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1959

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MEMORANDUM

TO

MEMBERS

NATIONAL ASSOCIATION OF SECURITIES DEALERS

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## CHAIRMAN'S MESSAGE

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The Association this past year celebrated its 20th anniversary and, as it has grown in maturity, so it has grown in stature. It has been my privilege this past year as Chairman of the Board of Governors to represent the Association on many and varied occasions, and it has been a source of great pleasure to me to note the respect in which the Association is held by all who are familiar with its work.

It was once said, and aptly so, that the Association was "a unique experiment in self-regulation." The experimental stage has long since past and the Association and its policies are now a proven success. This success, in my opinion, can be attributed to two things:

First, to the ability and unselfish devotion to duty of the members of the Association who have served both at the District and Board levels. The Association has constantly emphasized to nominating committees their obligation always to select the best man for the job, and it has been my observation that each incoming delegation in some measure is better than the one it succeeds. This policy must never be relaxed.

Second, the success of the Association is due to the wisdom and counsel of Wallace Fulton, the Executive Director, and the superb staff which he has selected and trained.

The membership of the Association and the number of registered representatives has increased tremendously this past year, as you will note in this Annual Report, which I commend to you for careful reading. With this increase in membership has come a corresponding increase in the problems of the Association. The term "self-regulation" in its broadest sense requires that each member carefully supervise activities in his own organization for compliance with the Rules of the Association. It is only through such internal supervision that the work load of the Association may be kept from getting out of hand.

When the United States Supreme Court on March 23, 1959, ruled that variable annuity contracts are securities and must be sold to the public under the same Federal controls that govern the distribution of other types of securities it was a significant victory for the Association. It should be remembered that the Association played an active part in urging the Securities and Exchange Commission to take a position in this matter and that our Counsel participated in all phases of the proceedings as the official representative of the Association.

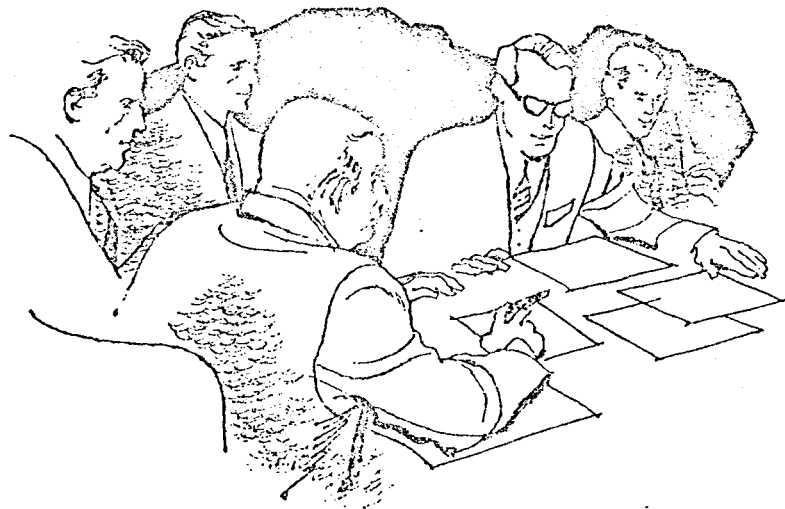
Representatives of the Association appeared this past year at hearings before subcommittees of both the Senate and the House of Representatives to testify on certain amendments proposed by the SEC to the various securities acts which it administers. As a result of those hearings and subsequent conversations with the Commission, much of the legislation which it was felt would be onerous to the securities industry has been substantially revised.

As I retire as Chairman, I wish to thank all of those extremely capable men of the staff, of the Committees, and my colleagues on the Board whose counsel and cooperation made my year as Chairman of the Board one which I will remember with great pleasure.

Respectfully submitted,

*Alexander Yearley*

ALEXANDER YEARLEY, IV



## REPORT OF THE EXECUTIVE DIRECTOR

**T**WENTY years have passed since Benjamin Howell Griswold, Jr. called to order the first meeting of the Board of Governors of this Association and said:  
"Today may be recorded as an unusual day in the history of the investment and securities business of our country. For it is today that the National Association of Securities Dealers begins its active functioning as a self-regulating organization under the Act of 1938 known as the Maloney Act."

Only one who attended that first meeting on January 22, 1940, at the Carlton Hotel in Washington, can appreciate the vast changes that have occurred in the atmosphere surrounding the Association and its activities. Then, the confidence with which the Association tackles its problems today was still to be won. Much has transpired since.

I believe it is now appropriate to look back briefly over a few of the problems which confronted the Association during our first 20 years. The solutions of many of those problems are considered today to be landmarks in the development of the NASD and of the securities business.

This review will in no sense be a definitive history of Association activity over the years. No brief recital could possibly do justice to all that has taken place. In limited space, I can do no more than trace the highlights, primarily for the benefit of those who may not be as familiar with our tradition as we who have participated in its evolution.

The opening address of Ben Griswold set the stage for the launching of the work of the NASD. It was a statement of optimism tempered with natural reservations.

He said: "We are about to carry out a plan essentially in its nature an experiment, and I want none of my friends to forget that I have always believed it was such. But it is, after all, a worthwhile experiment, and coordinated effort, careful study, goodwill and hard thinking are of vital importance to its success.

"If you do succeed, then both the Securities and Exchange Commission and yourselves are entitled to the credit for the development of a plan that may tend more than anything else to restore confidence, remove the legal obstacles that now alarm you, and re-establish the capital issues markets of this country.

"Mere intellectual ability will not assure success. What will most help us toward our objective is something of a finer quality—a quality that creates and guides honest thinking and makes us more tolerant and patient with those who disagree with us."

# PURPOSES

## NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

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(1) To promote through cooperative effort the investment banking and securities business, to standardize its principles and practices, to promote therein high standards of commercial honor, and to encourage and promote among members observance of Federal and State securities laws;

(2) To provide a medium through which its membership may be enabled to confer, consult, and cooperate with governmental and other agencies in the solution of problems affecting investors, the public, and the investment banking and securities business;

(3) To adopt, administer and enforce rules of fair practice and rules to prevent fraudulent and manipulative acts and practices, and in general to promote just and equitable principles of trade for the protection of investors;

(4) To promote self-discipline among members, and to investigate and adjust grievances between the public and members and between members.

*(From the Certificate of Incorporation)*

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Mr. Griswold pointed the way for the Association when he said: "Let us have our minds centered on the ultimate freedom of our business from restrictions which hinder public welfare. In my judgment, the road to that most desirable goal has already been greatly cleared and will be opened in the springtime when you have demonstrated your willingness and ability to patrol it."

## 1940 - 1959

No sooner had the first Board meeting adjourned than the Association was involved in the Public Service of Indiana case. Some 70 complaints were initiated against firms that had sold PSI bonds at less than the public offering price and had engaged in other practices the Board believed to be improper.

The SEC, however, saw other implications in our actions and called up for review 6 PSI complaints to pass on whether the Association was setting up a minimum schedule of profits by enforcing a syndicate agreement. In 1945, the Commission ruled finally against the position of the NASD and some \$6,700 in fines were refunded to members.

The decision of the Commission was not unanimous. Judge Healy, dissenting, said:

"... The deliberate, willful and unjustifiable breach of a valid contract between members of the same association, who have relied on each other in a common undertaking involving risks to their capital is, to my mind, neither honorable, just, nor equitable. On the contrary, ... such conduct seems dishonorable, inequitable, not consistent with just and equitable principles of trade, and somewhat 'low down'."

By the second year of operations, 1941, the Board had special committees working in many and varied fields.

One of these committees drafted, in cooperation with the SEC, Section 26 of the Rules covering the distribution of shares of open-end management investment companies. Another committee developed the Uniform Practice Code. Still another was appointed to establish uniform procedures for newspaper quotations throughout the nation. In those days, problems resulting from wide spreads in newspaper

quotations and from the method of selecting securities for quotation were of major concern. For these reasons, the establishment of standards and uniform techniques for selecting securities was of pressing importance.

In November of 1941, the Association made its first effort to stop the then New York Curb Exchange in its move to have certain over-the-counter securities traded unlisted on that Exchange. We were successful. It was then decided that, as a matter of future policy, the Association would examine all applications made by Exchanges to extend unlisted trading privileges to securities being traded over-the-counter. When such action has been warranted, the Association has opposed the granting of such unlisted trading privileges. This policy has been effective through the years.

The SEC proposed a rule in 1942 which would have required the disclosure of the best wholesale, independent bid and ask prices for all transactions. This would have amounted to full disclosure of all profits by over-the-counter dealers. The Board requested the membership to comment on the proposed rule and some 900 letters were received opposing it.

The Commission was informed that if this or any similar rule were adopted, it would eliminate the need for that part of the work of the Association which represented the greatest service to the industry and the investing public. The industry could not have been expected to support an Association whose remaining field of service would be so limited. Other organizations in the business also opposed the proposed rule and in 1947, the SEC officially abandoned the proposal.

During the first three years of the Association, all examinations were conducted by questionnaires mailed from the Executive Office. Most of the complaints filed in 1940-42 dealt with unfair mark-ups and inadequate books and records.

However, in 1943, the Association entered into a new phase. The initial job of examining the membership had been completed and with it a large part of the educational phase of

Association work—as it applied to convincing the membership of the need for periodic examinations—had been accomplished. There was then inaugurated a uniform nation-wide questionnaire examination program and an aggressive enforcement of the standards of business conduct as set forth in the Rules.

During World War II, committees became smaller, the number of Board meetings was cut to a minimum, and expenses of all kinds were reduced. In 1942, membership dropped 23% to an all-time low of 2,281. Even so, there were significant achievements during the War years.

In June of 1943, the membership approved 27 amendments to the By-Laws, Rules of Fair Practice and Code of Procedure. These included a proposed minimum capital requirement of \$5,000 for members holding customers' securities and \$2,500 for members working on a strictly cash basis. There was opposition to this proposal from a few groups in the business, and the SEC ultimately disapproved the Association's capital requirement and adopted its own net capital and aggregate indebtedness rule—the familiar 20-1 rule.

The 5% Policy was adopted by the Board in 1943. Over the years, the policy has been questioned at various times but, upon review, the Board has always sustained it.

Equally significant to the Association in establishing its importance in the financial community was the authorization granted by the Federal Reserve Board in 1945, empowering the Association to pass on applications for extensions of time for payment of cash account transactions under Regulation T. Prior to this, only the stock exchanges were so authorized.

No single action was more effective in awakening the business to the responsibilities of membership than the decision in 1945 to require the registration of all salesmen, traders, officers and others in responsible positions. It had always been recognized that disciplinary action against a member could never be fully effective unless salesmen and others responsible for violations also were required to observe the same standards as their employers.

In 1945, government policy discouraged general distribution of "red herring" prospectuses. Members of the Association—particularly those remote from New York and Chicago—were without a major source of information on forthcoming new issues. A committee of NASD Governors, the major New York underwriters, and other representative groups of the business met with the Commission, and a new rule permitting the use of the "red herring" was adopted.

The post-war period brought with it new problems.

In June 1946, the SEC submitted a report to the Congress which, in brief, requested the registration with the Commission of securities of corporations not listed on exchanges and having more than \$3 million in assets and over 300 stockholders. The efforts of the Association during hearings before Congressional committees were instrumental in preventing it from becoming law. The same proposal has been raised on several other occasions, the latest being under the sponsorship of Senator Fulbright, and each time the Association has been effective in its opposition.

Free-riding first became a major issue in 1946 when the SEC proposed a rule which, among other things, would have prohibited those in the business from investing in new issues. This was a field in which the Association could be most effective and, with SEC concurrence, an interpretation of Article III, Section 1 of the Rules of Fair Practice was written which effectively left controls in this area in the hands of the Association. Later, in 1950, when further action became necessary, the Board reviewed its Interpretation on Free-Riding and published it in revised form. This is a problem which is still very much with us, but the aggressive enforcement of this Interpretation has made unnecessary any unduly restrictive Federal action.

In 1947, the questionnaire method of examining members' books and records was abandoned and the employment of staff examiners was authorized.

Discussions were opened in 1949 with the Federal Reserve Board which culminated in amendments to Regulation T, providing that the 7-day period referred to in the Regulation meant 7 full business days, not calendar days, and increasing the exemption from a \$50 balance in any transaction to \$100. This action proved particularly helpful to brokers and dealers distant from financial centers, offsetting mail delay and intervention of long weekends.

The activities of the Joint Committee on Education were under way in 1949. Fellowships supported by contributions from the NASD and five other organizations enabled a number of faculty members of American universities for the first time to acquire first-hand knowledge of the workings of the securities business. The Wharton School study, which later proved so valuable to us in the Fulbright hearings, was also started the same year and received guidance from an advisory group on which the Association was represented.

Establishment of the Investment Companies Department in 1950 initiated the work which, in cooperation with the SEC, resulted in the Statement of Policy. Twenty-three drafts of this statement were considered before the final language was adopted.

On January 3, 1952, at the insistence of certain members of Congress, the Commission issued a proposal to collect fees for the privilege of doing business from registrants coming within its purview. Included were an annual registration fee of \$50 for registered brokers and dealers and an annual assessment of \$10 per individual for certain classes of employees. The membership was alerted and requested to comment to their Congressmen and Senators. Over 800 copies of letters to Congressmen and Senators were received from members. At hearings before the Commission and before a Subcommittee of the Interstate and Foreign Commerce Committee of the House, representatives of the Association were effective in convincing the proposal's sponsors of its unsoundness.

One of the most important disciplinary actions to come before the Association was

the R.H. Johnson & Co. case, which involved "churning," lack of supervision and a number of other violations. After the Board had affirmed the decision of the District Business Conduct Committee expelling the firm, Johnson appealed to the SEC, which upheld the expulsion order. Johnson then took his case to the U. S. Court of Appeals charging, among other things, that the delegation of powers to the NASD was unconstitutional. The Court upheld the SEC's affirmation of the Association's order and Johnson applied to the Supreme Court of the United States for a review of that decision. On October 20, 1952, the Supreme Court denied Johnson's application. The significance of the opinion of the U.S. Court of Appeals, in view of this denial, is:

- First The delegation of authority by the Congress to this Association through the Maloney Act is constitutional;
- Second The Association in a proper case may expel a firm for improper activity in connection with the account of a single customer;
- Third There must be effective supervision of personnel in all dealings with investors.

In 1954, the Association celebrated its 15th birthday. The growing pains were mostly over and many problems not contemplated at the beginning had been disposed of.

That year saw the culmination of efforts over the years to bring about certain amendments to the Securities Acts. Some of these amendments were not entirely satisfactory to the business, but others did help to bring the statutes more in line with the manner in which the securities business is conducted.

Especially noteworthy was the contribution the Association made to the U. S. Committee for German Corporate Dollar Bonds. \$5,000 was appropriated to help defray the expenses



of the Committee, a sum that was ultimately repaid by the German Government. A former Chairman of the Board, Herbert F. Boynton, served on this Committee, which was organized to protect the interests of American bondholders at the London Conference on German External Debts. The Conference resulted in the establishment of a Validation Board, which accounted for the validation of approximately \$200,000,000 worth of bonds.

In the Spring of 1955, Senator Fulbright commenced his investigation of conditions in the securities markets. The Chairman of the Board and other officers of the Association appeared before the Fulbright Committee and presented evidence showing that punitive legislation was unnecessary.

It was during these hearings that the Association used much of the basic statistical data prepared by the Wharton School to refute certain derogatory testimony regarding the over-the-counter market.

In 1955, the Association opened its successful fight to have variable annuity contracts declared to be securities and sold to the public under the same regulatory controls that apply to all other kinds of securities. The Association and the SEC fought this battle through the United States District Court, U. S. Court of Appeals and the Supreme Court of the United States. The Supreme Court's decision declared that variable annuity contracts are, in fact, securities subject to Federal regulation.

Establishment in 1956 of the qualification examination as an admission requirement for new people entering the securities business represented progress in an entirely new area. It was our first effort to screen individuals who sought to sell securities to the public.

A special committee of university professors and NASD staff personnel drafted some 700 questions and answers from which the basic list of questions was selected. Since the examination was introduced in 1956, the passing grade has been raised from 60% to 80% and examination centers have been set up in many of the principal cities over the country.

Introduction of the National List of quota-

tions in The Wall Street Journal and other newspapers in October, 1956, was the product of two years of intensive work by the National Quotations Committee. Intended to bring uniform quotations on nationally active over-the-counter securities to newspapers throughout the nation, the list has continued to grow and is now a fixture in many important newspapers.

In 1957, attention was directed toward problems developing in the disciplinary field. The need for uniform application of over-all Association policy became apparent and was enunciated in a directive to all District Committees. This policy, known as "Uniformity of Concept," well illustrates the Board's determination that disciplinary actions be conducted on a uniform basis. The most important action in accordance with this policy was the filing by the Executive Committee of 25 complaints in one District where the District Committee had sent letters of caution on matters that in other Districts would have been the subject of formal complaints.

Over the years, there has always been close liaison between the Executive Office and the Committees of Congress working in the securities field. It has also been the policy to provide Congress with whatever information regarding Association activities it may request. In the Fall of 1958, the House Subcommittee on Legislative Oversight asked for a report on the activities of the NASD since its formation. The Committee later printed this report in booklet form under the title, "History of National Association of Securities Dealers, Inc., Its Activities, Membership Data, Sanctions Imposed, Members Expelled, Financial Statements, Liaison and Supervision by SEC from 1936 to November 30, 1958."

The examination program continues to show that only a fraction of the membership fails to abide by the mark-up criteria long ago established by the 5% Policy. The SEC upheld the Board on the applicability of the 5% policy to low priced stocks last year in the case appealed to the Commission by Samuel D. Franklin.

## THE ASSOCIATION'S 20th YEAR

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The Association's twentieth year has been as active as any in its history. Expanded membership has continued to call for expanded enforcement and this has meant more business conduct proceedings by the Districts and before the Board of Governors.

This was the most active year of enforcement work in Association history, both as to actions originated by District Business Conduct Committees and as to actions before the Board of Governors.

Growth of membership and increased numbers of registered individuals continued in 1959, with 4,142 members and 84,648 registered representatives as of December 31, 1959. This was a net increase of 246 members, and 15,303 registered representatives over January 1, 1959. Applications for registration by individuals are now running at an average of 2,800 a month, outstripping the record of 2,000 a month which was the average during 1957 and 1958.

Many more complicated and time-consuming examinations and, for various reasons, fewer available examiners resulted in fewer examinations of members' books and records during the year just passed. Altogether, 1,690 examinations were conducted during 1959, against 2,074 during 1958. This represents 32% of the membership; in 1958, 39% was examined.

### EXAMINER TRAINING

I am pleased with the results of an experiment conducted in the Executive Office last year. This was the first of what I hope will be a series of training programs for new examiners. In preparing for this three weeks' course, an extensive and detailed syllabus was drawn up which included instruction on background of the over-the-counter market, history and purposes of the Association, By-Laws and Rules of Fair Practice, operations and significance of the various departments in the Executive Office, together with mock interviews with

"members," and analysis of dummy books and records. Talks on these various subjects by members of the Executive Office staff and Secretaries of National Committees were interspersed with daily written quizzes, and the program concluded with a final essay-type formal examination of the candidates.

### QUALIFICATION EXAMINATIONS

Substantial progress has been made toward insuring that the examinations taken by applicants for registration are conducted under controlled conditions in examination centers. By the year end, more than 80% of the qualification examination program was being conducted under such controlled conditions. The following figures for the whole year do not, of course, show such a high percentage because many of the new examination centers were not set up until late in the year.

In all, 23,515 examinations were given in 1959, of which 17,142 were administered in centers. In 1958, 15,463 examinations were given, of which only 6,938 were taken at centers.

### FREE-RIDING

Free-riding continues as perhaps the most important new disciplinary development before us—and certainly one of the most difficult. It was determined at the September Board meeting that the 1950 interpretation on free-riding in so-called hot issues should be rewritten. We have been in almost constant negotiation since then with the staff of the Trading and Exchanges Division of the SEC in an effort to work out reasonable and meaningful language that would not unduly hamper legitimate business operations and yet would preserve the ethical premise of the free-riding interpretation. This is, of course, that members of underwriting and selling groups must make bona-fide public offerings of the securities involved.

## BANK EMPLOYEES

The member examination program has disclosed an as yet unknown number of bank officers, directors and employees who have been registered by members of the Association as registered representatives in the securities business. For example, one of our examiners uncovered the fact that 14 bank officials had been registered as registered representatives for a single firm.

We have discussed this situation with the Board of Governors of the Federal Reserve System and have been assured that the Board supports the original interpretation handed down some years ago in San Francisco to the effect that no employee or director of a bank that is a member of the Federal Reserve System may be employed by a securities firm. This has been discussed also with the Federal Deposit Insurance Corporation and we have a letter from that organization to the effect that no employee of an FDIC-insured bank should be in the securities business.

## DISTRICT COMMITTEEMEN

Arrangements have been completed for new District Committeemen to take office March 31, instead of in January as had been the practice since inception of the Association. I think this will be a welcome change—we have had uniformly favorable reaction to it from District Committees—and it will now be possible for District Committee Chairmen, who are members of the Advisory Council, to attend the May Board meeting shortly after they have taken office.

## VARIABLE ANNUITIES

We are expecting an early decision by the SEC on the registration statements of Variable Annuity Life Insurance Company and Equity Annuity Life Insurance Company, having the effect of permitting these companies to continue in business in the sale of their variable annuity contracts under the Securities Act and the Investment Company Act.

## BETTER BUSINESS BUREAU

Some 500,000 copies of the booklet, "Security and Securities!" published by the Better Business Bureau of New York in cooperation with the Association and others, have been printed and securities firms, banks, and other Better Business Bureaus bought 314,800 copies.

## MEMBER MEETINGS

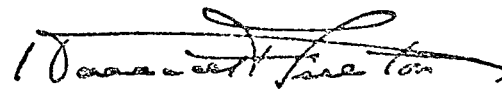
It is gratifying that a number of District Committees took time to conduct meetings with members during the year. These meetings are quite helpful in getting across to members Board policy as it has been explained previously to District Committees at the various conferences during the year by the Chairman of the Board and the Executive Director.

It has been my purpose in reviewing the highlights of the past twenty years to brief some of the many accomplishments attained by the Association. Over the years, the men who have served on the Board, on District Committees, and on Special Committees have combined their talents to protect the best interests of their business and at the same time preserve the public interest. All members should find satisfaction in their accomplishments, as I do.

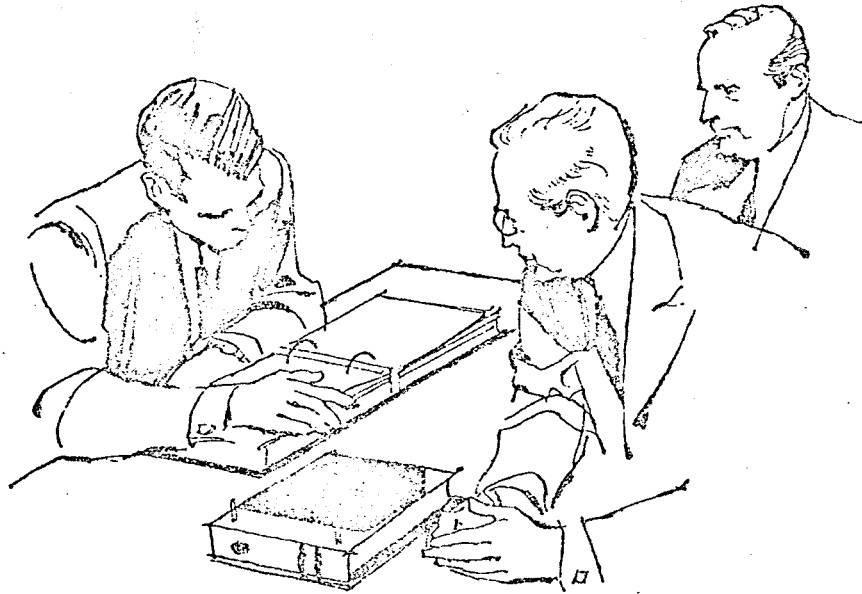
Finally, I would like to quote from an article in the Columbia Law Review, published in May of last year. It was written by Arthur H. Dean, senior partner of Sullivan and Cromwell and a leading attorney in the field of Federal securities regulation. Said Mr. Dean about the NASD:

"This trial of self-regulation by broker/dealers, carried out through the medium of the National Association of Securities Dealers, has been a conspicuous success."

Respectfully submitted,



Executive Director



## COMMITTEE REPORTS

### BUSINESS CONDUCT

Business Conduct Committees, both at the National and District levels, experienced their most active year in the history of the Association.

The year opened with 162 cases pending. Mainly as a result of the examination program of members' books and records, 285 additional complaints were initiated during 1959. The most intensive effort in the field of disciplinary work enabled the Association to dispose of 238 cases. Even so, Business Conduct Committees enter 1960 with 209 complaints pending, the largest number of pending cases in NASD history.

In disposing of complaints, District Committees or the Board expelled 30 members, revoked the registrations of 48 representatives, and named 13 unregistered individuals as causes of action; suspended 10 members and 13 registered representatives; censured 133 members and 32 registered representatives; dismissed actions against 34 members and 20 registered representatives; fined 138 members and 31 registered representatives. Total fines and costs collected during the year amounted to \$86,383.50.

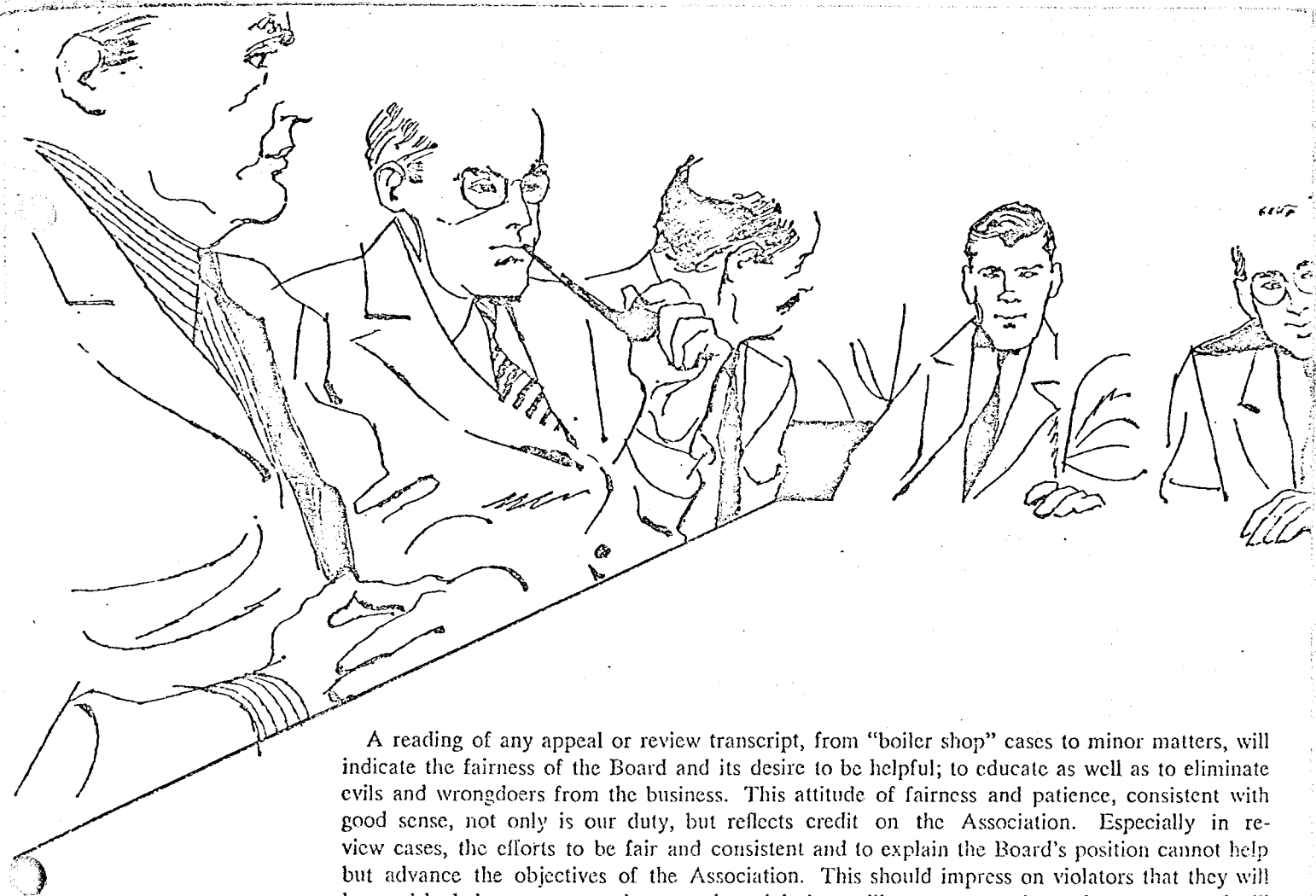
Eighty-seven cases were appealed to or called up for review by the Board of Governors and nine cases were appealed to the Securities and Exchange Commission.

During the year, the National Business Conduct Committee developed certain procedural changes designed to facilitate handling of the increasing number of cases coming before the Board.

In evaluating the substantial work done by this Committee in the enforcement field, it is necessary to examine the real question—how has the work of this Committee of the Board advanced the purposes of the Association?

We need not recite the basic purpose of the Maloney Act, which is adopted in our Article III, Section 1, to remind us of the Association's goals. In working toward these goals we have sought to bring disciplinary matters in the clearest manner possible to the Board for a vote. The statistics recited above are quite lifeless when divorced from the approach and spirit which we have attempted to bring to each case.

This leads us to the question of the ever increasing number of complaints, hearings, appeals and reviews. These procedures are time-consuming for volunteers in the business whose own affairs at this juncture are more than full time, to say the least. But, we believe the time and effort expended is fully justified and will advance the purposes of the Association.



A reading of any appeal or review transcript, from "boiler shop" cases to minor matters, will indicate the fairness of the Board and its desire to be helpful; to educate as well as to eliminate evils and wrongdoers from the business. This attitude of fairness and patience, consistent with good sense, not only is our duty, but reflects credit on the Association. Especially in review cases, the efforts to be fair and consistent and to explain the Board's position cannot help but advance the objectives of the Association. This should impress on violators that they will be punished; instruct respondents so that violations will not occur again; and promote good will through the Board's attitude of conscientiousness.

Further, these review cases illustrate to District Business Conduct Committees the Board's active interest and concern. The local Committees certainly realize from the Board's action and opinions that the duties of a volunteer officer of the Association are important and require much application.

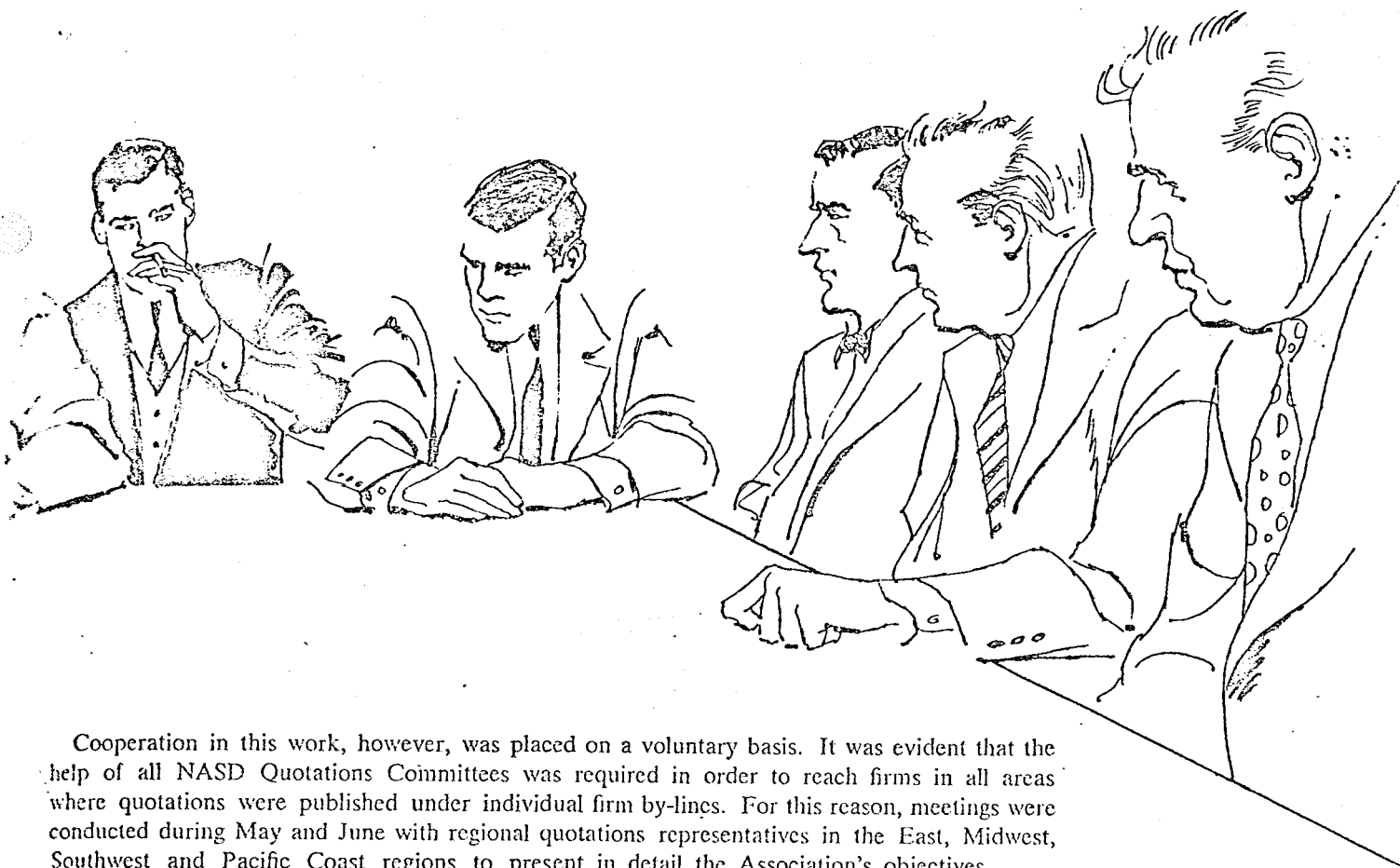
Thus, with the passage of time and further liaison with District Committees, it is believed the number of cases which require review will substantially decrease. Appeals based on errors in the Districts either in findings or penalties should decline, if not in number, at least percentage-wise. The work load, in the last instance, will have been worthwhile if these are the results of the time and energy spent.

So, as we turn over the affairs of this Committee to new hands, we are mindful of the trust imposed in it by the Board and the responsibility we all have as governors of a self-regulatory body. We know the new Committee which will inherit this trust will foster it over the coming year.

## QUOTATIONS

The National Quotations Committee set out, in 1959, to bring all over-the-counter quotations published as a public service under NASD sponsorship.

In January 1959, the Board of Governors provided the basis for renewed efforts in this field by adopting, pursuant to a recommendation of the Committee, a statement officially requesting members to release quotations only through an NASD quotations committee. This statement set forth the need for industry sponsorship and pledged the help of the Association to all firms desiring to increase quotations coverage under industry supervision. The statement has since been incorporated in the NASD Manual.



Cooperation in this work, however, was placed on a voluntary basis. It was evident that the help of all NASD Quotations Committees was required in order to reach firms in all areas where quotations were published under individual firm by-lines. For this reason, meetings were conducted during May and June with regional quotations representatives in the East, Midwest, Southwest and Pacific Coast regions to present in detail the Association's objectives.

During each of the regional meetings the need for industry sponsorship of over-the-counter quotations published in the press, radio and television as a public service and the responsibility of District Quotations Committees to work for the expansion of NASD sponsorship were covered at length. Discussions also centered on the Association's National List, describing why it was established, how it operates, and plans for its future development.

In October, the Committee met for the purpose of assessing the work being conducted in the Districts. The reports delivered at this meeting were, in general, most encouraging. Marked progress in expanding NASD sponsorship has been made in several areas of the nation. We expect that additional progress in eliminating individual dealer by-lines will be apparent in the near future.

All in all, the past year in quotations has been a productive one. The project to expand NASD sponsorship is well under way and, equally important, a number of the District Quotations Committees are taking a more active part in Association work than ever before.

## INVESTMENT COMPANIES

Ten years have passed since the then Chairman of this Committee reported to the Board that certain excesses in the preparation and use of sales literature and advertising in the investment company field appeared to call for corrective action by the Association. This action was considered necessary both in the public interest and to avoid more punitive measures by the Federal Government.

The Board agreed, and thus set in motion a joint investigation of the subject with the SEC. This study in turn resulted in adoption of the Statement of Policy in August, 1950, and institution of the cooperative sales literature review program by the Investment Companies Department of the Executive Office.

After ten years of such an enforcement program, one might expect literature problems to have been eliminated. This might have been the case if Americans were not the ingenious

people they are and if the securities business were not the volatile and expanding business it is.

The facts are, however, that while the literature and advertising of investment company shares are enormously improved, the problem of keeping them that way is just about as great as ever.

In 1959, the Investment Companies Department reviewed 9,000 items (nearly 60,000 for the ten years of the program) which was double the 1955 total. Some 6,000 items required comment from the Executive Office.

Why is this? For one thing, in 1959, 1,245 members prepared their own sales literature and submitted it to Washington. In 1950, only 229 firms, mostly underwriters, filed literature. For another, 215 additional investment companies have registered securities with the Securities and Exchange Commission since 1955—66 in 1958 and 60 last year.

Equally important is the influx of new dealers and registered representatives with new ideas and frequently with few inhibitions. Add to this the increasing number of older members who, as a result of field examinations, are filing literature for the first time and the rather high level of turnover in the literature producing departments of underwriters and we have two new groups of persons to be educated as to the meaning of the Statement of Policy.

Also significant is the substantial number of stock exchange and leading over-the-counter firms that are establishing mutual fund departments and, for the first time, are seeking participation in this expanding phase of the securities business.

Finally, any regulatory effort as detailed as that governing investment company sales literature seems certain to carry with it the need for a continuing program of review, if for no other reason than that interpretations change in the light of new ideas.

Sale of new shares last year, at 2.3 billion dollars, was about 40 per cent as much as the 6 billion dollars of all corporate offerings other than investment company shares during 1959—a not inconsiderable amount.

As we have said on many occasions, we feel that sound administration of the Statement of Policy by this Association has been conducive to better sales literature without any apparent hindrance to the growth of the industry. The evidence points clearly to the need for continued effort in this field, with maximum emphasis upon the fundamentals of what is good and bad. Properly carried out, this program is a case of regulation *not* for the sake of regulation but for the welfare of the investing public and, in the final analysis, of the securities business itself.

In September, the Board of Governors revised the interpretation with respect to "special deals." The revised interpretation eliminates the earlier bar on certain types of quantity discounts and retains the prohibition against gifts of value in the area of commercial bribery, whether given with or without the knowledge of the officials of the firms involved.

## UNIFORM PRACTICE

Increased volume of business during 1959 gave rise to a proportionately greater volume of inquiries and misunderstandings involving a wide variety of trade practices.

Dividend disputes, for one, continue because certain issuing corporations still do not announce their dividend record dates in sufficient time to have securities trade ex-dividend in the normal manner, three days prior to the record date.

The growing practice of offering new debentures with common stock purchase warrants attached has also proved a source of many trade misunderstandings. In most cases, only a portion of the warrants are detachable immediately and the remainder must stay attached to the bonds until some future date. One problem stemming from this type of security involves the method of trading the detached warrants. In many instances, one warrant represents the privilege to subscribe to 5, 10 or 20 shares of stock at stipulated prices. A number of firms believe that trading on the basis of the right or option to purchase one share makes for a better market

than trading in the actual warrants at a much higher price. As a result, many broker-dealers have mailed incorrect confirmations and at the time of settlement find themselves in disputed trades. Several complaints have been resolved by the Committee through informal discussions.

A new section to the Uniform Practice Code has been proposed by the Committee and is currently before the Board of Governors. The proposed section defines rights and warrants and states the method of trading these securities. We believe the confusion and misunderstandings that now exist in the trading of detached warrants will thus be eliminated.

Fifteen advisory announcements were issued during the year relating to various phases of Street practice. Eight announcements covered the suggested method of trading common stock purchase warrants; one covered the Transfer Tax Blanket Exemption Certificate to be used where exemption is provided for under the Federal and State Tax Laws; and another gave an interpretation relating to Sections 9 and 10 of the Code stating, in essence, that only one transaction should appear on a single confirmation.

The Committee also worked jointly with the Foreign Securities Committee in opposing the adoption of Rule 17a-8 under the Securities Exchange Act of 1934. After lengthy deliberation, there was unanimity of opinion that neither the rule as originally proposed nor the revised version would accomplish the purposes desired by the SEC.

## FOREIGN SECURITIES

Growth of interest in foreign investments by the American public and broker-dealers has increased sharply the activities of the Committee.

For example, one of the many problems confronting us concerns the uniform determination of ex-dividend dates on American Depositary Receipts. The cooperation of the various depository banks has been obtained and the Uniform Practice Committee has since issued an announcement indicating that ADRs should be treated as domestic securities. A proposed plan of procedure designed to assist broker-dealers in computing interest and dividend payments on a uniform basis is now before the Committee.

During the year, the Chairman of the Committee was in England on a business trip and took this opportunity to discuss The United Kingdom Finance Act of 1959 with the Commissioner of Inland Revenue, representatives of the London Stock Exchange and others affiliated with the prime English banks. A liaison relationship was thereby established with British organizations for the purpose of determining whether it will be possible to obtain an easement of the stringent regulations imposed by this Act on American investors and broker-dealers.

## LEGISLATION

The SEC during 1959 requested legislation from Congress on five of the Acts which it administers, including eleven proposed amendments to the Securities Act of 1933 and 31 changes in the Securities Exchange Act of 1934.

Between the initial and final appearances of Association officials before Senate and House subcommittees studying these proposals, the SEC made significant modifications, based in large measure upon comments from the Association and other groups representing the business. The business also modified certain of its comments after consideration of supporting memoranda prepared by the Commission's staff.

A major source of controversy has been substantially eliminated. That is the Commission's proposal that would give it unlimited power to impose new financial standards on the business.

Revised legislation covering amendments to the Securities Act of 1933 and the Securities Exchange Act of 1934, considerably more acceptable to the securities business, can be expected to be presented to the second session of the Congress during the current term.



# FINANCIAL STATEMENT

## INCOME, EXPENSES AND COMPOSITION OF ACCUMULATED BALANCE

	<i>Year ended September 30,</i>	
	<u>1959</u>	<u>1958</u>
<i>Income:</i>		
Assessments .....		
Registered representatives' fees:		
Applications .....	\$1,010,934	\$ 816,774
Examinations .....	321,970	231,070
Branch office fees .....	237,420	158,940
Admission fees, etc. ....	40,419	30,554
Fines and costs .....	16,705	11,725
Interest .....	70,935	67,110
	24,400	17,388
	<u>\$1,722,783</u>	<u>\$1,333,561</u>
<i>Expenses:</i>		
Salaries and office services:		
National office and committees .....	\$ 291,707	\$ 244,741
District offices .....	373,020	339,328
Travel and meetings .....	138,519	123,197
Publications, printing and stationery, net .....	171,689	98,730
Complaints and investigations—travel and transcripts .....	88,236	86,841
Fees—legal, accounting, information and quotations .....	184,212	158,334
Rent .....	96,046	69,440
Office and miscellaneous .....	85,630	132,959
Insurance and taxes .....	32,825	28,280
Retirement (including \$14,896 in 1959 and \$21,068 in 1958 for providing increased benefits based upon past service) .....	48,668	48,381
	<u>\$1,510,552</u>	<u>\$1,330,231</u>
Excess of income over expenses .....	\$ 212,231	\$ 3,330
Accumulated balance:		
Beginning of year .....	663,421	660,091
End of year .....	<u>\$ 875,652</u>	<u>\$ 663,421</u>

### *Composition of Accumulated Balance*

	<i>September 30,</i>	
	<u>1959</u>	<u>1958</u>
Cash .....		
U. S. Government securities, at cost (approximate market) .....	\$ 284,536	\$ 247,853
Other assets .....	662,612	447,638
Accounts payable .....	14,900	40,873
Accrued and withheld payroll taxes .....	(63,911)	(58,580)
Assessments collected in advance .....	(13,825)	(10,468)
	(8,660)	(3,895)
	<u>\$ 875,652</u>	<u>\$ 663,421</u>

National Association of Securities Dealers, Inc.  
1707 H Street, N. W.  
Washington 6, D. C.

Washington 6, D. C.  
December 31, 1959

In our opinion, the accompanying financial statement presents fairly the recorded income and expenses of the National Association of Securities Dealers, Inc. for the years ended September 30, 1959 and September 30, 1958 and the composition of its accumulated balance at each of those dates, in conformity with generally accepted accounting principles applied on a consistent basis. Our examination of the statement was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary.



Glenn E. Anderson  
*Chairman*



Ralph C. Sheets  
*Vice-Chairman*



James G. Dern  
*Vice-Chairman*

## OFFICERS 1960



Wallace H. Fulton  
*Executive Director*



James F. Jacques  
*Treasurer*

# BOARD OF GOVERNORS

---

## To serve Until January 1961

Glenn E. Anderson  
Carolina Securities Corporation, Raleigh

Curtis H. Bingham  
Bingham, Walter & Hurry, Inc., Los Angeles

James G. Dern  
Smith, Barney & Co., Chicago

J. Gordon Hill  
Watling, Lerchen & Co., Detroit

James F. Jacques  
First Southwest Company, Dallas

Glenn L. Milburn  
Milburn, Cochran & Company, Wichita

Ralph C. Sheets  
Blyth & Co., Inc., New York City

## To serve Until January 1962

Andrew M. Baird  
A. G. Becker & Co., Incorporated, Chicago

William H. Claffin, III  
Tucker, Anthony & R. L. Day, Boston

Robert L. Cody  
North American Securities Company, San Francisco

Graham Jones  
Cooley & Company, Hartford

Blancke Noyes  
Hemphill, Noyes & Co., New York City

Claude F. Turben  
Merrill, Turben & Co., Inc., Cleveland

Samuel S. Whittemore  
Pacific Northwest Company, Spokane

## To serve Until January 1963

Robert E. Daffron, Jr.  
Harrison & Company, Philadelphia

William S. Hughes  
Wagenseller & Durst, Inc., Los Angeles

Edward H. Ladd, 3d  
The First Boston Corporation, New York City

Edward S. Lewis, Jr.  
Lewis and Company, Jackson, Mississippi

J. Robert Neal  
Wyatt, Neal & Waggoner, Atlanta

Avery Rockefeller, Jr.  
Dominick & Dominick, New York City

Paul E. Youmans  
Bosworth, Sullivan & Company, Inc., Denver

---

## FORMER CHAIRMEN OF THE BOARD OF GOVERNORS

1939—\*B. Howell Griswold, Jr.  
*Baltimore*

1940—\*Francis A. Bonner  
*Chicago*

1941—Robert W. Baird  
*Milwaukee*

1942—H. H. Dewar  
*San Antonio*

1943—\*Henry G. Riter, 3rd  
*New York City*

1944—Ralph Chapman  
*Chicago*

1945—Ralph E. Phillips  
*Los Angeles*

1946—\*William K. Barclay, Jr.  
*Philadelphia*

1947—Herbert F. Boynton  
*New York City*

1948—L. Raymond Billett  
*Chicago*

1949—Clement A. Evans  
*Atlanta*

1950—John J. Sullivan  
*Denver*

1951—Howard E. Buhse  
*Chicago*

1952—Clarence A. Bickel  
*Milwaukee*

1953—Carl Stolle  
*New York City*

1954—Edward C. George  
*Chicago*

1955—Harold E. Wood  
*St. Paul*

1956—Frank H. Hunter  
*Pittsburgh*

1957—Frank L. Reissner  
*Indianapolis*

1958—Charles L. Bergmann  
*New York City*

1959—Alexander Yearley, IV  
*Atlanta*

\* Deceased

# COMMITTEES OF THE BOARD

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## EXECUTIVE COMMITTEE

Glenn E. Anderson—Chairman  
Curtis H. Bingham  
William H. Claflin, III  
Robert L. Cody  
James G. Dern  
James F. Jacques  
Graham Jones  
Glenn L. Milburn  
Ralph C. Sheets  
Wallace H. Fulton

## FINANCE COMMITTEE

Curtis H. Bingham—Chairman  
Glenn E. Anderson  
J. Gordon Hill  
James F. Jacques  
Blancke Noyes  
Claude F. Turben  
Wallace H. Fulton

## BUSINESS CONDUCT COMMITTEE

Robert L. Cody—Chairman  
William H. Claflin, III—Vice-Chairman  
Robert E. Daffron, Jr.  
William S. Hughes  
Edward H. Ladd, 3d  
Edward S. Lewis, Jr.  
J. Robert Neal  
Avery Rockefeller, Jr.  
Samuel S. Whittemore  
Paul E. Youmans

## UNIFORM PRACTICE COMMITTEE

Henry H. Badenberger—Chairman  
Thomas B. MacDonald—Vice-Chairman  
Edward J. Armstrong  
George J. Denzer  
Guenther M. Philipp  
Ralph W. Welsh

## QUOTATIONS COMMITTEE

Emmet K. Whitaker—Chairman  
Francis J. Cunningham—Vice-Chairman and  
Chairman, Eastern Region  
Glen A. Darfler—Chairman, Midwestern Region  
Ralph E. Phillips, Jr.—Chairman, Pacific Coast  
Region  
John W. Turner—Chairman, Southwestern Region  
S. Richard Harris  
Clarence A. Horn  
Albert C. Purkiss  
Herbert C. Smith

## INFORMATION COMMITTEE

Andrew M. Baird—Chairman  
William S. Hughes  
Avery Rockefeller, Jr.  
Claude F. Turben  
Wallace H. Fulton

## FOREIGN SECURITIES COMMITTEE

Henri L. Froy—Chairman  
John A. Nevins—Vice-Chairman  
Jack M. Bloch  
John Fountain  
Derek Grewcock  
Max Halpert  
Carl Marks  
Henry Stravitz

## INVESTMENT COMPANIES COMMITTEE

Franklin R. Johnson—Chairman  
Robert L. Cody  
John R. Haire  
Arthur H. Haussermann  
Rowland A. Robbins  
Harry J. Simonson, Jr.  
Joseph E. Welch

## VARIABLE ANNUITIES COMMITTEE

John D. McCutcheon—Chairman  
Arthur H. Haussermann  
Allen J. Nix  
Lee H. Ostrander  
Erwin A. Stuebner

## LEGISLATION COMMITTEE

Blancke Noyes—Chairman  
Graham Jones  
Glenn L. Milburn

## TRADING COMMITTEE

Edward H. Ladd, 3d—Chairman  
John S. French  
Gustave L. Ley  
R. Victor Mosley  
Carl Stolle

# DISTRICT COMMITTEES

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States of Alaska, Idaho, Montana, North Dakota, Oregon, South Dakota and Washington.

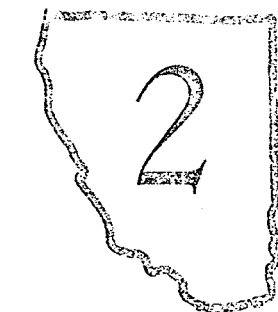
Robert E. Daniel, *Chairman* . . . . . Pacific Northwest Company, Seattle  
 Harold L. Temple, *Vice-Chairman* . . . Campbell & Robbins Incorporated, Portland  
 Edward K. Easter . . . . . Dean Witter & Co., Seattle  
 Conrad O. Frazier . . . . . Reid, McDowell & Frazier, Spokane  
 John K. Marshall . . . . . Foster & Marshall, Spokane  
 George F. Patten, Jr. . . . . George Patten Investment Co., Portland  
*Eugene R. Gibson, Secretary, White-Henry-Stuart Bldg., Seattle 1*



States of California, Nevada and Hawaii.

Merl McHenry, *Chairman* . . . . . J. Barth & Co., San Francisco  
 Ralph E. Phillips, Jr., *Co-Chairman* . . . Dean Witter & Co., Los Angeles  
 Dwight C. Baum . . . Eastman Dillon, Union Securities & Co., Los Angeles  
 A. Norman Bennett . . . . . Stern, Frank, Meyer & Fox, Los Angeles  
 John D. Berl . . . . . Sutro & Co., San Francisco  
 Richard M. Davis . . . . . Davis, Skaggs & Co., San Francisco  
 Charles B. Harkins . . . . . Blyth & Co., Inc., San Francisco  
 Robert C. Hill . . . . . Hill, Richards & Co., Los Angeles  
 Francis S. McComb . . . . . Blyth & Co., Inc., Los Angeles  
 Verdon C. Smith . . . . . Lester, Ryons & Co., Los Angeles  
 Van S. Trefethen . . . . . Shuman, Agnew & Co., San Francisco  
 Hart D. Wood . . . . . Hart Wood and Company, Ltd., Honolulu

*D. J. Conway, Secretary, Russ Building, San Francisco 4*  
*James H. Resh, Assistant Secretary, 210 W. 7th St., Los Angeles 14*

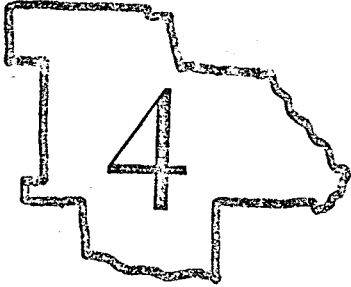


States of Arizona, Colorado, New Mexico, Utah and Wyoming.

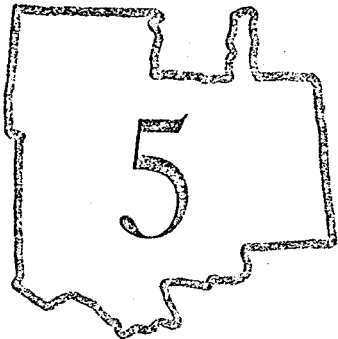
Edward B. Coughlin, *Chairman* . . . Coughlin and Company, Inc., Denver  
 C. Arthur Pettibone, *Vice-Chairman* . . . Earl M. Scanlan and Co., Denver  
 Edward F. Altman . . . . . Stone, Altman & Company, Inc., Denver  
 Harrison S. Brothers . . . . . Harrison S. Brothers & Co., Salt Lake City  
 Harry T. Buchenau . . . . . Bosworth, Sullivan & Company, Incorporated, Denver  
 Kenneth A. Ellis . . . . . Kenneth Ellis & Co., Phoenix  
 Edward A. Hanifen . . . . . E. A. Hanifen & Company, Denver  
 Gerald P. Peters, Jr. . . . . Peters, Writer & Christensen, Inc., Denver  
 Arthur P. Quinn . . . . . Quinn & Co., Albuquerque

*Kenneth W. Cole, Secretary, Boston Building, Denver 2*

States of Kansas, Missouri, Nebraska and Oklahoma.

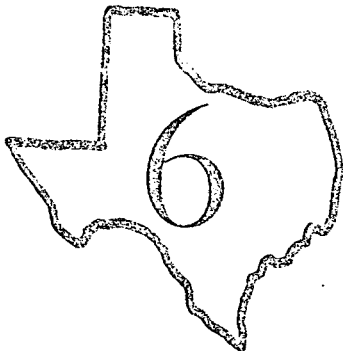


John W. Bunn, *Chairman*. . . Stifel, Nicolaus & Company, Incorporated,  
St. Louis  
Mark A. Lucas, Jr., *Vice-Chairman*. . . Lucas, Eisen & Waeckerle, Inc.,  
Kansas City  
Warren D. Chiles. . . . . Chiles-Schutz Co., Omaha  
Dumont G. Dempsey. . . . . Newhard, Cook & Co., St. Louis  
Henry E. Gray. . . . . Bache & Co., Tulsa  
T. Bates Huffaker. . . . . Merrill Lynch, Pierce, Fenner & Smith, Inc.,  
Kansas City  
Edward G. Mader. . . . . B. C. Christopher & Co., Kansas City  
Carl A. Meyer. . . . . The Columbian Securities Corp., Topeka  
W. Guy Redman. . . . . A. G. Edwards & Sons, St. Louis  
*William S. Clendenin, Secretary, Waldheim Bldg., 6 E. 11th St.,  
Kansas City 6*



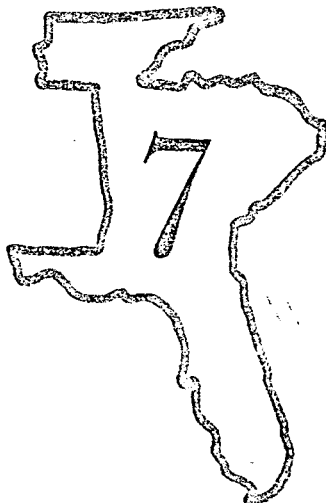
States of Alabama, Arkansas, Louisiana, Mississippi and, in the State of Tennessee, the Counties of Montgomery, Dickson, Hickman, Lewis and Lawrence and the remainder of said State lying west of such Counties.

Edward S. Lewis, Jr., *Chairman*. . . . . Lewis and Company, Jackson  
Mortimer A. Cohen, *Vice-Chairman*. . . . . Sterne, Agee & Leach,  
Montgomery  
Harry D. Allen. . . Merrill Lynch, Pierce, Fenner & Smith, Inc., Memphis  
R. N. Dillingham. . . . . Dabbs Sullivan Company, Little Rock  
G. Shelby Friedrichs. . . . . Howard, Weil, Labouisse, Friedrichs and  
Company, New Orleans  
Joseph P. Minetree. . . . . Steiner, Rouse and Company, New Orleans  
*Edward J. Newton, Secretary, Richards Bldg., New Orleans 12*



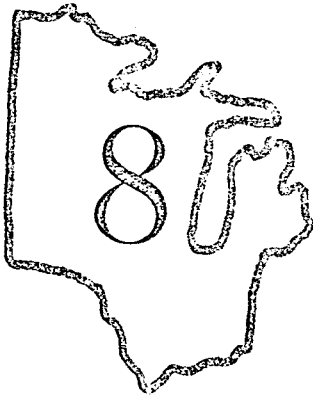
State of Texas.

Jack P. Brown, *Chairman*. . . . Dallas Union Securities Co., Inc., Dallas  
Jack T. Currie. . . Moreland Brandenberger, Johnston & Currie, Galveston  
A. Gordon Crockett. . . . . Dempsey-Tegeler & Company, Houston  
Landon A. Freear. . . . . William N. Edwards & Company, Fort Worth  
Creston A. King. . . . . Dewar, Robertson & Pancoast, San Antonio  
Frank R. Newton, Jr. . . . . Lentz, Newton & Co., San Antonio  
Jesse R. Phillips, Jr. . . . . J. R. Phillips Investment Company, Houston  
*Paul J. Fagan, Secretary, Southland Center, Dallas 1*



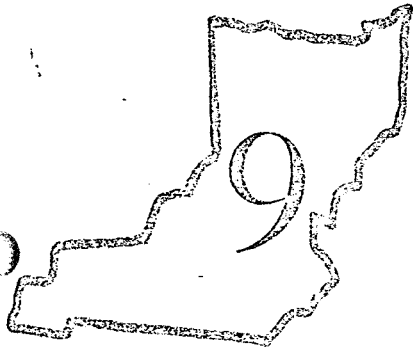
States of Florida, Georgia, South Carolina, and, in the State of Tennessee, the Counties of Robertson, Cheatham, Williamson, Maury and Giles and the remainder of said State lying east of such counties.

Gus G. Halliburton, *Chairman*. . . . . Equitable Securities Corporation,  
Nashville  
Frank A. Chisholm, *Vice-Chairman*. . . Varnedoe, Chisholm & Co., Inc.,  
Savannah  
Malcolm M. Manning. . . . . V. M. Manning, Greenville  
Clinton T. McCreedy. . . . . Paul A. Davis & Company, Miami  
William S. McGinness. . . . . Elder & Co., Chattanooga  
Julian W. Tindall. . . . . J. W. Tindall & Co., Atlanta  
*Bennett Whipple, Secretary, First National Bank Bldg., Atlanta 3*



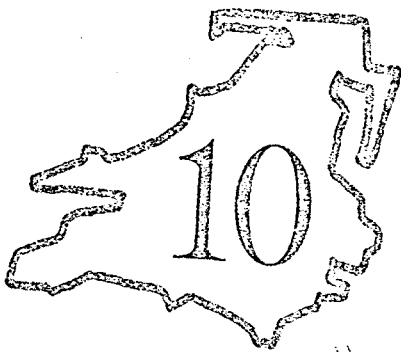
**States of Illinois, Indiana, Iowa, Michigan, Minnesota and Wisconsin.**

- James M. Howe, *Chairman*.....Farwell, Chapman & Co., Chicago  
 T. Gordon Kelly, *Vice-Chairman*..Collett & Company, Inc. Indianapolis  
 Merrill M. Cohen.....J.M. Dain & Co., Inc., Minneapolis  
 Milton S. Emrich.....Julien Collins & Company, Chicago  
 A. Jackson Goodwin, Jr.....Lee Higginson Corp., Chicago  
 Harry B. Graefe.....First of Iowa Corporation, Des Moines  
 Robert W. Haack.....Robert W. Baird & Co., Milwaukee  
 Sanford C. Miller.....A. C. Allyn and Company, Inc., Chicago  
 Claude G. Porter.....Baker, Simonds & Co., Detroit  
 James A. Swoboda.....Paine, Webber, Jackson & Curtis, Milwaukee  
 Carl F. Thiel.....Berrien Securities, Inc., Benton Harbor  
 Richard B. Walbert.....Blyth & Company, Inc., Chicago  
 John F. Brady, *Secretary, 10 South La Salle Street, Chicago 3*



**States of Kentucky and Ohio.**

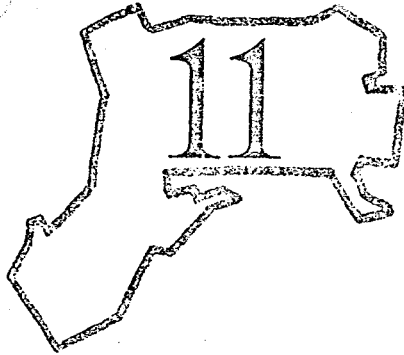
- August Lorenz, *Chairman*.....Lorenz & Company, Incorporated,  
 Columbus  
 W. Power Clancey.....W. P. Clancey & Co., Cincinnati  
 Watson B. Dabney.....J. J. B. Hilliard & Son, Louisville  
 Russell Ebinger.....Almstedt Brothers, Louisville  
 John B. Greene.....Greene & Ladd, Dayton  
 Harvey L. Hawkins.....Hawkins & Co., Cleveland  
 Herman B. Joseph.....Joseph, Mellen & Miller, Inc., Cleveland  
 John A. Kruse.....Prescott & Co., Cleveland  
 Justin J. Stevenson, Jr.....W. E. Hutton & Co., Cincinnati  
 Lee C. Monett, *Secretary, East Ohio Bldg., Cleveland*



**The District of Columbia and the States of Maryland, North Carolina and Virginia.**

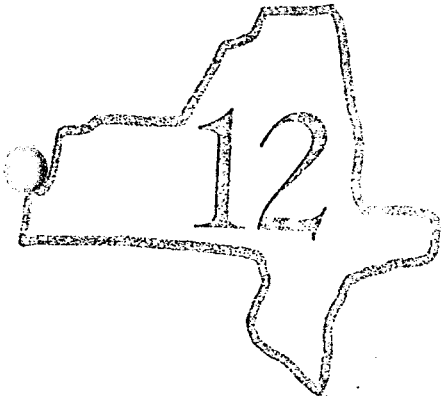
- Robert W. Fleming, *Chairman*.....Folger, Nolan, Fleming—W. B.  
 Hibbs & Co., Inc., Washington  
 E. Clinton Bamberger, *Vice-Chairman*..Baumgartner, Downing & Co.,  
 Baltimore  
 Eugene H. Cassell.....C. F. Cassell & Co., Inc., Charlottesville  
 W. Barrett Disney.....Abbott, Proctor & Paine, Richmond  
 Henry C. Evans.....Stein Bros. & Boyce, Baltimore  
 Marshall H. Johnson.....McDaniel Lewis & Co., Greensboro  
 Harry L. McAllister..R.S. Dickson & Company, Incorporated, Charlotte  
 Bernard J. Nees.....Johnston, Lemon & Co., Washington  
 Richard Peters, *Secretary, 1710 H Street, N.W., Washington 6*

States of Delaware, Pennsylvania, West Virginia and, in the State of New Jersey, the Counties of Burlington and Ocean and the remainder of said State lying south of such Counties.



- Robert E. Daffron, Jr., *Co-Chairman* . . . . . Harrison & Co., Philadelphia  
 Frederic P. Mullins, *Co-Chairman* . . . . . A. E. Masten & Company,  
 Pittsburgh  
 Walter H. Babbitt . . . . . W. H. Babbitt & Company, Incorporated,  
 Pittsburgh  
 Ernest M. Brown . . . . . M. M. Freeman & Co., Inc., Philadelphia  
 Harold F. Carter . . . . . Hornblower & Weeks, Philadelphia  
 James C. Chaplin, III . . . . . Chaplin & Company, Pittsburgh  
 L. Paul Close . . . . . Rambo, Close & Kerner, Incorporated, Philadelphia  
 George E. Nehrbas . . . . . Parrish & Co., Philadelphia  
 Alfred Rauch . . . . . Kidder, Peabody & Co., Philadelphia  
 Ralph S. Richards, Jr. . . . . Richards & Company, Pittsburgh  
 Harry J. Steele . . . . . Steele, Haines & Co., Pittsburgh  
 George Winchester . . . . . Laird, Bissell & Meeds, Wilmington  
 Edward R. Gilleran, *Secretary*, Fidelity-Philadelphia Trust Bldg.,  
 123 S. Broad St., Philadelphia 9

States of Connecticut, New York, and in the State of New Jersey, the Counties of Mercer and Monmouth and the remainder of said State lying north of such Counties.



- Albert C. Purkiss, *Chairman* . . . . . Walston & Co., Inc., New York  
 Edward H. Ladd, III, *Vice-Chairman* . . . The First Boston Corporation,  
 New York  
 Gustave A. Alexisson, *Vice-Chairman* . . . Granbery, Marache & Co.,  
 New York  
 Joseph S. Barr . . . . . J. S. Barr & Co., Inc., Ithaca  
 Thomas H. Choate . . . . . White, Weld & Co., New York  
 John W. Dayton, Jr. . . . . Clark, Dodge & Co., New York  
 John J. Gurian . . . . . Merrill Lynch, Pierce, Fenner & Smith, Inc.,  
 New York  
 Hudson B. Lemkau . . . . . Morgan Stanley & Co., New York  
 Gustave L. Levy . . . . . Goldman, Sachs & Co., New York  
 David J. Lewis . . . . . Paine, Webber, Jackson & Curtis, New York  
 Homer J. O'Connell . . . . . Blair & Co., Incorporated, New York  
 Robert A. Powers . . . . . Smith Barney & Co., New York  
 Avery Rockefeller, Jr. . . . . Dominick & Dominick, New York  
 Stanley L. Roggenburg . . . . . Roggenburg and Company, New York  
 J. William Roos . . . . . W. A. Gardner & Company, Newark  
 Craig Severance . . . . . F. Eberstadt & Co., New York  
 Leslie B. Swan . . . . . Chas. W. Scranton & Co., New Haven  
 Orland K. Zeugner . . . Stone & Webster Securities Corporation, New York  
 George E. Rieber, *Secretary*, 25 Broad Street, New York 4



States of Maine, Massachusetts, New Hampshire, Rhode Island and Vermont.

- James H. Goddard, *Chairman* . . . . . J. H. Goddard & Co., Inc., Boston  
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