

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

888 SEVENTEENTH STREET N. W. WASHINGTON, D. C. 20006

January 8, 1971

To All NASD Members and Branch Offices:

Deadline Extended for Corporate Financing Comments

On December 16, 1970, an NASD notice was sent to members regarding amendments to the Interpretation of the Board of Governors with respect to review of Corporate Financing. Members were given an opportunity to comment on the proposed amendments by January 15, 1971. This deadline has been extended to February 15, 1971, to allow more time for members to prepare their comments. All comments should be submitted to Donald H. Burns, Secretary, National Association of Securities Dealers, 888 - 17th Street, N. W., Washington, D. C. 20006.

Changes in By-Laws and Rules Approved

All of the proposed amendments to the Association's By-Laws and Rules of Fair Practice which were submitted to the membership in September have been approved and, with the exception of Section 30, Article III, will appear in the January supplement to the Manual. Section 30, Article III, which authorizes the Board to set standards under which margin accounts are to be carried, will not become effective until Schedule E has been sent to the membership for comments. The membership will be notified by a special notice when Section 30 becomes effective.

The following is a brief description of the approved amendments but members should refer to the January supplement for the complete text of each amendment.

Changes in By-Laws

Article IV, Sections 2, 3, 5, 7(c) and 8 and Article V, Sections 1 and 2 have been changed to provide for an increase in the Board of Governors

from its present 24 members to 27 members. The three new members will be Governors-at-Large and the amendment provides for one to be elected in 1970 to take office in 1971, one to be elected in 1971 to take office in 1972, and one to be elected in 1972 to take office in 1973.

Article IV, Sections 2 and 10 and Article VI, Section 4 have been changed to provide for the removal of a Governor or a District Committeeman for refusal, failure, neglect or inability to discharge his duties. A member of the Board of Governors can be removed by a two-thirds vote of the Board. The District Committee can also remove one of its members by a two-thirds vote but the removed member has the right to appeal the District Committee's decision to the Board of Governors which can affirm, reverse or modify the determination of the District Committee. The Board of Governors or the District Committee are also given the authority to remove a member from any Committee appointed by them.

Article V, Section 6 has been deleted. This section gave the District Committee authority to hire District Directors and other employees. Since District Directors and other employees have always been hired by the Association's executive office, the Board felt this section was not necessary.

Article VIII, Section 3 has been amended to permit the Board of Governors to delegate authority to the President to contract on behalf of the Association or to satisfy unanticipated liabilities during the period between Board meetings. The purpose of this amendment is to cover situations which would require immediate action in the incurring of liability and the expenditure of funds by the Association. The amendment would also cover situations where an account is in excess of the budgeted amount.

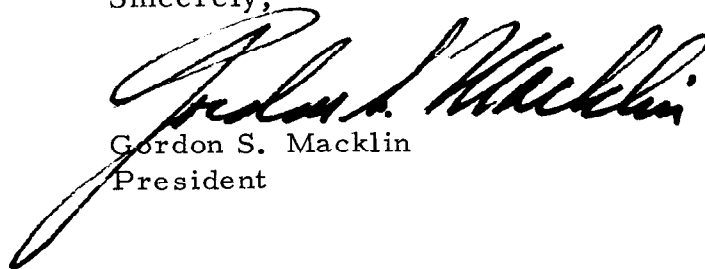
Article XVII, an entirely new article of the By-Laws, requires that all over-the-counter transactions between members be cleared through the National Clearing Corporation providing that both firms are members of the clearing corporation and the security has been qualified for clearance through the National Clearing Corporation.

Changes in Rules of Fair Practice

Section 26 of Article III has been amended so that it will conform to Rule 22c-1 of the General Rules and Regulations under the Investment Company Act of 1940. Rule 22c-1 requires generally that mutual funds calculate net asset value at least once a day as of the close of the New York Stock Exchange, and that only orders received prior to this calculation are entitled to the price determined. This is generally referred to as forward pricing. The approved amendment merely conforms Section 26 to Rule 22c-1 removing inconsistencies which would have remained had the Section not been amended.

Section 29 of Article III is an entirely new section and applies exclusively to variable contracts to the extent that they are subject to regulation under the Federal securities laws. Sub-section (d) incorporates the concept of forward pricing and also makes it clear that there is no obligation to invest contract considerations in the insurance company's separate account until the contract application has been accepted by the insurance company. Sub-section (e) requires every member to promptly transmit contract considerations to the issuer so customers will not be penalized by monies being withheld by the member.

Sincerely,

A handwritten signature in cursive script, appearing to read "Gordon S. Macklin". The signature is written in black ink and is positioned above the printed name and title.

Gordon S. Macklin
President

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

888 SEVENTEENTH STREET N. W. WASHINGTON, D. C. 20006

January 19, 1971

To: All NASD Members and Branch Offices

From: John H. Hodges, Jr., Vice President - Member Services

Re: Level 1 Service Distributors

As of this date, NASDAQ Level 1 Service will be carried by Scantlin Electronics Corp. (Quotron), Ultronic Systems Corp. (Stockmaster, Videomaster), and by the Bunker-Ramo Corp. (Telequote) terminals. The same information will be furnished to each of the Level 1 Service distributors by the NASDAQ System Operator.

Level 1 Service will present the current representative bid-and-ask quotation (i. e., the median bid plus a median spread) on securities in the NASDAQ System. As of the NASDAQ System start-up date, the Level 1 Service will succeed the STAQ System which is currently providing quotations updated hourly on OTC securities.

Those offices interested in obtaining NASDAQ Level 1 Service as of System start-up should communicate promptly with their respective supplier of Level 1 terminals. Also, prior to receiving Level 1 Service, an Agreement between the subscriber and the NASD must be signed by the subscriber and approved by the NASD.

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

888 SEVENTEENTH STREET N. W. WASHINGTON, D. C. 20006

January 28, 1971

TO: All Members and Branch Offices

1971 HOLIDAY SCHEDULE

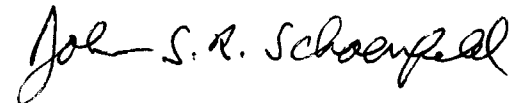
In line with the recent Congressional Act to provide for uniform annual observances of legal holidays, the NASD Headquarters and District Offices will normally observe the following holidays. Dates for 1971 are in parentheses.

New Year's Day	January 1
Washington's Birthday	Third Monday, February (Feb. 15)
Memorial Day	Last Monday, May (May 31)
Independence Day	July 4 (July 5)
Labor Day	First Monday, September (Sept. 6)
Columbus Day	Second Monday, October (Oct. 11)
Veteran's Day	Fourth Monday, October (Oct. 25)
Thanksgiving	Fourth Thursday, November (Nov. 25)
Christmas Day	December 25 (Dec. 24)

In addition, the Association's offices will be closed on Good Friday, April 6; and, in those years in which national elections are held, on Election Day.

Any holiday which falls on a Saturday will be observed on the preceding Friday; any holiday falling on Sunday will be observed on the succeeding Monday.

The above schedule may be altered should conditions warrant, in which case all members will be advised.



John S. R. Schoenfeld
Executive Vice President

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

888 SEVENTEENTH STREET N. W. WASHINGTON, D. C. 20006

NOTICE OF INCREASE IN REGISTRATION AND EXAMINATION FEES

Registration and examination fees have been increased for the first time since 1964. The new rates will become effective November 1, 1970. All applications received in the Association's Washington, D. C. office after that date must be accompanied by payment determined as follows:

Registration fee to accompany each application for registration of a representative and for each application for registration of a principal	\$35.00
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Examination fee for each individual who is required to take an examination for registration as a registered representative or as a principal (this fee must also be paid for each successive re-examination).	\$30.00
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Please direct this notice to the attention of the individual in your firm responsible for processing applications, as errors in the payment of fees may result in an unnecessary delay.

Carroll
2/22/71

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

888 SEVENTEENTH STREET N. W. WASHINGTON, D. C. 20006

February 3, 1971

I M P O R T A N T

To: All NASD Members and Branch Offices

Re: NASDAQ Non-Market Maker Volume Reports Applicable To All NASD Members

Official start-up of the NASDAQ System is scheduled for Monday, February 8, 1971. In conjunction with the official start-up of the System, the following volume reporting procedures, applicable to all NASD members not registered as a NASDAQ market maker in a NASDAQ issue, are in effect. Volume data submitted by firms not registered in NASDAQ issues will be used only for regulatory and NASD statistical purposes.

WHAT TO REPORT:

Non-registered market makers will only report volume consisting of:

1. Principal transactions (purchase or sale) of block size effected with others, who at the time of execution of the transaction, were non-registered market makers in securities included on the NASDAQ System; or
2. Agency crosses of block size effected between two retail (public individual or institutional) accounts.

For this purpose, "block" in the case of a stock has been defined as a transaction involving 2,000 shares and \$50,000, or more. (For example, a transaction of 2,000 shares and \$40,000 would not be reported because the transaction involved less than \$50,000.)

A "block" in the case of a convertible debenture has been defined as \$100,000 face amount or more.

For each transaction that meets or exceeds the above definitions of "block", a firm shall report the following information:

1. Trade date;
2. Security name and NASDAQ symbol;
3. Either the name of the contra-broker/dealer, or, if with a retail account, the symbol "RA"; and

4. Whether purchase or sale as principal, or agency cross between two retail accounts.

WHEN TO REPORT:

Non-market maker volume reports must be mailed at the close of the last trading day of each week in which a "block" transaction was effected. Reports should be mailed to the NASDAQ Department, NASD, 1735 "K" Street, N. W., Washington, D. C. 20006. A REPORT NEED NOT BE FILED IF NO BLOCK TRANSACTION WAS EFFECTED DURING THAT WEEK.

HOW TO FILE:

The required information should be filed on the enclosed form entitled "NASDAQ Non-Market Maker Report."

The blank form should be duplicated by the firm should additional copies be necessary.

NASDAQ SYMBOL DIRECTORY AND IDENTIFICATION OF MARKET MAKERS REGISTERED IN NASDAQ ISSUES:

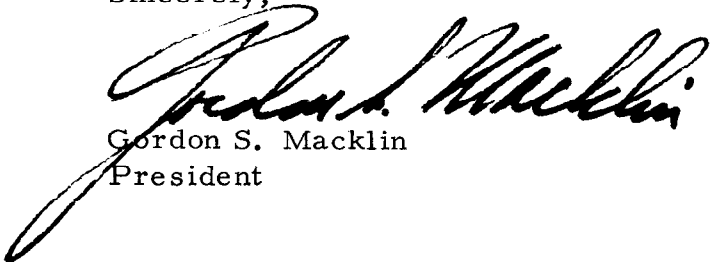
In order to decide whether to report the information on block transactions requested above, members must determine whether the security is in the NASDAQ System and whether the contra-broker/dealer is a registered NASDAQ market maker in the issue.

A copy of the NASDAQ SYMBOL DIRECTORY, which should be purchased for the nominal fee of \$1.00 from any local Bunker-Ramo sales office, lists most of the securities on the NASDAQ System, at least at start-up. However, the NASDAQ list of securities will change daily because of additions, deletions, mergers, etc. It is, therefore, necessary that members, as a part of their routine trading procedure, inquire from the contra-broker/dealer as to whether the issue is listed in the NASDAQ System. If so, it must be ascertained whether the contra-broker/dealer is registered in the NASDAQ issue. It should be noted that if:

1. The contra-broker/dealer is a NASDAQ registered market maker in the NASDAQ issue, the broker/dealer not registered as a NASDAQ market maker must not report the particulars of the transaction;
2. The contra-broker/dealer is not registered as a NASDAQ market maker in this NASDAQ issue, the information on the block transaction would have to be reported as discussed previously.

It is required that NASD members not registered as NASDAQ market makers in the NASDAQ issues comply with the above procedures. Therefore, should you have any questions, or desire additional information, with respect to the above procedures, contact Jack Jaakson or Stan Kerns at the NASDAQ Department, NASD, 1735 K Street, N. W., Washington, D. C. 20006. (Telephone 202-833-7210)

Sincerely,



Gordon S. Macklin
President

Enclosure

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

888 SEVENTEENTH STREET N. W. WASHINGTON, D. C. 20006

NASDAQ NON-MARKET MAKER REPORT

Date: _____

Submitted By: _____
(Firm) (Telephone & Area Code)

(Address) (State & Zip Code)

Our firm, not registered as a NASDAQ market maker in the NASDAQ securities listed below, had the following transactions (all above 2,000 shares and \$50,000 in size, or above \$100,000 face amount for convertible debentures) with other broker/dealers not registered as NASDAQ market makers in the given NASDAQ security.

<u>Trade Date</u>	<u>Security Name & NASDAQ Symbol</u>	<u>Name of Contra-Broker/Dealer. If transaction is with a retail account indicate "RA"</u>	<u>Purchase as Principal (PP) Sale as Principal (SP) Agency cross between two retail accounts (AA)</u>	<u>Size (\$ Amount & # of Shares)</u>
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NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

888 SEVENTEENTH STREET N. W. WASHINGTON, D. C. 20006

February 3, 1971

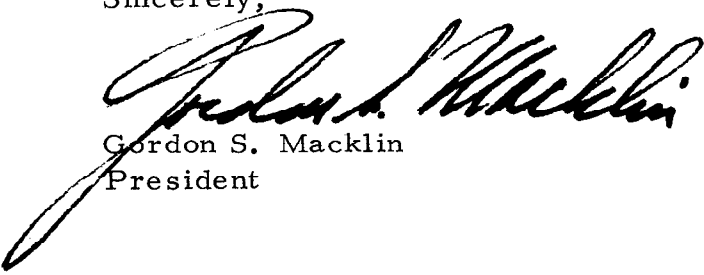
To All NASD Members and Branch Offices:

Members are advised that retail and trading activities in the over-the-counter markets will be closed on Monday, February 15, 1971, in honor of George Washington's Birthday. The over-the-counter markets will remain open on Lincoln's Birthday, February 12, 1970. Since a great many of the major banks will be closed on this date, there will be no settlement or clearance on February 12. Because of this, trade dates, delivery dates and ex-dividend dates that will apply are listed below:

<u>Delivery dates for "regular way" contracts</u>		<u>"Ex-dividend" dates</u>	
<u>Trade date</u>	<u>Delivery date</u>	<u>Record date</u>	<u>"Ex-"date</u>
(other than U. S. Government securities)		Feb. 11	Feb. 5
Feb. 5	Feb. 16	12	5
8	17	15	5
9	18	16	8
10	19	17	9
11 and 12	22	18	10
(U. S. Government securities)		19	11
Feb. 11 and 12	Feb. 16		

In the 1971 holiday schedule sent to the membership January 28th, Good Friday was listed as April 6. This should be corrected to read April 9.

Sincerely,


Gordon S. Macklin
President



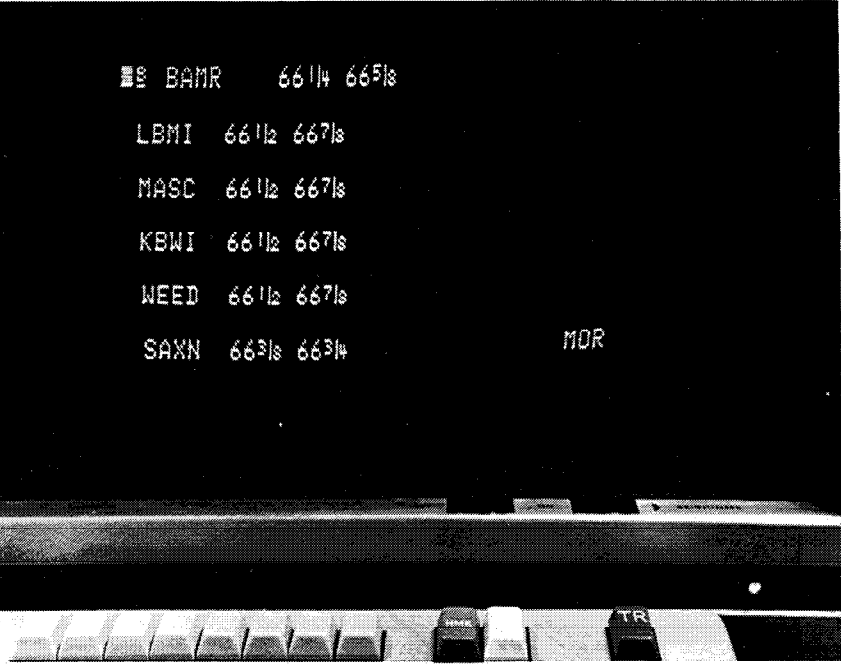
SPECIAL REPORT

SR5 FEBRUARY 1971

NASDAQ IS HERE

February 8th
Marks Beginning of
Electronic Stock Market

NASDAQ—NASD Automated Quotations—officially began to serve the over-the-counter market and investors on February 8, 1971. Seven years in the offing, NASDAQ is a system of giant computers and special electronic terminals that provides instantaneous quotations on OTC securities, OTC stock indices, volume figures on the OTC market and a myriad of statistics that will assist the NASD in supervising the activities in the OTC market.



BAMR 66 1/4 66 5/8

LBMI 66 1/2 66 7/8

MASC 66 1/2 66 7/8

KBWI 66 1/2 66 7/8

WEED 66 1/2 66 7/8

SAXN 66 3/8 66 3/4

MOR

NASDAQ LEVEL III TERMINAL: Through terminals like this, market makers can update their quotes and also receive quotes on NASDAQ securities from all market makers in the system. The illustration shows quotes on BAMR (Bank-america Corporation) from five market makers. The "MOR" symbol indicates that, by pushing the "MOR" button, quotes from more market makers in BAMR can be obtained.

The central computers that drive the NASDAQ system are located in a new building erected by the Bunker-Ramo Corporation (the NASDAQ contractor) in Trumbull, Connecticut. Tied in by high speed transmission lines to the central computer complex are three levels or types of service for investors, retail stock brokers and market makers or wholesalers.


At NASDAQ's inception, over 713 locations are equipped with NASDAQ terminals used by traders and/or market makers; and about 650 firms are subscribers to the system. In addition, there are more than 35,000 desk-top terminals in use by registered representatives which now carry NASDAQ quotations as well as information on listed securities.

Currently, only the OTC price quotations are being released to newspapers. However, very shortly, volume figures and stock indices will also be available for publication by the press so that investors across the country will have immediate access to the most up-to-date information on the OTC market. Indices covering insurance, banks, transportation, utilities, finance and industrial companies in the OTC market will for the first time provide a measure of performance lacking before in OTC stocks. Volume figures will help investors follow the activity in the OTC market.

At start-up about 2400 of the most actively traded OTC securities are listed on the NASDAQ system, although NASDAQ has the eventual capacity to handle at least 20,000.

NASD President, Gordon S. Macklin, is enthusiastic about the potential of NASDAQ. In his words, "NASDAQ represents a major advance for the OTC market. Traders can now gauge the market at a glance. Investors can be more certain they are getting the best execution for their OTC transactions. And the NASD will have information which has never before been available for use in strengthening its self-regulatory program for the over-the-counter market."

In order to intensify NASDAQ's impact, the NASD is working with Doreumus & Company, a New York advertising firm, in developing a nationwide OTC consumer education program—another first for the Association. The program—which will first highlight NASDAQ—is slated to begin within the next few months. It will include informational advertisements in nationally known publications; seminar programs on the OTC market; advertisements for use by local brokerage firms to tie in with the national campaign;



TRUMBULL TOUR: Bunker-Ramo recently hosted NASD staffers and the press in a sneak preview of the NASDAQ system. Above: The group listens to an explanation of the functions of the NASDAQ Computer Center.



Bunker-Ramo President, George Trimble, and NASD President Macklin (right) exchange views on the potential of NASDAQ for the OTC market.



NASDAQ COMPUTER CENTER: In this area, two Univac 1108 computers receive and process information from NASDAQ market makers.

and other educational materials (such as brochures and films) for use by investors.

The National Security Traders' Association has joined the NASD in the public relations area of the consumer-education campaign. The NSTA is well-versed in the NASDAQ system, particularly because of its leadership in inaugurating its own automated quotations system (Security Traders Automated Quotations) which served as a much-needed interim system until NASDAQ could be designed. STAQ, which contained quotations information on about 1,000 securities, has been phased out now that NASDAQ is operational.

NASDAQ is very new, and like any new system there are problems to be resolved—some technical and some that have arisen through users' unfamiliarity with the terminals. The NASD urges each firm to establish its own NASDAQ procedures.

In order to maintain NASDAQ's credibility and reliability in delivering OTC information, market makers must make every reasonable effort to keep their quotes current. In addition, the reports that are required by the NASD (such as volume information) must be submitted promptly and accurately. Any slip-ups would be damaging to investor confidence.

According to J. Coleman Budd, Chairman of the NASD Board and Vice President of The Robinson-Humphrey Company, "With NASDAQ subscribers fulfilling their responsibilities under NASD rules, and with the Association closely monitoring the system, NASDAQ should work smoothly, even in its beginning stages. The success of the system is in the hands of the NASDAQ subscribers and the Association. Accuracy and care must be the industry's watchwords, since NASDAQ is a transparent window on the OTC world."

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

888 17TH STREET, N.W., WASHINGTON, D.C. 20006

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

888 SEVENTEENTH STREET N. W. WASHINGTON, D. C. 20006

February 9, 1971

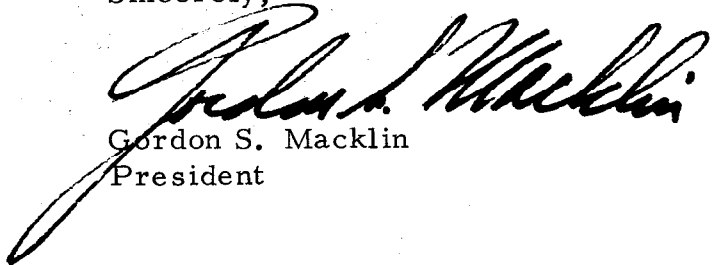
To All NASD Members and Branch Offices:

Re: Howard Carlton, Inc.

The NASD's Uniform Practice Committee has learned that the Securities and Exchange Commission New York Regional office has filed a complaint against, and has requested the appointment of a temporary receiver for, the above firm. The complaint charges the firm with violation of net capital and bookkeeping regulations.

Members may avail themselves of the "immediate close-out" proviso contained in Section 59(h) of the Uniform Practice Code for any or all open transactions with the above firm. Further advice will be forwarded as it becomes available.

Sincerely,



Gordon S. Macklin
President

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

888 SEVENTEENTH STREET N. W. WASHINGTON, D. C. 20006

February 9, 1971

To All NASD Members and Branch Offices:

The NASD's Uniform Practice Committee has reviewed certain areas of member firm operations and procedures governed by the Uniform Practice Code which have been the subject of some recent misunderstanding. It is the intent of the Committee in this notice to clarify these areas to facilitate day to day business and to eliminate disputes.

This notice should be forwarded to those individuals responsible for the areas mentioned below.

Interest Payable on Bonds, Debentures

The Committee has become aware of several corporations which have encountered difficulties in paying interest due on their debt obligations. In some cases the corporations have not had sufficient funds to pay interest and thereby have become "in default". In other cases, the interest payment has been made late to holders on a newly established record and/or payable date.

In the event of a situation like the above certain questions arise, such as, should the bonds or debentures trade "flat" or "with accrued interest"; and should the "due-bill checks" which have been presented in anticipation of the interest payment be considered payable or should such "due-bill checks" (or the equivalent money amounts) be returned.

Since each case of this nature is unique and must be handled individually, the Uniform Practice Department has constructed a fact sheet on the known cases which is available to members by contacting the NASD's Uniform Practice Department, 17 Battery Place, Room 1325, New York, New York, 10004, (212) 269-6393.

Buy-in Executions - From Long Positions

As an alternative to buying-in securities for "cash" or "up to guaranteed 10-day" delivery in the open market according to Section 59 ("Buying-in"), members have available the options of buying-in from their own long securities positions or customers' accounts maintained with the member (subsection (c) of 59).

The Committee feels it appropriate at this time to remind the membership that buy-ins executed from a member's own long position or a customer's account must be done according to the following conditions:

1. Not only must the firm or customer's account be long the particular security to be bought in but also the firm must have physical possession of the security in the amount required to cover the buy-in amount.

2. Members must be prepared to verify possession of securities relating to the above buy-ins and to defend the price at which a buy-in is executed relative to the then current market at the time of the buy-in.

Notarial Acknowledgments - Transfer Books Closed

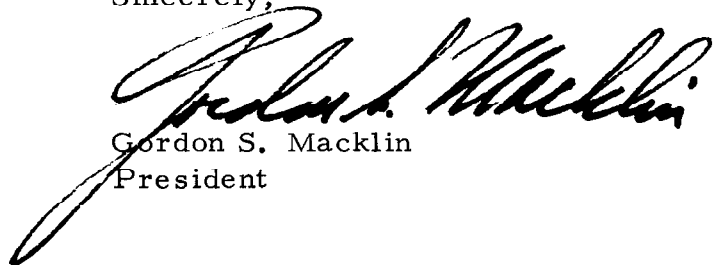
Under Section 31 of the Uniform Practice Code - Certificates of Company Whose Transfer Books are Closed - properly executed "notarial acknowledgments" must accompany certificates for which there is no transfer agent and are to be delivered between members. These acknowledgments are executed by those named as the registered holder, or in the assignment or power of substitution on the certificates. Sample acknowledgments are provided in Sections 31 thru 38.

Members should be aware of their responsibility to provide properly executed "notarial acknowledgments" with certificates in settlement of transactions in company's shares which have no transfer facility.

Official NASD "DK" Forms #101

The above form has proved to be a convenient and important tool in establishing those transactions between members when one party to a trade does not receive a trade "comparison" from the contra-party. By using form #101 a member not in receipt of a "comparison" can verify the trade and thereby remove any doubt as to its status. Otherwise it will be resolved that the trade is not known by the contra-party in which case there can be no liability to the member who used the form. To assure the continued successful use of Form #101, great care must be taken to clearly indicate on parts 2 and 3 whether the trade is known or not known, to receipt parts 3 and 4 not only with a manual signature but with the firm stamp and to understand that part 2 is the copy requiring execution by the contra-broker to resolve whether a trade is known or not known.

Sincerely,



Gordon S. Macklin
President

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

888 SEVENTEENTH STREET N. W. WASHINGTON, D. C. 20006

MEMORANDUM

To: All NASD Members

From: Gordon S. Macklin, President

Subject: Annual Financial Reports (NASD Form 17A-10)

Date: February 26, 1971

Enclosed are copies of the Annual Financial Report Form (NASD Form 17A-10) for your completion and return by March 31, 1971. In most cases we are forwarding to members the same Part they filed in 1970. Please review the filing requirements in the instructions (based upon gross securities income) to make sure the Part is the proper one for your firm for calendar year 1970. If the Part is not the appropriate one, please contact us promptly so that we may forward the proper set in time for you to meet the filing deadline.

Only the white copy need be completed and sent to the NASD this year. The work copy is for your convenience. You should make a photocopy of the final report as submitted to the NASD for your records and to facilitate any necessary error correction.

We are including a cross-reference sheet for the convenience of New York Stock Exchange member firms which identifies the location of most of the items on the NASD Form 17A-10 with a corresponding item on the NYSE Income and Expense Statement.

Members are urged to examine their reports carefully for possible errors. This report should be in proper arithmetic balance. It is a costly and time-consuming procedure both for the member firm and the NASD staff to correct even simple, mathematical errors many of which result from oversight or carelessness. A few minutes taken at your end to check subtotals and totals may save us many hours at this end and may avoid our having to contact you to make corrections.

Any questions you may have concerning the form should be directed to Mr. Kenneth L. Marshall or Mr. James Wierzba at (202) 833-7259 or 7264.

Enclosures

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

888 SEVENTEENTH STREET N. W. WASHINGTON, D. C. 20006

March 5, 1971

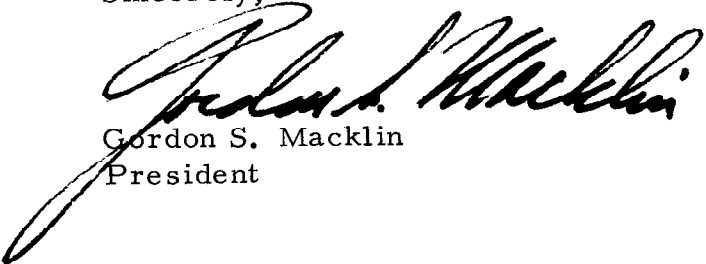
To All NASD Members:

RE: Howard Carlton, Inc.
116 John Street, New York, New York

In a notice dated February 9, 1971, the Association informed members that they could avail themselves of the "immediate close-out" provision contained in Section 59 (h) of the Uniform Practice Code for any or all open transactions with the above firm. Money differences and other matters of business can now be taken up with the recently appointed receiver for the Carlton firm. The receiver is:

Clark J. Gurney
Roth, Carlson, Kwitt, Spengler
& Marrin
280 Park Avenue
New York, New York 10017
Telephone (212) 682-4444

Sincerely,



Gordon S. Macklin
President

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

888 SEVENTEENTH STREET N. W. WASHINGTON, D. C. 20006

March 5, 1971

To All NASD Members:

Enclosed is an important new policy of the Board of Governors concerning capital and operational deficiencies of members which should be thoroughly understood by the management of all NASD firms.

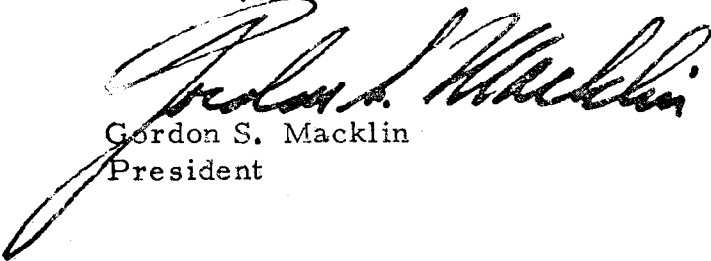
If self-regulation is to be truly effective in the protection of the public, the management of each NASD member firm must assume primary responsibility in identifying possible capital and/or operational problems and then it must take immediate steps to resolve or correct any deficiencies.

In view of the recent increase in volume, which historically has produced a corresponding increase in fails to receive and deliver, members should be aware that the Board of Governors and all District Committees will vigorously implement a program of restrictions on the business activities of those members who are found to have potential capital problems or operational deficiencies which may endanger the firm, the public or other member firms. These restrictions, which do not fall within the normal regulatory procedures of the Association, are designed to prevent any recurrence of operational problems which led to the serious capital and financial difficulties experienced by some firms in the recent past.

In addition, members should be aware that as part of our early warning system, we are keeping the SEC informed of problems in specific firms so that direct action may be taken promptly to protect the interests of the public. Should a firm's management neglect to take immediate steps to improve or correct a problem, the Association will act forcibly and with dispatch.

In the future, your firm may be asked by the District Committee in its respective area to supply additional information and operational statistics so that our surveillance program can pinpoint any problems. Your complete cooperation is essential.

Sincerely



Gordon S. Macklin
President

Enclosure

Policy of the Board of Governors

Re: Capital and Operational Deficiencies of Members

The Board of Governors of the Association is and has been seriously concerned with the capital and operational difficulties experienced by many members in the recent past. In certain cases, the stability of a firm has been jeopardized and serious questions have been raised as to the desirability of it continuing to engage in the securities business.

Net capital and related deficiencies are detrimental to the public interest. The Association is charged by law with the responsibility of protecting the public interest. In furtherance of the Association's responsibility, the Board has adopted the following policy which shall be vigorously implemented by all District Committees:

Whenever it appears to a District Committee that a member's financial condition or operational deficiencies cast serious doubt upon its ability to fulfill its financial obligations or its ability to conduct its business operations in a manner which is in the best interest of the public, that Committee shall urge and recommend to the member that it abide by such restrictions on any of its business activities as are deemed necessary under the circumstances. These restrictions may include, in appropriate situations, the cessation of all business operations until such time as the member can demonstrate that the conditions which gave rise to the restrictions have been alleviated.

Other restrictions may include:

- (1) A limitation on the number of transactions which may be executed or on the volume of business generally;
- (2) A restriction on the opening of new offices or the employment of additional sales personnel;

- (3) A limitation on, or the cessation of, the activities of certain departments or segments of the member's business;
- (4) The filing of appropriate reports with the Association regarding the financial and/or operational condition of the member; and
- (5) Any other restrictions deemed appropriate under the circumstances.

The District Business Conduct Committee, in its determination of whether to recommend such action to a member, may consider, among other things:

- (1) The member's capability for continued compliance with existing capital requirements;
- (2) The relationship between the member's inventory and its net capital;
- (3) The relationship between the member's operating losses and its net capital;
- (4) The member's ability to promptly and accurately process transactions;
- (5) The "fails to receive" and "fails to deliver" condition of the member;
- (6) The member's ability to properly supervise its sales and operational personnel;
- (7) Generally, the supervisory procedures established and/or followed by the member; and
- (8) Any other factors considered by the Committee to be material to the continued operation by the member.

This policy has been adopted by the Board of Governors because it believed it to be in the public interest in that it will serve to assist in improving the financial stability of the Association's members and to eliminate operational inadequacies.

LB

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

888 SEVENTEENTH STREET N. W. WASHINGTON, D. C. 20006

March 19, 1971

To All NASD Members and Branch Offices:

The Board of Governors has declared that the emergency conditions stemming from back office and "fails" problems still exist.

Thus, Emergency Rules of Fair Practice Nos. 70-1, 70-2 and 70-3 are still in effect. The full text of these Emergency Rules can be found on page 2005 of the NASD Manual.

This action was taken on the basis that conditions in the industry do not warrant discontinuance of the emergency even though conditions have materially and significantly improved.

The Emergency Rules will be in effect from March 22, 1971, and will remain in effect for a six-month period unless rescinded earlier by action of the Board of Governors.

Sincerely,



Gordon S. Macklin
President

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

888 SEVENTEENTH STREET N. W. WASHINGTON, D. C. 20006

March 30, 1971

To: All NASD Members

Enclosed is an additional set of the NASD Quarterly Financial Questionnaire (Form Q) forms for your next report, which is due in accordance with the schedule contained on the inside of the cover page. This schedule is included for your benefit and guidance and should be strictly followed.

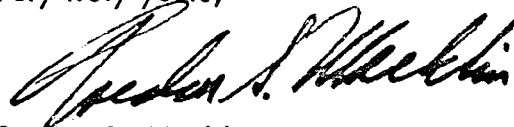
It appears from experience in the first two reporting periods that some firms fail to view this reporting requirement with the proper degree of importance. Delinquent firms will be notified only one time before an official request is sent requiring response within 15 days, in the absence of which the firm will be subject to suspension or other disciplinary proceedings.

Also, some members have apparently been uncertain as to where to include the securities held under subordination or equity agreements on the asset side of the Statement of Financial Condition. The market value of these securities should be included at Item 5(c) in the column headed "Amount" and also in the "Cost" column.

Please note that the totals shown in the "Amount" column on the fails report at Item 30A(3) (fails to deliver) and Item 30B(3) (fails to receive) should agree with Items 2(a) and 11(a), respectively, of the Statement of Financial Condition.

We should like to take this opportunity to express appreciation to those firms that have carefully complied with this requirement. We are gratified to note that the error rate is much lower for these reports than for the 1969 Annual Financial Report (NASD Form 17A-10) indicating an increased awareness on the part of members of the importance of the information and their greater attention to detail. This leads directly to reducing the costs of administering a system that has sharpened NASD regulatory functions by indicating possible financial crises in particular firms at an early date.

Very truly yours,



Gordon S. Macklin
President

Enclosure

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

888 SEVENTEENTH STREET N. W. WASHINGTON, D. C. 20006

March 30, 1971

To All NASD Members and Branch Offices:

INTEREST EQUALIZATION TAX

The Interest Equalization Tax Act is due to expire on March 31, 1971. It is anticipated that the Congress will extend the Act, but that such action may not occur until after the present Act has expired. Accordingly, the Executive Committee of the Board of Governors of the Association has adopted a resolution requiring members to comply with the provisions of Section 28 of the Association's Uniform Practice Code pertaining to the Interest Equalization Tax. Members should continue to withhold the interest equalization tax at the rate which existed on March 31, 1971. Violation of the provisions of the resolution shall constitute conduct inconsistent with just and equitable principles of trade and shall be subject to appropriate disciplinary sanctions.

MISSING SECURITIES

NASD members should be on the alert regarding common stock certificates (bearing numbers from 1 through 5400) of Beaver Mesa Uranium, a predecessor of Beaver Mesa Exploration Co., Denver, Colorado. The company's former transfer agent (John Elwood Bennett, President of the Utah Registrar and Transfer Co.) reported these certificates as being stolen in January of 1971. The transfer agent's books and records regarding these certificates were also reported as having been stolen.

NASD members, prior to the purchase, sale or transfer of any of the certificates bearing these numbers, should contact Beaver Mesa Exploration Co. (303-222-7961) to determine if the certificates concerned are validly issued and outstanding.

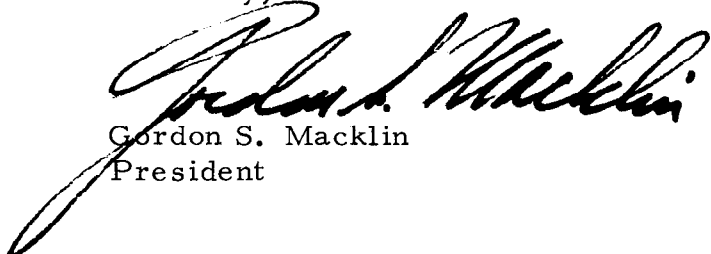
The theft came to light in the early part of 1971 when some of the stock certificates, which were presumed missing, were presented for transfer. In all cases, transfer has been refused. The Securities and Exchange Commission

is investigating this matter, as well as the Federal Bureau of Investigation.

The NASD would also like to alert members to the alleged theft of un-issued, unsigned stock certificates of Dixie Auto Insurance Company, Anniston, Alabama, (a suburb of Birmingham). The certificates (numbered 2751 through 3000) are believed preprinted for 1,000 shares each.

The Birmingham Police have been informed that these certificates have been stolen. Any NASD member receiving information about these stock certificates should immediately notify Mrs. Ann M. Suggs, Vice President and Secretary, Dixie Auto Insurance Company, 205-324-5556.

Sincerely,



Gordon S. Macklin
President

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

888 SEVENTEENTH STREET N. W. WASHINGTON, D. C. 20006

April 1, 1971

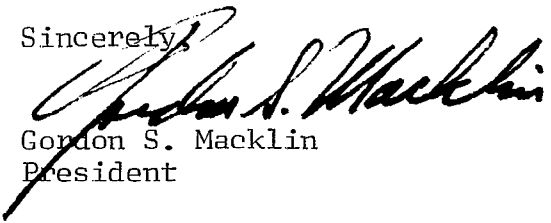
To All NASD Members and Branch Offices:

On December 14, 1970, the President signed into law the Investment Company Amendments Act of 1970. The Act delegates to the NASD the responsibility for promulgating rules to insure that the price at which investment company shares are sold to the public "shall not include an excessive sales load, but shall allow for reasonable compensation for sales personnel, broker/dealers, and underwriters, and for reasonable sales loads to investors." At any time after 18 months from the date of enactment of the Act, the Securities and Exchange Commission may alter or supplement the NASD Rules.

In order to assist it in conducting an economic study upon which to formulate rules, the Association has retained Booz, Allen & Hamilton, Inc. to serve as independent consultants. Their study, to be supplemented by NASD studies, will be in depth in order to provide a complete and accurate factual basis for decision. There is now being prepared a questionnaire which will be sent to a segment of the membership. If you receive a questionnaire, the Association solicits your cooperation because of the importance of the study. While no specific date has been fixed for mailing the questionnaire, it is expected to be in the very near future.

The Association is also of the view that all members should have an opportunity to fully express their opinions and views regarding the study of the pricing structure of investment companies. Accordingly, the Association urges all members to promptly write to the Investment Companies Department of the Association at 888 Seventeenth Street, N.W., Washington D. C. 20006 so that the Association and Booz, Allen & Hamilton will have the benefit of their views.

Sincerely,



Gordon S. Macklin
President



NASD

INSURANCE TRUST

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

April 30, 1971

TO FIRMS PARTICIPATING IN THE GROUP INSURANCE PLANS

Re Administrative Change on June 1, 1971

We are pleased to announce that, effective June 1, 1971, all administrative responsibility for our Group Life Insurance and Group Major Medical Insurance Plans will be assumed by the State Mutual Life Assurance Company of America, our insurance carrier since 1948.

State Mutual of America will maintain an Administrative Office at 1735 K Street, N. W., Washington, D. C. This changeover includes a revised Electronic Premium Billing System taking advantage of State Mutual's experience in Group Premium Accounting and Billing. The premium due June 1, 1971 will be shown on a new form prepared by State Mutual and sent to you at the usual time of the month. Every effort is being expended by State Mutual and the staff of the Insurance Trust to make certain that the transition is complete and efficient.

The enclosed brochure entitled "Our Group Billing System" explains the highlights of the revised system. We believe this new approach is more simple and at the same time more complete. For example, an alphabetical roster of the employees currently insured on the due date will be part of the Monthly Premium Statement. At the same time the changes as they affect the member firm have been kept to a minimum. You will continue to receive a blank Monthly Report of Changes in Group Insurance form to be completed by you in reporting employment changes which effect the Group Plans.

Should you have any questions, you will find the hospitality of the Administrative Office the same as in the past - the staff is always happy to help you in any way.

Sincerely,

Glenn Anderson
Allan C. Eustis, Jr.
Gordon S. Macklin, Jr.
Jack A. Schindel

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

May 8, 1971

To: All NASD Members and Interested Persons

Re: Proposed Amendments To By-Laws And Rules
Of Fair Practice (Interpretations) Governing The
Distribution Of Securities Of Members

The Board of Governors of the Association has recently proposed certain amendments to the Association's By-Laws and Interpretations of its Rules of Fair Practice which have for their purpose the establishment of a system of regulation and procedures for the distribution of issues of members' securities or of those of affiliates of members. They are being published by the Board at this time to enable all interested parties an opportunity to comment thereon. Such comments must be in writing and be received by the Association by June 8, 1971, in order to receive consideration. After the comment period has been closed, the proposals must again be reviewed by the Board. Thereafter, the proposed amendment to Article IV of the By-Laws must be submitted to the membership for vote. Upon the completion of such, if approved, all of the proposals must be submitted to and not disapproved by the Securities and Exchange Commission prior to becoming effective.

Explanation of Proposed Amendments

I. Proposed Amendment to Article IV of By-Laws

The amendment to Article IV of the Association's By-Laws would authorize the Board to promulgate a system of procedures and regulations governing issues of members' securities and affiliates thereof. The Board believes there are certain conflicts of interest and other dangers to the public interest inherent in such distributions. Close regulation of such conflicts is, therefore, essential in the public interest. The Board also believes that Article III, Section 1 of the Association's Rules of Fair Practice covers many of the conflicts referred to and thus prevents members from underwriting or participating in the distribution of issues of their own securities (self-underwritings) or of affiliates thereof (affiliate underwritings). Such are, therefore, prohibited by Board interpretation of that section.

Conflicts properly regulated, however, are not contrary to the public interest. The Board believes that the system being proposed regulates such conflicts in a manner which more than adequately protects the public. It believes, however, that since definitive standards and regulations beyond the prohibition on self and affiliate underwritings required by Section 1 would be imposed if the proposals become effective, explicit authority from the membership to the Board is required. Thus, the proposed amendment would grant to the Board the authority to do so and to, in the future, alter, amend, supplement or modify, when appropriate, such regulations as are established.

II. Proposed Schedule E

Schedule E would be attached to and become part of the Association's By-Laws. It could be amended by the Board but only after compliance with established procedures which require proposed changes to be submitted to the membership for comment.

Section 1 of Schedule E contains a series of definitions of words used throughout Schedule E and is self-explanatory.

Section 2 prescribes a series of criteria which would have to be adhered to in connection with all offerings of securities of a corporate member to the public whether self-underwritten or not. Most of these provisions are new. The Board believes requirements such as this are appropriate and in the public interest in view of the responsibility to the investing public a member has merely by virtue of its being engaged in the investment banking and securities business. The Board believes that such status imposes upon a member responsibilities and obligations greater than those which are an ordinary issuer's. A higher standard of regulation is, therefore, essential.

In this connection, subsection 2(a) would require that financial statements for three years be filed with all registrations of issues of a member's securities regardless of whether they are for a Regulation A or an intrastate offering. The financials for the last full year and any subsequent partial period would have to contain an independently audited and certified balance sheet. Normally an audit and certification for the partial period is not required. Certification is also not usually required in connection with Regulation A offerings and many intrastate offerings.

Subsection (b) would prohibit more than 25% of the present owners' interests from being sold in any such offering unless exceptional or unusual circumstances exist. Remaining shares would have to be held for at least one year before they could be sold. Subsection (c) would prescribe that the

ownership interests being sold would had to have been held for a one year period prior to the offering. Subsection (d) would require a one year time lag between offerings of securities by members.

The purpose of subsections (b), (c) and (d) in the aggregate is to reduce the potential for manipulation. The Board has confidence that members of the industry will not violate their obligation in this respect but it likewise believes it must reduce the potential for such as much as possible.

The Board does not believe a member should make an offering to the public which is disproportionate in size in relation to its net worth thus subsection (e) restricts the size of any such offering to twice net worth. A member with a minimal net worth and, hence, minimal operational capability would, therefore, be prevented from obtaining public funds in amounts which it would be unable to effectively and prudently utilize.

A 10-1 net capital ratio after completion of the offering would be imposed by subsection (f). Such is consistent with the Board's belief that the public should be protected from investing in a firm which is in a marginal condition in respect to the net capital rule and where the potential for net capital violations either exists or is not remote. This is also reflected in subsection (g) requiring all funds received from the sale of securities of the offering to be escrowed at least until the 10-1 ratio has been reached. If that level is not attained, all funds would have to be returned to investors. By so requiring, the imposition of the 10-1 provision becomes meaningful.

Quarterly statements of operations and certified annual financial statements to investors and other reports to the Association are required by subsections (h) and (i) of Section 2. Such would serve on the one hand to periodically inform investors of the success of a member's operations and on the other hand to provide additional information to the Association for regulatory purposes.

Section 3 relates solely to underwritings by members of issues of their own securities and would impose requirements in addition to those in Section 2 which apply to all member-offerings whether self-underwritten or not. This section, in subsections (a) and (b), would require that two qualified independent underwriters, as defined, be retained to establish the price at which the offering to the public would be made and that those underwriters be represented by independent legal counsel who would be required to issue an opinion as to compliance with all securities laws and regulatory requirements. The definition in Section 1(b) of "qualified independent underwriter" enunciates a number of prerequisites for qualifying as such. These prerequisites make clear that a background of underwriting experience, stability of operations and experienced management is necessary. The Board believes that these

provisions hurdle the most difficult barrier found in connection with permitting self-underwritings, that is, the lack of arms'-length bargaining in establishing the price at which the issue should be distributed to the public.

A "track record" and experience in the securities business would be required of a self-underwriting member by subsection (c). Thus, a member would had to have been in the securities business for at least five years immediately preceding the filing of the registration statement, three of the last five years would had to have been profitable and the majority of the board of directors would had to have been actively engaged in the securities business for the five year period immediately preceding the filing of the registration statement. The Board believes these requirements and those relating to qualified independent underwriters provide a large measure of protection to the public from marginal or inexperienced firms, especially when combined with the provisions of Section 2, and that the restrictions imposed are fair and reasonable to the membership as a whole.

Section 4 would impose criteria in connection with the underwriting or participation in the stream of distribution by members of issues of affiliates, as defined, which are substantially comparable to those imposed by Section 3 for self-underwritten issues. The Board believes such is required because many of the conflicts inherent in self-underwritings also exist when members participate in the distribution of their affiliates' securities. The provisions are, therefore, appropriate in the public interest.

Higher than normal suitability requirements are contained in proposed Section 5 in connection with Section 3 and 4 offerings. This section would require that a member retain in its files the basis for and reasons upon which the determination of suitability was made as to each customer. Such detailed record-keeping for suitability purposes is not required in connection with transactions in securities of other offerings and would be required in connection with these offerings only because of the significantly different nature thereof.

Section 6 would require specific written approval by the customer before securities of a Section 3 or 4 offering could be placed in a discretionary account. The reasons for this requirement should be obvious to everyone. The provision further demonstrates the Board's desire to eliminate as much as is reasonably possible the existence of questionable transactions.

Pursuant to the provisions of the Association's Interpretation With respect to Review of Corporate Financing, additional underwriting compensation results in certain cases when securities are received by an underwriter within a 12-month period prior to the filing of a registration statement. Section 7(a) of Schedule E would make clear that such would not occur where a successor corporation is formed to a previously existing partnership or sole proprietorship and securities are issued to the principals as a result. Subsection (b) thereof states that the Corporate Financing Interpretation will apply to all offerings made under Schedule E to the extent that it is not inconsistent with the Schedule.

Section 8 relates to the underwriting or participation in the stream of distribution by a member-sponsor of interests in tax-sheltered programs, as defined. Primarily these are oil and gas programs and real estate syndications and investment trusts. This section would require a member-sponsor desiring to so underwrite or so participate to have expertise in both the securities industry and the industry represented by the program, i. e., oil and gas, and that persons with that expertise constitute in the aggregate a majority of the board of directors of the member or a majority of the partners in the case of a partnership. Thus, pursuant to subsection (a)(1), if there is a five man board and one person has the requisite five years' experience in the securities industry and two have the requisite five years' experience in the oil and gas industry, the provisions of that subsection would be met. Subsection (a)(2) imposes similar dual five year experience requirements for senior management of member-sponsors and subsection (b) would make similar provisions for sole proprietorships. The provisions of this section were included in Schedule E upon the recommendation of the Association's Oil and Gas Committee which is comprised mainly of representatives of oil and gas drilling funds. The Board believes that if such requirements are appropriate to oil and gas program distributions, they are also appropriate to other tax-sheltered programs, thus the provisions have been expanded to cover all such distributions.

Section 9 would require that Schedule E prevail in case of an inconsistency with any other rules, resolutions or By-Laws of the Association and Section 10 makes conduct contrary to Schedule E a violation of Article III, Section 1 of the Association's Rules of Fair Practice and notes that, depending upon the circumstances, other rules could also possibly be violated.

III. Conforming Amendments to Interpretation With respect to Review of Corporate Financing

The paragraphs in this category would delete three sections of the Corporate Financing Interpretation which would be rendered meaningless if


Schedule E becomes effective. A new paragraph entitled "Conflict of Interest -- Lack of Arms'-Length Bargaining" would be added. That paragraph would prevent a member from participating in any way in the stream of distribution of any issue of securities where a potential conflict of interest or lack of arms'-length bargaining exists between that member and an issuer if such is not regulated by the provisions of Sections 3 and 4 of Schedule E. This merely restates the Board's policy that conflicts of interest in the sale of securities should be avoided whenever possible when not the subject of specific regulatory guidelines.

IV. Amendment to "Free-Riding" Interpretation

The Association's "Free-Riding" Interpretation presently permits a member to direct up to 10% of an issue of its own securities to employees notwithstanding that such employees do not have an investment history, as defined in the Interpretation, with the member-employer. This reflects the Board's recognition of the fact that employees of members in many cases understandably desire to have an ownership interest in their employer. Presently, however, there is no holding period required after the purchase of such securities. The proposed amendment would abolish the 10% restriction and permit unlimited sales to employees. A holding period of 18 months would be imposed, however, during which the employee could not sell or transfer the securities so purchased. The Board believes that any percentage limitation on sales by members of their own securities to their employees is unrealistic. Indeed, it believes that investment by employees in their employers is wholesome both from the standpoint of the employee and from the standpoint of the employer-member.

All interested persons are invited to submit their views and comments to Mr. Donald H. Burns, Secretary, National Association of Securities Dealers, Inc., 1735 K Street, N. W., Washington, D. C. 20006, on or before June 8, 1971. All communications will be considered available for inspection.

Very truly yours,



Gordon S. Macklin
President

Proposed Amendments To By-Laws And Rules Of Fair
Practice (Interpretations) To Effectuate Regulations And
Procedures Governing The Distribution Of Securities
Of A Broker/Dealer Member Or An Affiliate Thereof

I. Amendment To Article IV of By-Laws

Redesignate subsection (c) of Article IV of the By-Laws as subsection
(d) and insert a new subsection (c) as follows:

(c) The Board of Governors shall have the authority to establish rules and procedures to be followed by members in connection with the distribution of issues of their own securities and affiliates thereof. Such rules and procedures shall be incorporated into Schedule E to be attached to and made a part of these By-Laws. The Board of Governors shall have the power to adopt, alter, amend, supplement or modify the provisions of Schedule E from time to time without recourse to the membership for approval as would otherwise be required by Article IX hereof and Schedule E, as adopted, altered, amended, supplemented or modified shall become effective as the Board of Governors may prescribe unless disapproved by the Securities and Exchange Commission.

II. Adoption of Schedule E

SCHEDULE E

Public Distribution Of Issues Of Members
Securities And Affiliates Thereof

This Schedule has been prepared pursuant to the provisions of subsection (c) of Article IV of the Association's By-Laws and contains the rules and procedures to be followed by members in connection with the distribution of issues of securities in a member corporation, and affiliates of members, whether debt or equity or a combination thereof.

Section 1 -- Definitions -- For purposes of this Schedule, the following words shall have the stated meanings:

- (a) Member -- any individual, partnership, corporation or other legal entity admitted to membership in the National Association of Securities Dealers, Inc. under the provisions of Article I of its By-Laws and whose membership is currently effective.
- (b) Qualified independent underwriter -- a member which:
- (1) has been actively engaged in the investment banking and securities business for at least five years immediately preceding the filing of the registration statement;
 - (2) in at least three of the five years immediately preceding the filing of the registration has had a profit from its operations;
 - (3) as of the date of the filing of the registration statement and as of the effective date of the offering:
 - (i) if a corporation, has a majority on its board of directors of persons who have been actively engaged in the investment banking and securities business for the five year period immediately preceding the filing of the registration statement;
 - (ii) if a partnership, the majority of its partners has been actively engaged in the investment banking and securities business for the five year period immediately preceding the filing of the registration statement;
 - (iii) if a sole proprietorship, the proprietor has been actively engaged in the investment banking and securities business for the five year period immediately preceding the filing

of the registration statement;

- (4) has actively engaged in the underwriting of public offerings of securities for at least the five year period immediately preceding the filing of the registration statement; and
- (5) is completely independent of the issuer-member in every respect.

(c) Affiliate -- a company:

- (1) which controls, is controlled by or is under common control with a member;
- (2) which directly or indirectly owns, controls, or holds with power to vote 5 per centum or more of the outstanding voting securities of a member; or
- (3) in which a member directly or indirectly owns, controls, or holds with power to vote 5 per centum or more of the outstanding securities;

provided, however, that the term "affiliate" shall not be deemed to include an investment company registered as such with the Securities and Exchange Commission pursuant to the provisions of the Investment Company Act of 1940.

- (d) Sponsor -- an entity which originates and promotes a tax-sheltered program and/or acts as its general partner or management company.
- (e) Tax sheltered program -- a program composed of interests in limited partnerships and joint ventures of oil and gas programs,

limited partnership interests in real estate syndications and shares of beneficial interest in real estate investment trusts, and all other offerings of a similar nature such as, but not limited to, farming, citrus grove developments, mineral and ore programs, or any combination thereof.

- (f) Senior management -- president, vice president, treasurer and secretary.
- (g) Financial statements -- balance sheet, profit and loss statement or statement of income and expense, a statement of source and application of funds, and a statement of retained earnings.
- (h) Registration statement -- shall have the meaning given to that term by Section 2 (8) of the Securities Act of 1933, provided, however, that such term as used herein shall also include a notification on Form 1A filed with the Securities and Exchange Commission pursuant to the provisions of Rule 255 of the General Rules and Regulations under the Securities Act of 1933 and, in the case of an intrastate offering, any document, by whatever name known, initiating the registration process for an issue of securities which is required to be filed by the laws or regulations of any state.
- (i) Effective date -- the date on which an issue of securities first becomes legally eligible for distribution to the public.

Sec. 2 -- Offerings By An Issuer-Member Of Its Own Securities

Any corporate member may make a public offering of an issue of its own securities. The following general criteria shall apply to all such offerings:

- (a) Notwithstanding that the registration may be for an intrastate offering or in an amount which would otherwise qualify pursuant to the provisions of Regulation A under the Securities Act of 1933 or otherwise:
 - (1) financial statements for the immediately preceding three years must be filed therewith and be disclosed in the prospectus, offering circular or other comparable document;
 - (2) financial statements for the entire period of its existence must be so filed and so disclosed if the issuer has not been in existence for three years;
 - (3) the most recent financial statements must be as of a date not more than 90 days prior to the filing of the registration statement and six months prior to the effective date of the offering; and
 - (4) the financial statements for the last calendar or fiscal year, as the case may be, or less if the member has not been in existence for one year, must contain an independently audited and certified balance sheet. If there is an updated balance sheet covering a period subsequent to the last full calendar or fiscal year, such must also be independently audited and certified.

- (b) No more than 25% of the equity interest of the owners of the corporate member as of the date of the filing of the registration statement may be offered as part of the issue and all remaining securities held by the ownership group must be restricted as to sale or transfer for a period of at least one year after the termination of the offering. In exceptional and unusual circumstances, such as, but not necessarily limited to, a sale by an estate or by a person in dire financial circumstances, the distribution of a larger percentage, or the sale or transfer of all or part of the remaining securities prior to the expiration of the referred to one year period may be permitted but the burden of proving justification for such shall be upon the person advocating it.
- (c) An individual member of the ownership group may not offer any of his securities as part of an offering unless they have been owned by him for a period of at least one year prior to the filing of the registration statement or unless they were acquired during that one year period as a result of the formation of a successor corporation to a pre-existing partnership or sole proprietorship in which he was part of the ownership group prior to the previous one year period.
- (d) After a member has made an offering of its securities to the public no other offering to the public can be made by that member of its securities for a period of at least one year after the termination of the offering. The provisions of this subparagraph are

specifically intended to apply to both primary and secondary offerings.

- (e) The amount of the offering can be no larger than twice the net worth (exclusive of subordinated capital) of the issuer-member as reflected in the most recent independently audited and certified balance sheet as of a date not exceeding 90 days prior to the filing of the registration statement and six months prior to the effective date of the offering.
- (f) As of the date the distribution has been completed and the offering terminated, the issuer-member's net capital ratio as computed pursuant to the provisions of Rule 15c3-1 of the General Rules and Regulations under the Securities Exchange Act of 1934 (the net capital rule), shall not be more than 10-1.
- (g) All proceeds of any offering covered by this Schedule E shall be placed in an escrow account until, and shall not be paid over to or used by the issuer-member unless, the 10-1 ratio prescribed by subparagraph (f) hereof has been met. If the required ratio is not achieved, all monies received from sales of securities of the offering must be returned in full to the purchasers thereof and the offering withdrawn.
- (h) After a member has made a distribution to the public of an issue of its securities, it shall send to each of its shareholders:
 - (1) quarterly, a statement of its operations; and
 - (2) annually, independently audited and certified financial statements;

- (i) After a member has made a distribution to the public of an issue of its securities, notwithstanding that it would not otherwise be required to do so, it shall file with the Association NASD Forms 17A-10 and Q as required by resolutions of the Board of Governors appearing at paragraphs 4194 and 4196 on page 4077 of the NASD Manual. If the issue is an initial offering to the public of a member's securities, copies of the forms required to be filed with the Securities and Exchange Commission by the provisions of Rule 463 of the General Rules and Regulations under the Securities Act of 1933, must also be filed with the Association.

Sec. 3 -- Underwriting By Issuer-Member Of Issue Of Its Own Securities

Any corporate member may underwrite or participate in the distribution of an issue of its own securities if:

- (a) the price at which the issue is to be distributed to the public is established by two qualified independent underwriters who shall also participate in the preparation of the registration statement and the prospectus, offering circular, or other comparable document, and shall exercise the usual standards of due diligence in respect thereto;
- (b) the referred to two qualified independent underwriters are represented by legal counsel independent of the member-issuer who shall review the information contained in the registration statement and the prospectus, offering circular, or other

comparable document, and issue an opinion as to whether they conform to all requirements of applicable state and federal securities laws and the rules and regulations of the National Association of Securities Dealers, Inc.;

(c) the following criteria relating to experience and financial stability are met:

(1) the member (or its predecessor member if the corporate member is a newly formed corporation) has been actively engaged in the investment banking and securities business for at least five years immediately preceding the filing of the registration statement;

(2) at least three of the five years immediately preceding the filing of the registration statement have been profitable;

(3) the majority of the board of directors holding office as of the date of the filing of the registration statement and as of the effective date of the offering has been actively engaged in the investment banking and securities business for the five year period immediately preceding the filing of the registration statement;

(d) Nothing herein shall be construed as either requiring or preventing the participation by a qualified independent underwriter in the distribution of the issue of securities in respect to which it is acting as such.

Sec. 4 -- Member Underwriting Or Participating In The Distribution
Of Issue Of Securities Of An Affiliate

- (a) Any member may underwrite or participate in the distribution of an issue of securities of an affiliate if:
- (1) the member-underwriter (other than a non-corporate member subject to the provisions of subparagraph (b) of this section) and the terms of the offering comply in all respects with the provisions of Section 3 hereof;
 - (2) the securities being offered are not of an issuer which is a broker/dealer affiliate of the member which is unable itself to meet the provisions of Section 3(c) hereof;
 - (3) the issuer (a) has been actively engaged in business for at least the five year period immediately preceding the filing of the registration statement; and (b) in at least three of the five years immediately preceding the filing of the registration statement, has operated at a profit;
 - (4) the affiliate relationship has existed for a period of at least one year prior to the filing of the registration statement;
 - (5) the financial statements of the issuer conform in all respects with the provisions of Section 2(a) hereof;
 - (6) the issuer represents that it will after the distribution to the public send to each of its shareholders:
 - (a) quarterly, a statement of its operations; and
 - (b) annually, independently audited and certified financial statements.

- (b) Any non-corporate member may underwrite or participate in the distribution of an issue of securities of an affiliate:
- (1) if the member-underwriter and the terms of the offering comply in all respects with the provisions of Section 3 hereof, with the exception of the provisions of subparagraph (c)(3);
 - (2) if the member-underwriter is a partnership, the majority of its partners as of the date of the filing of the registration statement and as of the effective date of the offering has been actively engaged in the investment banking and securities business for the five year period immediately preceding the filing of the registration statement; and
 - (3) if the member-underwriter is a sole proprietorship, the proprietor has been actively engaged in the investment banking and securities business for the five year period immediately preceding the filing of the registration statement.

Sec. 5 -- Suitability

Every member underwriting an issue of its own securities, or of an affiliate thereof, pursuant to the provisions of Sections 3 and 4 hereof, who recommends to a customer the purchase of a security of such an issue shall have reasonable grounds to believe that the recommendation is suitable for such customer on the basis of information furnished by such customer concerning the customer's investment objectives, financial situation, and needs, and any other information known by such member. In connection with

all such determinations, the member must maintain in its files the basis for and reasons upon which it reached its determination.

Sec. 6 -- Discretionary Accounts

Notwithstanding the provisions of Article III, Section 15 of the Association's Rules of Fair Practice, or any other provisions of law, a transaction involving securities governed by the provisions of Sections 3 and 4 hereof cannot be executed in a discretionary account without the prior specific written approval of the customer.

Sec. 7 -- Relationship Of Schedule E To Interpretation With Respect To Review Of Corporate Financing

- (a) Notwithstanding the provisions of the Interpretation With Respect To Review Of Corporate Financing relating to factors to be taken into consideration in determining underwriter's compensation, the value of securities of a new corporate member succeeding to a previously established partnership or sole proprietorship member acquired by such member or person associated therewith, or created as a result of such reorganization, shall not be taken into consideration in determining such.
- (b) All offerings of securities included within the scope of this Schedule E, including but not limited to those which are subject to the provisions of Regulation A under the Securities Act of 1933, and those which are purely intrastate in nature, shall be subject to the provisions of the Interpretation With Respect To Review Of Corporate Financing to the extent that

it is not inconsistent herewith and all pertinent documents relating thereto shall be filed with the Association pursuant to the provisions thereof. The responsibility for filing the required documents shall be that of the issuer-member. In the case of an issue of an affiliate, the responsibility for filing the required documents shall be that of the managing underwriter or, if there is none, that of the member in the affiliate relationship with the issuer. Otherwise, the Filing Requirements of the referred to Interpretation shall prevail.

Sec. 8 -- Member-Sponsor Distribution Of Tax-Sheltered Program

- (a) A member which is the sponsor of the tax-sheltered program may act as underwriter or participate in the distribution of units thereof if:
 - (1) persons with five years' experience in the investment banking and securities business and in the industry represented by the tax-sheltered program are represented on the board of directors or board of trustees of the sponsor, or in a partnership, and who in the aggregate in each case constitute a majority thereof; and
 - (2) one or more members of senior management have at least five years' experience in the investment banking and securities industry and the industry represented by the tax-sheltered program.
- (b) If the member-sponsor is a sole proprietorship, the proprietor

shall have five years' experience in both the investment banking and securities business and the industry represented by the tax-sheltered program.

Sec. 9 -- If the provisions of this Schedule E are inconsistent with any other provisions of the Association's By-Laws, Rules of Fair Practice or Uniform Practice Code, or of any interpretation thereof or resolution of the Board of Governors, the provisions of this Schedule shall prevail.

Sec. 10 -- A violation of the provisions of this Schedule shall constitute conduct inconsistent with high standards of commercial honor and just and equitable principles of trade and a violation of Article III, Section 1 of the Association's Rules of Fair Practice and possibly other sections, especially Sections 2 and 18, as the circumstances of the case may indicate.

III. Conforming Amendments To Interpretation With Respect To Review Of Corporate Financing

- A. Delete that section of the Interpretation With respect to Review of Corporate Financing entitled "Equity Positions of Underwriter and Others Participating in the Issue" (page 2031 of the Manual);
- B. Delete that section of the Corporate Financing Interpretation entitled "Members Underwriting Own Securities" (page 2031 of the Manual);
- C. Delete that section of the Interpretation With respect to Review of Corporate Financing entitled "Excessive Compensation-Change of Underwriters" (page 2033 of the Manual).
- D. Insert a new section in the Interpretation With respect to

Review of Corporate Financing immediately after the section entitled "Issuer Reserved or Directed Securities," (page 2031 of the Manual) entitled "Conflict of Interest -- Lack of Arms'-Length Bargaining."

In those cases where a potential conflict of interest or lack of arms'-length bargaining exists between a member and an issuer, and the provisions of Section 3 or 4 of Schedule E of the By-Laws are not complied with or cannot be met, it would be inappropriate for that member to participate in any way in the stream of distribution of an issue of that issuer's securities.

IV. Amendment to "Free-Riding" Interpretation

Amend that section of the "Free-Riding" Interpretation entitled "Member Going Public -- Directed Shares" (page 2043 of the Manual) as indicated by striking out and underlining:

Member Going Public -- ~~Directed Shares~~

Notwithstanding the above, in a situation where the public offering is of ~~shares~~ securities in a member of the Association it is recognized by the Board that employees of the member may be interested in purchasing an interest in their company. With this in mind, therefore, in those cases where a member who is "going public" wishes to ~~direct~~ sell shares securities to its employees or persons associated with it such may be done without contravening any of the provisions of this Interpretation, ~~in an amount not exceeding ten percent (10%) of the total issue.~~ provided, however, that the sale or transfer of such securities shall be restricted for a period of 18 months. Such persons Employee-purchasers would not be required to have an investment history with the member-employer in order to make such purchases.

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D. C. 20006

May 20, 1971

To All NASD Members and Branch Offices:

The NASD, which has been moving into its new headquarters in gradual stages since November of 1970, now occupies its own building at 1735 K Street in Northwest Washington. The new building was purchased by the NASD last year in order to provide space flexibility for the staff and to provide a more economical arrangement than leasing office space at the high rental rates prevailing in Washington, D. C.

All correspondence to the Association should be addressed to:

National Association of Securities Dealers, Inc.
1735 K Street, N. W.
Washington, D. C. 20006

The Association's previous address was: 888 - 17th Street,
N. W., Washington, D. C.

Sincerely,



Gordon S. Macklin
President

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

May 20, 1971

To All NASD Members:

A "special fiscal agent" has been appointed for the firm of:

Philip S. Budin & Company, Inc.
One Exchange Place
Jersey City, New Jersey 07302

The agent is responsible for administering certain affairs of the firm, including making a determination of "fails" to receive and deliver which remain unsettled at this time and those "fails" which have been closed-out in accordance with Sections 59 and 60 of the NASD's Uniform Practice Code.

In order to assist the agent, members having commitments with Philip S. Budin & Company, Inc. are requested to forward to the attention of

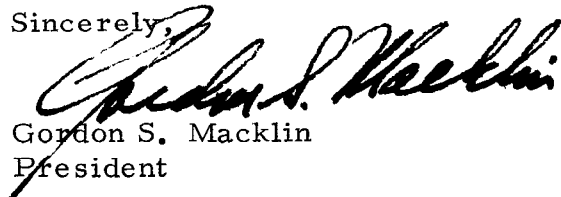
Mr. David Ravin, Special Fiscal Agent
c/o Philip S. Budin & Company, Inc.
One Exchange Place
Jersey City, New Jersey 07302

a detailed statement (dated) covering:

- A. Unsettled "fails" to receive and "fails" to deliver for which Budin is the contra-broker.
- B. "Fails" to receive and "fails" to deliver which may have been closed-out under Sections 59 and 60 after March 26, 1971 - the date Philip S. Budin & Company, Inc. suspended further trading. Close-out differences should be identified.
- C. Any other commitments with the firm.

Please forward this announcement to the appropriate parties within your firm. Questions and copies of statements sent may be directed to the Uniform Practice Department, 17 Battery Place, Room 1325, New York, New York, 10004 (212) 269-6393.

Sincerely,



Gordon S. Macklin
President

Library

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D. C. 20006

May 20, 1971

To All NASD Members:

Re: Statement of Policy of the Board of Governors
with respect to "Discount Markets"

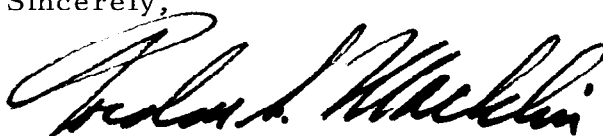
In a letter of November 30, 1970, under the above heading, the Board of Governors of the Association brought to the attention of the membership certain practices which had developed in connection with aftermarket transactions in securities of a new issue when a legal stabilization bid was in effect. It appears that an unintended effect of this letter has been the suppression of bona fide market activity generally at prices below a stabilization bid. In view of the ultimate importance of independent market trading, some clarification seems appropriate.

The problem which concerned us in the November letter was the possibility of certain arrangements in the form of take-out bids pursuant to which a distribution would be, in effect, made at a price lower than that specified in the prospectus. As we pointed out, any specific arrangement for such a distribution could render those who are party to it "statutory underwriters" within the definition of that term in the Securities Act of 1933. To the extent that such "statutory underwriters" are distributing securities at a price different from that specified in the prospectus, whether above it or below it, this could constitute a violation of the Securities Act of 1933 as well as our own rules. Since it appeared that some market-making activity might have been specifically arranged as a part of effectuating a distribution, the Board of Governors thought it appropriate to bring the dangers of such activity to the attention of the membership.

The Board of Governors, however, wishes to make it clear that its letter of November 30th is not to be taken as in any way inhibiting normal, independent and lawful market-making in securities, whether or not a stabilization bid is in effect. The mere fact that a stock trades away from a stabilization bid does not mean that the market makers are "statutory underwriters." If bids are bona fide and the selling broker is mindful of his responsibilities under the Best Execution Principle, and also trading activity is not a direct and intended part of the distribution, the "statutory underwriters" admonition of our letter would not be applicable.

Concerned as we are with the problems related to "Discount Markets", it is not our intent to stifle bona fide market-making activity.

Sincerely,



Gordon S. Macklin
President

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D. C. 20006

June 1, 1971

To All NASD Members:

Re: Rolls-Royce Limited, American Depositary Receipts Representing
Ordinary Stock

The NASD's Foreign Committee and Uniform Practice Committee have been aware of the substantial trading activity which has developed in the OTC market for Rolls-Royce Ltd. American Depositary Receipts over the past several months.

As previously announced, Rolls-Royce Limited was placed in the hands of a Receiver on February 4, 1971, the Ordinary stock was suspended from dealings on the London Stock Exchange on February 23, 1971, and the Ordinary stock ceased to be acceptable for transfer by the Transfer Registrar in London after March 31, 1971.

This is to inform you of the following information:

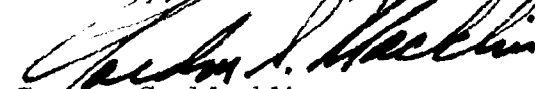
A. The Morgan Guaranty Trust Company of New York, as Depositary Agent for the ADR's representing Ordinary stock of Rolls-Royce Limited, has given notice that they will permanently close their books for the purposes of transferring, splitting, grouping, etc. with respect to such American Depositary Receipts on June 15, 1971.

B. Members are advised that any delivery of Rolls-Royce Limited ADR's made after June 15, 1971, must be accompanied by properly executed notarial acknowledgments. Deliveries made prior to June 15, 1971, shall be considered settled and shall not be subject to a fail reopening vs. money.

C. Members should utilize the time available prior to June 15, 1971, to take advantage of the transfer, splitting and grouping services for the ADR's in order to avoid the many evident processing difficulties which will exist after June 15th.

Questions regarding this notice may be directed to the Uniform Practice Department, 17 Battery Place, Room 1325, New York, New York, 10004, (212) 269-6393.

Sincerely,


Gordon S. Macklin
President

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

June 1, 1971

To All NASD Members:

Re: Domestic Debt Obligations Subject to
Interest Equalization Tax

Members are advised that because of a recent change in the Internal Revenue Code (Section 4912(c)) the Obligors of the issues listed below have elected to have certain of their debt obligations treated as debt obligations of foreign obligors.

Consequently, each acquisition of these debt obligations by U.S. persons, up to the date of maturity of the issues, is subject to interest equalization tax at the rate applicable to acquisitions of stock under the Internal Revenue Code i.e. currently 11.25 percent of the acquisition price.

It should be noted that the exemptions and exclusions from interest equalization tax (particularly the exemption for prior American ownership) will not be applicable on the acquisition by a U.S. person of such a debt obligation. However, refunds or credits provided by Code Section 4919 will remain applicable in these acquisitions.

Members should, therefore, be mindful of the above information which, in effect, severely hampers dealing in these issues. Precautions should be taken to advise any prospective customers of the application of the tax and any attendant requirements.

<u>Name and Address of Issuer</u>	<u>Description of Obligation</u>
Amax International Capital Corp. New York, New York	8 3/4% Guaranteed Sinking Fund Debentures (Series A) due April 1, 1986; effective date April 22, 1971

<u>Name and Address of Issuer</u>	<u>Description of Obligation</u>
Amax International Capital Corp. New York, New York	8 3/4% Guaranteed Sinking Fund Debentures due April 1, 1986; effective date April 23, 1971
Continental Oil International Finance Corp. New York, New York	5 1/4% Promissory Notes not convertible or exchangeable for stock, minimum amount 100,000 Swiss Franc, Series Number 1 to 500, effective date May 12, 1971

Questions regarding this notice may be directed to the Foreign Department, 17 Battery Place, Room 1325, New York, New York, 10004, (212) 269-6393.

Sincerely,



Gordon S. Macklin
President

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D. C. 20006

June 2, 1971

To All NASD Members

Re: Revised Interpretation Of Buy-In
Executions From Long Positions

This notice refers to the NASD "buy-in" procedure contained in Section 59 of the NASD Uniform Practice Code and a notice to members dated February 9, 1971.

The "buy-in" procedure details how members may close-out fails to receive when necessary to keep trades current and avoid "aged" fails and when other situations require delivery of securities due.

Insofar as the actual buy-in execution is concerned, a member who has issued an intent to buy-in and has otherwise followed the procedure, closes-out the fail to receive by:

- A. Contacting another member and purchasing in the open market for cash or up to guaranteed 10-day delivery (and for the account and liability of the member failing to deliver) the securities which are due under the notice of intent to buy-in.
- B. If the securities due under the notice of intent to buy-in are not available for cash or up to guaranteed 10-day delivery in the open market, the member desiring to execute the buy-in may purchase the securities due from a long securities position of his own or from a long securities position of his customer.

It was stated in the NASD notice dated February 9, 1971, that for a member to execute a buy-in against his own or his customer's long account, it was necessary, also, to have physical possession of the securities called for under the buy-in. Upon further study, it has been determined that physical possession of the securities is no longer required when members execute "buy-ins" against these positions.

continued...

This should be considered an interpretive change in the procedure as set forth in the February 9, 1971 notice, and is designed to facilitate "buy-in" executions in cases where members are unable to "buy-in" in the open market but can cover from long positions.

Set forth below are conditions under which members may execute "buy-ins" from their own or their customer's long securities positions.

A. The member firm's account, (whether a trading, investment or other account) or his customer's account, must be long the subject security at the time that the member executes the buy-in.

In cases where a member executes a buy-in against a customer's long securities position that member must have prior agreement from the customer.

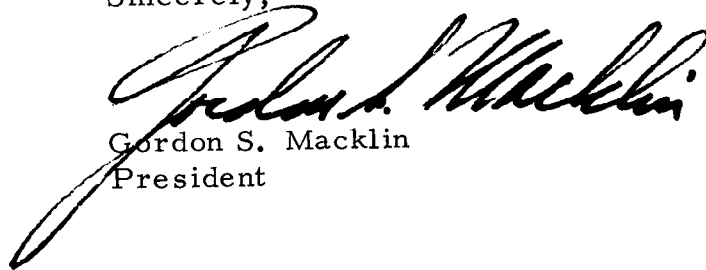
B. The amount a member "buys-in" against his own or his customer's account may not be greater than the amount he or his customer is long in that account.

C. It is not required, however, that members have physical possession of the subject security for his own or his customer's account in order to execute the buy-in.

Members are reminded that all buy-ins are executed for the account and liability of the member in default and members must be prepared to defend the price at which the buy-in is executed.

Questions regarding this notice may be directed to the Uniform Practice Department, 17 Battery Place, Room 1325, New York, New York 10004 (212) 269-6393.

Sincerely,



Gordon S. Macklin
President

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

888 SEVENTEENTH STREET N.W. WASHINGTON, D. C. 20006


June 2, 1971

Dear Member:

Enclosed is a copy of the Securities and Exchange Commission's position concerning the procedure whereby broker/dealers ship securities free and/or pay for securities before receipt. Their position is in the form of a letter which is reproduced for your information. It is requested that you review your firm procedures with regard to this interpretation and make the necessary adjustments to conform with the capital rule.

If you have any questions concerning this matter, please do not hesitate to communicate with me.

Sincerely,


John T. Christensen
District Director

JTC:cb

Enclosure

Gentlemen:

This refers to your report of financial condition as of (date of report) which was filed in this office pursuant to Rule 17a-5. In computing your net capital under Rule 15c3-1 based upon this report, a serious net capital deficiency was disclosed. This arose because of your policy, in the case of fails to deliver, of shipping the securities involved "free" to the buying broker-dealer, and then waiting for the payments from him to arrive at some future time. These "free" shipments convert fails to deliver into unsecured accounts receivable, pending receipt of the funds from the buying broker-dealer. (In the above cases, we will take a no-action position on fails arising from liquidations of mutual fund shares and not consider them as unsecured account receivable.) Unsecured accounts receivable, as you no doubt know, are deducted from net worth in the computation of net capital under paragraph (c) (2) (B) of Rule 15c3-1.

In your monthly computation of aggregate indebtedness and net capital pursuant to Rule 15c3-1 (as required by Bookkeeping Rule 17a-3 (a) (11)), therefore, you should consider any unsecured accounts receivable arising from "free" shipments on fails to deliver as deductions from net worth. If your net capital is inadequate to absorb these deductions from net worth, then it follows that additional capital will have to be added to your business in order to comply with the minimum net capital requirements under Rule 15c3-1. As an alternative to the infusion of net capital, may I suggest that you consider adopting the policy of shipping securities on fails to deliver with draft attached. In this way you will continue to have a secured account receivable, and avoid the deduction from net worth described above.

Please advise me which of the above alternatives you have decided to adopt, in order to avoid further capital violations.

I should like to point out that when a broker-dealer sells securities as agent for a customer to another broker-dealer, the practice of delivering customers' securities "free" to the purchasing brokers, appears to me to constitute an act, practice, and course of business which operates as a fraud and deceit upon customers and a violation of applicable anti-fraud provisions, including Section 10 (b) of the Securities Exchange Act of 1934 and Rule 10 (b) (5) thereunder. Moreover, depending upon when payment is ultimately made, your failure to receive payment against delivery could well involve violations of the credit restrictions of Regulation T under the Act.

We note also that your securities failed to receive included advanced payments to the selling broker-dealer with no consequent credit ledger balance but with a "short" security valuation.

I should like to point out that the practice of such advance payments to brokers and dealers on failed to receive accounts without a contra simultaneous receipt of the stocks involved may result in exposing your customers of your firm to the risk that the selling broker-dealer will become insolvent before delivering the security with a consequent harmful effect on your net capital. In addition, if this failed to receive resulted from a purchase by a customer of yours, you would have under Net Capital Rule 15c3-1, a contingent liability to such customer (who has paid for his purchase) until the security was received from the opposite broker-dealer and delivered to the customer.

Very truly yours,

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D. C. 20006

June 14, 1971

To All NASD Members:

This notice refers to an earlier NASD announcement to members dated May 20, 1971, concerning the firm of

Philip S. Budin & Company, Inc.
One Exchange Place
Jersey City, New Jersey 07302

A receiver has been appointed for the above firm; and, as a result, members may avail themselves, pursuant to Section 59 (h) of the NASD's Uniform Practice Code, of the "immediate close-out" procedure contained therein.

Under this procedure buy-ins may be executed without delivering prior notice of intent to buy-in and without regard to the "cash" or "guaranteed delivery" requirements.

Sell-outs may be executed without making prior delivery of the securities called for.

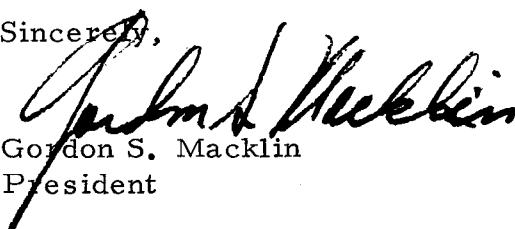
All close-outs executed in accordance with the provisions of 59 (h) shall be at the current market price at the time of the close-out and shall be executed for the account and liability of the member in question.

Notification of all "close-outs" should be directed to

Mr. David Ravin, Receiver
c/o Philip S. Budin & Company, Inc.
One Exchange Place
Jersey City, New Jersey 07302
Phone (201) 332-1800

Members are advised to take prompt action to close-out open fails to receive and deliver and to take up any other business matters with the above named receiver.

Sincerely,



Gordon S. Macklin
President

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

June 14, 1971

To All NASD Members

Re: Interim Procedure for Certain Portions of the Buy-In Procedure (Section 59 of the Uniform Practice Code) and Sell-Out Procedure (Section 60 of the Uniform Practice Code) during the Western Union Telegram Strike.

Members are advised that the strike which is disabling Western Union Telegram sending ability is in its third week. In view of this fact, and in view of the fact that the Association has no idea when the strike will end, members are advised of the following interim procedure:

For:

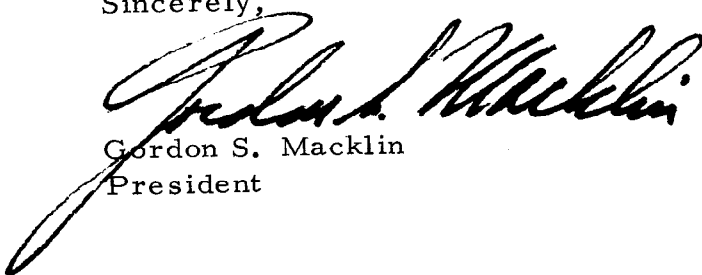
1. RETRANSMITTING BUY-INS
2. SAME DAY NOTIFICATION OF BUY-IN AND/OR SELL-OUT EXECUTIONS
3. NOTIFICATION OF CERTIFICATES IN TRANSIT OR TRANSFER FOR SEVEN-DAY EXTENSIONS ON BUY-INS

In cases where both the teletype (TWX) and the hand delivery notification process are not available, members may use the telephone. In all cases, members should obtain the name of the party to whom they are relaying the information. Members utilizing the phone for the above purposes should make sure they are speaking to the Buy-In Department, or that part of the cashiering area which is responsible for buy-ins.

As stated, this is an interim measure which is to be used only when absolutely necessary. If its use is necessary, its success will wholly depend upon the good faith of the members who do use it.

Further information regarding this notice can be obtained from the Uniform Practice Department, 17 Battery Place, Room 1325, New York, New York 10004, (212) 269-6393.

Sincerely,


Gordon S. Macklin
President

NASD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1735 K STREET NORTHWEST • WASHINGTON D.C. 20006

June 23, 1971

IMPORTANT

To All NASD Members:

At a meeting on June 17, the Association's Board of Governors unanimously agreed to modify its Interpretation on Corporate Financing to allow members to underwrite their own securities and participate in the distribution of such issues.

The action reflects recommendations of a high level committee authorized by the Board in September, 1970, to critically examine the policy with a view toward relaxation. Previously, on May 8, the Association sent proposals on the subject to its membership for comment. Those proposals have not yet been finalized but the Board's action is reflective of them and, pending final approval which is expected in the near future, the Board's June 17 decision will serve as an interim policy.

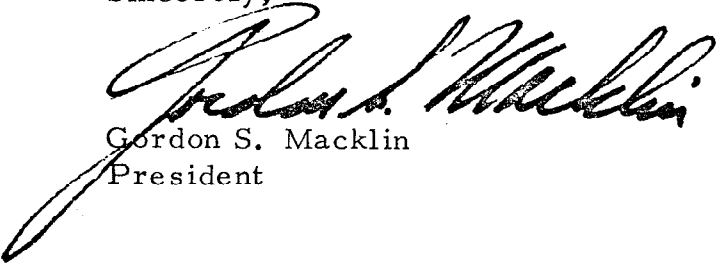
Because of the critical need for permanent capital, the Association feels that it would have been unduly restrictive to continue a blanket prohibition on self-underwriting. Therefore, members may submit self-underwriting proposals which will be reviewed on an individual basis by the Association. In essence, the Association's new policy will be to examine on their own merits each of these proposals submitted by a member. The examination by the Association will look to an ultimate determination of whether the public interest is adequately protected, taking into consideration the inherent conflicts of interest and lack of arms'-length bargaining in establishing the offering price which are present in such situations.

Many factors will go into this determination by the Association of whether the public interest is adequately protected. Among them will be the following: More strict requirements concerning certified financial statements than are required of ordinary offerings; the firm must have been in business for at least five years prior to the filing of its registration statement and three of the last five years must have been profitable; a majority of the Board of Directors of the firm must have been in the securities business for at least the immediate preceding five years; the firm's ratio of net capital to debt must be well below the ordinary requirements contained in the SEC rules which provide that a member's indebtedness cannot exceed 20 times the member's capital; the size of the offering can be no larger than three times the firm's net worth and the offering price must be established by the firm pursuant to recommendations made by two qualified independent underwriters represented by independent legal counsel. These firms must also meet

the test of business history, management experience and financial soundness and would be allowed, though not required, to participate in the distribution of the securities. More stringent suitability standards would also be imposed and transactions in such securities could not be executed in a discretionary account without prior written approval of the customer.

For more details concerning the basis on which the Association will make determinations in the self-underwriting area, members are referred to Sections 2 and 3 of the Proposed Amendments to By-Laws and Rules of Fair Practice (Interpretations) Governing the Distribution of Securities of Members which were distributed for comment on May 8.

Sincerely,

A handwritten signature in cursive script, appearing to read "Gordon S. Macklin". The signature is written in dark ink and is positioned above the printed name and title.

Gordon S. Macklin
President