

SCHEDULE I

Hypothetical Illustration of Tax Treatment of a
\$10,000 Investment in an Oil and Gas Program

Initial Investment	\$ 7,000	
Assessments	<u>3,000</u>	
Total Investment	\$10,000	
Estimated Deductible Expenses (70%)		(\$7,000)
Tax Savings (based on participant's federal income tax bracket of 50%)	<u>(\$ 3,500)</u>	<u> </u>
Net Cost	\$ 6,500	
Adjusted Federal Tax Basis		\$3,000

This illustration is hypothetical and should not be construed as a guarantee of the amount or percentage of expenses which will be deductible. The estimated deductible expenses illustrated represent costs associated with drilling which are deductible under federal income tax law, such as intangible drilling expenses, acquisition expenses of abandoned acreage and overhead expenses. The above illustration reflects an investor's net cost in "after-tax" dollars, assuming a 70 percent expense write-off in the first year of the program; however, actual deductible expenses may be more or less than 70 percent depending on drilling results. It is estimated by tax counsel that deductible expenses in the year 19__ will approximate 70 percent to 80 percent of the initial investment. The illustration does not give effect to possible taxable income to the participant which would reduce the tax benefits illustrated. Please refer to page __ of the prospectus for further information.

SCHEDULE II

Hypothetical Illustration of Tax Treatment of Cash Flow
in an Oil and Gas Program on a Per \$1.00 Basis

Gross Income		\$1.00
Operating Expenses		<u>(.25)</u>
Net Income		.75
Depreciation	.10	
Tax Depletion Allowance (22% of gross income)	<u>.22</u>	<u>(.32)</u>
Taxable Income		\$.43

In this example, of \$.75 net income, \$.32 is tax free due to the depletion allowance and depreciation, leaving \$.43 taxable income, which, combined with the \$.32 tax free amount, results in a total net to the participant of \$.535 per \$1.00 gross income to the program.

This illustration is hypothetical and should not be construed as a guarantee that there will be income from the program or that there will be any specific level of income or expenses. The illustration is designed to show the advantages of the tax shelter provided by the depletion allowance and depreciation on the income earned by the program, if any. Since oil and gas are "depletable assets," i.e., eventually the supply will be completely exhausted by production, the federal income tax law permits, as an allowance for depletion, 22 percent of gross income (but not more than 50 percent of net income) to be earned tax free. This allowance commences when commercial production of a well begins and continues for the life of the well. Please refer to page ___ of the prospectus for further information.

NOTICE TO MEMBERS: 77-18
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 3, 1977

IMPORTANT

PLEASE DIRECT THIS NOTICE
TO ALL
FINANCIAL AND OPERATIONAL OFFICERS AND PARTNERS

TO: All NASD Members

RE: Interpretations and Amendments to Rules 15c3-1 and 15c3-3

SUMMARY

On May 23, 1977, the Securities and Exchange Commission announced the adoption of amendments and interpretations to Rule 15c3-1 (the "Uniform Net Capital Rule") and Rule 15c3-3 (the "Customer Protection Rule"). Both the amendments and the interpretations to Rules 15c3-1 and 15c3-3 will become effective on July 15, 1977. (See Securities Exchange Act Release No. 13565.)

The amendments to these rules are substantially the same as those originally proposed by the Commission on February 5, 1976, (see Securities Exchange Act Release No. 11969) although they have been modified somewhat in light of the suggestions received by the Commission via the public comment process.

The following is a brief summary of these amendments and interpretations to Rules 15c3-1 and 15c3-3.

AMENDMENTS TO RULE 15c3-1

Subparagraph (b)(2) - Alternative Financial Responsibility Standard for Floor Brokers

This subparagraph has been amended to allow floor brokers to operate thereunder if the value of their exchange memberships

exceeds \$15,000 or if the difference between the value of exchange membership and \$15,000 is held in escrow by an independent agent.

Subparagraph (c)(2)(iv)(B) - Certain Unsecured and Partly Secured Receivables

This subparagraph has been revised to require a deduction from net worth for deficits in special omnibus accounts maintained in compliance with the requirements of paragraph 4(b) of Regulation T and similar accounts carried on behalf of another broker-dealer less any calls for margin, marks to market or other required deposits which have been made and are outstanding five (5) business days or less.

Subparagraph (c)(2)(iv)(E) - Other Deductions

As amended, this subparagraph requires a firm to deduct from net worth an amount equal to the excess of the market value over contract value of securities failed to receive outstanding more than thirty (30) days.

Subparagraphs (c)(2)(vi)(M) and (f)(3)(iii) - Undue Concentration

These two subparagraphs have been amended to specifically exclude redeemable securities of an investment company registered pursuant to the Investment Company Act of 1940 from undue concentration haircuts.

Subparagraph (c)(2)(xii) - Deduction from Net Worth for Indebtedness Collateralized by Exempt Securities

This subparagraph has been amended to clarify that the optional deduction of 4% from net worth of indebtedness secured by exempted or municipal securities, in lieu of including such amounts in aggregate indebtedness, is available only in instances in which such indebtedness would normally be included in aggregate indebtedness.

Appendix A - Options - Subparagraph (c)(8)

This amendment effectively requires that a 50% haircut deduction be taken on all proprietary positions in listed options where there are no offsetting securities positions. According to the Commission, this change was deemed necessary since the market value of an option is a leverage function of the value of the underlying security and, as such, the haircut on options should be higher than the haircut on the underlying equity security to provide an adequate capital cushion.

THE RESERVE FORMULA UNDER RULE 15c3-3

General

In describing these amendments in Release No. 34-11969, the Commission stated that, "Since the advent of trading in listed options, brokers and dealers effecting options transactions have developed new methods of financing their margin requirements at the clearing corporation level which were not anticipated when Rule 15c3-3 was adopted. These developments dictate amendments to the Reserve Formula in Exhibit A to Rule 15c3-3 to ensure that the reserve requirements continue to receive the contemplated standard of protection for customers' funds and securities and to provide an appropriate computational basis for the alternative net capital requirement provided in Rule 15c3-1(f)." A brief summary of these amendments follows.

Note B to Item #2 of the Reserve Formula

This note is new. Former Note B has been modified somewhat and redesignated as Note E (see discussion of Note E below). New Note B requires that Item #2 in the formula include, to the extent of the member's margin requirement at the Options Clearing Corporation, the principal amount of restricted letters of credit that have been obtained by clearing members of the Options Clearing Corporation and which are collateralized by customers' securities.

Note C to Item #3 of the Reserve Formula

This note is also new and requires the amount by which the market value of securities loaned exceeds the collateral value received from the lender of such securities included under Item #3 of the Reserve Formula.

Note D to Item #4 of the Reserve Formula

Note D is also new. It requires inclusion in the formula of the amount by which the market value of a fail to receive for the account of a customer, outstanding by more than thirty (30) days, exceeds its contract value.

Note E to Item #10 of the Reserve Formula

Note E now includes a new subparagraph (2). It requires that Item #10 in the formula be reduced by deficits in special omnibus accounts exclusive of those for which calls for margin, marks to the

market, or other required deposits have been made and are outstanding five (5) business days or less.

New Item #13 and Note F of the Reserve Formula - Margin Required and on Deposit With the Options Clearing Corporation for All Option Contracts Written or Purchased in Customer Accounts

The addition of Item #13 and Note F creates a requirement for including, on the debit side of the formula, all amounts of margin required and on deposit with OCC to secure customer accounts.

INTERPRETATIONS TO RULE 15c3-1

In addition to the above amendments, the Commission announced two interpretations to the Uniform Net Capital Rule. They concern (1) the general applicability of flow-through capital benefits for a parent broker-dealer and its subsidiaries under Appendix C of the rule and (2) clarification of the definition of the term "bearer form" as that term is used in Appendix D to the rule.

Flow-Through Capital Benefits

Interpretations Relating to Consolidated Computations

In the first interpretation, the Commission stated that under Appendix C, a consolidated subsidiary or affiliate broker-dealer must comply, in its own right, with all applicable provisions of the net capital rule as if the consolidation did not exist. The consolidated subsidiary may not derive directly or indirectly any decrease in aggregate indebtedness, increase in its net capital or decrease in its required minimum net capital from such consolidation.

Minimum Net Capital Requirement of the Consolidated Entity

The Commission also clarified the minimum net capital requirements for a consolidated entity. It said that:

- (1) The minimum dollar amount net capital requirement of a consolidated entity is determined by adding the amount of net capital required for compliance by each consolidated subsidiary subject to Rule 15c3-1 to the minimum dollar net capital requirement of the parent broker or dealer.
- (2) If the parent broker-dealer computes its capital requirement under the alternative net capital requirement as set forth in Rule 15c3-1(f), the net capital of the

consolidated entity must be at least equal to the greater of the minimum dollar net capital requirement described in item (1) above or 4% of the aggregate debit items in the Reserve Formula.

(3) If the parent computes its net capital under the standard method set forth in subparagraph (a) of Rule 15c3-1, the net capital of the consolidated entity must equal at least the minimum dollar net capital requirement described in item (1) above and, in addition, the aggregate indebtedness of the consolidated entity may not exceed 1500% of the net capital of the consolidated entity.

Deductions for Consolidated Securities Positions

In computing the net capital of a consolidated entity, the parent must apply the deductions set forth in paragraphs (c)(2)(vi), (f)(3) and Appendix A of the rule to all of the proprietary securities held by both the parent and the subsidiary or affiliate as though they were securities positions of the parent.

Use of the Term "Bearer Form" in Appendix D


In the second interpretation, the Commission said the term "bearer form," as used in subparagraph (c)(4) of Appendix D, possesses no specialized definition and for purposes of Appendix D, a security is in bearer form when it runs to the bearer according to its terms and not by reason of any endorsement.

* * *

As noted, the above-described amendments and interpretations to Rules 15c3-1 and 15c3-3 become effective on July 15, 1977. Appropriate changes will be made to the reprints of these requirements contained in the NASD Manual under Section 4001, "Regulation T and SEC Rules." It is expected that these changes will appear in the next monthly supplement to the Manual.

Questions concerning this notice should be directed to either Christopher R. Franke at (202) 833-7320, or Kevin P. McEvoy at (202) 833-4878.

Sincerely,


Gordon S. Macklin
President

REPRINT OF AMENDED FORMULA FOR DETERMINATION
OF
RESERVE REQUIREMENT FOR BROKERS AND DEALERS

Effective
July 15, 1977

	<u>Credits</u>	<u>Debits</u>		<u>Credits</u>	<u>Debits</u>
1. Free credit balances and other credit balances in customers' security accounts. (See Note A)	\$XXX		10. Debit balances in customers' cash and margin accounts excluding unsecured accounts and accounts doubtful of collection. (See Note [B] E)		\$XXX
2. Monies borrowed collateralized by securities carried for the account of customers. (See Note B)	XXX		11. Securities borrowed to effectuate short sales by customers and securities borrowed to make delivery on customers' securities failed to deliver.		XXX
3. Monies payable against customers' securities loaned. (See Note C)	XXX		12. Failed to deliver of customers' securities not older than 30 calendar days.		XXX
4. Customers' securities failed to receive. (See Note D)	XXX		13. Margin required and on deposit with the Options Clearing Corporation for all option contracts written or purchased in customer accounts. (See Note F)		<u>XXX</u>
5. Credit balances in firm accounts which are attributable to principal sales to customers.	XXX			Totals	_____
6. Market value of stock dividends, stock splits and similar distributions receivable outstanding over 30 calendar days.	XXX			Credits	_____
7. Market value of short security count difference over 30 calendar days old	XXX			Debits	_____
8. Market value of short securities and credits (not to be offset by longs or by debits) in all suspense accounts over 30 calendar days.	XXX			\$ _____	\$ _____
9. Market value of securities which are in transfer in excess of 40 calendar days and have not been confirmed to be in transfer by the transfer agent or the issuer during the 40 days.	XXX			\$ _____	
			[13] 14. Excess of total credits (sum of items 1-9) over total debits (sum of items 10-[12] 13) required to be on deposit in the "Reserve Bank Account" (15c3-3(c)). If the computation is made monthly as permitted by this rule, the deposit shall be not less than 105% of the excess of total credits over total debits.		

Notes to Reserve Formula

Note A

Item 1 shall include all outstanding drafts payable to customers which have been applied against free credit balances or other credit balances and shall also include checks drawn in excess of a bank balance per the records of the broker or dealer.

Note B

Item 2 shall include the amount of Letters of Credit obtained by a member of Options Clearing Corporation which are collateralized by customers' securities, to the extent of the member's margin requirement at Options Clearing Corporation.

Note C

Item 3 shall include in addition to monies payable against customers' securities loaned the amount by which the market value of securities loaned exceeds the collateral value received from the lending of such securities.

Note D

Item 4 shall include in addition to customers' securities failed to receive the amount by which the market value of securities failed to receive and outstanding more than thirty (30) calendar days exceeds their contract value.

Note E

(1) Debit balances in margin accounts shall be reduced by the amount by which a specific security (other than an exempted security) which is collateral for margin accounts exceeds in aggregate value 15 percent of the aggregate value of all securities which collateralize all margin accounts receivable; provided, however, the required reduction shall not be in excess of the amount of the debit balance required to be excluded because of this concentration rule. A specified security is deemed to be collateral for a margin account only to the extent it represents in value not more than 140 percent of the customer debit balance in a margin account.

(2) Debit balances in special omnibus accounts, maintained in compliance with the requirements of Section 4(b) of Regulation T under the Act (12 CFR 220.4(b)) or similar accounts carried on behalf of another broker or dealer, shall be reduced by any deficits in such accounts (or if a credit, such credit shall be increased) less any calls for margin, marks to the market, or other required deposits which are outstanding 5 business days or less.

(3) Debit balances in customers' cash and margin accounts included in the formula under Item 10 shall be reduced by an amount equal to 1 percent of their aggregate value.

Note F

Item 13 shall include the amount of margin required and on deposit with Options Clearing Corporation to the extent such margin is represented by cash, proprietary qualified securities, and letters of credit collateralized by customers' securities.

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retained for future reference.

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

June 3, 1977

MEMORANDUM

TO: All NASD Members and Interested Persons

RE: Amendments to Appendix A of Section 30,
Article III, Rules of Fair Practice

On May 11, 1977, the Securities and Exchange Commission approved and declared effective a series of amendments to Appendix A to the Association's Margin Rule (Section 30 to Article III of the Rules of Fair Practice). For the convenience of members, a reprint of the amended rule is enclosed.

The principal changes to Appendix A generally concern margin requirements on option contracts. The new requirements were designed by the Association in order to conform its rules in this area to a uniform standard proposed by the SEC. These standards were previously adopted by all of the principal securities exchanges. Pursuant to these new requirements, NASD members not belonging to any of these exchanges will now be able to finance customers' transactions in both standardized and conventional options and carry the options accounts of such customers on the same basis and on the same terms as members belonging to those exchanges.

Under Appendix A, Section 4(a)(4) is changed to allow options displayed on the NASDAQ System the same coverage as options listed on a national securities exchange. A distinction is made between over-the-counter conventional options and NASDAQ options.

Under Appendix A, Section 7 ("Put and Call Options") has been expanded to include coverage for spreads, straddles and other types of combinations concerning puts, calls and convertible securities.

Additional sections under Appendix A concern guaranteeing customer accounts; consolidation of accounts; and certain definitions.

Questions concerning the amended rule should be directed to A. Raymond Brummett at (202) 833-7358.

Sincerely,

A handwritten signature in cursive script, appearing to read "Gordon S. Macklin".

Gordon S. Macklin
President

Enclosure

Reprint of
Appendix A
to
Section 30 of Article III
of the
Rules of Fair Practice
Margin Accounts

Section 1 - Exception

Members of the American Stock Exchange, Chicago Board Options Exchange, Midwest Stock Exchange, New York Stock Exchange, Pacific Stock Exchange, and the Philadelphia Stock Exchange are exempt from the provisions hereof. [As amended effective July 1, 1974]

Section 2 - Initial Margin

For the purpose of effecting and carrying new securities transactions, the following provisions shall apply:

(a) Any member who effects a securities transaction, including transactions in "when issued" securities, for a customer in a margin account must obtain from the customer, no later than settlement date, initial margin in an amount consistent with the provisions of Regulation T of the Board of Governors of the Federal Reserve System and Section 4 hereof. Every margin account shall have a minimum equity deposit in the account of \$2,000, except that cash need not be deposited in excess of the cost of any security purchased.

(b) Withdrawals of cash or securities in accordance with Regulation T may be made from any account provided that such withdrawal does not reduce the equity in the account below \$2,000 or the amount required by Section 4 hereof, whichever is greater; provided, however, Special Subscriptions Accounts and Special Equity Funding Accounts maintained in accordance with Sections 4(h) and 4(k), respectively, of Regulation T shall be exempt from the \$2,000 minimum equity requirement.

Section 3 - Valuation of Securities

For purposes of this appendix, securities shall be valued at current market prices determined by a reasonable and consistent method. Securities listed on a national securities exchange shall be valued at current market prices as reported by the exchange. OTC

Section 3 (cont.)

marginable securities listed on NASDAQ shall be valued at the current representative market reflected on that system.

Substantial additional margin may be required by the Association when the margin account being carried has any security in such concentrated quantities that its liquidation cannot be accomplished promptly in relation to the volume of trading in the security or if the security is subject to unusually rapid or violent changes in value.

Section 4 - Minimum Margin

(a) The minimum margin to be maintained in the margin account of a customer shall be as follows:

(1) 25% of the market value of all securities "long" in the account, except securities exempted under Section 2(g) of Regulation T; and,

(2) \$2.50 per share or 100% of the market value, whichever is greater, of each stock "short" in the account with a market value of less than \$5.00 per share; and,

(3) \$5.00 per share or 30% of the market value, whichever is greater, of each stock "short" in the account with a market value of \$5.00 per share or above; and,

(4) Minimum maintenance requirements for any put or call issued, guaranteed or carried "short" in a customer's account shall be:

(i) in the case of puts and calls traded off the NASDAQ System in the over-the-counter market, 50% of the market value of the equivalent number of shares of the underlying securities, plus any unrealized loss or less any unrealized profit;

(ii) in the case of puts and calls listed or traded on a registered national securities exchange, or displayed on the NASDAQ System, 30% of the market value of the equivalent number of shares of the underlying security, plus any unrealized loss or less any unrealized profit;

(iii) notwithstanding the foregoing, the minimum margin on each put or call issued, guaranteed or carried "short" in a customer's account shall not be less than \$250; and,

Section 4 (cont.)

(5) 5% of the principal amount or 30% of the market value, whichever is greater, of each debt security "short" in the account, except securities exempted under Section 2(g) of Regulation T; and,

(6) 15% of the principal amount or 25% of the market value, whichever is lower, on each long and short position in securities exempted under Section 2(g) of Regulation T, except as covered in subsection (7); and,

(7) 5% of the principal amount of each long or short position in obligations issued or unconditionally guaranteed as to principal or interest by the United States Government or any agency thereof; and,

(8) Notwithstanding the provisions of paragraphs (1), (6) and (7) of this subsection (a), minimum maintenance requirements for securities exempted under Section 2(g) of Regulation T and for certain corporate debt securities shall be as follows:

(i) obligations issued or unconditionally guaranteed as to principal or interest by the U. S. Government or any agency thereof with 10 years or less to maturity shall be:

less than 1 year - 1/2% of market value
1 to 2 years - 1% of market value
2 to 3 years - 1 1/2% of market value
3 to 4 years - 2% of market value
4 to 5 years - 2 1/2% of market value
5 to 10 years - 3% of market value

(ii) as to other securities exempted under Section 2(g) of Regulation T and non-convertible corporate debt securities with 5 years or less to maturity which are in the first three ratings (e.g., AAA, AA, A) according to a nationally known statistical service, the Association may authorize lower requirements upon application.

(b) Notwithstanding the provisions of subsection (a) hereof, the minimum margin to be maintained in a margin account shall be 10% of the market value of the "long" securities in the following situations:

(1) When a security carried in a "long" position is exchangeable or convertible within a reasonable time and without

Section 4 (cont.)

restriction other than payment of money, into a security carried in a short position; or

(2) When there are offsetting "long" and "short" positions in the same security. In such cases, "short" positions must be marked to the market in determining the required minimum margin.

(3) The Association may, for specific securities when it deems circumstances warrant, either at the time of establishing the special initial margin or thereafter, require special initial margin of up to 100% to be deposited in all margin accounts on new transactions within 5 business days of the trade date.

Section 5 - When Issued Securities

(a) For purposes of this appendix, the minimum amount of margin on any transaction or net position in each "when issued" security shall be the same as if such securities were issued.

(b) Each position in a "when issued" security must be computed separately, and any unrealized profit shall be applied only to the amount of margin required on the position in the particular security.

(c) When an account has both a "short" position in a "when issued" security and a long position in the securities with respect to which the "when issued" security may be issued, such "short" position must be marked to the market and the balance in the account adjusted for any unrealized loss.

Section 6 - Certain Purchases in Special Cash Accounts

Transactions of the following types in special cash accounts are subject to the margin requirements hereof except when the account is that of a broker-dealer, bank, trust company, investment company, investment trust, insurance company, charitable or non-profit educational institution, or similar fiduciary type account:

(a) Purchases of issued securities exempted under Section 2(g) of Regulation T when payment is not made promptly after presentation of the securities to the customer, except that the \$2,000 minimum equity requirement does not apply; provided however, the Association may waive or extend the above requirements upon application by the creditor made in good faith and in exceptional circumstances;

Section 6 (cont.)

(b) Transactions in "when issued" securities when payment is not made promptly unless,

(i) such is the subject of a primary distribution in connection with a bona fide offering by the issuer to the general public for "cash," or

(ii) such is exempt by the Association as involving a primary distribution or a registered secondary offering.

The term "when issued" herein also means "when distributed."

Section 7 - Put and Call Options

(a) Each put or call shall be margined separately. Any difference between the market price of the underlying security and the exercise price of a put or call is of value only in providing margin on that particular put or call. Substantial additional margin must be required on options issued, guaranteed or carried "short" with an unusually long period of time to expiration (generally, more than six months and ten days), or written on securities subject to unusually rapid or abrupt changes in value, or which do not have an active market, or when the securities subject to the option cannot be liquidated promptly.

(b) If both a put and a call for the same number of shares of the same security are issued, guaranteed or carried "short" for a customer, the margin is the greater of that required on either the put or the call, except that:

(i) the \$250 minimum margin requirement shall apply to only one of the options, and

(ii) if there is unrealized loss on the other option, the amount of margin required shall include the unrealized loss.

(c) When a call that is listed or traded on the NASDAQ System or on a registered national securities exchange is carried "long" for a customer's account and the account is also "short" a call listed or traded on the NASDAQ System or on a registered national securities exchange expiring on or before the date of expiration of the "long" call and written on the same number of shares of the same security, the margin required on the "short" call shall be the lower of:

(i) the margin required pursuant to Section 4(a)(4)(ii) above, or

Section 7 (cont.)

(ii) the amount by which the exercise price of the "long" call exceeds the exercise price of the short call.

(d) When a put that is listed or traded on the NASDAQ System or on a registered national securities exchange is carried "long" for a customer's account and the account is also "short" a put listed or traded on the NASDAQ System or on a registered national securities exchange expiring on or before the date of expiration of the "long" put and written on the same number of shares of the same security, the margin required on the "short" put shall be the lower of:

(i) the margin required pursuant to Section 4(a)(4)(ii) above, or

(ii) the amount by which the exercise price of the "short" put exceeds the exercise price of the "long" put.

(e) When a call is issued, guaranteed or carried "short" against an existing net "long" position in the security under option or in any security exchangeable or convertible into the security under option within a reasonable time without restriction, other than the payment of money, no margin is required on the call, provided:

(i) such net "long" position is adequately margined in accordance with this rule; and,

(ii) the right to exchange or convert that net "long" position does not expire on or before the date of expiration of the "short" call, and,

(iii) the conversion price of the exchangeable or convertible security does not exceed the exercise price of the call.

(f) When a call is issued, guaranteed or carried "short" against a net "long" position in an exchangeable or convertible security, as outlined above, margin is required on the call equal to any amount by which the conversion price of the "long" security exceeds the exercise price of the call.

(g) When a put is issued, guaranteed or carried "short" against an existing net "short" position in the security under option, no margin is required on the put, provided such net "short" position is adequately margined in accordance with this rule.

Section 7 (cont.)

(h) When determining net "long" and net "short" positions, offsetting "long" and "short" positions in exchangeable or convertible securities or in the same security shall be deducted. When computing margin on such an existing net stock position carried against a put or call, the current market price used shall not be greater than the call price in the case of a call or less than the put price in the case of a put. If payment of money is required to exchange or convert the net "long" security, such security shall have no value for purposes of this rule.

(i) When a member issues or guarantees an option to receive or deliver securities for a customer, such option shall be margined as if it were a put or call.

(j) An exchangeable or convertible security shall cease to have margin purposes as of its expiration date and cannot be used thereafter for purposes of this rule.

Section 8 - Guaranteed Customer Accounts

Any account guaranteed by another account of a public customer in writing, may be consolidated with the other account and the required margin may be computed on the net position of both accounts if the guarantee permits the member, without restriction, to use the money and securities in the guaranteeing account to carry the guaranteed account or to pay any deficit therein; provided however, a guaranteeing account shall not be owned directly or indirectly by (a) a partner or a stockholder in the organization carrying the account, or (b) a member, partner or stockholder therein having a definite arrangement for participating in the commissions earned on the guaranteed account. The guarantee of a limited partner or of a stockholder if based upon his resources other than his capital contribution to, or other than his interest in a member organization shall not be affected by the foregoing prohibition, and such a guarantee may be taken into consideration in computing margin in the guaranteed account.

Section 9 - Consolidation of Accounts

When two or more accounts are carried for the same person or entity, the required margin may be computed on the net position of such accounts, provided the customer has consented in writing that the money and securities in each of the accounts may be used to carry or pay any deficit in all such accounts.

Section 10 - Deferred Payment Prohibited

No member shall permit a customer to effect transactions requiring margin and then either defer the payment of margin beyond regular

Section 10 (cont.)

settlement date, or meet such demand for margin by the liquidation of the same or other commitments in the account, except that the provisions of this section shall not apply to any account maintained for another broker-dealer in which are carried only the commitments of public customers of the other broker-dealer, provided that the latter has agreed in writing that he will maintain a record in accordance with Section 11 hereof.

Section 11 - Recordkeeping Requirements

Any member carrying securities margin accounts for customers shall make a daily record of each case in which initial or additional margin must be deposited in a customer's account because of transactions in the account on that day. The record shall show, for each account, the amount of margin required and the time when, and the manner in which, such margin is obtained.

Section 12 - OTC Market Maker

The account of a member in which are effected only transactions in securities in which he is an "OTC Market Maker," as defined in Rule 17a-12 under the Securities Exchange Act of 1934, may be carried upon a margin basis which is mutually agreeable to the market maker and the carrying member.

Section 13 - Prompt Payment Required

The amount of margin, deposit, or "mark to market" required by any provision of this rule shall be obtained as promptly as possible.

Section 14 - Margin Account Defined

"Margin account" shall mean every account established pursuant to Regulation T in which a broker-dealer creditor extends or maintains credit, except as otherwise provided by the Association.

Section 15 - Accrued Interest

(a) Accrued interest may not be credited to an account except as provided in subsection (b) hereof.

(b) A member may credit a customer's account with accrued interest in obligations issued or unconditionally guaranteed by the U. S. Government or any agency thereof if such securities are registered in the member's name or its nominee or, in the case of bearer bonds, are in the possession of the member and if on a concurrent basis the accrued interest on the outstanding debit balance in that account is entered as of the same date.

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retained for future reference.

NASD

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

June 3, 1977

TO: All NASD Members

RE: Francis Eugene Mooney, Jr.
d/b/a Bach Planning Company
9041 Executive Park Dr., Ste. 412
Knoxville, Tennessee 37919

ATTN: Operations Officer, Cashier, Fail-Control Dept.

On Friday, May 27, 1977, a temporary receiver was appointed for the above captioned firm. Members may use the "immediate close-out procedures" as provided in Section 59(i) of the NASD's Uniform Practice Code to close-out open OTC contracts.

Questions regarding the firm should be directed to:

Temporary Receiver

Edward L. Summers, Esquire
Haynes, Meek, Jones & Summers
Suite 226
Greater Tennessee Building
P. O. Box 1108
Knoxville, Tennessee 37901
(615)546-8706

NASD

NOTICE TO MEMBERS: 77-21
Notices to Members should be
retained for future reference.

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

June 17, 1977

TO: ALL NASD MEMBERS
NASDAQ COMPANIES
NASDAQ LEVEL 2 AND LEVEL 3 SUBSCRIBERS

Effective Monday, June 20, 1977, the New York City offices of the NASDAQ Department and the Uniform Practice Department of the NASD will be located at 17 Battery Place, Room 1324, New York, New York 10004.

The following is a list of new telephone numbers:

<u>NASDAQ DEPARTMENT</u>	212-344-5520 212-422-8846
<u>MUTUAL FUNDS</u> (Will remain same)	212-269-6071 212-269-6072 212-269-6073 212-269-6074
<u>UNIFORM PRACTICE</u>	212-422-8841
<u>FOREIGN SECURITIES</u>	212-422-8842
<u>BUY-INS AND WHEN ISSUED</u>	212-422-8843
<u>DIVIDENDS</u> (10b-17 Reports)	212-422-8844

Members should note that the Arbitration Department of the NASD will remain at 17 Battery Place, Suite 810 with the following telephone numbers:

212-943-8400
212-943-8401
212-943-8402

NASD

NOTICE TO MEMBERS: 77-22
Notices to Members should be
retained for future reference.

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

June 20, 1977

TO: All NASD Members

RE: The I.E.S. Management Group, Inc.
50 Union Avenue
Irvington, New Jersey 07111

ATTN: Operations Officer, Cashier, Fail-Control Department

On Thursday, June 9, 1977, a receiver in bankruptcy was appointed for the above captioned firm. Members may use the "immediate close-out" procedure as provided in Section 59(i) of the NASD's Uniform Practice Code to close-out open OTC contracts.

Accordingly, questions regarding the firm should be directed to:

Receiver in Bankruptcy

John J. Francis, Jr., Esquire
Receiver in Bankruptcy for
The I.E.S. Management Group, Inc.
Shanley & Fisher
550 Broad Street
Newark, New Jersey 07102
Telephone: (201) 643-1220

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

June 27, 1977

TO: All NASD Members

RE: Qualifications of Principals - Principals required to pre-qualify
as representatives after June 30, 1977.

Pursuant to Rule 19b-4 of the Securities and Exchange Commission, the Association on June 3, 1977, filed a proposed resolution of its Board of Governors concerning the qualifications of Principals under Schedule C of the Association's By-Laws. The resolution was recommended to the Board by the Committee on Qualifications and was adopted by the Board at its May, 1977, meeting. The following is the full text of the Board of Governors' resolution concerning Schedule C to the Association's By-Laws. The resolution will appear following Part I of Schedule C and will read as follows:

Resolution of Board of Governors

Qualification as Registered Representative as Prerequisite to Principal Registration

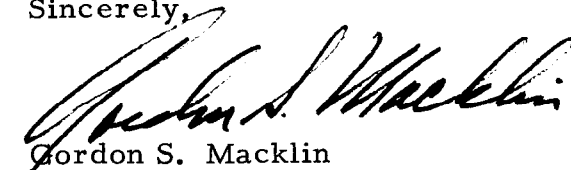
All persons required under Schedule C to pass a qualification examination for principals and who are not qualified to become registered as a registered representative must also pass the Qualification Examination for Registered Representative before their principal registrations can be declared effective. This requirement shall not apply to persons required to register and qualify as "Financial Principals" or whose functions will relate solely and exclusively to: (1) mutual funds and variable annuities or (2) direct participation programs.

The purpose of the resolution is to change an existing policy under Schedule C to the Association's By-Laws. The change will eliminate a disparity in the examination requirements for principals and representatives. It has been the Association's policy that persons who became registered as principals who were not already qualified as principals needed only to pass the Qualification Examination for Principals, Series 40, after which they were permitted to function both as principals and representatives.

The effect of the resolution will be to require all persons required to qualify as principals to pass both the Series 40 examination and the Qualification Examination for General Securities Representatives, Series 7, unless already qualified as general securities representatives. This requirement will pertain to those persons whose applications for registration as principals are received at the Association after June 30, 1977. The new policy will not apply to principals qualifying as financial principals or whose functions relate solely and exclusively to mutual funds, variable annuities or direct participation programs. The change is intended to assure that general securities principals will be subject to examination requirements at least as stringent as the requirements for general securities representatives. It is also intended to discourage possible evasion of the representative examination requirements by qualifying such persons as principals instead of as representatives.

Questions regarding this notice should be addressed to Frank J. McAuliffe (202) 833-7394 or Carole Bayard (202) 833-7392.

Sincerely,



Gordon S. Macklin
President