

(3) Participants - The Consolidated Tape will include reports from the Cincinnati, New York, Midwest, Pacific and PBW stock exchanges, Association members and Instinet. The Boston and Detroit stock exchanges will be added at a later date.

(4) Tape Displays - All tape displays including wall mounted devices, desk top CRTs and printing tickers will be able to receive the Consolidated Tape without any adjustments. Trade reports from markets other than the NYSE will be identified with a separate character following the stock symbol and then another character identifying the marketplace of execution. The designations are:

Boston - B	NASD - T
Cincinnati - C	Midwest - M
Detroit - D	Pacific - P
Instinet - O	PBW - X

(5) Interrogation Devices - It is not expected that consolidated last sale prices will be available on desk top recall devices. Vendors of such devices have indicated that the display of consolidated last sale prices requires complex equipment and programming modifications and they do not intend to display consolidated last sale prices until a "high speed line", is available. Some vendors, however, may have consolidated last sale prices available for recall on a limited number of issues.

(6) High Speed Line - The "high speed line" is a new service designed for computers which will make all of the data on the Consolidated Tape available via a formated high speed circuit. Because of its speed, this service will not fall behind during periods of tape lateness. Vendors of interrogation devices are expected to utilize the high speed line so that the last sale prices displayed in recall devices will be current. The "high speed line" will not be available until later this year.

(7) Trading Halts - If trading on the NYSE floor in a particular security is halted or an opening is delayed for a regulatory reason, trade reports from other markets will not be displayed on the Consolidated Tape during such halt unless the Securities and Exchange Commission determines otherwise. Transactions executed during such period will be stored and displayed after the market closes. If trading on the NYSE floor is halted or an opening is delayed because of market conditions such as an influx of orders, reports from other markets will continue to be displayed on the Consolidated Tape.

(8) Hours of the Consolidated Tape - The Consolidated Tape will operate from 10:00 a.m. to 4:00 p.m. Eastern time. Transactions by members outside of such hours must be reported weekly in writing to the NASDAQ supervisory office in New York City.

ARTICLE XVIII OF THE BY-LAWS

Article XVIII of the By-Laws authorizes the Board of Governors to adopt rules and procedures in order to carry out the Association's duties under Commission Rule 17a-15 and to implement the plan required by the rule. The By-Law also gives the Board of Governors authority to use the Association's automated quotations system (NASDAQ) whenever necessary and appropriate to further the implementation and operation of the Consolidated Tape. The Board also has authority to impose reasonable and equitable fees and charges in connection with the collection and dissemination of last sale information.

Scope and Summary of Proposed Schedule G

The rules, procedures and charges which the Board has adopted are contained in Schedule G. The Schedule covers all over-the-counter transactions in eligible securities as defined in the required plan referred to above. The Schedule does not apply to over-the-counter transactions in any other securities.

(1) Transaction Reporting

a) Designated Reporting Members - Section 1(a) of Schedule G provides that the Association shall designate as Reporting Members those members which the Association determines execute a substantial amount of over-the-counter transactions in eligible securities. There is attached to Schedule G a list of Reporting Members and the list initially includes the major third market makers. The list will be amended from time to time as more information becomes available concerning over-the-counter volume in eligible securities.

Each Designated Reporting Member is required, during the hours of the Consolidated Tape, to transmit to the Association reports of all purchases and sales except for those less than a round-lot within one and one-half minutes after execution and all trade tickets must be time stamped at the time of execution. The reports of transactions shall be made through the Association's NASDAQ Trade Reporting System. This system accepts trade reports through a NASDAQ Level III terminal or a NASDAQ Transaction Reporting terminal and validates and transmits such reports to the processor of the Consolidated Tape. Each transaction is required to be reported at the price reflected on the order ticket exclusive of commissions, taxes or other charges except principal transactions executed at a price plus or minus a differential where the

reported price shall be the price inclusive of the differential. The Securities and Exchange Commission has expressed its view that transactions of the latter type should be reported to the Consolidated Tape in this manner. In transactions between Designated Reporting Members only the selling member is required to report.

Therefore, Designated Reporting Members are required to report all purchases and sales of eligible securities except:

(1) Transactions executed on an exchange;

(2) Purchase transactions with another Designated Reporting Member.

b) Members Not Designated as Reporting Members - Section 1(b) of Schedule G establishes the circumstances under which members not covered by Section 1(a) are required to report transactions in eligible securities. These members are required to report all their transactions in eligible securities except for transactions with Designated Reporting Members and transactions executed on an exchange. In addition, where any transaction is with another member not designated as a Reporting Member only the selling member shall be required to report. The price and time within which the report must be made are the same as applicable to members covered by Section 1(a) except that members who do not have a modified Level III terminal or a Transaction Reporting terminal may report via Telex, TWX or telephone. The Board of Governors has also recognized that some members may execute only occasional transactions in eligible securities. Section 1(b) provides that members may report in writing, on a weekly basis, transactions in eligible securities which do not exceed 500 shares and $5,000 in any one trading day as long as their transactions in eligible securities have not exceeded 500 shares and $5,000 for 5 of the previous 10 trading days.

Therefore Members not designated as Reporting Members are required to report all purchases and sales of eligible securities except:

(1) Transactions executed on an exchange;

(2) Transactions with a Designated Reporting Member;

(3) Purchase transactions with another member not designated as a Reporting Member.

(2) Suspension of Trading

Section 2 of Schedule G makes clear that suspension of trading in an eligible security by an exchanges does not affect the requirement that members continue to report transactions in the particular eligible security.

Section 2 also requires members to promptly notify the Association whenever they have knowledge or information concerning an eligible security or the issuer which has not been adequately disclosed to the public or have knowledge of any regulatory problem.

(3) Prohibitions Against Certain Practices in Dealings in Eligible Securities

Section 3 of Schedule G declares that certain specified practices are prohibited when engaged in by members in their dealings in eligible securities. These practices primarily relate to manipulative and fraudulent activities such as: executing transactions for the purpose of creating misleading activity; influencing the market price or establishing a false market price; executing "wash sales" for the purpose of creating a false appearance of activity; joining in any pool syndicate or joint account in order to unfairly influence the market price of a security; disseminating false or misleading information; and preferring their own interests over those of customers when executing transactions. Many of these practices are currently prohibited under the anti-fraud and anti-manipulative provisions of the federal securities laws.

In addition, Section 3 imposes several specific requirements concerning, among other things, the handling of customer stop orders, and the reporting of certain information with respect to members' participation in joint accounts.

(4) Fees and Charges

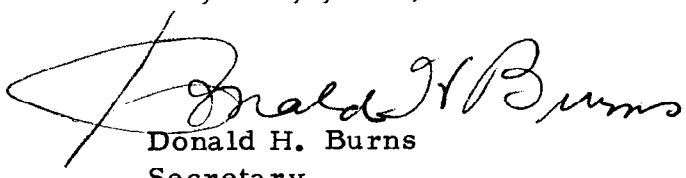
Section 4 contains the fees and charges applicable to those members required to report their transactions in eligible securities to the Association. The Association has developed a highly sophisticated trade reporting system to collect and disseminate to the Consolidated Tape reports of transactions in eligible securities. The purpose of the fees and charges is to help defray the costs to the Association of developing this trade reporting system. It is contemplated that the fees and charges will be reviewed annually by the Board of Governors.

Those members having NASDAQ Level III service can have their terminals modified to permit reporting of transactions. The charge for modifying a NASDAQ Level III terminal is a single $25 charge for each terminal. The basic charges for NASDAQ Level III service are contained in Part IV of Schedule D under the By-Laws. The charge for reporting transactions through a modified NASDAQ Level III terminal is $.20 per transaction. Members with NASDAQ Level III service who want their terminals modified please contact Richard Peters, NASDAQ Operations, 1735 K Street, N.W., Washington, D. C. 20006

Members may also obtain a NASDAQ Transaction Reporting terminal which is a NASDAQ Level III terminal which has transaction reporting capability but does not have NASDAQ quotation capability. The charge for NASDAQ Transaction Reporting service is $300 per month for the first terminal and $250 per month for each additional terminal. The charge for reporting transactions through a Transaction Reporting terminal is $.20 per transaction for the first 300 transactions in one day and $.35 for each transaction in excess of 300.

Members may report transactions to the NASDAQ supervisory office in New York City via Telex, TWX or telephone. The charge for reporting transactions in this manner will be $.20 per transaction. The charge for transactions reported via any other method of communication (except in writing) accepted by the Association is $.20 per transaction.

Very truly yours,



Donald H. Burns
Secretary

ARTICLE XVIII

Under the provisions of Rule 17a-15 adopted by the Securities and Exchange Commission under Section 17 of the Securities Exchange Act of 1934 the Corporation is required to file with the Securities and Exchange Commission a written plan meeting specified standards concerning the collection and dissemination by the Corporation of information relating to over-the-counter transactions executed by its members in securities registered or admitted to unlisted trading privileges on an exchange. The Board of Governors is hereby authorized to adopt rules and procedures in order to carry out the Corporation's responsibilities and duties under Rule 17a-15 and implement the plan filed pursuant to the rule as it may be amended from time to time. Such rules and procedures may include, among other things:

(1) The manner of collecting and reporting last sale information;

(2) The standards and methods to insure the promptness, accuracy and completeness of reporting and similar matters; and

(3) The procedures to provide that last sale information will not be reported in a fraudulent or manipulative manner.

The Board of Governors shall also have authority to use any automated quotations system established under the provisions of Article XVI of the By-Laws in any manner it deems necessary and appropriate to further the implementation and operation of any composite transaction reporting system established pursuant to Rule 17a-15. The Board of Governors shall also have authority to impose reasonable and equitable fees and charges in connection with the collection and dissemination of last sale information.

Such rules, procedures and charges shall be incorporated into Schedule G attached to and made a part of these By-Laws. The Board of Governors shall have the power to adopt, alter, amend, supplement or modify the provisions of Schedule G from time to time without recourse to the membership for approval as would otherwise be required by Article IX hereof, and Schedule G as adopted, altered, amended, supplemented or modified shall become effective as the Board of Governors shall prescribe unless disapproved by the Commission.

SCHEDULE G

This schedule has been prepared pursuant to Article XVIII of these By-Laws and is applicable to over-the-counter transactions in listed securities required to be reported by the plan filed pursuant to Rule 17a-15 under the Securities Exchange Act of 1934.

Section 1 - Transaction Reporting

(a) Designated Reporting Members - The members appearing in the attached list shall be referred to as "Designated Reporting Members". Such list consists of those members which the Association has determined effect a substantial portion of over-the-counter transactions in listed securities required by the plan to be reported on the Consolidated Tape (eligible securities). Such members shall be subject to the reporting requirements of this paragraph (a). Such list shall be amended from time to time as the Association deems it appropriate.

American Securities Corporation
25 Broad Street
New York, New York 10004

Amswiss International Corp.
One Exchange Place
Jersey City, New Jersey 07302

Cantor, Fitzgerald & Co., Inc.
232 N. Canon Drive
Beverly Hills, California 90210

Carl Marks & Co., Inc.
77 Water Street
New York, New York 10005

Jefferies & Company, Inc.
Union Bank Square Suite 3300
Fifth & Figueroa Streets
Los Angeles, California 90017

H. S. Kipnis & Co.
209 S. LaSalle Street
Chicago, Illinois 60604

Mayer & Schweitzer, Inc.
50 Broadway
New York, New York 10004

M. A. Schapiro & Co., Inc.
One Chase Manhattan Plaza
New York, New York 10005

Singer & Mackie, Inc.
15 Exchange Place
Jersey City, New Jersey 07302

Troster, Singer & Co.
74 Trinity Place
New York, New York 10006

Weeden & Co.
25 Broad Street
New York, New York 10004

M. S. Wien & Co., Inc.
One Exchange Place
Jersey City, New Jersey 07302

1) Designated Reporting Members shall transmit to the Association last sale reports of transactions in eligible securities executed during the trading hours of the Consolidated Tape, within one and one-half minutes after execution of the transaction. If the last sale report is not transmitted within one and one-half minutes after execution, such report shall be designated as late. All last sale reports of transactions executed during the trading hours of the Consolidated Tape shall be transmitted through the NASDAQ Transaction Reporting System. Last sale reports of transactions executed outside of trading hours shall be reported weekly in writing to the NASDAQ supervisory office in New York City.

2) Designated Reporting Members shall transmit last sale reports for eligible securities for all purchases and sales in such securities except transactions for less than a round-lot at the price recorded on the trade ticket exclusive of commissions, taxes or other charges, provided however, that principal transactions which are effected at a price plus or minus a commission, commission equivalent or differential shall be reported at the net price after addition or subtraction of the commission, commission equivalent or differential.

3) In transactions between two Designated Reporting Members, only the Designated Reporting Member representing the sell side shall report.

4) Designated Reporting Members shall not transmit last sale reports for transactions executed on an exchange.

5) All trade tickets on transactions in eligible securities must be time-stamped at the time of execution.

(b) Non-Designated Reporting Members - Members not listed in paragraph (a) above as Designated Reporting Members shall be subject to the reporting requirements of this paragraph (b).

1) Non-Designated Reporting Members shall not transmit last sale reports for the following transactions.

(i) Transactions with a Designated Reporting Member; (Note: A Non-Designated Reporting Member shall not report any transaction in which it acts as agent for a customer and a Designated Reporting Member is the contra-party to the transaction or a Non-Designated Reporting Member is the selling contra-party to the transaction.)

(ii) Transactions executed on an exchange.

2) Non-Designated Reporting Members shall transmit last sale reports for eligible securities for all purchases and sales in such securities except transactions for less than a round-lot at the price recorded on the trade ticket exclusive of commissions, taxes or other charges, provided however, that principal transactions which are effected at a price plus or minus a commission, commission equivalent or differential shall be reported at the net price after addition or subtraction of the commission, commission equivalent or differential.

3) In transactions between two Non-Designated Reporting Members only the member representing the sell side shall report.

4) All trade tickets on transactions in eligible securities must be time-stamped at the time of execution.

5) Non-Designated Reporting Members must transmit last sale reports of transactions executed during the trading hours of the Consolidated Tape within one and one-half minutes after execution of the transactions except as provided in paragraph (6). If the last sale report is not transmitted within one and one-half minutes after execution such report shall be designated as late. Last sale reports

may be transmitted through the NASDAQ Transaction Reporting System or, if such System is unavailable, via Telex, TWX or telephone to the NASDAQ supervisory office in New York City. Last sale reports of transactions executed outside of the trading hours of the Consolidated Tape shall be reported weekly to the NASDAQ supervisory office in New York City.

6) Non-Designated Reporting Members must report transactions in eligible securities (unless such transactions are reported pursuant to paragraph 5) by completing a Form T report to be filed weekly with the NASDAQ supervisory office in New York City provided that:

(i) The aggregate number of shares of eligible securities which such member executed and is required to report does not exceed 500 shares in any one trading day;

(ii) The total dollar amount of shares of eligible securities which such member executed and is required to report does not exceed $5,000 in any one trading day; and

(iii) Such member's transactions in eligible securities must not have exceeded the limits of (i) or (ii) above on at least five of the previous ten trading days.

A Non-Designated Reporting Member whose transactions in any one day are not eligible for reporting pursuant to this paragraph due to the limits of (i), (ii) or (iii) above must report all such transactions executed on that day pursuant to paragraph (5). (Note: If the member has reason to believe that its transactions in eligible securities in any one day will exceed the limits of (i) or (ii) it must report all transactions pursuant to paragraph (5)).

(c) The reporting provisions of Section 1 shall not apply to the following transactions:

1) transactions which are part of a primary distribution by an issuer or of a registered secondary distribution (other than "self distributions") or of an unregistered secondary distribution effected off the floor of an exchange;

2) transactions made in reliance on Section 4(2) of the Securities Act of 1933;

3) transactions where the buyer and seller have agreed to trade at a price unrelated to the current market for the security; e.g., to enable the seller to make a gift;

4) odd lot transactions;

5) the acquisition of securities by a member as principal in anticipation of making an immediate exchange distribution or exchange offering on an exchange;

6) purchases by an issuer of its own securities off the floor of an exchange at a time when bids or purchases on an exchange would not be permitted under the guidelines set forth in proposed SEC Rule 13e-2;

7) purchases of securities off the floor of an exchange pursuant to a tender offer;

8) purchases or sale of securities effected upon the exercise of an option pursuant to the terms thereof or the exercise of any other right to acquire securities at a pre-established consideration unrelated to the current market.

Section 2 - Suspension of Trading

(a) Members shall promptly notify the Association whenever they have knowledge of any matter related to an eligible security or the issuer thereof which has not been adequately disclosed to the public or where they have knowledge of a regulatory problem relating to such security.

(b) Whenever any market for any eligible security halts or suspends trading in such security, members may continue to conduct trading in such security during the period of any such halt or suspension and shall continue to report all last sale prices reflecting transactions in such security.

Section 3 - Trading Practices

(a) No member shall execute or cause to be executed or participate in an account for which there are executed purchases of any eligible security at successively higher prices, or sales of any such security at successively lower prices, for the purpose of creating or inducing a false, misleading or artificial appearance of activity in such security or for the purpose of unduly or improperly influencing the market price for such security or for the purpose of establishing a price which does

not reflect the true state of the market in such security.

(b) No member shall, for the purpose of creating or inducing a false or misleading appearance of activity in an eligible security or creating or inducing a false or misleading appearance with respect to the market in such security:

1) execute any transaction in such security which involves no change in the beneficial ownership thereof, or

2) enter any order or orders for the purchase of such security with the knowledge that an order or orders of substantially the same size, and at substantially the same price, for the sale of any such security, has been or will be entered by or for the same or different parties, or

3) enter any order or orders for the sale of any such security with the knowledge that an order or orders of substantially the same size, and at substantially the same price, for the purchase of such security, has been or will be entered by or for the same or different parties.

(c) No member shall execute purchases or sales of any eligible security for any account in which such member is directly or indirectly interested, which purchases or sales are excessive in view of the member's financial resources or in view of the market for such security.

(d) No member shall participate or have any interest, directly or indirectly, in the profits of a manipulative operation or knowingly manage or finance a manipulative operation.

1) Any pool, syndicate or joint account organized or used intentionally for the purpose of unfairly influencing the market price of an eligible security shall be deemed to be a manipulative operation.

2) The solicitation of subscriptions to or the acceptance of discretionary orders from any such pool, syndicate or joint account shall be deemed to be managing a manipulative operation.

3) The carrying on margin of a position in such securities

or the advancing of credit through loans to any such pool, syndicate or joint account shall be deemed to be financing a manipulative operation.

(e) No member shall make any statement or circulate and disseminate any information concerning any eligible security which such member knows or has reasonable grounds for believing is false or misleading or would improperly influence the market price of such security.

(f) 1) No member shall (i) personally buy or initiate the purchase of an eligible security for its own account or for any account in which it or any person associated with it is directly or indirectly interested, while such member holds or has knowledge that any person associated with it holds an unexecuted market order to buy such security in the unit of trading for a customer, or (ii) sell or initiate the sale of any such security for any such account, while it personally holds or has knowledge that any person associated with it holds an unexecuted market order to sell such security in the unit of trading for a customer.

2) No member shall (i) buy or initiate the purchase of any such security for any such account, at or below the price at which it personally holds or has knowledge that any person associated with it holds an unexecuted limited price order to buy such security in the unit or trading for a customer, or (ii) sell or initiate the sale of any such security for any such account at or above the price at which it personally holds or has knowledge that any person associated with it holds an unexecuted limited price order to sell such security in the unit of trading for a customer.

3) The provisions of this section shall not apply (i) to any purchase or sale of any such security in an amount less than the unit of trading made by a member to offset odd-lot orders for customers, (ii) to any purchase or sale of any such security upon terms for delivery other than those specified in such unexecuted market or limited price order, or (iii) to any unexecuted order that is subject to a condition that has not been satisfied.

(g) No member or person associated with a member shall, directly or indirectly, hold any interest or participation in any joint account for buying or selling an eligible security, unless such joint account is promptly reported to the Association. The report should contain the following information for each account:

1) Name of the account, with names of all participants and their respective interests in profits and losses;

2) a statement regarding the purpose of the account;

3) name of the member carrying and clearing the account; and

4) a copy of any written agreement or instrument relating to the account.

(h) No member shall offer that a transaction or transactions to buy or sell an eligible security will influence the closing transaction on the Consolidated Tape.

(i) 1) No member shall accept a stop order in an eligible security.

(i) A buy stop order is an order to buy which becomes a market order when a transaction takes place at or above the stop price.

(ii) A sell stop order is an order to sell which becomes a market order when a transaction takes place at or below the stop price.

2) Members may accept stop limit orders in eligible securities where the stop price and the limit price are the same. When a transaction occurs at the stop price, the order to buy or sell becomes a limit order at the stop price.

Section 4 - Fees and Charges

(a) NASDAQ Level III Terminal

1) Charges for regular NASDAQ Level III services are contained in Part IV of Schedule D under Article XVI of the By-Laws.

2) The charge for modifying a NASDAQ Level III terminal for transaction reporting capability shall be $25.

3) The charge for each transaction reported via a modified NASDAQ Level III terminal shall be $.20 per transaction.

(b) NASDAQ Transaction Reporting Terminal

1) A NASDAQ Transaction Reporting terminal can be utilized for transaction reporting but does not have the capability of performing any of the NASDAQ bid/ask functions.

2) The charge for the first Transaction Reporting terminal shall be $300 per month. The charge for each additional Transaction Reporting terminal shall be $250 per month.

3) The charge for each transaction reported via a Transaction Reporting terminal shall be $.20 per transaction for the first 300 transactions per day and $.35 per transaction for each transaction in excess of 300 transactions per day.

4) Installation, removal and relocation charges for control units and Transaction Reporting terminals are the same as those for NASDAQ Level III service contained in Part IV of Schedule D under Article XVI of the By-Laws.

(c) The charge for any transaction reported through the NASDAQ supervisory office in New York City via Telex, TWX, or telephone or other accepted method of communication shall be $.20 per transaction.

(d) There shall be no charge for transactions reported in writing in conformance with the provisions of this Schedule.

Notice to Members No. 75-43
Notices to Members should be retained for future reference.

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

June 18, 1975

TO: All NASD Members

RE: July 4th - Holiday Settlement Schedule for Non-NCC Transactions.

Securities markets and the NASDAQ System will be closed on Independence Day, Friday, July 4, 1975. Non-NCC trasactions + ("regular-way") made on the business days immediately preceding July 4th will be subject to the following schedule of settlement dates:

Settlement dates for "regular-way" transactions

Trade Date			Settlement Date	
June	24		July	1
	25			2
	26			3
	27			7
June	30			8
July	1			9
	2			10
	3			11
	4	Independence Day		-
July	7			14
	8			15

+ Members with NCC transactions should refer to NCC Important Notice for information which will be distributed shortly.

Questions regarding this notice may be directed to the Uniform Practice Division of National Clearing Corporation*, Two Broadway, 8th Floor, New York, N.Y. 10004, (212)952-4018.

* This notice, which applies to all NASD Members, has been issued by National Clearing Corporation. The Board of Directors of NCC interprets and enforces the provisions of the NASD's Uniform Practice Code.