

Notice to members 86-66

NOT AVAILABLE AT THIS TIME



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

notice to members 86-67

October 2, 1986

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

RE: NASDAQ National Market System Grows to 2,580 Securities With 23 Voluntary Additions on October 7, 1986

On Tuesday, October 7, 1986, 23 issues are scheduled to join the NASDAQ National Market System, bringing the total number of issues in NASDAQ/NMS to 2,580. These 23 issues, which will begin trading under real-time trade reporting, are entering NASDAQ/NMS pursuant to the Securities and Exchange Commission's criteria for voluntary designation.

The 23 issues scheduled to join NASDAQ/NMS on Tuesday, October 7, 1986, are:

Symbol*	Company	Location
ACCC	A.C. Teleconnect Corp.	Rochester, NY
AIRC	Associated Inns & Restaurants Company of America	Englewood, CO
ATBC	Atlantic Bancorporation	Voorhees, NJ
CANO	Canonie Environmental Services Corp.	Porter, IN
CINNA	Citizens Insurance Company of America, Inc. (CI A)	Austin, TX
CSBM	City Savings Bank of Meriden	Meriden, CT
CLEV	Clevite Industries, Inc.	Glenview, IL
CLEVV	Clevite Industries, Inc. (Wts)	Glenview, IL
DVIS	Datavision, Inc.	Deerfield Beach, FL

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

Symbol*	Company	Location
EWSB	East Weymouth Savings Bank	East Weymouth, MA
EDCO	Edison Control, Inc.	Piscataway, NJ
KDNYP	Home Intensive Care, Inc. (Pfd)	North Miami Beach, FL
KDNYW	Home Intensive Care, Inc. (Wts)	North Miami Beach, FL
MAIL	Mail Boxes Etc.	San Diego, CA
NFSF	NFS Financial Corp.	Nashua, NH
NAHL	North American Holding Corporation	East Hartford, CT
NESAP	Northeast Savings, F.A. (Pfd)	Hartford, CT
QCBK	Quincy Co-Operative Bank (The)	Quincy, MA
RHEM	Rheometrics, Inc.	Piscataway, NJ
SPAR	Spartan Motors, Inc.	Charlotte, MI
SPARW	Spartan Motors, Inc. (Wts)	Charlotte, MI
TSBK	Taunton Savings Bank	Taunton, MA
VBNK	Vanguard Savings Bank	Holyoke, MA

The following issues may be included in NASDAQ/NMS prior to the next regularly scheduled phase-in date:

Pending Additions

Symbol*	Company	Location
CMIKA	Carmike Cinemas, Inc. (Cl A)	Columbus, GA
CNSA	Crown Savings Association	Casselberry, FL
FHVN	Fairhaven Savings Bank	Fairhaven, MA
HERS	Heritage Financial Services, Inc.	Blue Island, IL
IDBX	IDB Communications Group, Inc.	Culver City, CA
LEYS	Lands' End, Inc.	Chicago, IL
MWAV	Microwave Laboratories, Inc.	Raleigh, NC
MUTU	Mutual Federal Savings & Loan Association	Elkin, NC
NVIS	National Video, Inc.	Portland, OR
NCOR	Nellicor Incorporated	Hayward, CA
NSSB	Norwich Savings Society	Norwich, CT
PXREA	Phoenix Re Corporation (Cl A)	Hartford, CT

NASDAQ/NMS Interim Additions

Symbol*	Security	Date of Entry
SLMAJ	Student Loan Marketing Association-Voting Restricted	9/10/86
BLVD	Boulevard Bancorp, Inc.	9/11/86
ACSN	Acuson Corporation	9/16/86
XCEL	Excel Bancorp, Inc.	9/17/86
ISEC	Insituform Southeast Corp.	9/18/86
SFFD	San Francisco Federal Savings & Loan Association	9/23/86
STHF	Stanley Interiors Corporation	9/23/86
FFTN	Fidelity Federal Savings & Loan Association of Tennessee	9/24/86
HSRC	HEALTHSOUTH Rehabilitation Corporation	9/24/86
FISV	Fiserv, Inc.	9/25/86
CHIK	Golden Poultry Company, Inc.	9/25/86
MRTN	Marten Transport, Ltd.	9/25/86

The following changes to the list of NASDAQ/NMS securities occurred since September 5, 1986:

NASDAQ/NMS Symbol* And/Or Name Changes

New/Old Symbol*	New/Old Security	Date of Change
STHM/STHMK	Stanhope, Inc./Stanhope, Inc. (Non-Voting)	9/08/86
JHSL/JHSL	John Hanson Savings Bank, F.S.B./John Hanson Savings & Loan, Inc.	9/12/86
MNTX/RENL	Minntech Corp./Renal Systems, Inc.	9/15/86

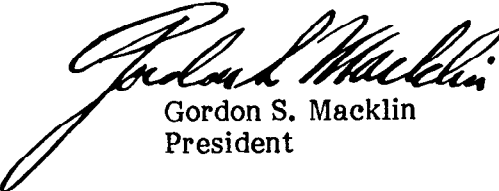
NASDAQ/NMS Deletions

Symbol*	Security	Date
DIVHF	Divi Hotels, N.V.	9/05/86

Symbol*	Security	Date
BVSCQ	Birdview Satellite Communications, Inc.	9/08/86
DLITQ	D'Lites of America, Inc.	9/08/86
ENDLE	Endo-Lase, Inc.	9/08/86
DIVWF	Divi Hotels, N.V. (Wts)	9/09/86
EMFC	EMF Corporation	9/09/86
BTSQ	Brooks Satellite, Inc.	9/10/86
CCOTS	Consolidated Capital Income Opportunity Trust - SBI	9/10/86
CCOTW	Consolidated Capital Income Opportunity Trust (Wts)	9/10/86
CASI	Computer Associates International, Inc.	9/11/86
KING	King World Productions, Inc.	9/11/86
CVRS	Converse, Inc.	9/12/86
PTCS	PT Components, Inc.	9/12/86
FOKL	First Oklahoma Bancorporation, Inc.	9/17/86
GRAC	Graco, Inc.	9/19/86
QUOT	Quotron Systems, Inc.	9/19/86
DSIHW	Decom System, Inc. (Wts)	9/24/86
VMKT	Victory Market, Inc.	9/24/86
CNCO	Conseco, Inc.	9/25/86
ELDN	Eldon Industries, Inc.	9/25/86

Questions regarding this notice should be directed to Kit Milholland, Senior Analyst, NASDAQ Operations, at (202) 728-8281. Questions pertaining to trade reporting rules should be directed to the NASD's Market Surveillance Section, at (202) 728-8201.

Sincerely,



Gordon S. Macklin
President

October 3, 1986

I M P O R T A N T

Principals * Traders * Compliance Directors

TO: All SOES Participants
RE: Review of SOES Operating Rules

EXECUTIVE SUMMARY

To assure members that they can continue to use the Small Order Execution System (SOES) with confidence and that it will continue to grow in share volume and member participation, the NASD is placing increased emphasis on its regulatory programs to determine members' compliance with SOES operating rules. This notice describes some of the more common practices that do not conform with SOES rules, the seriousness with which the NASD views infractions of those rules, and the extent of disciplinary actions taken.

BACKGROUND

SOES, which began operation in 1984, is a system that was designed by traders, automation and operations personnel and the senior managements of NASD members as a cost-effective system for the automated execution of small, public agency orders in NASDAQ securities.

Currently, customer trades for up to 1,000 shares in NASDAQ National Market System issues, and up to 500 shares in other NASDAQ stocks, may be automatically executed through SOES on an agency or riskless principal basis.

The SOES Users Committee, composed of representatives of NASD members that participate in SOES, is responsible for developing policies and procedures relating to the operation and enhancement of SOES. The Committee functions in an advisory capacity to the NASD Trading Committee, the NASD Board of Governors and the Board of Directors of NASD Market Services, Inc.

Since its inception, SOES has proven to be a valuable addition to the NASDAQ market, particularly on the high-volume days of the past year. However, continued growth and success of SOES is dependent upon preserving the confidence of SOES market makers that all participants are complying with system rules.

For its part, the NASD is making every effort to closely monitor the operation of the system's rules, adjusting them when necessary and, through the Market Surveillance Committee, taking appropriate disciplinary actions against both members and responsible individuals when infractions of these rules are uncovered.

A number of notices detailing SOES operating rules have been issued to the membership since the implementation of SOES. Discussion of the system and its rules are also contained in the NASD Manual and the NASDAQ/CQS Symbol Directory.

RECENT SOES RULE CHANGES

By way of summary, SOES rules governing the conduct of participant members permit only agency orders, including riskless principal transactions, of limited size received from public customers to be entered by SOES order-entry firms into SOES for execution. Through a recent enhancement, participants can now execute internalized trades with their customers through SOES. Customer orders in excess of the size limits may not be divided into smaller orders to meet the size requirements.

At the suggestion of the Market Surveillance and Trading Committees, the NASD Board recently amended the SOES rules to prohibit persons associated with members from utilizing SOES to execute trades in their own personal accounts or in accounts in which they have an economic interest. This amendment will become effective upon approval by the SEC.

PRACTICES NOT CONFORMING TO SOES RULES

The practice of dividing agency orders in excess of the 500/1,000-share execution limits in order to meet the SOES size requirements is inconsistent with SOES rules and is a matter of extreme concern to the Market Surveillance Committee. Practices of this type have resulted in the NASD bringing formal disciplinary actions against several NASD members. The Committee will continue to view future violations of the SOES execution limits as serious infractions of NASD rules, and it will take appropriate disciplinary actions as necessary.

As an example, SOES execution limits do not permit the dividing of a 3,500-share, customer agency order in a NASDAQ/NMS issue by entering it into SOES as four separate orders, each within the size limit. Similarly, the rules also prohibit the entering of 1,000 shares of a 3,500-share order in SOES, with the remaining 2,500 shares executed directly with market makers; the entire 3,500-share order must be executed outside of SOES.

Another area that has been the subject of formal disciplinary actions by the Committee is the use of SOES by order-entry or order-entry/market-maker firms to execute trades for firm accounts with other NASD members. This practice

is specifically prohibited by SOES rules and will continue to come under the close scrutiny of the Committee.

NASD SURVEILLANCE OF SOES PRACTICES

The NASD's regular on-site examination has been expanded to include a comprehensive review of members' compliance with SOES rules. Also, special examinations of SOES order-entry and order-entry/market-maker firms are now under way across the country.

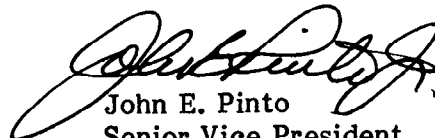
In addition to these on-site inspections by the NASD district offices, the NASD Market Surveillance Section reviews all SOES transactions and, via new automated programs, will be in a position to detect potential SOES violations on an on-line, real-time basis.

Members are strongly encouraged to review the rules governing trading in SOES with their registered representatives, traders and other appropriate personnel. Members are also urged to amend their written supervisory procedures to incorporate a system for monitoring in-house compliance with SOES rules.

SOES market makers should continue utilizing the SOES complaint procedures by calling the SOES Operations Center at (212) 839-6210 whenever they are concerned that orders may have been entered in violation of the SOES operating rules.

Questions concerning compliance with SOES rules may be directed to Mary Rose Murray, NASD Market Surveillance Section, at (202) 728-6962. Questions about this notice may be directed to the undersigned at (202) 728-8233.

Sincerely,



John E. Pinto
Senior Vice President
Compliance



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

notice to members 86-68

October 6, 1986

IMPORTANT MAIL VOTE

OFFICERS, PARTNERS AND PROPRIETORS

TO: All NASD Members

RE: Proposed Amendment to Article III, Section 35 of the NASD Rules of Fair Practice Relating to Advertising and Sales Literature for Direct Participation Programs

LAST VOTING DATE IS NOVEMBER 3, 1986.

EXECUTIVE SUMMARY

NASD members are invited to vote on a proposed amendment to the NASD Rules of Fair Practice that would require advertising and sales literature for publicly offered direct participation programs to be filed with the NASD's Advertising Department. The NASD will review the material for conformance with the guidelines contained in Article III, Section 35 of the Rules of Fair Practice.

BACKGROUND

A proposed amendment to Article III, Section 35 of the NASD Rules of Fair Practice has been approved by the NASD Board of Governors and now is being submitted for membership approval. Prior to becoming effective, the rule change must also be approved by the Securities and Exchange Commission.

The proposed amendment would require advertising and sales literature concerning publicly offered direct participation programs to be filed with the NASD's Advertising Department. If the literature has been filed with the NASD by the program's sponsor, general partner, underwriter or another member, a second filing would not be required. The text of the proposed rule change is attached.

Article III, Section 35 of the NASD Rules of Fair Practice regulates members' communications with the public. It requires that all such communications be based on principles of fair dealing and good faith and that the communications provide a sound basis for evaluating the facts regarding the securities offered by members.

Material facts and qualifications may not be omitted if, in the context of the material presented, the omission would make the advertising or sales literature misleading. Exaggerated or misleading statements are prohibited, and members may not publish or distribute any public communications that the member knows or has reason to know contain any untrue statements of material fact or are otherwise false or misleading.

Article III, Section 35 currently requires a member to file all advertisements with the NASD's Advertising Department for review prior to use for one year after becoming a member, commencing with the member's initial advertisement. In addition, an NASD District Business Conduct Committee may, under certain circumstances, require a member to file advertising and sales literature with the Advertising Department at least 10 days prior to use. All members are also subject to routine spot checks of their advertising and sales literature.

The NASD has become aware that certain advertising and sales literature used in connection with public direct participation programs has involved misleading illustrations of past performance, the inclusion of information on projected performance, and the unbalanced presentation of programs by not including a statement of significant risks. The NASD has referred such practices to the appropriate District Business Conduct Committees.

The NASD Direct Participation Programs/Real Estate Committee considered whether specific guidelines should be developed and applied to sales literature and advertising used in connection with public direct participation program offerings but concluded that current guidelines contained in Article III, Section 35 are adequate to regulate the content of member communications with the public. However, the Board of Governors believes that a filing requirement for public direct participation programs' advertising and sales literature is necessary.

COMMENTS RECEIVED

The proposed amendment to Article III, Section 35 was published for comment in Notice to Members 85-69 on October 21, 1985. The NASD received 48 comments on the proposed amendment. Of these, 28 commentators were generally in favor of the proposed amendment and 19 were generally opposed.

Those commentators in favor of the proposed amendment generally expressed concern that a substantial amount of the material currently being used contains information of questionable accuracy and that review of such material by the NASD is necessary. Commentators opposed to the amendment stated that the current procedures in place under Article III, Section 35 are adequate to ensure that advertising and sales literature used by members does not contain exaggerated or misleading statements. These commentators indicated that the current filing requirement of one year for new members, along with routine spot checks of advertising and sales literature, is adequate to educate members and protect the public.

Further, these commentators pointed out that examples of inappropriate or misleading advertising are readily identifiable, without burdening all members with the requirement to file on a regular basis. Newspaper and magazine advertisements can be monitored by the NASD without imposing such a filing requirement on members.

The Board, however, concluded that the filing requirement was appropriate and in the public interest. The Board also approved an amendment to the provision to recommend pre-use filing of direct participation program materials.

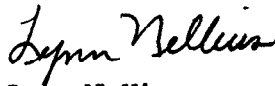
The committee discussed the issue of material marked "broker-dealer use only," and concluded that, if such material is provided to a member's customers, the material is considered to be sales literature and subject to the filing requirement.

* * * * *

The Board of Governors believes that the amendment to Article III, Section 35 of the NASD Rules of Fair Practice is necessary and appropriate and recommends that members vote their approval. Please mark the attached ballot according to your convictions and return it in the enclosed, stamped envelope to "The Corporation Trust Company." Ballots must be postmarked no later than November 3, 1986.

Questions concerning this notice may be directed to either R. Clark Hooper, NASD Advertising Department, at (202) 728-8330, or T. Grant Callery, NASD Office of the General Counsel, at (202) 728-8285.

Sincerely,


Lynn Nellius
NASD Secretary

Attachment

PROPOSED AMENDMENT TO ARTICLE III, SECTION 35
OF THE
NASD RULES OF FAIR PRACTICE

(New language is underscored.)

Section 35. Communications with the Public^{*}

(c) Filing Requirements and Review Procedures

- (3) Advertisements and sales literature concerning public direct participation programs as defined in Article III, Section 34 of the Rules of Fair Practice shall be filed with the Association's Advertising Department for review within 10 days of first use or publication. Filing in advance of use is recommended. Members need not file for review advertising and sales literature which has been filed by the sponsor, general partner or underwriter of the program or by another member.

^{*} Current subsections (3) through (7) will be renumbered as (4) through (8), respectively.



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

notice to members 86-69

October 10, 1986

TO: All NASD Members and Other Interested Persons

RE: Amendments to NASD Rules on Short Sales Become Effective October 15, 1986

EXECUTIVE SUMMARY

The Securities and Exchange Commission recently approved amendments to the Board of Governors' Interpretation on Prompt Receipt and Delivery of Securities and Article III, Section 21 of the NASD Rules of Fair Practice (SEC Release No. 34-23572). The amendments, which will become effective on October 15, 1986, provide for additional regulation of short selling in the over-the-counter market. The text of the amendments is attached.

ACCEPTING ORDERS

The amendments to the Board of Governors' Interpretation on Prompt Receipt and Delivery of Securities (Interpretation) create separate procedures for the acceptance of "long" and "short" customer sale orders and establish new requirements for accepting "short" sale orders from customers.

Perhaps the most significant change relates to the acceptance of "short" sale orders from customers as provided in new section (b)(2) of the Interpretation. Section (b)(2) prohibits a member from accepting a "short" sale order from a customer unless the member makes an affirmative determination that it will receive delivery of the security from the customer or that the member can borrow the security on behalf of the customer for delivery by settlement date.

In adopting this new provision for "short" sales, the Board of Governors stated that the requirement to make an "affirmative determination" does not permit members to make assumptions with respect to a customer's ability to deliver securities in a "short" sale situation. A member must specifically ask the customer whether the securities will be delivered by settlement so that the member may

determine whether it must borrow the securities on behalf of the customer for delivery by settlement. The Board chose not to establish a single method for members to demonstrate their compliance with the new requirements, but found it appropriate that the rule allow members the flexibility to design their own procedures.

Another amendment to the Interpretation involves a change in the criteria for accepting "long" sale orders from customers. Previously, section (b)(1) of the Interpretation prohibited a member from accepting a "long" sale order from a customer unless:

- (A) The member had possession of the security;
- (B) The customer was long in his account with the member;
- (C) The member received reasonable assurance that the customer would deliver the security to the member within five business days; or
- (D) The security was on deposit with a registered broker-dealer or an organization subject to state or federal banking regulations and the customer forwarded instructions to deliver the security to the member against payment.

Under the amended Interpretation, the requirements in subsections (b)(1) (A), (B) and (D) are unchanged. The requirement in subsection (C), that a member receive reasonable assurance that the customer will deliver the security within five business days, has been amended. Subsection (C) now requires members to make an "affirmative determination" that the customer owns the security to be sold and will deliver it within five business days. Guidance as to what is necessary to make an "affirmative determination" in the case of a "long" sale is provided in section (b)(4). That section requires members to make a notation on the order ticket at the time of the conversation with the customer reflecting the location of the securities and the ability of the customer to deliver them in good form within five business days.

MARKING OF ORDER TICKETS

The amendment to Article III, Section 21 of the NASD Rules of Fair Practice requires that each order ticket for a sale by a customer be marked "long" or "short." An order may be marked "long" only if:

- (1) The customer's account is "long" the security; or
- (2) The member is informed that the customer owns the security and will deliver it as soon as possible without undue inconvenience or expense.

If neither of these conditions can be satisfied, the order must be marked as a "short" sale.

It may be useful to point out that the five-business-day requirement for the delivery of securities in connection with a "long" sale under the Interpretation is not inconsistent with Article III, Section 21(b), which permits an order ticket to be marked "long" if the customer owns the security and will deliver it as soon as possible without undue inconvenience or expense.

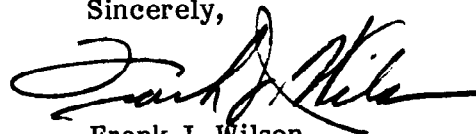
The purpose of the requirement under the Interpretation to make an "affirmative determination" that securities sold "long" will be delivered within five business days is to prevent the build-up of fails between members by eliminating, insofar as possible, situations in which members enter into transactions that they are unable to consummate. The requirement to mark customer order tickets "long" or "short" under Article III, Section 21(b) serves an entirely different purpose. The marking of order tickets is a surveillance mechanism that enables member firms and regulatory bodies to monitor compliance with the Interpretation and other applicable requirements. As a result, the circumstances under which an order ticket may be marked "long" are purposely broad.

Therefore, upon determining that a customer owns a security and will deliver it within five business days, a member may accept the customer's order as a "long" sale under the Interpretation and mark the ticket "long." In the event that the customer subsequently becomes unable to deliver within five days, but represents that he will deliver as soon as possible, the member may continue to treat the order as a "long" sale without any further notation. Article III, Section 21(b) permits an order to be marked "long" if the customer owns the security and will deliver it as soon as possible without undue inconvenience or expense.

Pursuant to Article II, Section 1(f) of the NASD Rules of Fair Practice, the term "customer" does not include a broker or dealer. Therefore, the requirements of the Interpretation on Prompt Receipt and Delivery of Securities for accepting orders and the requirements of Article III, Section 21(b) for marking order tickets do not apply to orders placed with one broker-dealer by another broker-dealer. Nor do the requirements apply to orders received by persons engaged in market making or similar trading activities for a member if such requirements have already been satisfied by other persons associated with the member.

Questions regarding this notice may be directed to Mary S. Head, NASD Office of General Counsel, at (202) 728-8284.

Sincerely,



Frank J. Wilson
Executive Vice President
Legal and Compliance

Attachment

AMENDMENTS TO NASD RULES ON SHORT SALES*

Effective October 15, 1986

**Amendment to the Board of Governors' Interpretation
on Prompt Receipt and Delivery of Securities**

It shall be deemed a violation of Article III, Section 1 of the Rules of Fair Practice of the Association for a member to violate the provisions of the following interpretation hereof:

(a) **Purchases:** No member may accept a customer's purchase order for any security unless it has first ascertained that the customer placing the order or its agent agrees to receive securities against payment in an amount equal to any execution, even though such an execution may represent the purchase of only a part of a larger order.

(b) **Sales:**

(1) Long Sales

No member or person associated with a member shall accept [execute] a long sale [sell] order [for] from any customer in any security unless:

(A) The member has possession of the security;

(B) The customer is long in his account with the member;

(C) The member makes an affirmative determination [Reasonable assurance is received by the member, or person associated with a member, from the customer] that the customer owns the security and will deliver [be delivered to] it in good

* New language is underlined; deleted language is bracketed.

deliverable form within five (5) business days of the execution of the order; or

- (D) The security is on deposit in good deliverable form with a member of the Association, a member of a national securities exchange, a broker-dealer registered with the Securities and Exchange Commission, or any organization subject to state or federal banking regulations and that instructions have been forwarded to that depository to deliver the securities against payment.

(2) "Short Sales"

No member or person associated with a member shall accept a "short" sale order [for] from any customer in any security unless the member makes an affirmative determination that it will receive delivery of the security from the customer or that it can borrow the security on behalf of the customer for delivery by settlement date.

(3) Public Offering

In the case of a public offering of securities, paragraph 1 hereof shall not apply during the period from the commencement of the public offering until seven (7) business days following the date of settlement between the underwriter and the issuer of the securities; provided, however, that the member believes in good faith that the customer has purchased the securities.

(4) "Affirmative Determination"

To satisfy the requirements for an "affirmative determination" ["reasonable assurance"] contained in

subsection [subparagraph] (1)(C)[(c)] above, the member or person associated with a member must make a notation on the order ticket at the time he takes the order which reflects his conversation with the customer as to the present location of the securities in question, whether they are in good deliverable form and his ability to deliver them to the member within five (5) business days.

Amendment to Article III, Section 21 of the NASD Rules of Fair Practice

Marking of Customer Order Tickets

(b) A person associated with a member shall indicate on the memorandum for each customer order for the sale of any security whether the order is "long" or "short." An order shall be marked "long" only if (1) the customer's account is "long" the security involved or (2) the member is informed that the customer owns the security and will deliver it as soon as possible without undue inconvenience or expense.



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

notice to members 86-70

October 15, 1986

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

RE: NASDAQ National Market System Grows to 2,602 Securities With 12 Voluntary Additions on October 21, 1986

On Tuesday, October 21, 1986, 12 issues are scheduled to join the NASDAQ National Market System, bringing the total number of issues in NASDAQ/NMS to 2,602. These 12 issues, which will begin trading under real-time trade reporting, are entering NASDAQ/NMS pursuant to the Securities and Exchange Commission's criteria for voluntary designation.

The 12 issues scheduled to join NASDAQ/NMS on Tuesday, October 21, 1986, are:

Symbol*	Company	Location
AEROP	Aero Services International, Inc. (Pfd)	Teterboro, NJ
CHPS	Chips and Technologies, Inc.	Milpitas, CA
CRAW	Crawford & Company	Atlanta, GA
DNOS	Diagnostic, Inc.	Minneapolis, MN
DOTX	Dotronix, Inc.	New Brighton, MN
HFET	Home Federal Savings and Loan Association of Upper East Tennessee	Johnson City, TN
IBAN	Imperial Bancorp	Los Angeles, CA
KTCO	Kenan Transport Company	Chapel Hill, NC

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

Symbol*	Company	Location
LASR	Laser Precision Corporation	Irvine, CA
NYCS	New York City Shoes, Inc.	Springfield, PA
RSFC	Republic Savings Financial Corporation	Jupiter, FL
WOBS	Woburn Five Cents Savings Bank	Woburn, MA

The following issues may be included in NASDAQ/NMS prior to the next regularly scheduled phase-in date:

Pending Additions

Symbol*	Company	Location
ANSY	American Nursery Products, Inc.	Tahlequah, OK
BHAG	BHA Group, Inc.	Kansas City, MO
CBRI	CBR Information Group, Inc.	Houston, TX
CTSE	Continental Training Services, Inc.	Indianapolis, IN
MEYR	Fred Meyer, Inc.	Portland, OR
VLCCF	Majestic Shipping Co., Ltd.	Nassau, Bahamas
MOAI	Morino Associates, Inc.	Vienna, VA

NASDAQ/NMS Interim Additions

Symbol*	Security	Date of Entry
MUTU	Mutual Federal Savings and Loan Association	9/30/86
LTEK	Life Technologies, Inc.	10/01/86
ARMR	Armor All Products Corporation	10/02/86
NECC	New England Critical Care, Incorporated	10/02/86
LEYS	Lands' End, Inc.	10/03/86
MIHO	M/I Schottenstein Homes, Inc.	10/03/86
PFSI	Pioneer Financial Services, Inc.	10/03/86
ACPI	American Consumer Products, Inc.	10/07/86
BPAO	Baldwin Piano and Organ Company	10/08/86
CCMC	Commonwealth Mortgage Company, Inc.	10/08/86
IDBX	IDB Communications Group, Inc.	10/08/86
JOUL	Joule, Inc.	10/08/86
MWAV	Microwave Laboratories, Inc.	10/08/86
FRTR	Frontier Insurance Group, Inc.	10/10/86

The following changes to the list of NASDAQ/NMS securities occurred since September 26, 1986:

NASDAQ/NMS Symbol* And/Or Name Changes

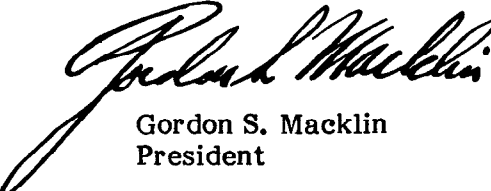
New/Old Symbol*	New/Old Security	Date of Change
MINL/MINL	Minnetonka Corp./Minnetonka, Inc.	9/29/86
PFINA/PFIN	P&F Industries, Inc. (CI A)/ P&F Industries, Inc.	10/01/86
KEQU/KEQU	Kewaunee Scientific Corporation/ Kewaunee Scientific Equipment Corporation	10/06/86
TLMT/TLMTB	Telemation, Inc./Telemation, Inc. (CI B)	10/09/86

NASDAQ/NMS Deletions

Symbol*	Security	Date
AMSKQ	American Solar King Corporation	9/29/86
TPBRQ	Top Brass Enterprises, Inc.	9/29/86
WFSB	Westchester Financial Corporation	9/29/86
FRDMC	Freedom Savings and Loan Association	9/30/86
STHM	Stanhope, Inc.	10/01/86
TIPRC	Tipperary Corporation	10/01/86
INFR	Infrared Industries, Inc.	10/07/86
TIRE	One Liberty Properties, Inc.	10/09/86

Questions regarding this notice should be directed to Kit Milholland, Senior Analyst, NASDAQ Operations, at (202) 728-8281. Questions pertaining to trade reporting rules should be directed to the NASD's Market Surveillance Section, at (202) 728-8201.

Sincerely,



Gordon S. Macklin
President



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

notice to members 86-71

October 15, 1986

TO: All NASD Members and Municipal Securities Bank Dealers

ATTN: All Operations Personnel

RE: Holiday Settlement Schedule - November 1986

The schedule of trade dates/settlement dates below reflects the observance by the financial community of Veteran's Day, Tuesday, November 11, and Thanksgiving Day, Thursday, November 27. On Tuesday, November 11, the NASDAQ System and the exchange markets will be open for trading. However, it will not be a settlement date since many of the nation's banking institutions will be closed in observance of Veteran's Day. All securities markets will be closed on Thursday, November 27, in observance of Thanksgiving Day.

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

<u>Trade Date</u>	<u>Settlement Date</u>	<u>Regulation T Date*</u>
November 3	November 10	November 12
4	12	13
5	13	14
6	14	17
7	17	18
10	18	19
11	18	20

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

<u>Trade Date</u>	<u>Settlement Date</u>	<u>Regulation T Date*</u>
November 19	26	December 1
20	28	2
21	December 1	3
24	2	4
25	3	5
26	4	8
27	MARKETS CLOSED	-
28	5	9

It should be noted that November 11 is considered a business day for receiving customers' payments under Regulation T of the Federal Reserve Board.

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

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

Questions concerning this notice should be directed to the NASD Uniform Practice Department at (212) 839-6256.

NASD

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

notice to members 86-72

October 15, 1986

TO: All NASD Members

RE: Norbay Securities, Inc.
36-35 Bell Boulevard
Bayside, New York 11361

ATTN: Operations Officer, Cashier, Fail-Control Department

On October 14, 1986, the United States District Court for the Eastern District of New York, appointed a SIPC Trustee for the above-captioned firm.

Members may use the "immediate close-out" procedures as provided in Section 59(i)(2) of the NASD's Uniform Practice Code to close out open OTC contracts. Also, MSRB Rule G-12(h)(iii) provides that members may use the above procedures to close out transactions in municipal securities.

Questions regarding the firm should be directed to:

SIPC Trustee

Irving H. Picard, Esquire
Moses & Singer
Time & Life Building
1271 Avenue of the Americas
New York, New York 10020
Telephone: (212) 246-3700

NASD

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

notice to members 86-73

October 16, 1986

TO: All NASD Members and Other Interested Persons

RE: Effectiveness of Exemption from NASD Board of Governors' Free-Riding Interpretation for Conversions of Savings and Loan Associations and Certain Other Organizations

EXECUTIVE SUMMARY

Effective with the SEC's approval on September 25, 1986, an amendment to the NASD Board of Governors' Free-Riding Interpretation provides limited exemption for certain persons purchasing "hot issue" securities in connection with the conversion to stock ownership of mutual savings and loan associations, savings banks and certain other organizations.

BACKGROUND

On September 25, 1986, the Securities and Exchange Commission (SEC) approved an amendment to the Board of Governors' Interpretation with respect to Free-Riding and Withholding (Interpretation). The amendment provides an exemption, subject to compliance with specified conditions, from the Interpretation for sales of "hot issue" securities ^{1/} made in connection with the conversions of savings and loan associations, savings banks and certain other organizations from the mutual form to the stock form of ownership. The amendment became effective upon approval by the SEC. ^{2/}

The amendment, as originally proposed, was published by the NASD for comment in Notice to Members 85-81 (December 2, 1985). In response to the

^{1/} The Interpretation defines a "hot issue" to be securities of a public offering that trade at a premium in the secondary market, whenever such secondary market begins. Interpretation, NASD Manual, p. 2040.

^{2/} Securities Exchange Act Release No. 23645 (September 25, 1986).

comments received and following further consideration by the NASD Board of Governors, a revised proposal was published for comment in Notice to Members 86-26 (April 8, 1986). The revised amendment was subsequently filed with and approved by the SEC.

The amendment provides limited exemptive relief from the provisions of the Interpretation, which otherwise prohibit or restrict the ability of certain persons, if they come within any of the classes of persons covered by the Interpretation, from exercising their subscription rights or otherwise purchasing securities directly from a converting savings and loan association or other converting institution.

The Interpretation prohibits a member and associated persons of a member from selling securities that are part of a "hot issue" to persons associated with members, their immediate family members, with certain exceptions, and to accounts in which members or associated persons of members have a beneficial interest ("prohibited persons"). ^{3/} The Interpretation also prohibits sales by members and associated persons of members to senior officers and certain employees of specified financial institutions, including savings and loan associations, banks and insurance companies, their immediate family members and accounts in which such persons have a beneficial interest ("restricted persons"). ^{4/} Such sales are not prohibited, however, if the purchaser has an investment history with the member making the sale, the total amount sold by the member to all persons covered by the Interpretation is insubstantial and not disproportionate, and the amount sold to any one such "restricted person" is insubstantial. Previously under the Interpretation, members and associated persons of members were responsible for assuring compliance with these prohibitions and restrictions with respect to sales made by the issuer on a non-underwritten basis. ^{5/}

The amendment changes the application of these prohibitions and restrictions of the Interpretation by establishing an exemption for sales of securities in a "conversion offering" made directly by the converting institutions to persons who are otherwise restricted or prohibited under the Interpretation. ^{6/} The amendment does not cover nonconversion offerings made by savings and loan associations, savings banks or other institutions nor does it cover the underwritten portion of conversion offerings where sales are made directly by members. Such offerings continue to be subject to the restrictions and prohibitions of the Interpretation.

^{3/} Interpretation, paragraphs 2 and 5, NASD Manual, p. 2041.

^{4/} Interpretation, paragraphs 4 and 5, NASD Manual, p. 2041.

^{5/} Interpretation, "Issuer Directed Securities," NASD Manual, p. 2043.

^{6/} The term "conversion offering" is defined by the amendment to mean any offering made as part of a plan by which a savings and loan association or other organization converts from a mutual form to a stock form of ownership. See section (a)(1).

The exemption is available only if specified conditions are satisfied, which are determined by whether the purchaser comes within one of the prohibited classes under the Interpretation or within one of the classes of restricted persons. In the case of purchasers who were previously prohibited under the Interpretation, such as associated persons of members, three conditions must be met for an effective exemption:

1. The purchaser must be an "eligible purchaser." ^{7/}
2. The securities being acquired must be restricted against sale or transfer for 150 days.
3. The purchase must be reported in writing to the person's employer-member within one day of payment.

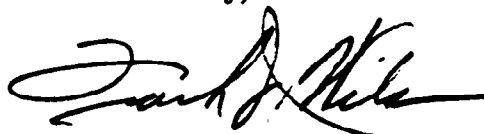
In the case of purchasers who were previously restricted under the Interpretation, such as senior officers of the converting savings and loan association or other institution, the sole condition for effective exemption is that they meet the definition of "eligible purchasers."

* * *

A more detailed discussion of the purposes and background of the amendment is contained in the notices to members noted previously. The text of the amendment is attached to this notice. It will appear as new language at the end of the Interpretation. The revised Interpretation will be published by Commerce Clearing House, Inc., in the October 1986 supplement to the NASD Manual.

Any questions concerning this notice or the amendment may be directed to either Dennis C. Hensley or John F. Mylod, Jr., NASD Office of General Counsel, at (202) 728-8294.

Sincerely,



Frank J. Wilson
Executive Vice President
and General Counsel

Attachment

^{7/} The term "eligible purchaser" is defined to mean a person who is eligible to purchase pursuant to the rules of the Federal Home Loan Bank Board or other agency having authority to regulate conversion offerings. See section (a)(2).

AMENDMENT TO FREE-RIDING INTERPRETATION*

Effective September 25, 1986

SALES BY ISSUERS IN CONVERSION OFFERINGS

Definitions

(a) For purposes of this subsection, the following terms shall have the meanings stated:

(1) "Conversion offering" shall mean any offering of securities made as part of a plan by which a savings and loan association or other organization converts from a mutual to a stock form of ownership.

(2) "Eligible purchaser" shall mean a person who is eligible to purchase securities pursuant to the rules of the Federal Home Loan Bank Board or other governmental agency or instrumentality having authority to regulate conversion offerings.

Conditions for Exemption

(b) This Interpretation shall not apply to a sale of securities by the issuer on a non-underwritten basis to any person who would otherwise be prohibited or restricted from purchasing a hot issue security if all of the conditions of this subsection (b) are satisfied.

(1) Sales to Members, Associated Persons of Members and Certain Related Persons

If the purchaser is a member, person associated with a member, member of the immediate family of any such person to whose support such person contributes, directly or indirectly, or an account in which a member or person associated with a member has a beneficial interest:

(A) the purchaser shall be an eligible purchaser;

(B) the securities purchased shall be restricted from sale or transfer for a period of 150 days following the conclusion of the offering; and

(C) the fact of purchase shall be reported in writing to the member where the person is associated within one day of payment.

(2) Sales to Other Restricted Persons

If the purchaser is not a person specified in subsection (b)(1) above, the purchaser shall be an eligible purchaser.

* This text is added to the end of the Interpretation.



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

notice to members 86-74

October 30, 1986

IMPORTANT MAIL VOTE

OFFICERS, PARTNERS AND PROPRIETORS

TO: All NASD Members

RE: Proposed Amendments to Article III, Section 19(f) and Section 33(d) of the NASD Rules of Fair Practice and Article X, Section 6 of the NASD By-Laws

LAST VOTING DATE IS NOVEMBER 28, 1986.

●●● Executive Summary

NASD members are invited to vote on the following amendments to the NASD Rules of Fair Practice and the NASD By-Laws:

- Article III, Section 19(f) of the NASD Rules of Fair Practice — would permit members or persons associated with members to receive performance-type fees under circumstances similar to those in which investment advisers are permitted by the SEC to receive such fees. This amendment is a result of recent adoption by the SEC of a rule codifying its interpretation of performance-type compensation.

- Article III, Section 33(d) of the NASD Rules of Fair Practice — is a technical rule change, made at the prompting of the SEC, amending the definition of "option" to incorporate the definition contained in the Securities Exchange Act of 1934.

- Article X, Section 6 of the NASD By-Laws — creates a provision authorizing compensation of members of Extended Hearing Committees. This change is made in accordance with amendments to the NASD Code of Procedure.

●●● **Executive Summary (continued)**

These proposed amendments have been approved by the NASD Board of Governors and now are being submitted for membership approval. Prior to becoming effective, they must also be approved by the SEC.

OVERVIEW

The proposed amendment to Article III, Section 19(f) of the NASD Rules of Fair Practice would, under certain circumstances, allow performance-type fees. Section 19(f) generally prohibits members or persons associated with members from sharing in the profits or losses in customer accounts other than in direct proportion to the amount invested. The proposed amendment would permit members and associated persons to receive performance fees under circumstances similar to those in which investment advisers are permitted by the SEC to receive such fees. The text of the proposed amendment is attached as Exhibit A.

The proposed amendment to Article III, Section 33(d) of the NASD Rules of Fair Practice is essentially a technical change that would amend the definition of "option" to include any put, call, straddle or other option that is a "security" as defined in Section 3(a)(10) of the Securities Exchange Act of 1934, rather than as defined in Section 2(1) of the Securities Act of 1933. The text of the proposed amendment is attached as Exhibit B.

The proposed amendment to Article X, Section 6 of the NASD By-Laws creates an exception to the general rule that members of NASD hearing panels do not receive compensation. This amendment would allow implementation of changes to the NASD Code of Procedure, which provide for extended hearings. Pursuant to those procedures, such committee members will be compensated at the same rate as members of NASD arbitration panels. The text of the proposed amendment is attached as Exhibit C.

BACKGROUND

I. Amendment to Article III, Section 19(f), NASD Rules of Fair Practice

This amendment was considered by the Board of Governors in view of the recent promulgation by the SEC of Rule 205-3 under the Investment Advisers Act of 1940 (Advisers Act). In the past, the NASD has occasionally taken no-action positions with respect to members' receipt of certain performance-type fees in circumstances where a customer has entered into an agreement with a member or persons associated with a member and the facts indicate that (1) the investment is relatively large; (2) the number of investors is limited; (3) there is evidence of the investors' sophistication; and (4) the agreement could be reasonably considered to be entered into by virtue of arm's-length negotiation.

The recent adoption of SEC Rule 205-3 under the Advisers Act marks the codification of the SEC staff's position since 1975 that, under certain factual circumstances, the prohibitions of Section 205(1) of the Advisers Act against performance-type fees may not be necessary or appropriate in the public interest. Rule 205-3 applies similar, although more specific, standards to those that have been utilized by the NASD with respect to Section 19(f) no-action positions.

Comments Received

The proposed amendment to Article III, Section 19(f) was published for comment on April 25, 1986 (Notice to Members 86-31). The NASD received 10 comments on the proposed amendment. Of these, one came from a state securities administrator, one from the Securities Industry Association Investment Adviser/Money Management Committee, and the remaining eight were from NASD member firms.

Two of the commentators generally favored the amendments, but both suggested the development of standardized contractual agreements to be used in connection with such a performance fee. Two commentators did not express any view as to the merits of the proposal but raised questions as to the manner in which the provision would be applied to accounts consisting of shares of direct participation programs.

One member firm's comments suggested that the rule be limited in its applicability to members registered with the SEC as investment advisers, questioning whether such arrangements could qualify as advisory services "incidental" to brokerage activities. Two member firms opposed adoption of the amendment, citing potential abuses and problems that could arise in the context of a declining market.

The state securities commissioner did not express an opinion as to the merits of the rule but suggested qualifying language recognizing the fact that performance fees are prohibited by a number of states' securities laws.

The SIA committee generally supported the amendment but recommended that qualification for the exemption be predicated upon compliance with SEC Rule 205-3. The committee felt that this would simplify enforcement and eliminate any potential competitive distinctions between NASD-member and non-member investment advisers.

The committee suggested that the rule be amended to track Rule 205-3 in a number of areas, including the member's "reasonable belief," prior to entering into the contract, in (1) the net worth and investment size requirements, (2) the customer's ability to understand the terms of the agreement, and (3) the fact that the contract represents an arms-length arrangement. The committee also suggested that the NASD rule contain the SEC language relating to methods of computing compensation and the provisions for disclosure of information to the client, which is required prior to entering into the agreement.

In response to these comments, the Board of Governors amended the proposal as originally set forth in Notice to Members 86-31 to clarify the fact that the proposal had never contemplated an arrangement whereby a member or a person associated with a member shares in losses in a customer account. It is contemplated that incentive fees will be based upon the overall profits in an account, with such fees reduced or eliminated based upon a netting of profits and losses during the period covered by the arrangement.

In addition, the Board has amended paragraphs B, C and E of the proposed rule to allow members or persons associated with members to act upon a reasonable belief that (1) the customer meets the net worth requirement, (2) the customer understands the proposed method of compensation, and (3) the agreement repre-

sents an arms-length arrangement. The reasonable-belief standard was utilized in SEC Rule 205-3, and, like that rule, a member or person associated with a member must make necessary inquiries to support such a conclusion. Upon examination by the NASD, the member or person associated with a member must document the basis for those conclusions.

The Board concluded that it was not necessary to amend the proposal to recognize explicitly the state and SEC rules that prohibit or restrict performance fees and that require registration as an investment adviser in certain circumstances. The proposed amendment is not intended to affect the responsibilities of members or associated persons under SEC or state regulatory requirements. In addition, the utilization of such a fee structure could constitute a beneficial interest of the member in the account for purposes of the NASD Board of Governors' Free-Riding and Withholding Interpretation.

II. Amendment to Article III, Section 33(d), NASD Rules of Fair Practice

Article III, Section 33(d) of the NASD Rules of Fair Practice was last amended on September 13, 1985. In approving that amendment, the SEC observed that because the NASD is a national securities association whose rules must comply with Section 15A of the Securities Exchange Act of 1934, the definition of "option" should more appropriately refer to Section 3(a)(10) of the Exchange Act rather than Section 2(1) of the Securities Act of 1933. ^{1/} After receiving assurances from the SEC's Division of Market Regulation that there is no material practical significance in the difference between the Acts' definitions, the NASD Options Committee and the Board of Governors approved the amendment to refer to the Securities Exchange Act of 1934. ^{2/}

Comments were not solicited on this proposed amendment.

III. Amendment to Article X, Section 6 of the NASD By-Laws

The Board of Governors has approved amendments to the NASD Code of Procedure authorizing the appointment of Extended Hearing Committees to serve in the capacity of hearing subcommittees of the District Business Conduct Committees or Market Surveillance Committee and subcommittees of the Board of Governors in the event that a disciplinary hearing extends over several days. The amendments also identify the individuals eligible to serve on Extended Hearing Committees, provide that extended hearings are to be conducted in accordance with applicable NASD Code of Procedure provisions, and permit the compensation of Extended Hearing Committee members at the rate prescribed by the Board of Governors for arbitrators appointed under the Code of Arbitration Procedure.

^{1/} Securities Exchange Act Release No. 22404 (September 13, 1985), 50 FR 38235, 38237 N. 27.

^{2/} Letter from Richard T. Chase, Associate Director, SEC Division of Market Regulation, to Peter Canada, NASD Associate Director, NASDAQ Operations, dated March 4, 1986.

To effectuate the compensation provision, Article X, Section 6 of the NASD By-Laws must be amended to exempt members of Extended Hearing Committees from the prohibition against the receipt of compensation by NASD committee members for committee-related services. The Board of Governors believes that it is appropriate to compensate members of Extended Hearing Committees, in addition to reimbursement for expenses, because service on such committees is expected to involve substantial time and effort.

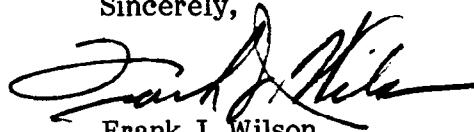
Comments on this proposed amendment were solicited in conjunction with the amendments to the NASD Code of Procedure (Notice to Members 86-23, March 27, 1986); none were received.

* * *

The Board of Governors believes that the amendments to Article III, Section 19(f) and Section 33(d) of the NASD Rules of Fair Practice and Article X, Section 6 of the NASD By-Laws are necessary and appropriate and recommends that members vote their approval.

Please mark the attached ballot according to your convictions and return it in the enclosed, stamped envelope to "The Corporation Trust Company." Ballots must be postmarked no later than November 28, 1986. Questions concerning this notice may be directed to T. Grant Callery, NASD Office of General Counsel, at (202) 728-8285.

Sincerely,



Frank J. Wilson
Executive Vice President
and General Counsel

Attachments

PROPOSED AMENDMENT TO ARTICLE III, SECTION 19(f)

NASD RULES OF FAIR PRACTICE*

Sharing in accounts; extent permissible

(f) (1) (A) Except as provided in Subsection (f)(2), no member or person associated with a member shall share directly or indirectly in the profits or losses in any account of a customer carried by the member or any other member [unless]; provided, however, that a member or person associated with a member may share in the profits or losses in such an account if (i) such member or person associated with a member obtains prior written authorization from the member carrying the account; and (ii) the member or person associated with a member shares in the profits or losses in the account only in direct proportion to the financial contributions made to such account by either the member or person associated with a member.

(B) Exempt from the direct proportionate share limitation of subsection (f)(1)(A)(ii) are accounts of the immediate family of such member or person associated with a member. For purposes of this section, the term "immediate family" shall include parents, mother-in-law or father-in-law, husband or wife, children or any relative to whose support the member or person associated with a member otherwise contributes directly or indirectly.

(2) Notwithstanding the prohibition of subsection (f)(1), a member or person associated with a member may receive compensation based on a share in profits or gains in an account if all of the following conditions are satisfied:

* New language is underscored; deleted language is bracketed.

(A) The member or person associated with a member seeking such compensation obtains prior written authorization from the member carrying the account;

(B) The customer has at the time the account is opened either a net worth which the member or person associated with a member reasonably believes to be not less than \$1,000,000, or the minimum amount invested in the account is not less than \$500,000;

(C) The member or person associated with a member reasonably believes the customer is able to understand the proposed method of compensation and its risks prior to entering into the arrangement;

(D) The compensation arrangement is set forth in a written agreement executed by the customer and the member;

(E) The member or person associated with a member reasonably believes, immediately prior to entering into the arrangement, that the agreement represents an arm's-length arrangement between the parties;

(F) The compensation formula takes into account both gains and losses realized or accrued in the account over a period of at least one year; and

(G) The member has disclosed to the customer all material information relating to the arrangement including the method of compensation and potential conflicts of interest which may result from the compensation formula.

PROPOSED AMENDMENT TO ARTICLE III, SECTION 33(d)
NASD RULES OF FAIR PRACTICE*

- (a) Unchanged.
- (b) Unchanged.
- (c) Unchanged.
- (d) For purposes of this section, the term "option" shall mean any put, call, straddle, or other option or privilege, which is a "security" as defined in Section [2(1)] 3(a)(10) of the Securities Exchange Act of 1933[3]4 as amended, but shall not include any tender offer, registered warrant, right, convertible security or any other option in respect to which the writer is the issuer of the security which may be purchased or sold upon the exercise of the option.

* New language is underscored; deleted language is bracketed.

PROPOSED AMENDMENT TO ARTICLE X, SECTION 6
NASD BY-LAWS*

Sec. 6.

No member of the Board of Governors (except the President of the Corporation or the President pro tem), no member of any District Committee and no member of any other committee, other than an Extended Hearing Committee as defined in Article I of the Corporation's Code of Procedure, shall be entitled to receive any compensation from the Corporation for any work done in connection with his duties as a member of the Board of Governors, any District Committee or any other committee. However, such persons shall be entitled to reimbursement for reasonable expenses incurred in connection with the business of the Corporation.

* New language is underscored.



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

notice to members 86-75

October 30, 1986

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

RE: NASDAQ National Market System Grows to 2,638 Securities With 25 Voluntary Additions on November 4, 1986, and Eight Mandatory Inclusions on November 11, 1986

On Tuesday, November 4, 1986, 25 issues are scheduled to join the NASDAQ National Market System, bringing the total number of issues in NASDAQ/NMS to 2,630. These 25 issues, which will begin trading under real-time trade reporting, are entering NASDAQ/NMS pursuant to the Securities and Exchange Commission's criteria for voluntary designation.

The 25 issues scheduled to join NASDAQ/NMS on Tuesday, November 4, 1986, are:

Symbol*	Company	Location
ADPT	Adaptec, Inc.	Milpitas, CA
ASBS	Asbestec Industries, Inc.	Pennsauken, NJ
BARY	Barry's Jewelers, Inc.	Duarte, CA
BOCB	Buffets, Inc.	Wayzata, MN
CNBE	CNB Bancshares, Inc.	Evansville, IN
CEBK	Central Co-Operative Bank	Somerville, MA
DOCKS	Chicago Dock and Canal Trust (The)	Chicago, IL
DMCZ	Datametries Corporation	Chatsworth, CA
FARF	Fairfield-Noble Corporation	New York, NY
FDOS	Franklin Computer Corporation	Pennsauken, NJ

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

Symbol*	Company	Location
GKIE	General Kinetics Incorporated	Rockville, MD
GWTI	Groundwater Technology, Inc.	Norwood, MA
HOGI	Harken Oil & Gas, Incorporated	Dallas, TX
JBIL	J. Bildner & Sons, Inc.	Boston, MA
LAUR	Laurel Entertainment, Inc.	New York, NY
OLNB	Old National Bancorporation	Spokane, WA
PKLB	PharmaKinetics Laboratories, Inc.	Baltimore, MD
PKLBW	PharmaKinetics Laboratories, Inc. (Wts)	Baltimore, MD
POLR	Polymeric Resources Corporation	Wayne, NJ
PNUT	Specialty Retail Concepts, Inc.	Winston-Salem, NC
SSAL	Shelton Savings & Loan Association, Inc.	Shelton, CT
STAR	Stars To Go, Inc.	Los Angeles, CA
UFST	Unifast Industries, Inc.	Hauppauge, NY
WCRP	WESTCORP	Orange, CA
WTBK	Westerbeke Corporation	Avon, MA

The following issues may be included in NASDAQ/NMS prior to the next regularly scheduled phase-in date:

Pending Additions

Symbol*	Company	Location
AMRI	AmeriFirst Federal Savings & Loan Association	Miami, FL
CSGI	Citizens Security Group, Inc.	Red Wing, MN
CONT	Continental Medical Systems, Inc.	Mechanicsburg, PA
EBCO	Ehrlich Bober Financial Corporation	New York, NY
FRDC	Frances Denny Companies, Inc.	New York, NY
HDRI	HDR Power Systems, Inc.	Columbus, OH
HTLD	Heartland Express, Inc.	Coralville, IA
HUSB	Home Unity Savings & Loan Association	Lafayette Hills, PA
IRWN	Irwin Magnetic Systems, Inc.	Ann Arbor, MI
MMCT	Metro Mobile CTS, Inc.	New York, NY
MILW	Milwaukee Insurance Group, Inc.	Milwaukee, WI

Symbol*	Company	Location
NBCC	National Banc of Commerce Company	Charleston, WV
RMCO	Remco America, Inc.	Houston, TX
SCOT	Scott & Stringfellow Financial, Inc.	Richmond, VA
SMIX	Systems Marketing, Inc.	Phoenix, AZ
TLAC	Telephone Auction, Inc. (The)	San Jose, CA
VSTR	Vestar, Inc.	Pasadena, CA

The following eight securities will enter NASDAQ/NMS under mandatory Tier 1 criteria on November 11, 1986:

Symbol*	Company	Location
TBCX	Banking Center (The)	Waterbury, CT
BTGC	Bio-Technology General Corporation	New York, NY
BITC	Biotech Capital Corporation	New York, NY
JLUB	Jiffy Lube International, Inc.	Baltimore, MD
LAGR	L.A. Gear, Inc.	Los Angeles, CA
NESB	New England Savings Bank	New London, CT
QVCN	QVC Network, Inc.	Philadelphia, PA
WCYS	Worcester County Institution For Savings	Worcester, MA

NASDAQ/NMS Interim Additions

Symbol*	Security	Date of Entry
CMIKA	Carmike Cinemas, Inc. (Cl A)	10/10/86
HERS	Heritage Financial Services, Inc.	10/14/86
ANSY	American Nursery Products, Inc.	10/16/86
MOAI	Morino Associates, Inc.	10/17/86
JSBK	Johnstown Savings Bank, F.S.B.	10/22/86
FHVN	Fairhaven Savings Bank	10/23/86
MEYR	Fred Meyer, Inc.	10/23/86
SHOR	Shorewood Packaging Corporation	10/24/86

The following changes to the list of NASDAQ/NMS securities occurred since October 10, 1986:

NASDAQ/NMS Symbol* And/Or Name Changes

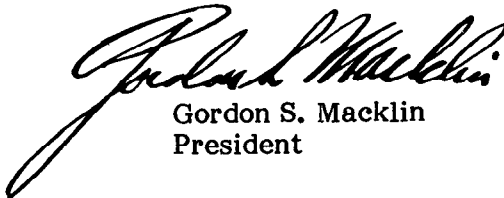
New/Old Symbol*	New/Old Security	Date
FISB/FISB	First Indiana Corporation/First Indiana Federal Savings Bank	10/17/86
PSBK/PSBK	Progressive Bank, Inc./Pawling Savings Bank	10/20/86

NASDAQ/NMS Deletions

Symbol*	Security	Date
HYTKE	HYTEK International Corporation	10/15/86
AZBW	Arizona Bancwest Corporation	10/17/86
JWAT	J.W.P., Inc.	10/17/86
GRCM	Gray & Co. Public International, Inc.	10/23/86
UPCI	USPCI, Inc.	10/23/86

Questions regarding this notice should be directed to Kit Milholland, Senior Analyst, NASDAQ Operations, at (202) 728-8281. Questions pertaining to trade reporting rules should be directed to the NASD's Market Surveillance Section, at (202) 728-8201.

Sincerely,



Gordon S. Macklin
President