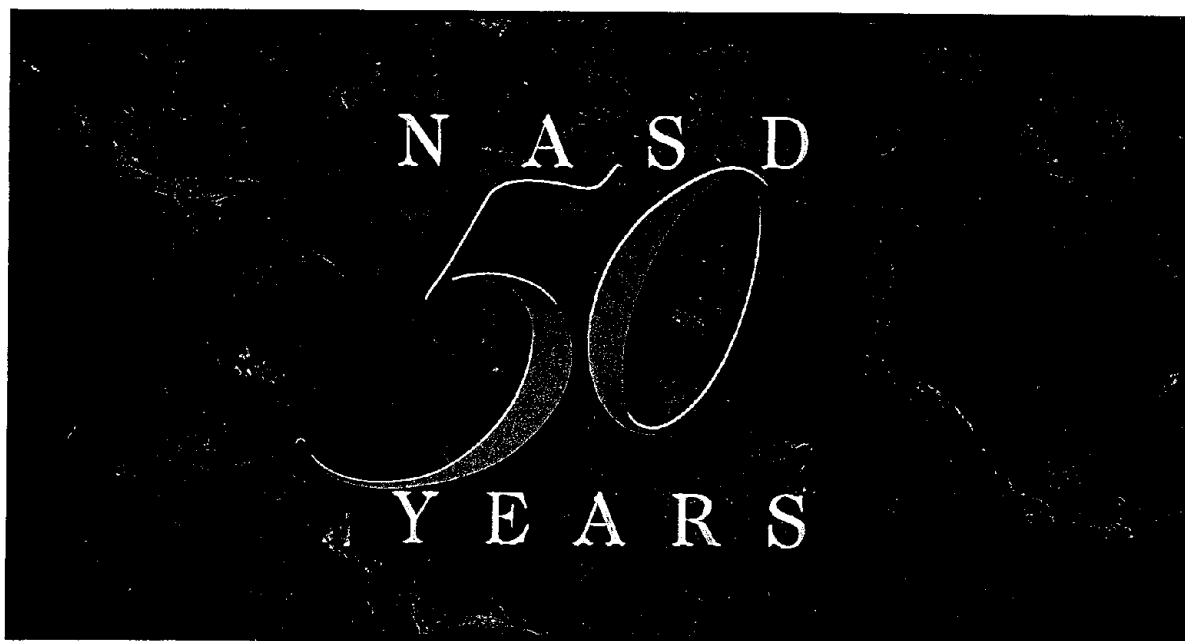
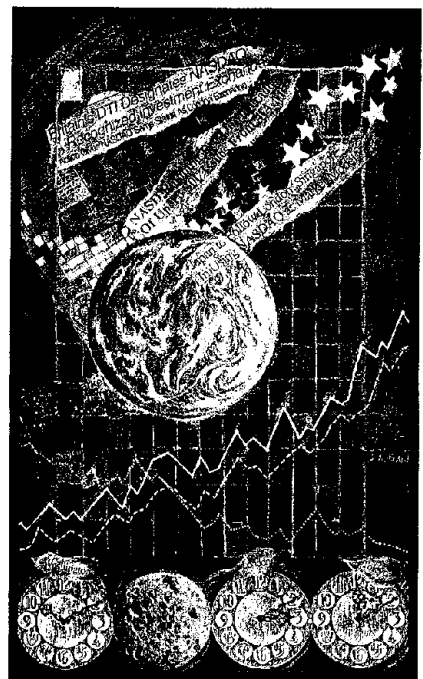

1989

Annual
Report



National
Association of
Securities
Dealers, Inc.

Fifty Years Of Service . . . For one-half century, the National Association of Securities Dealers, Inc., has protected investors through the enforcement of federal securities laws as well as the broader ethical requirements of its own rules, which obligate members to observe high standards of commercial honor. The NASD also operates and regulates NASDAQ,[®] which in less than two decades has become the



second largest equity market in the U.S. As it begins a new half-century, the NASD remains committed to building investor confidence through the pursuit of regulatory excellence and to facilitating the capital-formation process to help industry and government create jobs, finance public facilities, and foster economic growth.

The NASD — helping America through self-regulation, innovation, and service.

Chairman's And President's Report



he NASD is beginning its second half-century with its sights set on tomorrow. The decade that lies ahead promises an acceleration of free and open markets, a proliferation of user-friendly technology, increasing demand for cost-effective capital, an increased value in liquidity, competition across financial markets, and greater international opportunity for investors. It is an environment for which the NASD and the NASDAQ stock market are well suited.

NASDAQ is a stock market that others emulate. Screen-based trading — revolutionary when NASDAQ was first unveiled — is fast becoming the norm. In addition to serving as the model for developing dealer, quote-driven markets, NASDAQ offers unlimited potential to interface with other screen-based systems.

NASDAQ has another quality well suited to the emerging global marketplace — portability. The NASD is now in the process of installing computer facilities in London to support full NASDAQ operations in the United Kingdom. This expansion will allow international investors and members to engage in real-time trading during London business hours in major NASDAQ and exchange-listed securities.

Already an established force in bringing technology to securities markets, the NASD plans to introduce an entirely new, competitive, screen-based market called PORTALSM to bring liquidity and efficiency to the global private-placement market, which is estimated to be in the hundreds of billions of dollars annually. In combination with SEC Rule 144A, which will allow qualified institutional investors to freely trade private placements among themselves, PORTAL will facilitate the capital-raising process.

As markets become more accessible to investors,

William L. Tedford, Jr. (right)

... "We are an association with a proud history of member participation. The contribution each of us makes is a small square in a great mosaic of voluntary service to the NASD. Thousands of men and women have dedicated countless hours to this very special organization. Why do we do it? To make America's securities industry function at its peak potential."



Joseph R. Hardiman (left) . . .

"The idea of self-regulation owes much to the great idea of self-government and the freedoms that derive from democracy. The NASD exists to do more than regulate markets and protect investors. It exists to foster the free enterprise system, which is perhaps democracy's greatest gift."

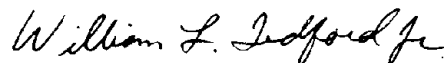
Chairman's And President's Report

regulation becomes more important than ever. The NASD's 50 years of regulatory experience is our greatest asset. For five decades, the NASD has sought — and found — healthy ways to improve the quality of markets through sound regulation. The process has brought maturity and new responsibilities to our organization.

An expanding global marketplace holds even greater regulatory challenges and responsibilities. As NASD members and NASDAQ companies look worldwide to raise capital and finance growth, the NASD is committed to ensuring investor protection and providing regulatory safeguards beyond our national borders.

Through strategic planning, teamwork, and a strong desire to excel, we will ensure our position as a pre-eminent regulator in the securities industry . . . and a leader in applying information technology to markets of the future.

Our second half-century looks bright — and busy. It holds tremendous opportunity for the NASD to continue its mission of facilitating capital formation through the regulation and operation of fair, efficient securities markets in the United States and around the world.



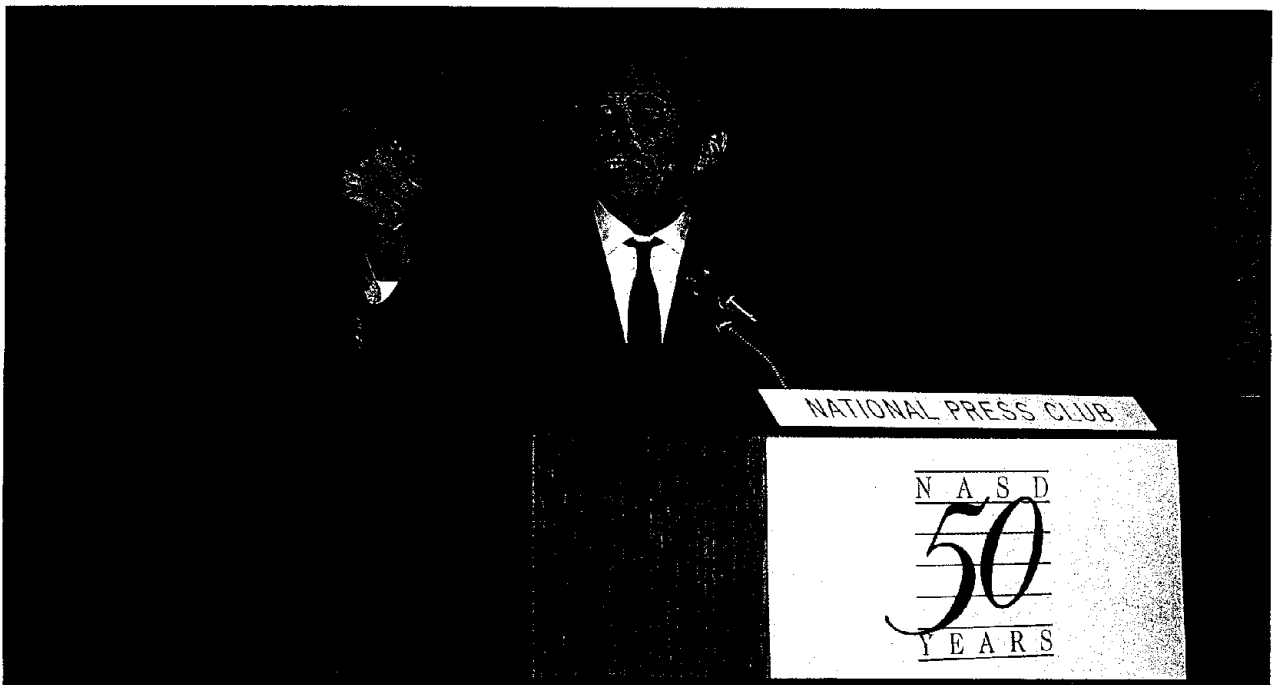
William L. Tedford, Jr.
1989 Chairman



Joseph R. Hardiman
*President and Chief
Executive Officer*

Washington Celebration . . .

In ceremonies commemorating the NASD's 50th anniversary, Treasury Secretary Nicholas Brady congratulated the organization and its members. "The integrity of our equity markets," he said, "is greatly enhanced by the NASD's oversight and professional guidelines. The NASD has distinguished itself over the past half-century by showing that self-regulation can be truly effective to



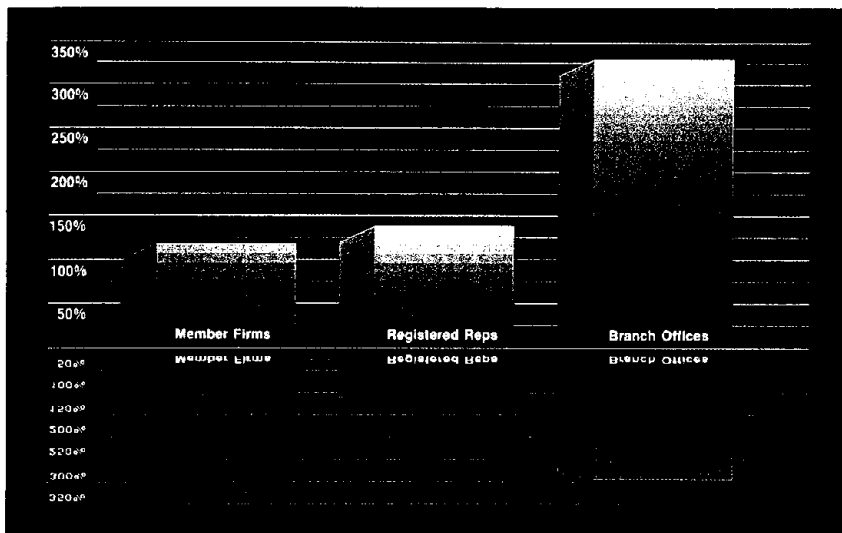
maintain efficient and orderly markets and promote capital formation — all without the need of excessive government intervention." More than 300 guests attended the celebration, including Federal Reserve Board Chairman Alan Greenspan, SEC Chairman Richard Breeden, former NASD Presidents Robert Haack, Richard Walbert, and Gordon Macklin, 18 former NASD Board Chairmen, 86 former NASD Board members, and other prominent securities industry and business leaders.

1989 Facts And Figures

- The NASD's 6,141 member firms operate 29,998 branch offices and employ 438,701 registered individuals.
- Volume in the NASDAQ stock market tops 33.5 billion shares, the second highest in its history.
- To curb market volatility, the NASD recommends to Congress that relative margin levels for equities and equity derivative instruments be made consistent across all markets; that the clearing, settlement, and payment systems be coordinated across marketplaces; and that the regulatory authority for all equity derivative instruments be vested in the Securities and Exchange Commission.
- Eleven more states, including California and Texas, exempt NASDAQ National Market System securities from state registration laws.
- The NASD intensifies its enforcement efforts to combat "penny stock" fraud. U.S. Attorneys in New York, New Jersey, and California publicly recognize the contributions of the NASD in prosecutions leading to criminal indictments and convictions.
- The Tokyo Stock Exchange announces it will list the securities of qualified NASDAQ/NMS companies after its intensive study found the NASDAQ National Market to be highly organized with a "solid" regulatory framework.
- Using NASDAQ as its model, Japan decides to build a new securities market called JASDAQ (Japan Securities Dealers Automated Quotation System), which is scheduled to come on-line in 1991.
- NASD Market Services, Inc., prepares to launch the PORTALSM market, which will automate the large and rapidly growing private-placement market. The PORTALSM market complements SEC Rule 144A, which provides a safe-harbor exemption from the registration requirements of the Securities Act for resales of restricted or privately placed securities between qualified institutions.

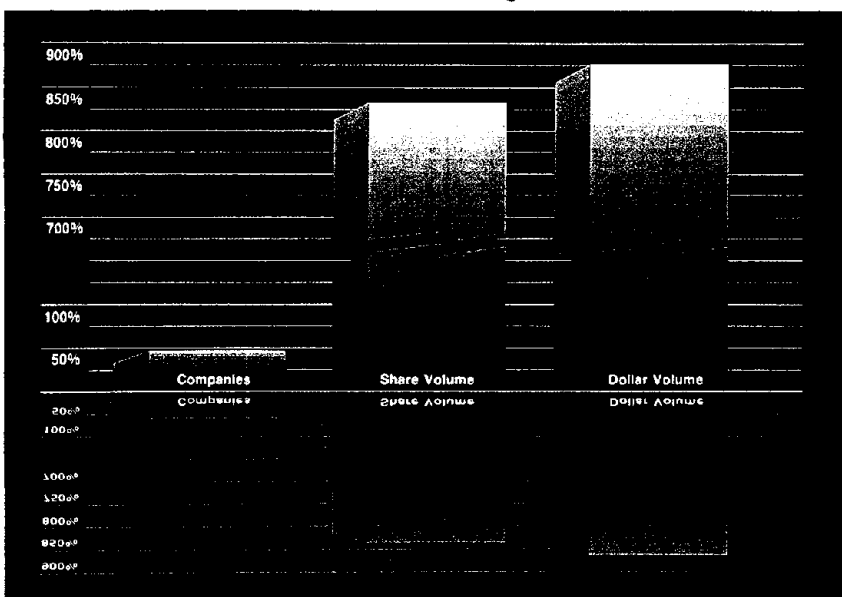
Ten Years Of Growth

NASD



1989	6,141	438,701	29,998
1979	2,801	183,656	6,985

NASDAQ



1989	4,293	33.5 bil.	\$431.4 bil.
1979	2,543	3.7 bil.	44.3 bil.

The NASDAQ Stock Market



ince it arrived on the scene in 1971, NASDAQ has revolutionized securities trading. This geographically decentralized, screen-based market, built on a system of competing market makers, offers a highly efficient environment in which to buy and sell securities.

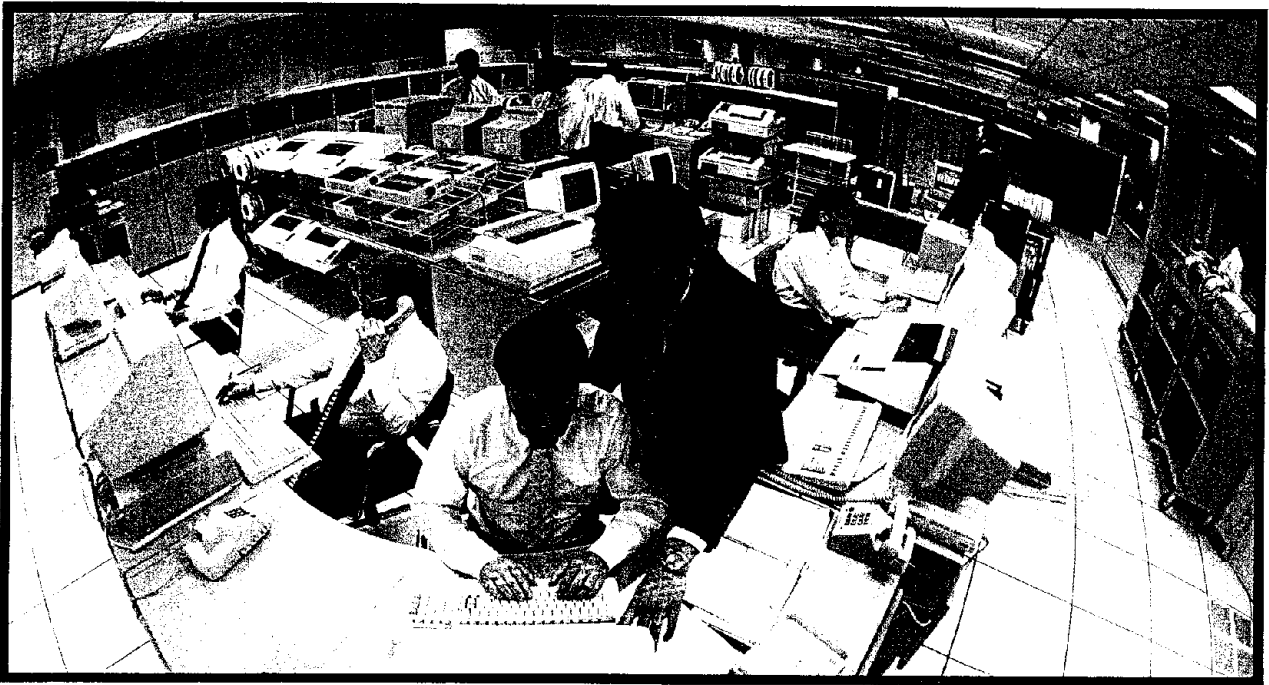
It is an environment that has proven again and again to be conducive to growth — in price performance and trading volume. The NASDAQ Composite Index rose 19.3 percent in 1989, and share volume reached 33.5 billion shares, the second highest in NASDAQ's history. This performance comes on the heels of a 15.4 percent increase in the index in 1988, when NASDAQ had the largest percentage gain of any major U.S. securities market.

In January 1989, the NASD raised the qualifications standards for companies seeking to list their securities on the NASDAQ National Market, where the larger, more active NASDAQ securities are traded. These standards now equal or exceed those of the American Stock Exchange in every area.

In addition to raising quantitative criteria, the NASD set higher corporate governance standards for NASDAQ National Market companies. One such standard requires companies to obtain shareholder approval before making certain acquisitions, issuing securities in connection with options plans or special remuneration plans for directors, officers, or key employees, or taking action that results in a change in control of the company.

Thirty states now grant NASDAQ National Market companies parity with exchange-listed issues under their state registration laws. Helped by a Memorandum of Understanding between the NASD and the North American Securities Administrators Association, exemptions for NASDAQ/NMS securities under state blue-sky laws are likely to be available in virtually all states within the next two years.

Computers And Telecommunications . . . The heart of the NASDAQ stock market is its advanced technology. This information-age system is pioneering new concepts for the forthcoming global market. The central computers that drive this system are in Trumbull, Connecticut, with a full backup facility, unique among stock markets, located in Rockville, Maryland. NASDAQ technology is



being constantly upgraded to maximize system performance. Recent enhancements include a new high-speed communications network, which permits alternate path routing for NASDAQ message traffic. The result of these efforts is a network with virtually no downtime.

Self-Regulation



he NASD handles its public trust in a number of ways — by adopting and enforcing rules to promote self-discipline among members and by cooperating with governmental agencies and others to solve problems affecting investors and the securities industry. In 1989, these activities led to numerous rule changes that will strengthen investor protection.

In April, a comprehensive package of NASD supervision rules became effective. These rules hold members more accountable for the dealings of their employees with the public. The rules require firms to establish detailed supervisory systems and procedures, maintain supervisory records, and designate specific individuals to oversee the business activities of their registered representatives.

Short-sale regulations were also tightened during the year. In June, an NASD rule became effective requiring broker-dealers that execute buy-ins for their customers to do so for guaranteed delivery. An extension of that rule to members that are not acting in a market-making capacity is now pending before the SEC. Also pending at the SEC is a mandatory buy-in requirement that would further reduce short-sale abuse by requiring the timely close-out of large short positions.

To enhance customer confidence in the financial integrity of securities firms, the NASD recommended and the SEC subsequently proposed that broker-dealers meet higher minimum financial requirements under the "net capital rule." The NASD supports the standards because they will increase the level of protection for investors and creditors without restricting qualified individuals from entering the business or unfairly discriminating against small member firms.

With the ceiling on fines for rule violations removed, the NASD in 1989 was able to craft more effective remedial sanctions in cases involving serious violations of its own ethical code of conduct and federal securities laws.

Aggressive Enforcement . . .

Through a nationwide network of district offices, NASD examiners conduct on-site inspections of members to determine their compliance with NASD rules, federal securities laws, and other applicable regulations. On its own and in cooperation with the SEC, state securities administrators, and federal law enforcement agencies, the NASD is devoting significant resources



to eliminating fraud and manipulation in the penny stock market. These efforts have resulted in expulsions of 7 member firms, the barring of 31 individuals, the suspension of 10 member firms and 42 individuals, fines of approximately \$700,000, and 5 criminal prosecutions relating to securities fraud.

New Systems And Services

Innovation in the face of change — this defines the approach of the NASD and its subsidiaries to market operations. In 1989, NASDAQ's heaviest-volume day occurred on October 16, when 243 million shares were traded. Despite the heavy trading on that day, investors had continuous access to the NASDAQ market, demonstrating the value of the many improvements made to the Small Order Execution System (SOES) in response to the October 1987 market break.

Other steps to meet the needs of investors have been taken as well. A new limit-order service within SOES automatically accepts, stores, and executes customer limit orders of 1,000 shares or less when NASDAQ market-maker quotations reach those limits. An enhancement to the service is planned for 1990 that will permit, whenever a market maker elects not to participate, the direct matching of customer limit orders priced within the best bid and ask.

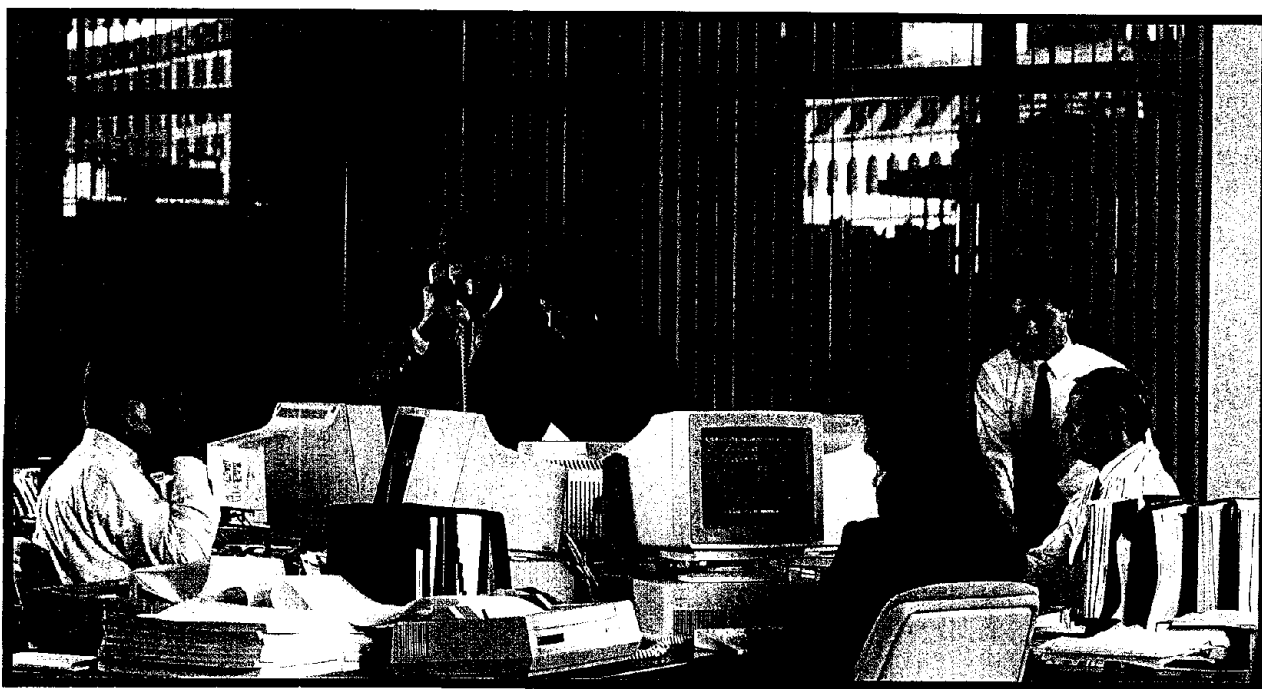
Through NASD Market Services, Inc., significant steps were also taken toward more complete automation of the execution and post-execution processes.

A new Automated Confirmation Transaction service (ACT) is now available. This on-line service minimizes risk by providing same-day comparison of telephone-negotiated trades. The service further improves trade-processing efficiency by automatically providing transaction reports and by sending the details of compared trades to the clearing corporation.

Enhancements to the Order Confirmation Transaction service (OCT) further improved market efficiency. OCT permits firms to send orders of any size and for any amount to a specific market maker via computer. The market maker responds by accepting, rejecting, or countering the order with new terms.

Automatic Order Execution . . .

The Advanced Computerized Execution System (ACES) gives NASD members with NASDAQ service the ability to participate in an automatic execution system. Through ACES, NASDAQ market makers automatically execute orders of specified sizes from their broker-dealer customers at the best prices in NASDAQ at the time those orders are entered. The by-product of



such a service? Immediate confirmations, better use of traders' time on the desk, reduced back-office costs, and locked-in trades for trade reporting, comparison, and settlement. The bottom line? Lower transaction costs for high-quality executions.

International Initiatives

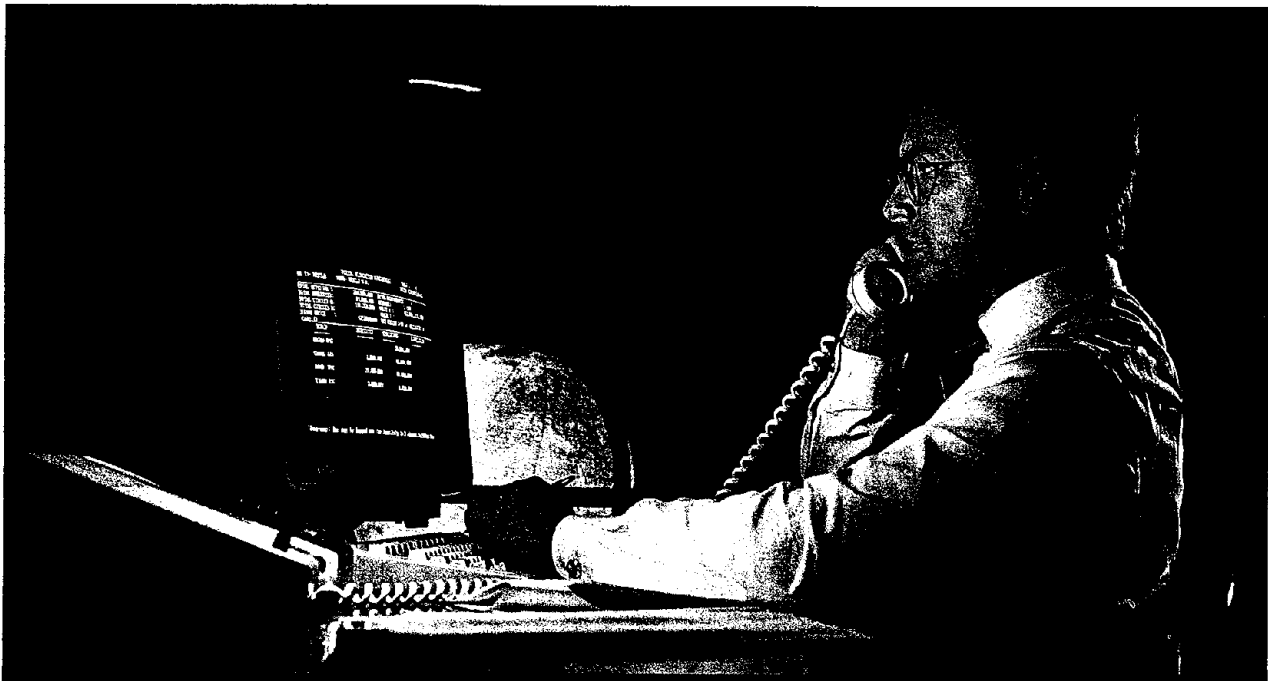
Consistently at the forefront of change and innovation in international markets, the NASD enters the new decade with a number of global initiatives in progress. In 1990, the NASDAQ stock market will take a major step forward as it installs computer facilities in London to support full NASDAQ operations in the United Kingdom. This expansion will enable international investors and market makers to engage in real-time trading during London business hours in the securities of world-class companies — both NASDAQ-listed and NYSE-listed.

At the same time, linkages established between NASDAQ and other international markets will continue. These include the communications link with SEAQ (Stock Exchange Automated Quotations) in London, operational since 1986, and the trans-Pacific link between NASDAQ and SESDAQ (Stock Exchange of Singapore Dealing and Automated Quotations), operational since 1988.

The NASD continues to work cooperatively with others to help shape global regulatory policy. In 1989, the NASD was the first self-regulator of a U.S. stock market to become an affiliate member of the International Organization of Securities Commissions (IOSCO). The NASD's affiliate status will help give market practitioners a growing voice in international regulation.

In addition, the NASD is a member of the International Councils of Securities Dealers and Self-Regulatory Associations, an organization formed in 1988 to promote and encourage the harmonization of procedures in international securities markets and effective regulation of cross-border trading of securities. At the invitation of the International Federation of Stock Exchanges, the NASD also will participate in sessions studying the international regulation of securities markets as well as the trend toward automated markets.

***The Next Frontier** . . . The multi-billion dollar private placement market is on its way to acquiring greater efficiency and liquidity. Set for launch in early 1990, PORTALSM is a competitive, screen-based market offered by NASD Market Services, Inc., to facilitate global trading by qualified investors in the unregistered securities of major companies. The PORTALSM market will complement SEC Rule 144A, which*



will provide a safe-harbor exemption from the SEC's registration requirements for the resale of restricted or privately placed securities between eligible dealers and institutions. The PORTALSM market will significantly increase the availability of private-placement financing.

Investor Awareness

Information about the NASDAQ stock market reached more investors than ever in 1989. Investors can now follow their NASDAQ stocks in the financial pages of virtually all the top 250 newspapers, by circulation, located in the principal markets around the country. The leading business programs on television routinely include NASDAQ market coverage, and NASD officials are frequently seen before the camera.

Hourly reports on the NASDAQ Composite Index now reach radio and television newsrooms over the broadcast wires of the Associated Press and United Press International. In addition, Reuters has added detailed hourly reports on NASDAQ market activity to its international network.

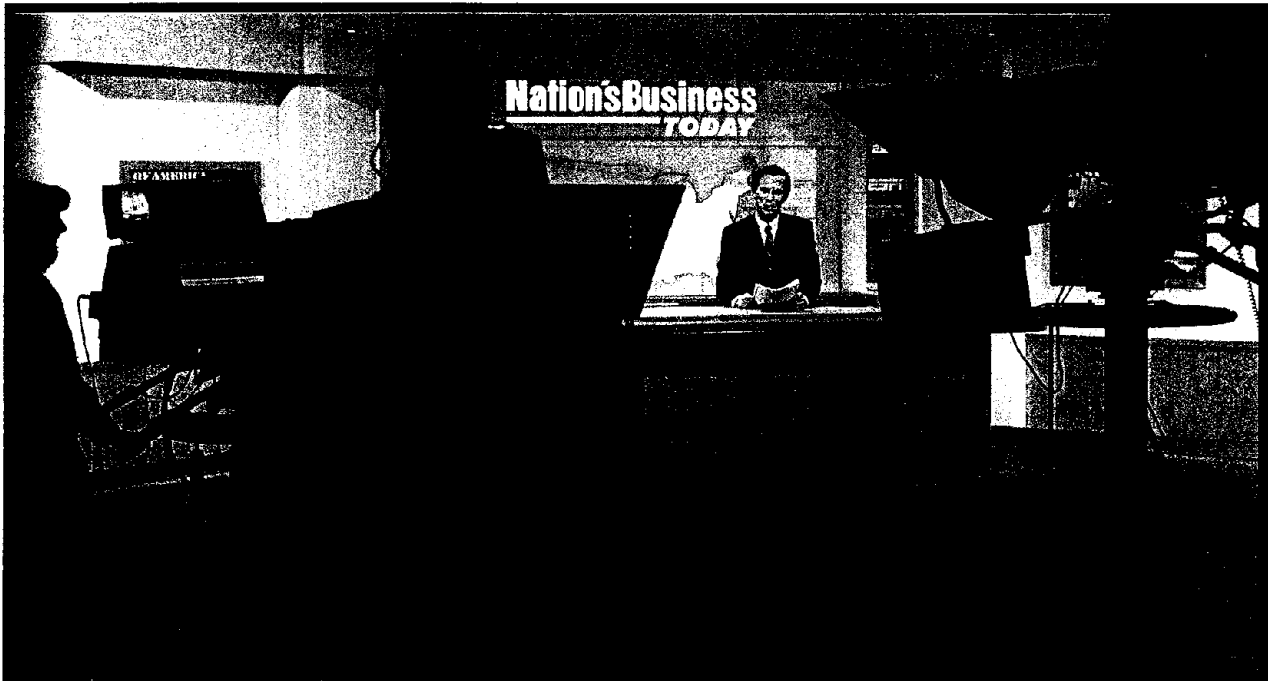
A growing number of radio and television stations, particularly those in the top 50 markets, have added NASDAQ updates and end-of-day summaries as part of their regular business reports. A new feature — television pickup of a NASDAQ National Market electronic transaction ticker — is carried by three cable networks — CNN, FNN, and CNBC — and two broadcast stations located in Chicago and Los Angeles.

In addition, the NASD began releasing a series of regional indexes based on share prices of local NASDAQ companies for selected markets across the country. These "hometown" indexes provide investors with a unique gauge for monitoring the performance of companies in their local economies.

Studies show an increasing appetite for business and financial information, and more and more journalists and broadcasters recognize the importance of the NASD and NASDAQ to their audiences.

Expanded Coverage . . .

*Increased print, radio, and television coverage is bringing NASDAQ information to more investors than ever. A series of weekly "infomercials" about NASDAQ-related issues could be seen throughout 1989 on the "Money Matters" segment of **Nation's Business Today**. Produced by BizNet, a service of the U.S. Chamber of Commerce, the program is aired over ESPN, the*



country's largest cable network. Educational in design, the infomercials covered important subjects, including trading in the NASDAQ market, broker qualifications, liquidity, volatility, short selling, the growing internationalization of markets, and the nation's changing economy.

Investor Protection Highlights

- From its 14 district offices, the NASD conducts 4,138 examinations of members' main and branch offices and resolves 4,834 customer complaints.
- The NASD's 13 District Business Conduct Committees and the Market Surveillance Committee, which are at the heart of the self-regulatory process, file 1,011 formal disciplinary actions, render 678 disciplinary decisions, and accept 353 settlement offers. These actions lead to the expulsion of 25 firms, the barring of 286 individuals, and the suspension of 43 firms and 279 individuals.
- Automated market surveillance of NASDAQ trading triggers 17,115 on-line price and volume alerts, which lead to 169 formal investigations and the referral of 61 cases to the SEC.
- The Surveillance Department supervises the self-liquidations of six firms, returning to customers and broker-dealers funds and securities totaling \$51 million.
- To assist investors, the NASD fills 4,763 requests for background information on members and associated persons.
- NASD and SEC adopt rules to protect investors from penny stock fraud.
- Arbitration rules provide additional disclosure of arbitrators' backgrounds, public disclosure of awards, expedited prehearing procedures, and greater availability of single-arbitrator panels in cases involving public customers.
- The Qualifications Department administers 183,630 tests to persons seeking to become registered representatives or principals of members.
- To ensure the terms and conditions are fair and reasonable, the Corporate Financing Department reviews the underwriting arrangements of 1,858 corporate equity, debt, real estate investment trust, and direct participation offerings having an aggregate volume of \$124.9 billion.
- To ensure compliance by members with standards governing communications with the public, the Advertising Department reviews 28,543 pieces of advertising and sales literature, of which 47 percent is returned for revisions and 4 percent is disapproved.

An Electronic Conscience . . .

Developed by professors from Pennsylvania State University, with the aid of two Nobel laureates from the Massachusetts Institute of Technology, a new market surveillance system has improved the NASD's ability to detect and deter questionable and illegal trading practices. Called SWAT, short for StockWatch Automated Tracking, the system combines security-specific



parameters with industry indicators, market indicators, and breaking news to calculate the likelihood that each price quotation reflects legitimate market forces. This enables Stock-Watch analysts to flag unusual trading patterns and take appropriate action.

NASD Board Of Governors



To Serve Until January 1990
(from left to right)

HOWARD L. BLUM, JR.
Ladenburg, Thalmann & Co. Inc.
New York, New York

JOSEPH R. HARDIMAN
NASD President and
Chief Executive Officer
Washington, D.C.

RUDOLPH C. SANDER
Janney Montgomery Scott, Inc.
Philadelphia, Pennsylvania

***DAVID HUGH**
FITZWILLIAM-LAY
G.T. Management Plc
London, England

WILLIAM L. TEDFORD, JR.
Stephens, Inc.
Little Rock, Arkansas
NASD Chairman, 1989

CHARLES H.
SYMINGTON, JR.
S. G. Warburg & Co. Inc.
New York, New York
NASD Vice Chairman-Finance,
1989

***GRAHAM W. WHITEHEAD**
Jaguar Cars, Inc.
Leonia, New Jersey

***JOHN G. MCDONALD**
Graduate School of Business
Stanford University
Stanford, California
NASD Vice Chairman, 1989

B. H. RUTLEDGE MOORE
J. C. Bradford & Co.
Savannah, Georgia

WILLIAM R. TIMKEN
Hambrecht & Quist, Inc.
San Francisco, California

JAMES F. PECK
Wyoming Financial
Securities, Inc.
Casper, Wyoming

**Governor-at-Large*



To Serve Until January 1991
(from left to right)

RONALD E. BUESINGER
 A. G. Edwards & Sons, Inc.
 St. Louis, Missouri
NASD Vice Chairman, 1990

MILES Z. GORDON
 Financial Network
 Investment Corp.
 Torrance, California

***ALAN F. SHUGART**
 Seagate Technology
 Scotts Valley, California

SHELDON M. FECHTOR
 Fechtor, Detwiler & Co., Inc.
 Boston, Massachusetts

KENNETH J. WESSELS
 Wessels, Arnold &
 Henderson, L.P.
 Minneapolis, Minnesota
NASD Chairman, 1990

PATRICK C. RYAN
 Johnston, Lemon & Co.,
 Incorporated
 Washington, D.C.

***ROBERT H. MUNDHEIM**
 Fried, Frank, Harris & Jacobson
 New York, New York
 and University of Pennsylvania
 Law School
 Philadelphia, Pennsylvania
NASD Vice Chairman-Finance
 1990

***JOHN E. PEARSON**
 Northwestern National Life
 Insurance Company
 Minneapolis, Minnesota

DON A. BUCHHOLZ
 Southwest Securities, Inc.
 Dallas, Texas

DANIEL J. CRISTOFANO
 Ernst & Company
 New York, New York

**Governor-at-Large*

NASD Board Of Governors



To Serve Until January 1992
(from left to right)

***VICTOR R. WRIGHT**
Goldman, Sachs International
London, England

WILLIAM G. PAPESH
Murfhey Favre, Inc.
Spokane, Washington

LEOPOLD SWERGOLD
Swergold, Chefitz Division of
Furman Selz Mager Dietz &
Bimey Inc.
New York, New York

ROBERT L. CLARK
H. C. Wainwright & Co.
Boston, Massachusetts

L. GENE TANNER
Raffensperger,
Hughes & Co., Inc.
Indianapolis, Indiana

WILLIAM R. THOMAS
Capital Southwest Corporation
Dallas, Texas

***RONALD P. IYNCH**
Lord, Abbett & Co.
New York, New York

NORMAN H. PESSIN
Neuberger & Berman
New York, New York

WILLIAM B. SUMMERS, JR.
McDonald & Company
Securities, Inc.
Cleveland, Ohio

JOHN B. WEINGART
Smith Barney, Harris,
Upham & Co., Inc.
San Francisco, California

**Governor-at-Large*



To Serve Until January 1993
(from left to right)

CHARLES B. JOHNSON
 Franklin Distributors, Inc.
 San Mateo, California

JERRY ROBERTS
 Hill, Crawford & Lanford, Inc.
 Little Rock, Arkansas

JERRY WILLIAMS
 Williams Securities Group, Inc.
 Tampa, Florida

THOMAS E. MEADE
 Boettcher & Company, Inc.
 Denver, Colorado

ANDREW L. BERGER
 Wertheim Schroeder & Co., Inc.
 New York, New York

***DAVID S. RUDER**
 Northwestern School of Law
 and Baker & McKenzie
 Chicago, Illinois

PHILIP S. COTTONE
 MBI Equities Corp.
 Cherry Hill, New Jersey

ANSON M. BEARD, JR.
 Morgan Stanley & Co., Inc.
 New York, New York

Not Shown:

***JACK W. LAVERY**
 Merrill Lynch & Company, Inc.
 New York, New York

***J. BRUCE LLEWELLYN**
 The Philadelphia Coca-Cola
 Bottling Company
 New York, New York

**Governor-at-Large*

1989 National Committees

The National Committees make recommendations to the Board of Governors on their areas of expertise. Members are appointed by the Board. The Executive, Finance & Audit, and National Business Conduct Committees meet before each Board meeting; other committees meet as needed. Special ad hoc committees and task forces are created throughout the year to consider important issues.

Executive Committee

- *William L. Tedford, Jr.,
Chairman
- *Ronald E. Buesinger
- *John G. McDonald
- *Robert H. Mundheim
- *James F. Peck
- *Rudolph C. Sander
- *Charles H. Symington, Jr.
- *Kenneth J. Wessels
- *Graham W. Whitehead
- *Joseph R. Hardiman, *President*

Finance & Audit Committee

- *Charles H. Symington, Jr.,
Chairman
- *Howard L. Blum, Jr.
- *Don A. Buchholz
- *David Hugh FitzWilliam-Lay
- *B. H. Rutledge Moore
- *James F. Peck
- *Patrick C. Ryan
- *Rudolph C. Sander
- *Alan F. Shugart
- *William L. Tedford, Jr.
- *William R. Timken
- *Joseph R. Hardiman, *President*

National Business Conduct Committee

- *Ronald E. Buesinger, *Chairman*
- *Patrick C. Ryan, *Vice Chairman*
- *Robert L. Clark
- *William G. Papesch
- *Norman H. Pessin
- *William B. Summers, Jr.
- *Leopold Swergold
- *L. Gene Tanner
- *John B. Weingart
- *Victor Wright

National Nominating Committee

- *William L. Tedford, Jr.,
Chairman
- James M. Davin
- Stephen L. Hammerman
- David W. Hunter
- Carl P. Sherr
- *Joseph R. Hardiman,
President (Ex Officio)

Arbitration Committee

- David W. Hunter, *Chairman*
- Judith G. Belash
- *Daniel J. Cristofano
- Michael Dobin
- Robert J. Downing
- Victor Elting, III
- Justin P. Klein
- Robert I. Kleinberg
- David Lipton
- Peter K. Loeb
- John S. Lutz
- Philip M. Mandel
- *B. H. Rutledge Moore
- *Robert H. Mundheim
- Gerald F. Rath
- Richard C. Romano

Board Surveillance Committee

- Edmund J. Cashman, Jr.
- David C. Grove
- Larry D. Hayden
- John G. Higgins
- A. James Jacoby
- John B. Levert, Jr.
- William B. Madden
- Bernard L. Madoff
- David W. Mesker
- Glenn R. Oxner
- L. C. Petersen
- Alfred J. Rauschman, Sr.
- Lynn P. Reitnauer
- Carl P. Sherr
- James C. Stone, III
- *L. Gene Tanner
- *William R. Timken
- Norman T. Wilde, Jr.

Capital & Margin Committee

- *Don A. Buchholz, *Chairman*
- *Robert L. Clark
- Vincent Fay
- Robert Ferrentino
- Richard L. Hinton
- Nelson S. Kibler
- Donald Malawsky
- Michael J. Passarella
- Kenneth W. Pegher
- Wilbert Thiel

Congressional/State Liaison Committee

- Alfred J. Rauschman, Sr.,
Chairman
- Raymond Aronson
- *Donald A. Buchholz
- *Daniel J. Cristofano
- Conrad Goodkind
- Francesca M. Mahery
- Orestes J. Mihaly
- David E. Rosedahl
- William S. Stuckey, Jr.
- Judah C. Sommer
- Bruce Thompson

Corporate Advisory Board

- *Graham W. Whitehead,
Chairman
- Jeffrey H. Coors
- Raymond A. Mueller
- Christopher J. Murphy, III
- Roy H. Park, Sr.
- Edward R. Simon
- Albert F. Sloan
- Walter V. Smiley
- Frank Stronach
- *William R. Thomas
- Frank Wobst

Corporate Financing Committee

- *Howard L. Blum, Jr., *Chairman*
Edmund J. Cashman, Jr.
Bruce S. Foerster
Richard Franvo
James S. Frazer, III
William J. Grant, Jr.
Van Zandt Hawn
John Kohl
Joseph V. Missett, III
G. Peter O'Brien
*Norman Pessin
Michael R. Smith
Richard A. Smith
John J. Stockbridge
Sabin C. Streeter
*Leopold Swergold
*Charles H. Symington, Jr.
Gregory H. Thomas

Direct Participation Programs/Real Estate Committee

- Larry D. Hayden, *Chairman*
Joseph W. Armbrust, Jr.
*Donald A. Buchholz
Philip S. Cottone
Burton Glazov
Rosalie Y. Goldberg
*Miles Z. Gordon
John J. Graham
James A. Kaval
Steven K. McGinnis
Howard R. Moskof
Robert A. Stanger
William Turchyn, Jr.
Richard G. Wollack
Charles E. Zivney

Financial Communications and Investor Relations Committee

- Irving B. Schoenberg, *Chairman*
William J. Amdall
Susanne G. Clark
Valoree E. Dowell
Joseph J. Fitzsimmons
John H. Grunewald
F. Trent Hill
James W. Jarrett
Charles E. Jones, Jr.
William B. Lynn
Theodore H. Pincus
David E. Sparks
Brian C. Stanley
*William R. Thomas
Philip J. Keuper (*Ex Officio*)

Fixed Income Securities Committee

- *James F. Peck, *Chairman*
Justin G. Adams
Stanley Lee Burnham
Edward J. Mahoney
J. Stephen Putnam
Samuel A. Ramirez
Donald Rappaport
Richard C. Romano
*William B. Summers, Jr.
Michael D. Vick

Institutional Investors Committee

- Edward J. Mathias, *Chairman*
William L. Cobb, Jr.
James Coxon
Gary Helms
Robert J. A. Irwin, Jr.
John T. Johnson
Ronald P. Lynch
Robert A. McLaughlin
Robert P.B. Michaelson
Thomas L. Pulling
Edward V. Regan
Thomas H. Roulston
Gail S. Schoettler
Dennis G. Sherva

Insurance Committee

- James J. McCormack, *Chairman*
Richard L. Hinton
Leonard Mayer
*John E. Pearson
*L. Gene Tanner

International Committee

- *John G. McDonald, *Chairman*
Judith G. Belash
Thomas Burnett
James M. Davin
Michael Dritz
Joseph Gordon
Thomas Giandoreggio
*David Hugh FitzWilliam-Lay
Bernard L. Madoff
*Robert H. Mundheim
*Charles H. Symington, Jr.
*Kenneth J. Wessels
*Graham W. Whitehead

Investment Companies Committee

- *Ronald P. Lynch, *Chairman*
J. Hamilton Crawford, Jr.
Tarrant Cutler
E. Graham Holloway
Kevin P. Howe
Barbara M. Lange
David S. Lee
*B. H. Rutledge Moore
Dan Maclean
*William G. Papesch
Gerald E. Pelzer
George Putnam
*Rudolph C. Sander
John M. Smith
J. William Strott

Legal Advisory Board

- Alan B. Levenson, *Chairman*
John F. Cogan, Jr.
Arthur Fleischer, Jr.
Donald C. Langevoort
Simon M. Lorne
Hugh H. Makens
Bruce A. Mann
Paul J. Mason
Neal S. McCoy
Richard M. Phillips
Larry W. Sonsini
A. A. Sommer, Jr.
Richard B. Smith
William J. Williams, Jr.
John F. Worthington
Frank M. Wozencraft

*Member, NASD Board of Governors

1989 National Committees

Long Range Planning Committee

Stephen L. Hammerman,
Chairman
James M. Davin
David W. Hunter
Alan B. Levenson
Bernard L. Madoff
Carl P. Sherr
A. A. Sommer, Jr.
*William L. Tedford, Jr.
Wilson C. Wearn
*Joseph R. Hardiman, *President*

Market Surveillance Committee

Anthony J. Hyatt, *Chairman*
George A. Boujoukos
Roland Catalano
Samuel M. Davidson
Richard M. Drew
John C. Giesea
Michael D. Kinsella
Daniel W. Mittag
John J. Muldowney
John Newhall
James A. O'Neill
Richard C. Romano

Marketing Committee

Lynn P. Reitnouer, *Chairman*
*Howard L. Blum, Jr.
Richard J. Capalbo
Douglas E. Hill
Charles E. Jones, Jr.
Thomas J. Mulvaney
Peter F. Muratore
Mark I. Preston
Charles Salisbury
Thomas K. Scallen
*John B. Weingart
*Graham W. Whitehead

NASDAQ/NMS Qualifications Committee

William B. Madden, *Chairman*
Donald E. Eagon, Jr.
John C. Giesea
A. James Jacoby
John C. Kikol
William B. Lynn
Frank Masi

**Member, NASD Board of
Governors*

Options Committee

James F. Brucki, Jr., *Chairman*
Thomas Avgeris
Michael Bickford
Frank DiPascali
Dave Hall
James Huff
William J. Kehoe
Joseph A. Oliva
*Rudolph C. Sander
Ray Skelton

Qualifications Committee

Richard L. Hinton, *Chairman*
Lewis W. Brothers, Jr.
*Ronald E. Buesinger
David A. Dworsky
Arnold Hoffman
Glenn R. Oxner
*William G. Papesch
Allan Pessin
John F. Settel
*Charles H. Symington, Jr.
Thomas J. Tagliamonte
Madeline A. Weinstein

Registration Committee

Victor Elting, III, *Chairman*
Carolyn Akers
Thomas J. Asher
Edward F. Borer
*Miles Z. Gordon
H. Wayne Howell
Fred Kubler
Lynn P. Reitnouer
*Rudolph C. Sander
Thomas J. Tagliamonte
O. Ray Vass

SOES Users Committee

Bernard L. Madoff, *Chairman*
Joseph della Rosa
*Sheldon M. Fechter
Gary D. Fender
E. E. Geduld
Joseph Humenick
Ronald J. Lattuga
Jeremiah A. Mullins
Hugh J. Quigley
William R. Rothe
William Thompson
Louis B. Todd, Jr.
Raymond V. Wilmarth

Trading Committee

Peter J. DaPuzzo, *Chairman*
Phillip C. Allen
J. Patrick Campbell
Ralph J. Costanza
Peter T. Dartley
*Sheldon M. Fechter
Austin George
John C. Giesea
Peter B. Madoff
Frank Masi
Charles Neustein
Jerrold B. Newman
Aldo Parcesepe
*Patrick C. Ryan
*Alan F. Shugart
John N. Tognino
Jack Wertheim

Uniform Practice Committee

*James F. Peck, *Chairman*
*Don A. Buchholz
Anthony T. Geraci
John J. Sanders
Jeff Smith
Arthur L. Thomas

Variable Contracts Committee

*John E. Pearson, *Chairman*
Tarrant Cutler
Edward A. Hill
Timothy E. Murphy
Cynthia M. Orcutt
Peter W. Rea
Joseph M. Rob
Robert G. Sharp
John M. Smith
Bruce F. Stefany

Limit Order Task Force

Norman T. Wilde, Jr., *Chairman*
David L. Baker
*Ronald E. Buesinger
Peter J. DaPuzzo
*Sheldon M. Fechter
John T. Johnson
Patrick Kolenick
Bernard L. Madoff
*Patrick C. Ryan
John N. Tognino
Allen Weintraub
*Kenneth J. Wessels

1989 District Committees

Members of the District Committees serve on Business Conduct Committees to review reports of NASD examiners; investigate complaints against members; conduct disciplinary proceedings; and impose penalties for violations of federal and state laws, Municipal Securities Rulemaking Board rules, and the NASD's Rules of Fair Practice. The members are elected by NASD member firms in each geographic area and supervise NASD programs in that area. The chairmen of the committees comprise the Advisory Council of the Board of Governors.

District 1

Alaska, Idaho, Montana, Oregon, and Washington; 168 members, 1,567 branches



E. Wicklund

Eldon J. Wicklund

Chairman, Smith Barney, Harris, Upham & Co. Eugene, Oregon

John G. Woodhead

Vice Chairman, Phelps & Woodhead, Inc. Spokane, Washington

Peter H. Baker

Foster, Paulsell & Baker Seattle, Washington

Arthur W. Buerk

Shurgard Capital Group Seattle, Washington

L. Hoyt DeMers

KMS Financial Services, Inc. Seattle, Washington

James W. Kays

Adams, Hess, Moore & Co. Eugene, Oregon

Larry P. Morris

Dean Witter Reynolds, Inc. Bellevue, Washington

Richard Pacholski

Seattle N.W. Securities, Inc. Seattle, Washington

Vincent M. Purpura

D. A. Davidson & Co., Inc. Great Falls, Montana

Charles H. Putney

PaineWebber, Inc. Portland, Oregon

C. Fred Roed

Piper, Jaffray & Hopwood, Inc. Seattle, Washington

Bradford M. Patterson, Director

*One Union Square
600 University, Suite 1911
Seattle, Washington 98101-3132
(206) 624-0790*

District 2

California, Nevada, and Hawaii; 878 members, 4,546 branches



J. Mackey

John D. Mackey

*Co Chairman
Henry F. Swift & Co., Inc. San Francisco, California*

Carl E. Lindros

*Co-Chairman
Santa Barbara Securities, Inc. Santa Barbara, California*

Neil Hennessey

*Vice Co-Chairman
Edward J. Hennessey, Inc. San Francisco, California*



C. Lindros

John S. Simmers

*Vice Co-Chairman
Financial Network
Investment Corporation
Torrance, California*

Stephen R. Adams

*Van Kasper & Company
San Francisco, California*

Earl E. Alexander

*Lord, Abnett & Co.
San Francisco, California*

Robert S. Basso

*Broadcort Capital Corp.
San Francisco, California*

Alan E. Goldstein

*Shearson Lehman Hutton, Inc.
Los Angeles, California*

Frank L. King

*Titan Capital Corporation
Tustin, California*

James D. Klein

*PaineWebber, Inc.
San Francisco, California*

Joan B. McGilvray

*McGilvray & Associates
Carlsbad, California*

Trevor M. Morris

*Seidler Amdec Securities, Inc.
Los Angeles, California*

David P. Murphy

*Smith Barney, Harris,
Upham & Co., Inc.
Los Angeles, California*

Kenneth I. Rosenblum

*Mitchum, Jones &
Templeton, Inc.
Los Angeles, California*

1989 District Committees

Leonard H. Rossen
Equitable Life Insurance Society
Fresno, California

Samuel M. Yates
Sutro & Co., Inc.
San Francisco, California

Theodore F. Schmidt, Director
425 California Street
Room 1400
San Francisco, California 94104
(415) 781-3434

Kye Hellmers, Director
300 South Grand Avenue
Suite 1600
Los Angeles, California 90017
(213) 627-2122

District 3

*Arizona, Colorado, New Mexico,
Utah, and Wyoming;
311 members, 1,652 branches*



G. Donnelly

George N. Donnelly
Chairman, Hanifen, Imhoff
Securities Corporation
Denver, Colorado

Anthony Petrelli
Vice Chairman, Neidiger,
Tucker Bruner, Inc.
Denver, Colorado

J. Dennis Catten
Olsen Payne & Co.
Salt Lake City, Utah

James M. Coughlin
Coughlin & Company, Inc.
Denver, Colorado

Thomas Delnoce
R. L. Kotrozo, Inc.
Scottsdale, Arizona

Edward A. Digiacomio
Schneider Securities, Inc.
Denver, Colorado

David R. Dove
Smith Barney, Harris,
Upham & Co., Inc.
Scottsdale, Arizona

Dennis C. Dowd
John G. Kinnard and Company
Englewood, California

Marc N. Geman
The Stuart-James Company, Inc.
Denver, Colorado

David Nelson
Covey & Company, Inc.
Salt Lake City, Utah

Frank J. Birgfeld, Director
1401 17th Street, Suite 700
Denver, Colorado 80202
(303) 298-7234

District 4

*Kansas, Missouri, Nebraska, and
Oklahoma; 210 members, 1,637
branches*



S. Soden

Stephen S. Soden
Chairman, BMA Financial
Services, Inc.
Westwood, Kansas

Lamar S. Jones
Vice Chairman, Kirkpatrick, Pettis,
Smith, Polian, Inc.
Omaha, Nebraska

Larry D. Armel
Jones & Babson, Inc.
Kansas City, Missouri

James M. Canavan
Smith, Moore & Co.
St. Louis, Missouri

William H. Coughlin
George K. Baum & Company
Kansas City, Missouri

Quinton H. Ellis, Jr.
Merrill Lynch, Pierce,
Fenner & Smith, Inc.
Oklahoma City, Oklahoma

John S. Ellspermann
Kidder, Peabody & Co., Inc.
Kansas City, Missouri

Norman E. Heitner, Jr.
The Heitner Corporation
St. Louis, Missouri

Leonard L. Noah
LM Consolidated Financial Corp.
Kansas City, Missouri

Peter J. O'Neal
Newhard, Cook &
Co., Incorporated
St. Louis, Missouri

Jimmie L. Rice
Shearson Lehman Hutton Inc.
Wichita, Kansas

Jack Rosenfield, Director
120 West 12th Street, Suite 900
Kansas City, Missouri 64105
(816) 421-5700

District 5

*Alabama, Arkansas, Louisiana,
Mississippi, and western Tennessee;
175 members, 1,083 branches*



T. Newton

T. Eugene Newton, Chairman
Shearson Lehman Hutton Inc.
New Orleans, Louisiana

Robert W. Bass
*Vice Chairman, Dean Witter
Reynolds, Inc.*
Little Rock, Arkansas

W. Warren Belser, Jr.
Sterne, Agee & Leach, Inc.
Birmingham, Alabama

Donald B. Clanton
Commerce Investment
Corporation
Memphis, Tennessee

Henry M. Fyfe
Municipal Securities, Inc.
Memphis, Tennessee

Philip Gensler, Jr.
Waters, Parkerson & Co., Inc.
New Orleans, Louisiana

Thomas V. Harkins
T. J. Raney & Sons, Inc.
Little Rock, Arkansas

Colin A. P. (Pat) McNease
PaineWebber, Inc.
Jackson, Mississippi

George M. Porter
Porter, White & Yardley, Inc.
Birmingham, Alabama

Warren A. Butler, Jr., Director
Energy Centre, Suite 850
1100 Poydras Street
New Orleans, Louisiana
70163
(504) 522-6527

District 6

*Texas; 394 members,
1,495 branches*



T. Thomas, II

Tullis C. Thomas, II
*Chairman, Smith Barney,
Harris, Upham & Co., Inc.*
San Antonio, Texas

Gary Littlepage
*Vice Chairman, M.C.S.I.
Securities, Inc.*
Houston, Texas

John W. Ferguson
May Financial Corporation
Dallas, Texas

Edward J. Harrison
Southmark Financial
Services, Inc.
Dallas, Texas

Vernon Minton
V. F. Minton Securities, Inc.
Fort Worth, Texas

Claude H. Montgomery
Merrill Lynch, Pierce,
Fenner & Smith, Inc.
Houston, Texas

R. Theodore Moock, Jr.
Eppler, Guerin & Turner, Inc.
Dallas, Texas

David Powell
Rauscher Pierce Refsnes, Inc.
Dallas, Texas

Michael Wadsworth
Masterson & Company
Houston, Texas

Peter M. Walker, Director
1999 Bryan Street, Suite 1450
Dallas, Texas 75201
(214) 969-7050

District 7

*Florida, Georgia, South Carolina,
eastern Tennessee, Puerto Rico,
Canal Zone, and the Virgin Islands;
546 members, 3,220 branches*



R. Stemmermann

Robert J. Stemmermann,
*Chairman, Merrill Lynch,
Pierce, Fenner & Smith, Inc.*
Sarasota, Florida

Robert J. Glenn
Vice Chairman
The Robinson-Humphrey
Company, Inc.
Atlanta, Georgia

Robert M. Balentine
Balentine & Co.
Atlanta, Georgia

Benjamin E. Fisher
Smith Barney, Harris,
Upham & Co., Inc.
Tampa, Florida

Edward D. Hill
J. C. Bradford & Co.
Nashville, Tennessee

1989 District Committees

Thomas A. James
Raymond, James & Assoc., Inc.
St. Petersburg, Florida

Hector M. Mayol, Jr.
The First Boston Corporation
Hato Rey, Puerto Rico

Bernard F. Puckhaber
Johnson, Lane, Space,
Smith & Co., Inc.
Charleston, South Carolina

Arch W. Roberts
Arch W. Roberts & Co.
Gainesville, Florida

Bennett Whipple
Vice President, Director
One Securities Centre, Suite 500
3490 Piedmont Road, NE
Atlanta, Georgia 30305
(404) 239-6100

District 8
*Illinois, Indiana, Iowa, Michigan,
Minnesota, North Dakota, South
Dakota, and Wisconsin; 758 mem-
bers, 5,656 branches*



S. Martin

Scott E. Martin
*Chairman, Van Kampen
Merritt, Inc.*
Lisle, Illinois

Richard L. Davis
*Vice Chairman, Kidder,
Peabody & Co., Inc.*
Milwaukee, Wisconsin

Steven J. Berghs
Piper, Jaffray &
Hopwood, Incorporated
Minneapolis, Minnesota

F. Scott Brown
Raffensperger, Hughes
& Co., Inc.
Muncie, Indiana

Robert L. Cram
R. G. Dickinson & Co.
Des Moines, Iowa

George H. Headford
Headford & Company,
Incorporated
Fort Wayne, Indiana

Larry J. Hoffman
Blunt Ellis & Loewi,
Incorporated
Milwaukee, Wisconsin

Daniel C. Kriser
Young Capital Group, Inc.
Chicago, Illinois

Richard D. Lauer
Mesirow Investment
Services, Inc.
Sioux Falls, South Dakota

Peter S. Logan, Sr.
Roney & Co.
Detroit, Michigan

Henry I. Montgomery
Planners Financial Services, Inc.
Minneapolis, Minnesota

James F. Mooney
Dean Witter Reynolds, Inc.
Detroit, Michigan

Andrew B. Neely
Illinois Company
Investments, Inc.
Chicago, Illinois

Milton A. Newton
Columbian Securities, Inc.
Chicago, Illinois

Jonathan A. Raclin
The Chicago Corporation
Chicago, Illinois

E. Craig Dearborn, Director
Three First National
Plaza, Suite 1680
70 West Madison
Chicago, Illinois 60602
(312) 899-4400

District 9
*Kentucky and Ohio;
163 members, 1,496 branches*



J. Francis

James A. Francis
Chairman
The Ohio Company
Columbus, Ohio

Michael T. Welsh
*Vice Chairman, Prescott,
Ball & Turben, Inc.*
Westlake, Ohio

Bruce Avedon
Carillon Investment, Inc.
Cincinnati, Ohio

Eugene W. Barrett
PaineWebber, Inc.
Columbus, Ohio

Thomas J. Blank
Provident Securities &
Investment Company
Cincinnati, Ohio

Marc H. Morgenstern
Equity Realty Securities Co.
Cleveland, Ohio

Darrell A. Patrick
S. J. Wolfe & Co.
Dayton, Ohio

Norman L. Reiter
Prudential-Bache Securities Inc.
Akron, Ohio

Kenneth L. Wagner
J.J.B. Hilliard,
W.L. Lyons, Inc.
Louisville, Kentucky

William H. Jackson, Jr., Director
1940 East Sixth Street, Fifth Floor
Cleveland, Ohio 44114
(216) 694-4545

District 10

*District of Columbia, Maryland,
North Carolina, and Virginia; 260
members, 1,581 branches*



J. Brucki, Jr.

James E. Brucki, Jr.
Chairman, J.J.B. Hilliard,
W.L. Lyons, Inc.
Charlotte, North Carolina

C. Alexandra Armstrong,
Vice Chairman, Alexandra
Armstrong Associates Inc.
Washington, D.C.

Philip E. Blevins
Merrill Lynch, Pierce,
Fenner & Smith, Inc.
Washington, D.C.

Robert W. Corby
R. W. Corby & Co., Inc.
Washington, D.C.

William W. Knobloch
Kidder, Peabody & Co.,
Incorporated
Baltimore, Maryland

William R. Rothe
Alex. Brown & Sons,
Incorporated
Baltimore, Maryland

J. Hamilton Scherer, Jr.
Sovran Investment Corporation
Richmond, Virginia

Norman B. Schrott
A. G. Edwards & Sons, Inc.
Alexandria, Virginia

David A. Smith
Jackson & Smith
Investment Securities
Gastonia, North Carolina

Benjamin T. Vernon, Jr.
Dean Witter Reynolds, Inc.
Charlotte, North Carolina

John T. West, IV
Craigie Incorporated
Richmond, Virginia

Donald P. Whitley
PaineWebber, Inc.
Richmond, Virginia

Thomas P. Forde, Director
1735 K Street, N.W.
Washington, D.C. 20006
(202) 728-8400

District 11

*Delaware, Pennsylvania, West Vir-
ginia, New Jersey, except for coun-
ties adjacent to New York City; 391
members, 1,927 branches*



S. Monastero

Sal L. Monastero
Chairman, Dean
Witter Reynolds, Inc.
Philadelphia, Pennsylvania

McBee Butcher
Vice Chairman, Butcher &
Singer, Inc.
Philadelphia, Pennsylvania

Charles P. Collings
Legg Mason Wood Walker
Incorporated
Philadelphia, Pennsylvania

Joseph F. Huber
The First Boston Corporation
Philadelphia, Pennsylvania

Michael D. Kinsella
W. H. Newbold's Son & Co./
Hopper Soliday & Co., Inc.
Philadelphia, Pennsylvania

John F. McCann
Shearson Lehman Hutton, Inc.
Red Bank, New Jersey

Paul R. Meese
PaineWebber, Inc.
Pittsburgh, Pennsylvania

Edmond J. Moriarty, Jr.
Merrill Lynch, Pierce,
Fenner & Smith Inc.,
Morristown, New Jersey

Francis J. Morrissey, Jr.
F.J. Morrissey & Co., Inc.
Philadelphia, Pennsylvania

Jacob B. Petrosky
Prudential-Bache Securities, Inc.
Philadelphia, Pennsylvania

Frank T. Salera
Janney Montgomery Scott Inc.
Philadelphia, Pennsylvania

Marvin A. Welsch
Gruntal & Co.
Philadelphia, Pennsylvania

John P. Nocella, Director
1818 Market Street, 14th Floor
Philadelphia, Pennsylvania 19103
(215) 665-1180

1989 District Committees

District 12

*New York City with the adjacent
New York and New Jersey counties;
1,340 members, 1,596 branches*



J. Caffrey

John J. Caffrey

*Chairman, Cowen Asset
Management
New York, New York*

Andrew L. Berger

*Vice Chairman, Wertheim
Schroder & Co., Inc.
New York, New York*

Dominick F. Antonelli

*Roosevelt & Cross, Inc.
New York, New York*

Erik D. Aschenbrenner

*The Equitable Life
Assurance Society
New York, New York*

Ralph J. Costanza

*Smith Barney, Harris,
Upham & Co.
New York, New York*

Marjorie E. Gross

*Chemical Bank
New York, New York*

William Karsh

*Harmony Trading Company
New York, New York*

Robert I. Kleinberg

*Oppenheimer & Co. Inc.
New York, New York*

Hugh P. Lowenstein

*Donaldson Lufkin &
Jenrette Securities Corporation
New York, New York*

Peter B. Madoff

*Bernard L. Madoff
Investment Securities
New York, New York*

Michael Minikes

*Bear, Stearns & Co.
New York, New York*

Leslie C. Quick, III

*Quick & Reilly Inc.
New York, New York*

Alfred Reeves

*J. F. Lowe & Company, Inc.
New York, New York*

Howard Silverman

*Gruntal & Co. Inc.
New York, New York*

Philip Skidmore

*Advest Inc.
New York, New York*

Robert A. Spira

*Berkeley Securities Corp.
New York, New York*

William S. Clendenin

*Senior Vice President, Director
NASD Financial Center
33 Whitehall Street
New York, New York 10004
(212) 858-4000*

District 13

*Connecticut, Maine, Mas-
sachusetts, New Hampshire, Rhode
Island, Vermont, and New York,
except for New York City and the
adjacent counties; 547 members,
2,353 branches*



C. Orcutt

Cynthia M. Orcutt, Chairman

*Sun Investment
Services Company
Wellesley Hills, Massachusetts*

William H. Richardson

*Vice Chairman
Trubee Collins & Co.
Buffalo, New York*

Brenda P. Angeline

*Cheevers, Hand & Angeline, Inc.
Endicott, New York*

Richard F. Carolan

*Carolan & Co., Inc.
Providence, Rhode Island*

Gerald J. D'Ambrosio

*Tucker Anthony & R.L. Day, Inc.
Boston, Massachusetts*

William F. Devin

*Fidelity Brokerage Services Inc.
Boston, Massachusetts*

Harold J. Dixon

*H. M. Payson & Co.
Portland, Maine*

Fred J. Franklin

*Mutual Benefit Financial
Service Company
Providence, Rhode Island*

Richard F. Greene

*Merrill Lynch, Pierce,
Fenner & Smith, Inc.
Boston, Massachusetts*

Robert M. Porter

*Aetna Life Insurance &
Annuity Co.
Hartford, Connecticut*

Robert L. Thomas

*Advest, Inc.
Hartford, Connecticut*

Duane E. Waldenburg

*Eaton Vance Distributors, Inc.
Boston, Massachusetts*

Gary D. Walters

*Kidder, Peabody & Co.
Boston, Massachusetts*

Willis H. Riccio

*Vice President, Director
260 Franklin Street, 20th Floor
Boston, Massachusetts 02110
(617) 439-4404*

Consolidated Financial Statements

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

CONSOLIDATED BALANCE SHEETS

September 30 (<i>in thousands</i>)	1989	1988
ASSETS		
Current assets		
Cash and cash equivalents	\$ 5,768	\$ 6,540
Investments, principally U.S. government securities, at cost (approximate market value \$86,253 and \$84,390 at September 30, 1989 and 1988, respectively)	86,386	85,003
Receivables and other current assets	9,639	8,510
Total current assets	101,793	100,053
Property and equipment		
Land, buildings, and improvements	31,499	29,821
Data processing, subscriber equipment, and software	75,489	65,079
Furniture, equipment, and leasehold improvements	25,470	24,295
	132,458	119,195
Less accumulated depreciation and amortization	54,893	46,760
	77,565	72,435
Other assets	2,725	2,621
Total assets	\$182,083	\$175,109
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued expenses	\$ 12,948	\$ 11,130
Deferred income and deposits	7,541	11,235
Current portion of obligations under capital leases	1,882	1,956
Total current liabilities	22,371	24,321
Obligations under capital leases	3,145	5,027
Accrued pension costs	3,123	915
Other liabilities	7,513	6,654
Total liabilities	36,152	36,917
Equity	145,931	138,192
Total liabilities and equity	\$182,083	\$175,109

See notes to consolidated financial statements.

Consolidated Financial Statements

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

CONSOLIDATED STATEMENTS OF INCOME AND EQUITY

Year Ended September 30 (<i>in thousands</i>)	1989	1988
REVENUE		
Market information service fees	\$ 59,321	\$ 58,311
Member assessments	34,643	35,278
Registration and examination fees	28,650	28,362
Interest and other	19,681	17,359
NASDAQ issuers fees	12,703	12,317
Corporate finance fees	7,776	4,400
	162,774	156,027
EXPENSES		
Salaries and employee benefits	79,404	71,171
Professional and other services	17,242	16,778
Equipment maintenance and data communications	15,367	15,535
Depreciation and amortization	14,709	11,634
Office expense	13,818	12,291
Travel and meetings	6,440	6,277
Publications, supplies, and postage	5,170	6,160
Other	2,652	2,186
	154,802	142,032
Income before provision for income taxes	7,972	13,995
Provision for income taxes	233	1,825
Net income	7,739	12,170
Equity at beginning of year	138,192	126,022
Equity at end of year	\$145,931	\$138,192

See notes to consolidated financial statements.

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended September 30 (<i>in thousands</i>)	1989	1988
OPERATING ACTIVITIES		
Cash received from fees and assessments	\$149,624	\$149,678
Interest received from investments	7,644	8,304
Cash paid for operating expenses	(134,425)	(131,825)
Income taxes paid	(415)	(2,043)
Interest paid	(381)	(521)
Net cash provided by operating activities	22,047	23,593
INVESTING ACTIVITIES		
Proceeds from sales and redemptions of investments	55,960	31,783
Purchases of investments	(57,083)	(34,538)
Purchases of property and equipment	(19,740)	(16,319)
Net cash used in investing activities	(20,863)	(19,074)
FINANCING ACTIVITIES		
Principal payments on obligations under capital leases	(1,956)	(1,920)
Net cash used in financing activities	(1,956)	(1,920)
(Decrease) increase in cash and cash equivalents	(772)	2,599
Cash and cash equivalents at beginning of year	6,540	3,941
Cash and cash equivalents at end of year	\$ 5,768	\$ 6,540
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net income	\$ 7,739	\$ 12,170
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	14,492	11,635
Loss on sale of property and equipment	1,039	218
Amortization of premiums on investments	(237)	812
Provision for losses on accounts receivable	412	283
(Decrease) increase in deferred income and deposits	(3,694)	562
Increase (decrease) in accounts payable and accrued expenses	3,493	(2,853)
Increase in receivables	(1,540)	(25)
Increase in other liabilities	321	1,384
Decrease (increase) in other assets	22	(593)
Net cash provided by operating activities	\$ 22,047	\$ 23,593

See notes to consolidated financial statements.

Notes To Consolidated Financial Statements

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation and Business Segments: The consolidated financial statements include the accounts of the National Association of Securities Dealers, Inc. (NASD) and its wholly owned subsidiaries, including NASDAQ, Inc., NASD Market Services, Inc. (MSI), and NASDAQ International, Ltd., after elimination of all significant intercompany transactions. The consolidated financial statements have been prepared on the accrual basis of accounting and conform to generally accepted accounting principles.

NASD is a membership association established to regulate the over-the-counter securities market. NASDAQ, Inc. owns and operates the domestic and international electronic NASDAQ quote information system. MSI provides national market facilities to assist NASD in carrying out its regulatory responsibilities and for the benefit of NASD members in their pursuit of efficient execution of securities transactions.

Cash and Cash Equivalents: Cash and cash equivalents include demand cash and all investments purchased with a remaining maturity of three months or less.

Property and Equipment, Depreciation and Amortization: Property and equipment are recorded at cost. Equipment acquired under capital leases is recorded at the lower of fair market value or the present value of future lease payments. Depreciation and amortization are provided on the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the period of the applicable lease.

Software Costs: Purchased software, developed by others, is capitalized if it has a continuing value and is considered an integral part of purchased hardware. All other software development costs are charged to expense as incurred.

Income Taxes: NASD and NASDAQ, Inc. are tax-exempt organizations and MSI is a taxable entity.

Pensions: In 1988, NASD adopted FASB Statement No. 87, "Employer's Accounting for Pensions."

NOTE B -- MAJOR BUSINESS SEGMENTS

<i>(in thousands)</i>	NASD	NASDAQ	MSI	Consolidated
1989				
Revenue	\$100,777	\$42,527	\$19,589	\$162,774
Expenses, including income taxes	98,756	37,179	19,219	155,035
Net income	\$ 2,021	\$ 5,348	\$ 370	\$ 7,739
Total assets	\$115,780	\$54,749	\$13,413	\$182,083
Equity	\$ 89,929	\$45,967	\$11,186	\$145,931
1988				
Revenue	\$ 95,845	\$41,184	\$19,093	\$156,027
Expenses, including income taxes	92,202	35,256	16,494	143,857
Net income	\$ 3,643	\$ 5,928	\$ 2,599	\$ 12,170
Total assets	\$112,918	\$51,823	\$12,566	\$175,109
Equity	\$ 87,908	\$40,619	\$10,816	\$138,192

Intercompany billings, payables, and receivables have been eliminated from the consolidated financial data.

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

NOTE C — LEASES

Data processing, subscriber equipment, and software include the following amounts relating to leases that have been capitalized. The initial terms of the capitalized leases are 36 to 60 months.

September 30 (<i>in thousands</i>)	1989	1988
Data processing equipment	\$7,882	\$9,325
Less accumulated depreciation	2,285	1,944
	\$5,597	\$7,381

NASD leases certain office space and equipment in connection with its operations. The majority of these leases contain escalation clauses based on increases in property taxes and building operating costs. Certain of these leases also contain renewal options. Future minimum lease payments under the capital leases and noncancellable operating leases with initial or remaining terms of one year or more consisted of the following at September 30, 1989:

Fiscal Year Ending September 30 (<i>in thousands</i>)	Capital Leases	Operating Leases
1990	\$2,095	\$ 7,145
1991	1,871	7,243
1992	1,407	7,015
1993		6,770
1994		6,586
Remaining years		36,894
Total minimum lease payments	5,373	71,653
Less: Amount representing interest	346	
Present value of net minimum lease payments	5,027	
Less: Amounts due in one year	1,882	
	\$3,145	\$71,653

Future minimum operating lease commitments will be offset by \$10,779,000 of sublease income. Rent expense for operating leases, net of sublease income, was \$5,598,000 in 1989 and \$5,164,000 in 1988.

NOTE D — RETIREMENT BENEFITS

NASD maintains a noncontributory defined benefit pension plan for the benefit of all eligible employees. The benefits are based on years of service and the employee's average compensation during the highest 60 consecutive months of employment.

NASD's funding policy is to contribute annually the minimum requirement under the Internal Revenue Code, subject to the full funding limitation imposed by the Internal Revenue Service. In 1989, pension expense of \$2,208,000 was accrued, but not funded, due to the full funding limitation.

The table on the next page sets forth the plan's funded status and amounts recognized in NASD's financial statements at September 30.

The weighted-average discount rate and rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligation were 8.25 percent and 6 percent, respectively, for the year ended September 30, 1989, and 8 percent and 7.2 percent, respectively, for the year ended September 30, 1988. The expected long-term rate of return on assets was 8.5 percent for 1989 and 1988.

NASD also maintains a savings plan for employees. Eligibility for the plan is based upon length of service. Participation in the plan is voluntary. NASD makes a matching contribution up to one-half of the first 6 percent of salaries contributed by covered employees. Savings plan expense for the years 1989 and 1988 was \$1,153,000 and \$929,000, respectively.

Notes To Consolidated Financial Statements

<i>(in thousands)</i>	1989	1988
Actuarial present value of benefit obligations: Accumulated benefit obligation, including vested benefits of \$9,084 in 1989 and \$7,355 in 1988	\$11,324	\$10,693
Projected benefit obligation	\$22,876	\$22,703
Less plan assets at fair value, primarily common stocks, U.S. government and agency bonds	26,878	22,561
(Funded) unfunded projected benefit obligation	(4,002)	142
Unrecognized net asset being recognized over 20 years	3,896	4,112
Unrecognized net gain (loss)	3,630	(3,339)
Prior service cost	(401)	
Accrued pension cost	\$3,123	\$ 915
Net pension cost consisted of the following:		
Service cost	\$2,419	\$2,052
Interest cost	1,821	1,635
Actual return on plan assets	(4,651)	1,345
Net amortization	2,619	(3,554)
Net pension cost	\$2,208	\$1,478

NOTE E — CONTINGENCIES

There are legal proceedings pending against NASD, separately or with others. Management believes, based upon the opinion of counsel, that liabilities, if any, arising from these proceedings will not have a material effect on NASD.

REPORT OF ERNST & YOUNG, INDEPENDENT AUDITORS

**Board of Governors
National Association of Securities Dealers, Inc.
Washington, D.C.**

We have audited the accompanying consolidated balance sheets of the National Association of Securities Dealers, Inc., and subsidiaries as of September 30, 1989 and 1988, and the related consolidated statements of income and equity, and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the National Association of Securities Dealers, Inc., and subsidiaries at September 30, 1989 and 1988, and the consolidated results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

Ernst & Young
Ernst & Young
Washington, D.C.
December 14, 1989

NASD Subsidiaries—1989 Boards Of Directors

NASDAQ, Inc.

David W. Hunter, *Chairman*
Parker/Hunter Incorporated
Pittsburgh, Pennsylvania

***Joseph R. Hardiman**
President

Alfred R. Berkeley
Rabbit Software Corp.
Malvern, Pennsylvania

***Daniel J. Cristofano**
Ernst & Company
New York, New York

Peter J. DaPuzzo
Shearson Lehman Hutton, Inc.
New York, New York

Victor Elting, III
The Chicago Corporation
Chicago, Illinois

E. E. Geduld
Herzog, Heine, Geduld, Inc.
New York, New York

Bernard L. Madoff
Bernard L. Madoff
Investment Securities
New York, New York

DuWayne J. Peterson
Merrill Lynch, Pierce,
Fenner & Smith, Inc.
New York, New York

***Rudolph C. Sander**
Janney Montgomery Scott, Inc.
Philadelphia, Pennsylvania

NASD Market Services, Inc.

***Howard L. Blum, Jr.**, *Chairman*
Ladenberg, Thalmann & Co., Inc.
New York, New York

***Joseph R. Hardiman**
President

***Sheldon M. Fechter**
Fechter, Detwiler & Co., Inc.
Boston, Massachusetts

Arthur Kontos
The Sherwood Group, Inc.
New York, New York

Thomas C. Schneider
Dean Witter Financial Services
Group, Inc.
New York, New York

Howard A. Shallcross
Merrill Lynch, Pierce, Fenner
& Smith, Inc.
New York, New York

Richard J. Stream
Piper, Jaffray & Hopwood,
Incorporated
Minneapolis, Minnesota

***Charles H. Symington, Jr.**
S. G. Warburg & Co., Inc.
New York, New York

***Kenneth J. Wessels**
Wessels, Arnold &
Henderson, L.P.
Minneapolis, Minnesota

NASDAQ International Ltd.

***Joseph R. Hardiman**, *Chairman*
National Association of
Securities Dealers, Inc.
Washington, D.C.

***David Hugh FitzWilliam-Lay**
G.T. Management Plc
London, England

J. Lynton Jones
Managing Director
NASDAQ International, Ltd.

C. Richard Justice
National Association of
Securities Dealers, Inc.
Washington, D.C.

John T. Wall
National Association of
Securities Dealers, Inc.
Washington, D.C.

Frank J. Wilson
National Association of
Securities Dealers, Inc.
Washington, D.C.

**Member, NASD Board of
Governors*

NASD Corporate Officers

Joseph R. Hardiman
President and
Chief Executive Officer

C. Richard Justice
Executive Vice President
Automation

James P. O'Donnell
Executive Vice President
Administration

John E. Pinto, Jr.
Executive Vice President
Compliance

John T. Wall
Executive Vice President
Marketing and Market
Operations

Frank J. Wilson
Executive Vice President
Law and Regulatory Policy

Andrew M. Blum
Managing Director
Member Firms and
Institutional Relations

William S. Clendenin
Senior Vice President
District Director

John M. Hickey
Senior Vice President
Systems Engineering and
Operations

L. Brian Holland
Senior Vice President
Marketing

J. Lynton Jones
Managing Director
NASDAQ International, Ltd.

Douglas F. Parrillo
Senior Vice President
Corporate Communications

Robert N. Riess
Senior Vice President
Technology and Development

Glen R. Shipway
Senior Vice President
Market Operations

Robert E. Aber
Vice President and
Deputy General Counsel

James R. Allen
Vice President and
Controller

S. William Broka
Vice President
Business Development

T. Grant Callery
Vice President and
Deputy General Counsel

Robert L. Campbell
Vice President
Human Resources

James M. Cangiano
Vice President
Market Surveillance

Thomas R. Cassella
Vice President
Financial Responsibility

Raymond W. Cocchi
Vice President
Congressional/State Liaison

David J. Decker
Vice President
Systems Engineering

Glenn C. Faulkner
Vice President
NASDAQ Company Services

Gene L. Finn
Vice President and
Chief Economist

Gerard F. Foley
Vice President
Membership and Administration

Frank J. Formica
Vice President
Corporate Financing

Enno R. Hobbing
Vice President
News Bureau

Frank J. McAuliffe
Vice President
Qualifications

Anthony F. Morea
Vice President
NASDAQ - New York
Operations

Elizabeth Perper
Vice President
Product Development

Willis H. Riccio
Vice President
District Director

J. Jack Samarias
Vice President
Information Systems

William R. Schief
Vice President
Regional Attorneys/Anti-Fraud

Jack A. Schindel
Vice President and
Treasurer

A. John Taylor
Vice President
Investment Companies/
Variable Contracts

Catherine Tighe
Vice President
Administrative Services

S. Bennett Whipple
Vice President
District Director

Lynn Nellius
Secretary

NASD

National Association
Of Securities Dealers, Inc.
1735 K Street, NW
Washington, DC 20006-1506