

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

1979 ANNUAL REPORT

CHAIRMAN'S AND PRESIDENT'S REPORT



As the 1970s came to their close, the NASD—40 years old in 1979—was able to look back over a decade with satisfaction and forward to another with confidence.

Improvement of the OTC Marketplace

Considerable effort has been spent to improve the Over-the-Counter marketplace, which includes NASDAQ securities, thousands of equity securities not quoted on NASDAQ, municipal securities, OTC corporate bonds, mutual funds, variable annuities, direct participation programs and corporate financing.

During the 1970s, the NASD made the most pervasive improvement in the history of the OTC market by installing and developing the NASDAQ System. NASDAQ has provided nationwide and international visibility to thousands of securities, strengthened the competitive market maker system, facilitated close Market Surveillance and greatly enhanced investor confidence in the OTC market.

In 1979, NASDAQ-quoted securities enjoyed their all-time record year in prices and volume, and also enjoyed the continuation of their five-year bull market. The NASDAQ Composite Index reached an all-time high of 152.29 in early October and closed at 151.14, up 28% for the year and up 153% from the end of 1974, while the Dow Jones Industrial Average gained some 4% in 1979 and 36% over the five-year period.

Volume in NASDAQ securities was 3.65 billion shares, up 32% over 1978, the previous record year, more than triple the volume in 1974, and 45% of the volume of the New York Stock Exchange.

Future Improvements

For the further improvement of the OTC market in the 1980s, the Association launched three major undertakings:

- Release of the "inside market" on NASDAQ securities to newspapers and quote vendors was anticipated, by beginning extensive re-programming of the NASDAQ computers, which will be completed in mid-1980;
- Upgrading of the NASDAQ System began with (1) planning for more powerful UNIVAC 1100/82 computers at the Central Processing Complex in Trumbull, Connecticut and (2) the negotiation of an \$8-million contract with the Harris Corporation for the replacement in 1980-81 of the 1,220 NASDAQ terminals with much more sophisticated and reliable ones; and

- NASD Market Services, Inc., a new subsidiary of the Association, was established to build trading facilities, including a switch linking upstairs order rooms with off-board market makers, an order display capability and computer-assisted execution. It is further proposed that the switch will provide an automated interface with the Intermarket Trading System. The Association is to provide NASD Market Services, Inc. with \$2 million in initial capital.

Even with these extensive investments, the NASDAQ System is reducing its charges to subscribers by one-third, or \$5 million.

Increasing Understanding of the Market

An objective of the Association has been to increase understanding of the OTC market on the part of investors, issuers, the securities industry and government. Here, too, the NASDAQ System has been and will continue to be instrumental, by making available reliable, current information on securities and market trends. In addition, there were some special 1979 developments:

- Investor information was increased as more newspapers and radio stations carried data on NASDAQ securities;

● Issuers of NASDAQ-quoted securities became more involved in the Association's work, through the establishment of a Corporate Advisory Committee and through NASDAQ Company-NASD Consultations, held in 14 cities during September and October;

● A Real Estate Committee was established, to help inform persons dealing in real estate securities about rules that apply to them; and

● A special report on Small Business Financing, with 19 recommendations for facilitating investment in smaller companies, was presented to Senator Gaylord Nelson's Select Committee on Small Business and contributed to several bills now pending in the Senate.

Much more work will be done in this area in 1980 and beyond.

Reduction of Duplication

The reduction of duplicative regulation and industry facilities has also been a constant objective of the NASD. In 1973 the Association began a program of joint examinations with the New York Stock Exchange of member firms of both organizations, and in 1978 it became the examining body for more than 200 firms which belong to the NASD and the Boston, Cincinnati, Midwest and Pacific Stock Exchanges.

In 1979, the NASD, in cooperation with the North American Securities Administrators Association, put into effect the Uniform Securities Agent State Law Examination, which replaced the many separate state law examinations which had previously been required of securities industry personnel. A central repository was established for customer complaints received by the NASD, four regional exchanges and the SEC, and in 1980 this facility is to be expanded to include complaints received by other self-regulatory organizations and by state securities commissions.

A major program of the Association, begun in 1978, advanced in 1979 and to be continued in the 1980s, is to provide a centralized registration depository for the entire securities industry. This depository will make it possible for firms to register sales personnel with the self-regulatory organizations and the states by sending one form with one check to one place.

Improving the Quality of Regulation

A further objective of the Association has been to improve the quality of NASD regulatory programs.

The NASD's Market Surveillance Section in 1979 initiated nearly 500 quotations halts, to give investors opportunity to evaluate material news developments affecting NASDAQ securities. In addition, over 1,500 inquiries and 670 investigations into unusual activity were conducted, and 23 cases of possible manipulation were referred to the NASD's District Offices and to the SEC for disciplinary action, if warranted.

The Association's more than 450 employees engaged in regulatory functions completed 2,248 routine examinations of member firms. While members' compliance continued high, the Association's District Committees did find it necessary to expel 15 firms and to bar 90 individuals for serious violations of securities industry rules. In 1980, extensive branch office examinations will be added to the NASD's broker/dealer surveillance activities.

For the third consecutive year, the Association's primary regulatory policy effort was to preserve and strengthen the rules concerning the distribution of underwritten securities. New NASD rule proposals reinforcing the Rules of Fair Practice provisions with respect to underwriting practices were the subject of extensive SEC hearings and industry discussion, but the SEC had not made a determination on the proposals as 1979 came to a close. Thus this vital matter will continue to engage the NASD's priority attention in 1980.

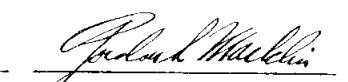
Membership Participation

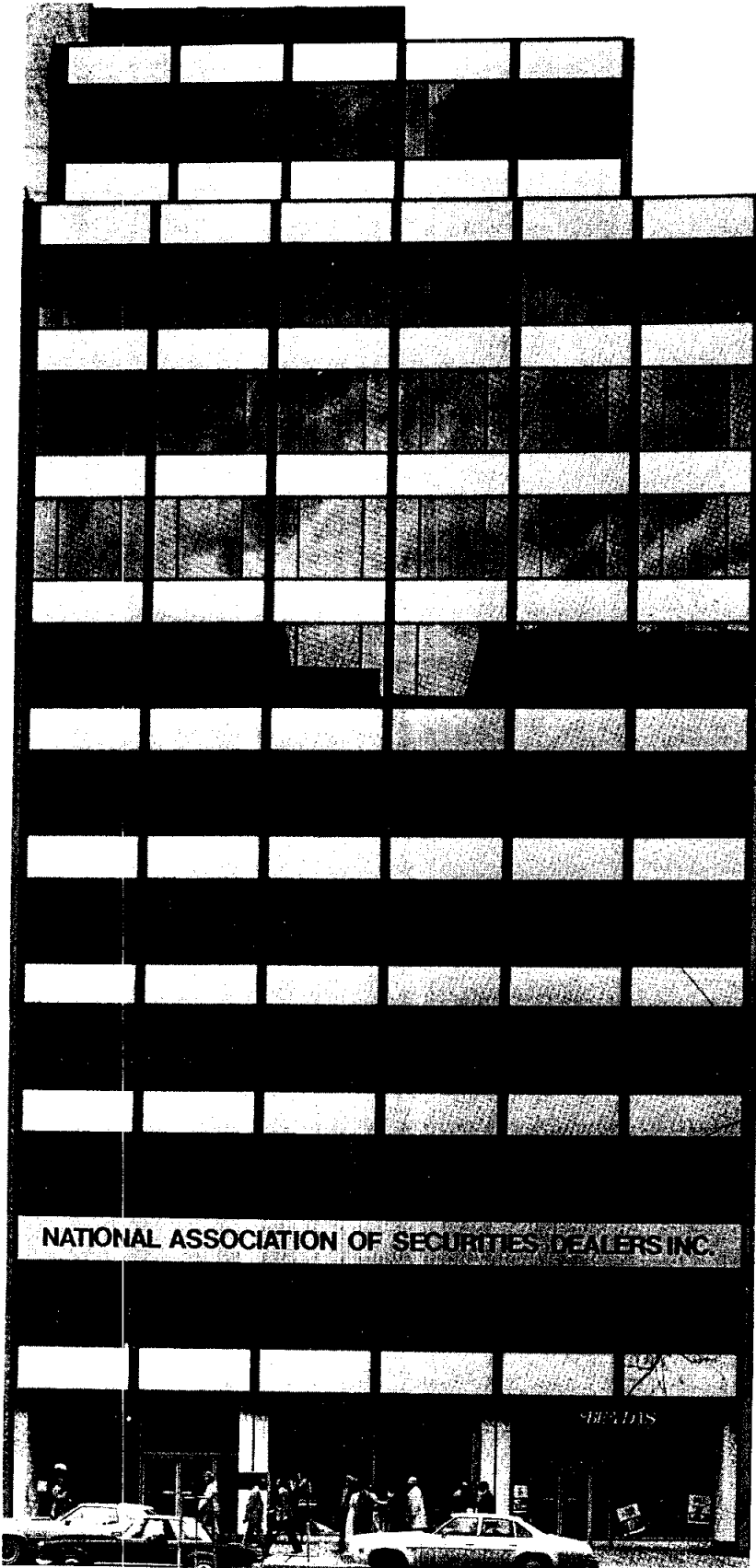
The NASD has come a long way in its four decades of existence. For all the change that has taken place, however, one dimension has remained constant—the skills and dedication of the hundreds of industry volunteers who participate each year.

With its strong degree of member participation and control, the Association is truly a self-regulatory organization. It has been blessed by the work of outstanding Governors and Committee members and, given that same dedication which has been so crucial in the past, we predict both an exciting and a productive decade ahead.

Respectfully submitted


J. Stephen Putnam, Chairman


Gordon S. Macklin, President



NASD 1979 Annual Report Table of Contents

| | |
|---|----|
| Securities | |
| NASDAQ | 3 |
| Other Equity Securities | 8 |
| Municipal Securities | 8 |
| OTC Corporate Bonds | 9 |
| Mutual Funds | 9 |
| Variable Annuities | 9 |
| Direct Participation Programs | 10 |
| Corporate Financing | 10 |
| Regulation | |
| Compliance | 12 |
| Regulatory Policy | 14 |
| Litigation | 17 |
| National Market System | 18 |
| Management, Staff and Finances | 19 |
| NASD Officers and Board of Governors | 20 |
| National Committees | 22 |
| District Committees | 24 |
| Financial Statements | 29 |

NASD headquarters building is at 1735 K
Street, N.W., in Washington, D.C.

SECURITIES

NASDAQ

Market Value

There were 2,670 securities quoted on the NASDAQ System at the end of 1979. Among these, the **market value** of the 2,375 domestic common stocks was **\$91.7 billion**. This compared with a \$78.8 billion market value of such securities at the beginning of the year.

The shares outstanding of 5 NASDAQ-quoted companies had a market value each **in excess of \$1 billion**. The next 11 companies' shares were worth **over \$500 million** each, 39 more had shares worth **in excess of \$250 million** and another 153 had shares worth over **\$100 million**.

Prices

The **NASDAQ Composite Index** (measuring the price performance of the 2,375 domestic common stocks quoted on NASDAQ) opened 1979 at **117.98** and stood at **151.14** when the market closed on December 31.

This was a **gain of 28%** during 1979. (The Dow Jones Industrial Average gained 4.2% for the year.)

The **all-time high** for the NASDAQ Composite Index was **152.29** on October 5, 1979. On October 23, following the market break after the Federal Reserve Board tightened credit, it dropped to 132.61. By year-end, the NASDAQ Composite Index had almost recovered to the all-time high.

The **NASDAQ Industrial, Insurance and Utility Indexes** also reached **all-time highs** during 1979.

The performance of the NASDAQ Composite Index marked the continuation of a **five-year bull market** in NASDAQ securities (see chart). At the end of 1974, the Composite was under 60; by December 31, 1979 it was **over 250% of what it had been five years earlier**.

The Dow Jones Industrial Average closed 1974 at 616 and stood at 838.74 at the close of the market on December 31, 1979, or 136% of what it had been five years earlier.

A FIVE-YEAR BULL MARKET

| | NASDAQ Composite Close | Volume in NASDAQ Securities | DJIA Close | NYSE Volume |
|------------------------------|------------------------------|-----------------------------------|---------------|----------------|
| 1974 | 59.82 | 1,179,723,000 | 616.24 | 3,517,743,000 |
| 1975 | 77.62 | 1,390,412,000 | 852.41 | 5,050,736,000 |
| % Change | +29.8 | +17.9 | +38.3 | +43.6 |
| 1976 | 97.88 | 1,683,933,000 | 1004.65 | 5,360,116,000 |
| % Change | +26.1 | +21.1 | +17.9 | +6.1 |
| 1977 | 105.05 | 1,932,100,000 | 831.17 | 5,273,767,000 |
| % Change | +7.3 | +14.7 | -17.3 | -1.6 |
| 1978 | 117.98 | 2,762,299,000 | 805.01 | 7,205,059,000 |
| % Change | +12.3 | +43.0 | -3.1 | +36.6 |
| 1979 | 151.14 | 3,651,213,819 | 838.74 | 8,155,915,314 |
| % Change | +28.1 | +32.2 | +4.2 | +13.2 |
| % Change (1979 over 1974) | +152.7 | +209.5 | +36.1 | +131.8 |

Volume

Volume for the 2,670 NASDAQ securities in 1979 exceeded **3.65 billion shares**, a record for the nine years (beginning February 8, 1971) of the NASDAQ System. The previous record year was 1978, with 2.76 billion shares of NASDAQ securities traded.

The **dollar value** of the 3.65 billion share volume was **\$44.3 billion**. The average price per traded share was \$12.13.

The all-time **record volume day** for NASDAQ securities was December 14, 1979, with **28,207,400 shares** traded.*

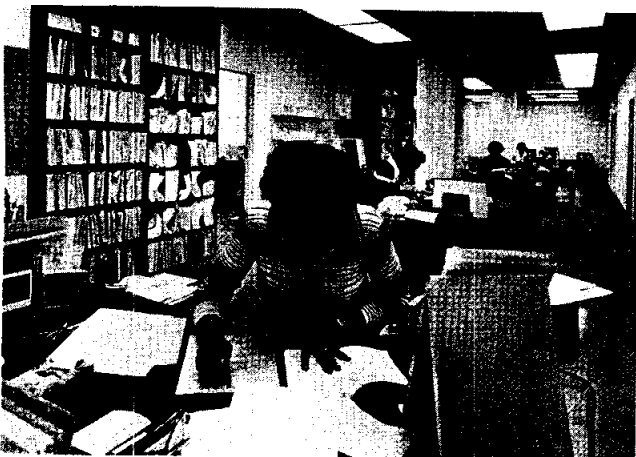
Average daily volume for 1979 was 14.5 million shares.

The 3.65 billion share volume in 1979 continued the five-year growth in NASDAQ securities trading. Volume in 1974 was 1.18 billion; thus **1979 volume was over triple that of 1974**.

Compared to the NYSE, NASDAQ share volume in 1979 was 45% of the exchange's volume.

Market Surveillance

The NASD continued to monitor activity in NASDAQ securities through its **Market Surveillance Section**. The Board of Governors in March 1979 recommended that NASDAQ companies promptly notify the NASD of material news, and the Association continually stressed with the companies the importance of halting quotations prior to the dissemination of material news. As a result, the number of **quotations halts increased to 482**, as compared to 210 in 1978 and only 55 in 1977.



Market Surveillance Section staff in Washington analyzes activity in NASDAQ securities.

* The record was broken in January 1980, when over 30 million shares were traded on 14 days.

Nearly 80 percent of the quotations halts in 1979 were a result of NASDAQ companies' contacting the NASD. In December 1979, the NASD began **notifying the major newswire services** when quotations were halted and reinstated, to assist NASDAQ companies in obtaining newswire coverage of their press releases and to alert the investing public and market professionals to both the news and the quotations halts.

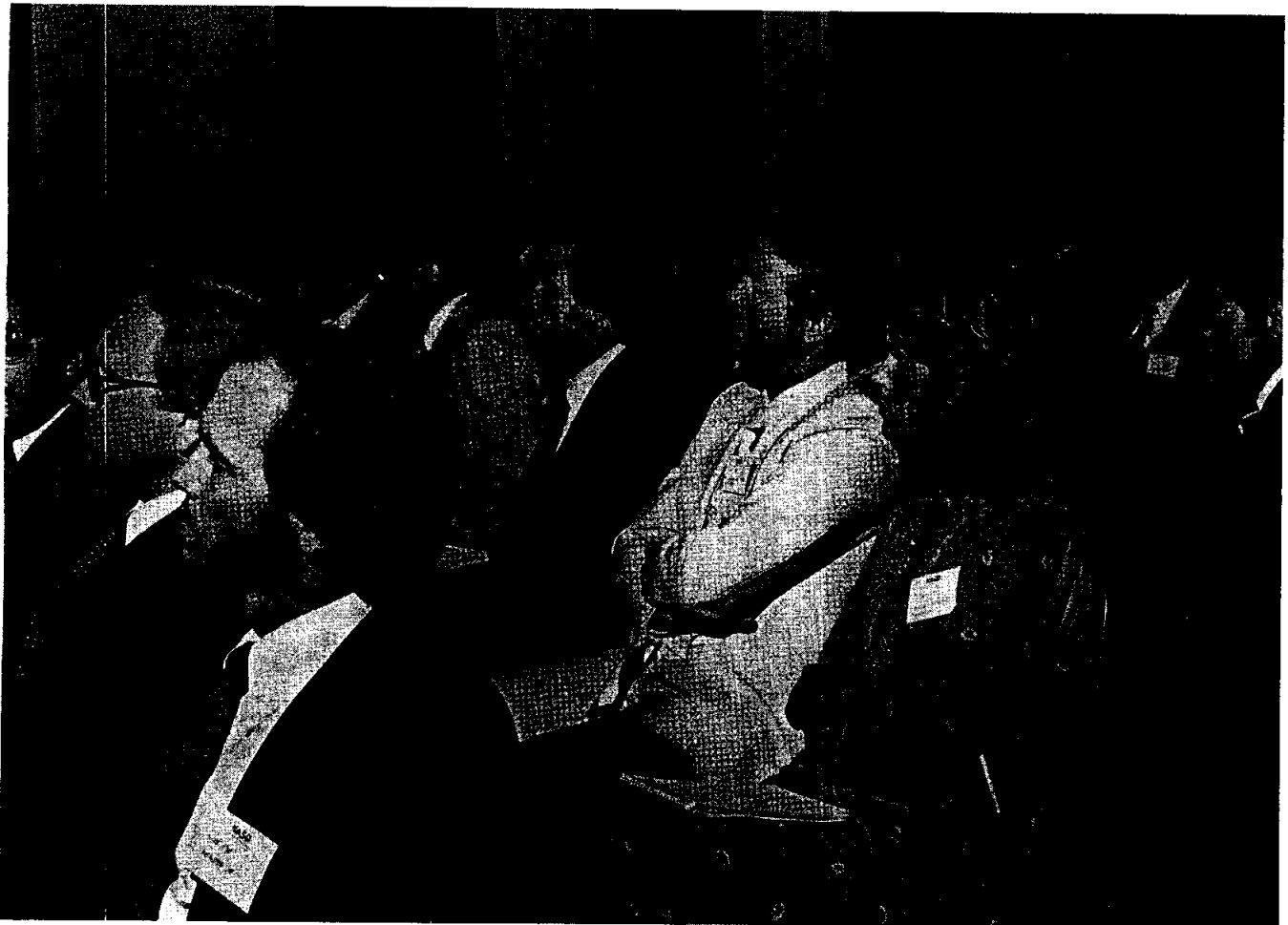
Through the Association's on-line surveillance of the NASDAQ System, the Market Surveillance Section was alerted on a real-time basis to nearly 1,600 price parameter breaks. The Section conducted over **1,500 inquiries** into unusual activity in NASDAQ securities, which led to **670 investigations** and the referral of **23 cases** to the NASD's District offices, its Anti-Fraud Section and the SEC, for further investigation and disciplinary action, where appropriate.



At Corporate Advisory Committee meeting are (clockwise from rear) Chairman Douglas H. Curtis, NASD President Macklin (standing), Lawrence A. Leser, NASD Chairman Putnam, David R. Cowart, Shelby H. Page, J. M. Hill, Robert D. Hedberg.

Company Participation in NASD Affairs

The **Corporate Advisory Committee** of the NASD was established to give NASDAQ-quoted companies a greater voice in the operations and policy of the Association. The Committee was chaired by Douglas H. Curtis, Vice President-Finance of Franklin Electric Co., Inc. of Bluffton, Indiana and had ten other NASDAQ company executives as members. It met three times during the year, with the NASD's Chairman, President and senior staff in



In Dallas, Texas executives attend a NASDAQ Company-NASD Consultation. There are over 150 NASDAQ companies in Texas.

attendance. In 1975, there was one NASDAQ company executive on the NASD Board of Governors; in 1979, issuers were represented on the Board, on five key National Committees of the Association and by their own Corporate Advisory Committee.

The September-October 1979 NASDAQ Company-NASD Consultations were planned by the Committee, held in 14 cities and attracted 458 executives of 359 companies. They dealt with four subjects: (1) the National Market System (2) the advantages of NASDAQ and the OTC market (3) NASD activities on behalf of NASDAQ-quoted companies and (4) market makers and securities analysts, and how NASDAQ-quoted companies should relate to them.

The Corporate Advisory Committee also initiated the **"Background for Comment" Bulletins**. These are summaries of SEC and other regulatory proposals which have potentially significant consequences for NASDAQ-quoted companies, and are intended to make comment by the companies easier. **Bulletin # 2**, on SEC proposals to require, in annual reports, management statements on the adequacy of internal accounting controls, produced many adverse comments from NASDAQ companies. These and comments from others made the Commission delay action on its proposals. **Bulletin #3**, on the SEC's new proxy rule proposals, also led to many negative comments from companies. The Commission in November adopted proxy rules modified from the original proposals.

| | | | |
|--------|--------------------------------|--------------------------------|------|
| ■ AIGR | 58 ³ / ₄ | 59 ³ / ₄ | |
| BEST | 58 ¹ / ₂ | 59 ¹ / ₂ | |
| *BRNS | 58 ¹ / ₂ | 59 ¹ / ₂ | BEST |
| DBUR | 58 ³ / ₄ | 59 ³ / ₄ | |
| OPCO | 58 ³ / ₄ | 59 ³ / ₄ | |
| GSCO | 59 | 60 | MOR |

Representative bid/ask (top line) released by NASDAQ System on American International Group stock—the biggest issue quoted on NASDAQ—shows spread of one point.

| | | | |
|--------|--------------------------------|--------------------------------|------|
| ■ AIGR | 59 | 59 ¹ / ₂ | |
| BEST | 58 ¹ / ₂ | 59 ¹ / ₂ | |
| *BRNS | 58 ¹ / ₂ | 59 ¹ / ₂ | BEST |
| DBUR | 58 ³ / ₄ | 59 ³ / ₄ | |
| OPCO | 58 ³ / ₄ | 59 ³ / ₄ | |
| GSCO | 59 | 60 | MOR |

Inside market (top line), which will be released in mid-1980, for American International Group stock at the same time as RBA in left picture shows spread of only one-half point.

Special Services to NASDAQ Companies

The **Monthly Statistical Reports**, which were introduced in January 1979, were possibly the best-received NASD service to the companies since the 1971 establishment of the NASDAQ System. The reports contain the daily high, low and closing bids and volume on a company's security, the names of its market makers and information on the NASDAQ indexes. Hundreds of NASDAQ company letters to the NASD and many comments at the September-October NASDAQ Company-NASD Consultations were favorable to the Monthly Statistical Reports.

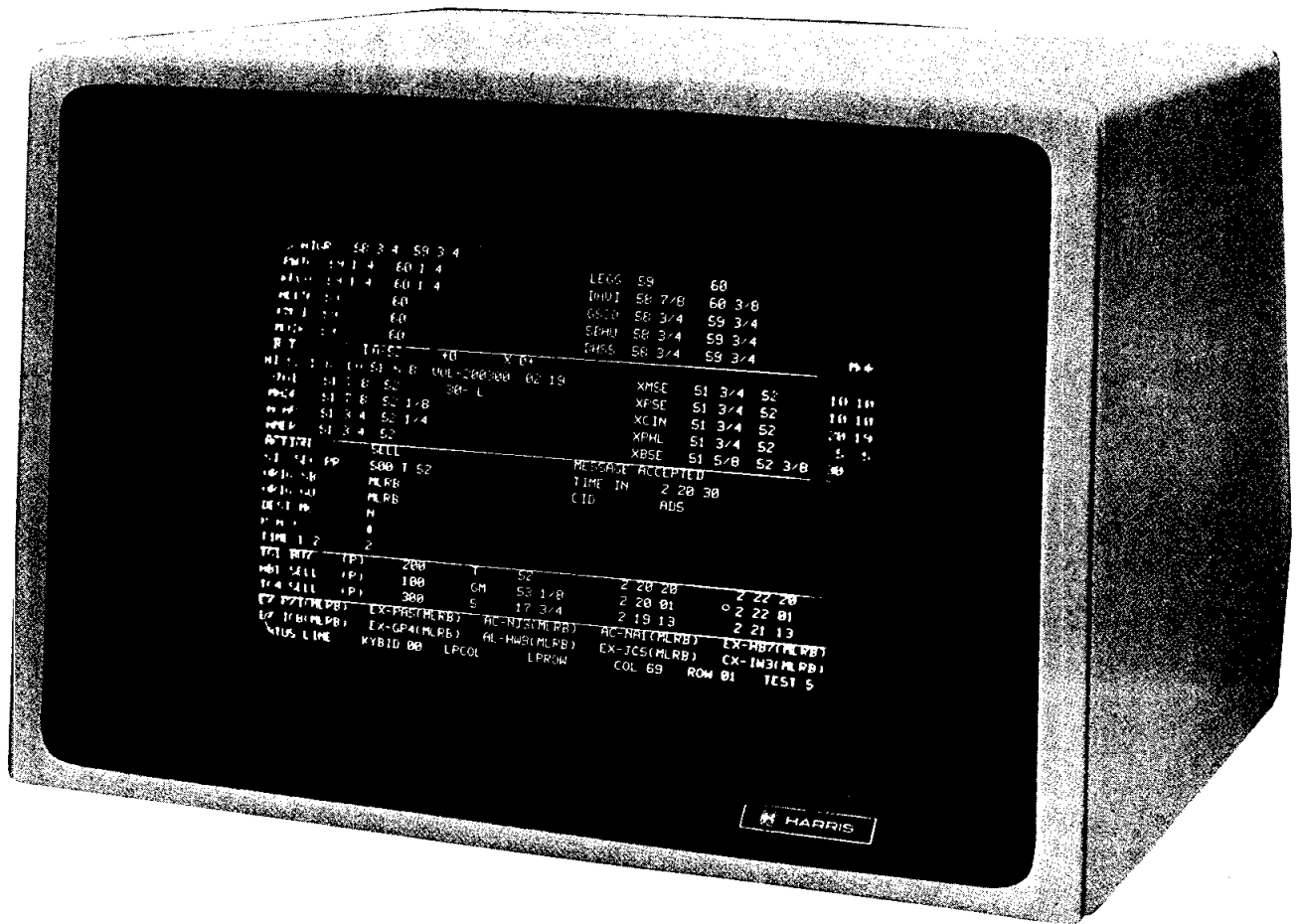
Efforts by the NASD on behalf of the "**Blue Chip**" exemption from state securities registration received important assistance from NASDAQ companies. The "Blue Chip" exemption approach consists of a set of objective criteria which are to apply to all companies issuing securities, irrespective of the markets in which their securities are traded. By the end of 1979, enough states had adopted the exemption so that **more than half of all NASDAQ companies** were located in states which either had the exemption or did not require NASDAQ-quoted securities to be registered. Eleven more states, in which **an additional 15**

percent of all NASDAQ companies are located, are expected to consider the exemption in their 1980 legislative sessions.

1980-81 Services to NASDAQ Companies and Market Makers

The NASDAQ System has been releasing representative bid/ask quotations since its inception in 1971. For the **1980 release of the inside markets—the highest bids and lowest offerings on NASDAQ securities**—to newspapers and quote vendors, re-programming of the NASDAQ computers began in December 1979. The SEC proposed the release of the inside markets in 1978; the NASD Board endorsed it, as useful to potential investors and as resolving a concern expressed by many NASDAQ issuers regarding the sizes of their published spreads. Release of the inside markets should in most instances reduce the published spreads of NASDAQ securities.

New NASDAQ terminals, much more sophisticated than the old ones, are to be installed in the offices of the 360-plus NASDAQ market makers and in the offices of institutions during 1980-81, under



New NASDAQ terminals, going into service in 1980, have more than eight times the number of display positions of the old ones (opposite page).

an \$8-million contract which NASDAQ, Inc., a wholly-owned subsidiary of the NASD, was negotiating with the Harris Corporation in late 1979. The new terminals will be programmable, which the present ones are not; will have 1,920 display positions, instead of 222; and will accommodate transmissions of 2,400 bits per second instead of 1,600. Also, the reliability of the new terminals will be much greater, and when problems do arise, they will be far easier to detect and to fix.

Upgrading of the NASDAQ computers, for the second time in two years, began in 1979 with planning for replacement of the UNIVAC 1100/22s of the NASDAQ Central Processing Complex in Trumbull, Connecticut by two UNIVAC 1100/82s. The new computers will have nearly triple the memory capacity of the old ones and will be able to process twice the number of messages per second. They will thus support the increasing NASDAQ traffic and additional System functions.



Regulatory data is stored on tape reels and on-line disk files in NASD Data Center in Washington.

OTHER EQUITY SECURITIES

There were approximately **11,000 other OTC equity securities** quoted by The National Quotation Service (the "pink sheets") of the National Quotation Bureau, Inc., and not quoted on NASDAQ. OTC traders estimated that activity in these non-NASDAQ issues roughly kept pace with that in NASDAQ securities, and was substantially higher in 1979 than in 1978.

The **market value** of the shares outstanding of these and other non-NASDAQ OTC issues has been estimated to be roughly half the market value of NASDAQ-quoted domestic common securities. This would bring the combined market value of NASDAQ and non-NASDAQ OTC equity securities to the neighborhood of **\$150 billion**.

The Association, as part of its standard regulatory and examination programs, reviewed activity in non-NASDAQ OTC equity securities with respect to trading practices, fairness to customers, underwritings and possible manipulations.

MUNICIPAL SECURITIES

During 1979, municipal securities broker/dealers placed with investors over **6,300 issues valued at nearly \$60 billion**.

The Securities Acts Amendments of 1975 created the Municipal Securities Rulemaking Board, a self-regulatory organization with primary rulemaking authority for the municipal securities industry. The 1975 Amendments also delegated to the **NASD overall inspection and enforcement responsibility** with respect to members' municipal securities activities. In 1979, the Association conducted some 1,300 routine inspections of member firms for their compliance with the rules of the Municipal Securities/Rulemaking Board.

The NASD's **Municipal Securities Committee**, composed of a dozen professionals from the Association's membership, provided the Municipal Securities Rulemaking Board with recommendations regarding the qualification requirements of principals and salesmen, the activities of financial

advisors and rules for advertising. The Committee also began to study draft guidelines of the Municipal Securities Rulemaking Board on fair pricing policies in municipal securities transactions.

OTC CORPORATE BONDS

There was brisk activity in OTC corporate bonds during 1979, as nearly **300 new offerings** with a combined value of **\$24 billion** came to market.

The NASD (1) monitored the OTC corporate bond underwriting, distribution and trading activities of its members and (2) continued its **efforts to increase the marginability** of these bonds. The Association recommended to the Federal Reserve Board that, for OTC non-convertible bonds with five years or less to maturity, the size of the issuing entity no longer be a factor in determining the eligibility of the bonds for the extension of margin, and an FRB decision on this recommendation is expected in early 1980.

MUTUAL FUNDS

Sales of shares in **money market funds** in 1979 totalled just over **\$112 billion**, and redemptions of such shares were \$78.5 billion. In other mutual funds, sales of shares were \$7.5 billion and redemptions \$8.4 billion. A significant portion of this activity was conducted by NASD member firms and their affiliates, and thus was within the Association's area of regulatory responsibility.

The NASD during the year continued its **administration of the rules concerning advertising and sales literature** used in the sale of mutual fund shares, and its **regulation of sales charges** and other **pricing and distribution practices** of the funds.

During 1979, the SEC withdrew its almost 30-year-old Statement of Policy on investment company sales literature and adopted several new rules in this area. The Association generally supported

this action and proposed changes in its own sales literature filing requirements, began the development of its own **advertising and sales literature guidelines** for NASD members (with publication expected in early 1980), and suggested that the SEC exempt NASD members from filing sales literature with the Commission, if appropriate filings are made with the NASD.

The NASD also submitted comments to the SEC on its **proposed rules for the bearing of distribution expenses** by mutual funds and **procedures related to pricing of shares**. Support was expressed for the proposal of the Federal Reserve Board to permit broker/dealers to extend credit on mutual fund shares. A **study of all NASD rules**, policies and interpretations **relating to mutual fund sales** and distribution was initiated and publication of the results of this study, in the form of proposed rule revisions, is expected early in 1980.

VARIABLE ANNUITIES

Variable annuities, which are registered securities under the Securities Act of 1933, are subject to NASD regulation. The principal segment of the NASD membership which distributes variable annuities consists of **48 life insurance companies** and their subsidiaries, with some **70,000 insurance agents** who are also Registered Representatives. Some broker/dealers also sell variable annuities.

It is estimated that 1979 **premium payments** for variable annuities amounted to about **\$400 million**. At the end of the year, the combined **value of the accounts** for these annuities was slightly over **\$2 billion**.

Insurance companies, in cooperation with the NASD, have developed centralized systems for supervising transactions in variable annuities, under which customer applications are reviewed by compliance units at the companies' home offices, rather than at branch or regional offices.

DIRECT PARTICIPATION PROGRAMS

There were filed with the NASD in 1979 **233 direct participation programs**, mostly limited partnerships, in which Association members participated. These offerings had an aggregate registered amount of **\$3.4 billion**. (In 1978, there were 210 such filings with a dollar amount of \$2.6 billion.) The two largest categories of limited partnership offerings, **oil & gas** and **real estate**, accounted respectively for 110 filings of \$2 billion and 74 filings of \$910 million. (In 1978, the respective statistics were 95 filings of \$1.6 billion and 70 filings of \$782 million.)

The **Corporate Financing Department** of the Association reviewed these public offerings, both of an inter- and intra-state nature, to determine the type and amount of cash and non-cash compensation flowing to members for their participation in the offerings.



Real estate industry representatives meet with NASD officials. In rear row, from left, are Samuel Chase, Atilla Ilkson, Howard Pizer and NASD's Dennis Hensley, Vice President, Corporate Financing. In front, from left, are NASD President Macklin, Howard Miller, Steven Miller, James Matison.

A **Real Estate Committee** was established as a new National Committee of the Association, in response to suggestions from the National Association of Realtors and others. The Committee defined three initial objectives: (1) to educate

persons engaged in real estate securities activities about regulations which may apply to them (2) to work toward greater uniformity among all regulatory requirements applicable to real estate securities (3) to facilitate capital formation for real estate investment.

The Association completed a **study of privately placed direct participation programs**, undertaken to determine whether such private offerings required additional regulatory attention. A review of 1,415 offerings indicated that there might have been serious abuses by unregistered broker/dealers and promoters; on the other hand, **only a very small percentage of offerings by NASD members appeared to be outside acceptable parameters**. The NASD Board of Governors therefore concluded that problems with private placements affecting member firms could be dealt with by existing enforcement mechanisms.

CORPORATE FINANCING

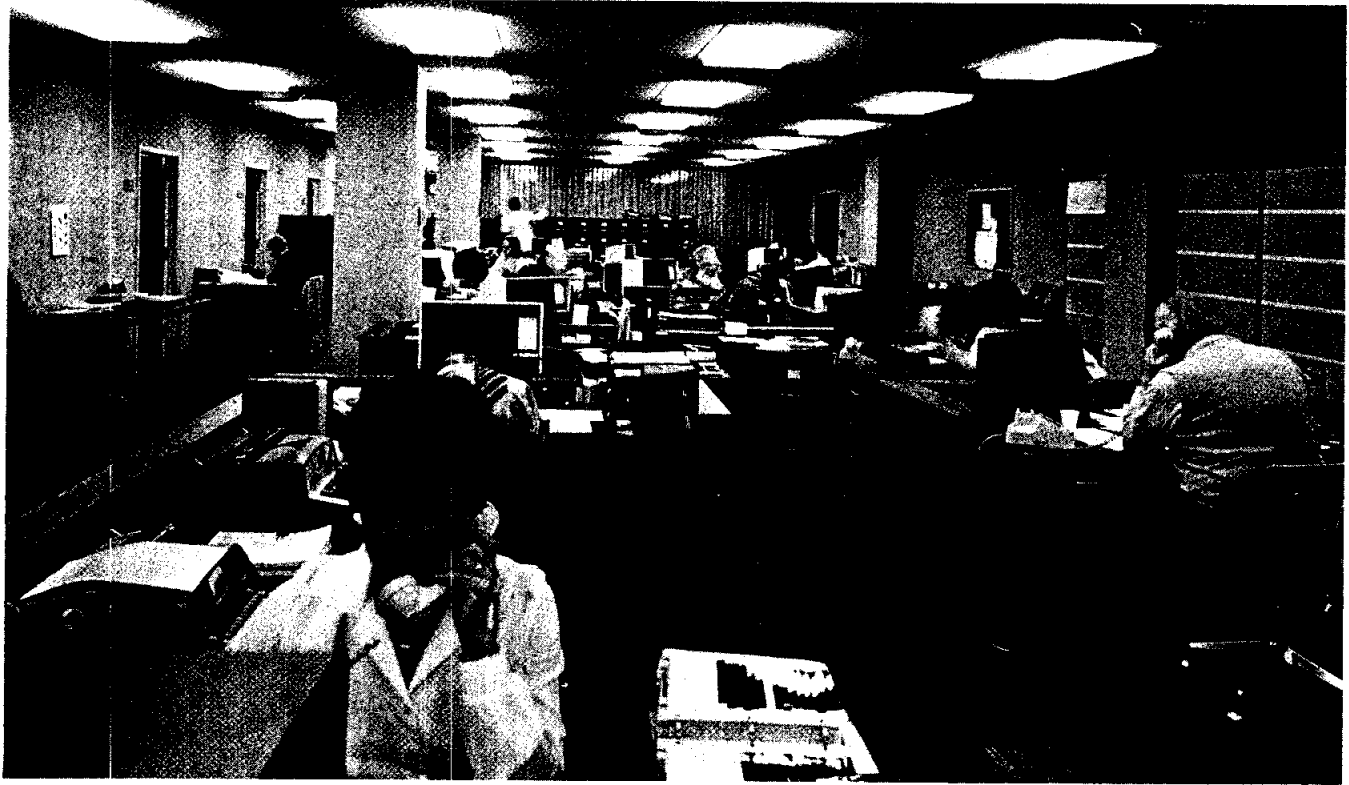
In addition to public offerings of direct participation programs, NASD members in 1979 filed with the Association **636 offerings** (corporate debt or equity and Real Estate Investment Trust) in which they intended to participate, in an aggregate amount of **\$11.2 billion**. (In 1978, there were 550 such filings which aggregated \$10.5 billion). These underwritings were also reviewed for the fairness and reasonableness of their terms and arrangements. Approximately 30% of the deals filed were cleared for member participation without comment. Of the remaining deals filed, about 60% required additional information and about 8% were considered unreasonable.

The Association authorized that **free-riding and withholding questionnaires** be sent to 723 participating underwriters and selling group members, to review their compliance with their obligations to make *bona fide* public offerings in 20 so-called "hot new issues," which opened at premiums in after-market trading.

REGULATION



Board of Governors of the Association meets with District Committee Chairmen (at table in center) in Washington.



Membership Department staff in Washington office responds to inquiries from securities industry firms and personnel.

COMPLIANCE

Members

The Association at the end of 1979 had **2,801 member firms**, with **6,985 branches**. This compares with 2,813 members and 6,327 branches at the beginning of the year.

There were **198 new members**, including general securities firms, direct participation program specialists and real estate syndication firms. Of the 210 members who left the Association, 8 were involved in mergers, 177 voluntarily went out of business, 15 were expelled for disciplinary reasons, 7 were cancelled for administrative reasons and 3 were placed in SIPC liquidation.

Broker/Dealer Surveillance

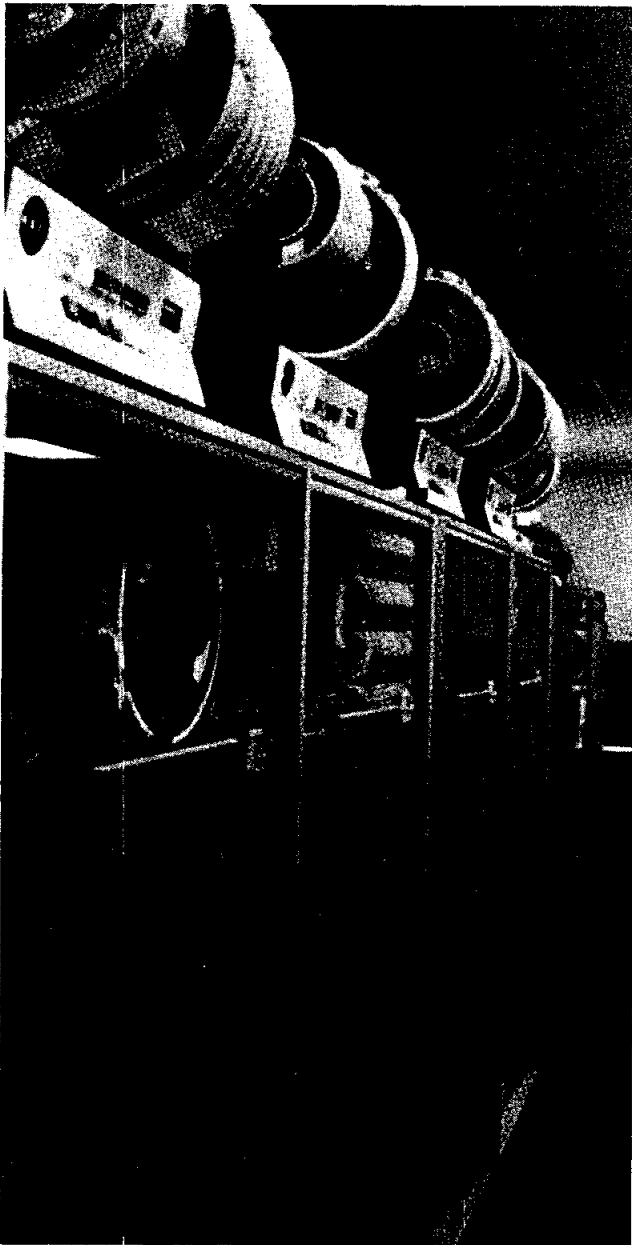
During 1979, approximately **450 NASD staff employees** in its District and Washington headquarters offices **performed regulatory functions**. These included on-site examinations of broker/dealers for sales practices, suitability, mark-ups and compliance with SEC and MSRB regulations, as well as the NASD's Rules of Fair Practice.

The Association met its prescribed examination

frequency cycles in 1979 for all categories of its members, by conducting **2,248 routine examinations**, **112 financial and operational examinations** and **533 special examinations** of broker/dealer firms. These totals included examinations of all NASD members conducting a municipal securities business.

Disciplinary Actions

All examination reports were reviewed by the **thirteen District Business Conduct Committees**, consisting of 147 individuals elected by the securities industry in their respective areas (pp. 24-28). **The majority of the reports continued to reflect general compliance with SEC, NASD and MSRB rules**. However, the District Business Conduct Committees did find it necessary to file **252 complaints** (compared to 237 in 1978) and accepted 59 Letters of Admission, Waiver and Consent (compared to 72 in 1978). These actions resulted in the **expulsion of 15 firms** (22 in 1978), the **barring of 90 individuals** (142 in 1978), the suspension of 6 firms (10 in 1978) and the suspension of 54 individuals (53 in 1978).



Examination analyses and registration records are processed by tape drives in NASD Data Center.

Special Surveillance Actions

The heavy trading in equity securities during October 1979 raised concerns about the financial and operational capabilities of broker/dealers. Through its established surveillance programs, the NASD identified potential problem areas and then arranged special surveys, on-site reviews and examinations to determine whether preventive or corrective actions were necessary.

Tightening of credit by the Federal Reserve Board, also in October, had a particularly severe impact on the markets for fixed income securities. Utilizing an independent pricing service corporation, the NASD made a preliminary valuation of the inventory positions of municipal securities dealers, in order to develop early warnings of problems which might arise.

Liquidations and Trusteeships

During the year, the NASD successfully monitored the self-liquidation of five member firms whose overall exposure to public customers and the securities industry had totalled \$7.9 million. Since the inception of the Association's self-liquidation program in 1968, approximately \$56 million in customer and street obligations on the part of member firms have been satisfied, without court or SIPC supervision.

Also during 1979, the NASD completed its work as the appointed receiver for one broker/dealer. Three firms for which the NASD was the designated examining authority were placed under SIPC trusteeship and these liquidations resulted in \$151,326 in SIPC advances through December 31, 1979 for claims filed for cash or securities against the firms.

Resolution of Investor Disputes

Investors in 1979 relied extensively on the NASD's nationwide network of District Offices and Committees to have complaints against broker/dealers examined and resolved. The Districts processed **816 investor complaints against broker/dealers**, a 42 percent increase over the 575 processed in 1978.

Utilizing the NASD's computer facilities, a **central repository for customer complaints** was established by the NASD, the Boston, Cincinnati, Midwest and Pacific Stock Exchanges and the SEC. It is envisioned that these facilities will be expanded in 1980 to include complaints received by other self-regulatory organizations and by various state securities commissions.

The NASD's arbitration facility processed money claims by customers against broker/dealers because of alleged errors or improprieties in the handling of their accounts, and also intra-industry money claims. The facility had **250 claims** filed with it (almost double the number in 1978), requesting relief ranging from less than \$100 to more than \$750,000 and totaling approximately \$5 million.

Efforts for the **coordination of arbitration programs** continued. The Uniform Code of Arbitration, developed by the Securities Industry Conference on Arbitration, was incorporated into the NASD's Arbitration Code and is expected to be declared effective by the SEC in early 1980.

Compliance Activities With the Exchanges

The **joint NASD/NYSE examination program**, in effect since 1973, continued to save members of both organizations the inconvenience of being examined separately for their activities in OTC and listed securities.

The Association continued in its role, assumed in 1978, as the **examining body for more than 200 firms which belong to the NASD and the Boston, Cincinnati, Midwest and Pacific Stock Exchanges.**

Registration Activities With the Exchanges and the States

Progress was made on the program begun in 1978 for the **central processing of registrations of securities industry personnel** with the Boston, Cincinnati, Midwest and Pacific Stock Exchanges and the Chicago Board Options Exchange, as well as the NASD. This program saves firms, exchanges and the NASD considerable time and money.

Pilot programs with the states for processing registrations were pursued in Illinois, Massachusetts and Michigan.

The ultimate objective of the Association's registration activities is to provide a **centralized registration depository** for the entire securities industry. The depository will make it possible for NASD members to register sales personnel with the self-regulatory organizations and the states by sending one form with one check to one place.

Qualifications Examinations

As the **test administrator for the securities industry**, the NASD in 1979 administered more than 50,000 qualifications examinations for itself, other self-regulatory organizations, the SEC, the states and the commodities exchanges. **Automated testing**, on the terminals of the PLATO System in the nationwide Learning Centers of the Control Data Corporation, began and by the end of 1980 most of the tests which the Association administers will be automated. This allows candidates to take tests at their convenience, gives them their results instantaneously and improves the security of the testing process.

In cooperation with the North American Securities Administrators Association, the NASD put into effect in April 1979 the **Uniform Securities Agent State Law Examination**. By the end of the year, this test had been accepted by almost all the states which had previously required separate state law examinations for securities industry personnel. The standardization of the state qualification procedure is expected to reduce substantially the time and expense involved in bringing new salespersons into production.

REGULATORY POLICY

Securities Distribution Rules

The Securities and Exchange Commission conducted a series of hearings in 1979 to explore the issues surrounding the Association's proposed **fixed price distribution rule package**. The rules, which were filed with the Commission after member approval, were developed in the wake of the decision in the case of **Papilsky vs. Berndt** and are intended to make clear that selling concession discounts or other allowances can only be paid to members actually engaged in the investment banking or securities business and only for services rendered in a distribution.

The rule proposals are designed to proscribe various transactions which, if permitted, would enable certain customers to obtain discounts from the public offering price of securities. The rule proposals reach both direct cash discounts and



At May Senate hearing, Senator Alan Cranston (right front) introduces William R. Hambrecht (between microphones), Chairman of NASD Committee on Small Business Financing. Others at table in center (from left) are NASD President Macklin, Committee members Anthony A. LaCroix, J. Coleman Budd and NASD Chairman Putnam.

rebates and other indirect discounting devices of the nature addressed in the Papilsky case as well as others. The proposals generally deal with three sections of the Rules of Fair Practice: Section 8, dealing with **swapping and overtrading**, Section 24, dealing with **eligibility to receive selling concessions** and defining what constitutes an indirect discount or concession, and Section 36, dealing with **sales of securities to related parties**.

Small Business Financing

In September 1978 the Association organized the **Joint Industry/Government Committee on Small Business Financing** to examine the capital-raising problems of small business. Composed of securities industry financing experts, the Committee was assisted by representatives of the Securities Industry Association, the Securities and Exchange

Commission, the Department of the Treasury, the U.S. Small Business Administration, the National Association of Small Business Investment Companies, the National Venture Capital Association, the White House Conference on Small Business and the Chief Counsel to the Senate Small Business Committee.

The efforts of the Joint Committee culminated in a Special Report, entitled, **Small Business Financing: The Current Environment and Suggestions for Improvement**, which was presented to the U.S. Senate Select Committee on Small Business on May 22, 1979. In its Report, the Committee concluded that small businesses face an uncertain future unless barriers to investment in these enterprises are eliminated. To that end, the Joint Committee made a number of recommendations, the majority of which are directed to the Congress and mainly concerned taxation, ERISA and the federal securities laws. A number of these



Chairing Senate hearing on NASD Small Business Financing Report is Senator Gaylord Nelson, who later introduced a bill embodying the report's principal recommendation.

recommendations have been incorporated into legislative initiatives which are currently before the Congress for consideration.

From an NASD perspective, perhaps the most important development stemming from the Joint Committee's Report was the recent introduction in the Senate of S. 1967, the **Capital Formation Incentive Act of 1979**. Introduced on November 1, 1979, by Senator Gaylord Nelson (D.-Wis.), Chairman of the Senate Select Committee on Small Business, the bill would permit market makers to place up to \$1 million earned from market making activities in securities of small businesses into a 10-year, tax-deferred "profit reserve." Additions to the reserve for any one year would not be permitted to exceed 30 percent of the fair market value of average equity positions carried for market making during that year.

This legislation closely tracks a principal recommendation put forth by the NASD's Joint Committee. The basis for this recommendation was the Joint Committee's conclusion that there is a clear and pressing need to provide broker/dealers with some degree of protection against losses incurred in performing the function of risk market making. In the opinion of the Joint Committee, **this incentive would encourage firms to make markets**, thereby improving the marketability and liquidity of small business investments. Concern over the marketability of small business investments is a key reason why many institutional investors do not invest in smaller companies.

S. 1967, which has been referred to the Committee on Finance, must be approved by that Committee as well as the Committee on Banking, Housing and Urban Affairs, before action can be taken by the full Senate.

Options

There were several significant developments in the options area during 1979. Foremost among these was the issuance by the SEC in February of its **Special Study of the Options Markets**. The Options Study contained a number of recommendations for changes in the existing scheme of options surveillance and regulation and called upon each of the industry's self-regulatory organizations to make specific amendments to their options rules.

In order to respond to the Options Study recommendations and, in turn, move closer toward ending the SEC-imposed moratorium on options expansion, the Association, the New York Stock Exchange and the five options exchanges formed a **joint SRO Task Force**. Over an eight-month period, this SRO group drafted and submitted for member comment a number of rule change proposals which it believed were responsive to the Options Study's requests. Following several discussions with the SEC staff, most of the proposals were filed for approval with the Commission.

In their final form, the rule changes represent the Task Force's attempt to provide a **uniform response to the recommendations of the Options Study** while at the same time minimizing the impact their implementation will have on the options segment of the securities industry. Should the group's efforts prove successful, a relaxation of the options moratorium seems likely in early 1980. It is not expected, however, that any steps will be taken by the Commission at that time to address NASDAQ options or the Association's entry into options trading. Significant questions remain to be resolved in connection with approval of the NASDAQ options proposal and thus prohibit the Association from making any prediction at this time as to a start-up date for the program.

The Association was able this past year to implement its program for the **regulation of members who conduct an options business on an access basis** (i.e., they are not members of an exchange on which the options they trade are listed). The program has operated successfully and has filled a regulatory void in the options area by including a number of firms for the first time under a set of specialized options rules.

Net Capital Rule

During 1979, the Association both monitored and participated in the efforts of the Securities Industry Association's Capital Committee to develop recommendations regarding the Commission's net capital rule. The SIA's efforts in this area were triggered by SEC Chairman Williams' statement that the Commission in 1980 would undertake a **review of the net capital rule** for the purpose of **eliminating onerous requirements** which are in excess of those needed for regulatory purposes. The positions taken in the SIA's report to the SEC are currently being reviewed by the NASD's Financial Responsibility Committee for the purpose of determining whether other areas not specifically addressed in the SIA's report warrant the NASD's attention and the possible submission to the SEC of additional recommendations to complement and supplement the SIA's report.

Commodities

In late 1979, the Association formed a Committee on Commodities to determine what role, if any, the NASD should play in the establishment of a self-regulatory organization for the commodities industry. As a result of initial deliberations, the Committee has determined to explore with other interested groups possible ways in which existing NASD facilities and resources might be used to minimize cost and eliminate unnecessary duplication in the evolving scheme of self-regulation of the commodities industry.

LITIGATION

The Office of the General Counsel has been engaged in two actions which seek to have the federal courts enjoin disciplinary proceedings before NASD District Business Conduct Committees. These two cases involve significant challenges to the Association's disciplinary process.

In **Merrill Lynch v. NASD**, 343 F. Supp. 591 (N.D. Tex. 1977), the United States District Court for the Northern District of Texas restrained the Association from proceeding with a disciplinary hearing in the presence of a customer with a complaint, except for the purpose of her direct

testimony. The order also restrained such proceedings from continuing while the customer's attorney was present, except that he could be present during her direct testimony and cross-examination. The plaintiffs brought this action because they believed the customer intended to use the testimony from the NASD proceeding in her civil proceeding against plaintiffs. Even after the customer's action was settled, plaintiffs continued to assert that the customer should be excluded from any part of the hearing except for her direct testimony. The Judge's order was immediately appealed to the United States Court of Appeals for the Fifth Circuit. Oral argument has been scheduled for the week of March 3, 1980. The Association believes that in such cases plaintiffs are required to exhaust their administrative remedies before the Board of Governors and the Securities and Exchange Commission, before seeking relief in federal court. The Securities and Exchange Commission has filed a brief *amicus curiae* in support of the Association's position.

In **First Jersey Securities, Inc. v. NASD**, 605 F. 2d 690 (3d Cir. 1978), the plaintiffs requested the District Court to enjoin the Association from proceeding with a disciplinary hearing on the grounds that the Association was biased against the plaintiffs, that the legislative scheme for self-regulation of the securities industry is constitutionally invalid, and that the conduct of the NASD hearing would deprive the plaintiffs of federal statutory and constitutional rights. The District Court denied the Association's motion to dismiss and denied the plaintiffs' application for an injunction, based on a number of assumptions as to the manner in which the Association would conduct its hearing. The Association filed a petition for writ of *mandamus* with the U.S. Court of Appeals for the Third Circuit, requesting an order commanding the District Court to grant the Association's motion to dismiss. The Court of Appeals granted the writ and directed the District Court to dismiss the case, reasoning that the plaintiffs were required to exhaust their administrative remedies before the NASD and the SEC before seeking relief in federal court. The plaintiffs have petitioned the U.S. Supreme Court to hear the matter and the Association has opposed that petition. The Supreme Court has not yet decided whether to review the matter or not.

NATIONAL MARKET SYSTEM

In 1979, the SEC made three significant new proposals for development of the National Market System. The proposals and the NASD's responses to them are summarized here.

Off-Board Market Making in Newly-Listed Securities

The SEC issued **Proposed Rule 19c-3**, which would allow exchange member firms, if they so desire, to make over-the-counter markets in equity securities which became listed, or admitted to unlisted trading privileges, after April 26, 1979.

At SEC hearings in June, **the NASD supported the prompt adoption of the Proposed Rule**, as a useful experiment in competition among exchanges and over-the-counter market makers. The Association said that "the experience gained from this experiment may serve to answer to some degree the questions and concerns which have been raised concerning the elimination of off-board trading restrictions."

An SEC decision on Proposed Rule 19c-3 is expected in the first half of 1980.

Enhancements to OTC Trading Facilities

A second response of the NASD to the Proposed Rule was to embark on an **enhancement of OTC trading facilities which would make OTC market makers more competitive with exchange specialists** in both newly-listed securities (if 19c-3 is adopted) and in securities in which they have long been Third Market makers.

In its June testimony before the SEC, the Association observed: "At the outset of the (19c-3) experiment, over-the-counter market makers will be at a competitive disadvantage with exchange market makers . . . (because) the exchange trading systems are supported by automated capabilities which do not presently exist in the over-the-counter market . . . Market

makers have expressed concern that when an over-the-counter security becomes listed under the Proposed Rule, many of the exchange members who generate order flow in these securities and who currently execute their orders with OTC market makers would utilize their automated facilities to route much of their order flow to the exchanges."

Consequently, the Association established a new subsidiary, **NASD Market Services, Inc.**, which will build automated trading facilities for the OTC market. These facilities will include a **switch** linking upstairs order rooms with off-board market makers, an **order display capability** and **computer-assisted execution**. The Association is to provide NASD Market Services, Inc. with \$2 million in initial capital.

Limit Order Protection

With respect to limit order protection in a National Market System, the SEC proposed that after July 1, 1981, there would be protection for all displayed limit orders entered by the public against executions at inferior prices, but no such protection for limit orders from market makers.

In response, the NASD committed itself to work actively with other self-regulatory organizations to develop a joint plan for limit order protection. However, the Association also declared that it is premature to consider limit order protection rules until there is a clearer understanding of the National Market System environment.

Further, the NASD Board expressed the view that **there should be parity in the protection of public and broker/dealer limit orders**. Without such parity, the Board believes, incentives for market making would be seriously impaired, because market makers would be required to improve on prices displayed by the public.

At the end of 1979, the SEC had not taken further action on limit order protection.

Designation of Securities for the National Market System

The SEC in June 1979 proposed a two-tier approach to the designation of securities for the National Market System, under which securities meeting Tier 1 criteria would automatically be designated as National Market System

securities, while securities meeting Tier 2 criteria could become designated through securities industry procedures.

The NASD in August criticized the SEC proposal on the following grounds, among others:

- **"One set of standards** applicable to all National Market System securities should be adopted." The two-tier approach is "complicated and unnecessary." Also, "the present ticker network structure must be modified so that there would be one National Market System tape rather than the present two tapes."

- "The proposal is deficient . . . in that **it does not give issuers . . . a meaningful role in the designation process** . . . We believe that the companies, who have a fiduciary responsibility to their shareholders . . . should have a choice as to whether or not their shares are traded in the National Market System."

- **The proposal is premature.** "The Association recommends that a rule . . . for inclusion of securities in the National Market System not be adopted until the Commission and the industry have had an opportunity to observe the impact of Proposed Rule 19c-3 and the development of enhanced facilities in the over-the-counter market."

The Commission had not dealt further with the question of designation of National Market System securities by the time 1979 ended.

MANAGEMENT, STAFF AND FINANCES

The NASD's 1979 activities, from the monitoring of activity in NASDAQ-quoted securities to participation in the development of a National Market System, were conducted by the Board of Governors, the National Committees and the District Committees (whose members are listed on Pages 20-28) and by a full-time professional staff of nearly 600 persons, located in 14 District Offices and in the Association's Washington, D.C. headquarters.

The operating expenses of the Association in its 1979 fiscal year were \$27.5 million and the Association's equity at the end of the fiscal year on September 30, 1979 was \$24.4 million (Pages 29-32).

NASD Officers and Board of Governors 1979



Gordon S. Macklin
President and
member of the Board

The Board of Governors is the controlling body of the NASD and determines policy on a national scale. The Board consists of 21 representatives of the securities industry elected from the Association's Districts, five Governors-at-Large and the President of the NASD. The Board meets six times a year.

To Serve Until January 1980



J. Stephen Putnam
F. L. Putnam & Company, Inc.
Boston, Massachusetts
Chairman, 1979



John A. Wing
A. G. Becker Incorporated
Chicago, Illinois
Vice Chairman, 1979



William R. Hambrecht
Hambrecht & Quist
San Francisco, California
Vice Chairman-Finance, 1979



John Barnard, Jr.*
Massachusetts Financial
Services Company
Boston, Massachusetts



James F. Keegan
Morgan, Keegan & Company, Inc.
Memphis, Tennessee
Chairman, 1980



John D. Berl
Sutro & Co. Incorporated
Los Angeles, California
Vice Chairman, 1980



Douglas H. Curtis*
Franklin Electric Co., Inc.
Bluffton, Indiana
Vice Chairman-Finance, 1980

To Serve Until January 1981



Edward S. Arnold
Paine, Webber, Jackson & Curtis
Incorporated
Palo Alto, California



Andrew M. Blum
L. F. Rothschild,
Unterberg, Towbin
New York, New York



William B. Madden
Schneider, Bernet
& Hickman, Inc.
Dallas, Texas



James J. McCormack*
Metropolitan Life
Insurance Company
New York, New York

To Serve Until January 1982



Robert H. Atkinson, Jr.
Atkinson and Company
Portland, Oregon



Frances B. Dyleski
Robert C. Carr & Co., Inc.
Manchester, New Hampshire



Benjamin L. Lubin
Bruns, Nordeman, Rea & Co.
New York, New York



David Marcus
Drexel Burnham Lambert
Incorporated
New York, New York

To Serve Until January 1983

*Governor-at-Large



Gerald B. Brenzel
Stifel, Nicolaus &
Company, Inc.
Louisville, Kentucky



Colin A. Campbell †
Campbell, Waterman Inc.
Seattle, Washington



Ernest E. Cragg*
Washington National Insurance
Company
Evanston, Illinois



Raymond J. Kiernan
Merrill Lynch, Pierce,
Fenner & Smith Incorporated
New York, New York



Robert A. Mackie, Jr.
Singer & Mackie, Inc.
Jersey City, New Jersey



Peter A. Bernard
Bache Halsey Stuart
Shields Incorporated
New York, New York



John C. Printon
Printon, Kane & Co.
Summit, New Jersey



William W. Strawther, Jr.
Continental American
Securities, Inc.
Phoenix, Arizona



William Z. Suplee, III
Elkins, Stroud, Suplee & Co.
Philadelphia, Pennsylvania



David W. Wiley, Jr.
Wiley Bros., Inc.
Nashville, Tennessee



W. Lincoln Mossop, Jr.
Barrett & Company
Providence, Rhode Island



Mason T. New
Branch, Cabell & Company
Richmond, Virginia



L. C. Petersen
Kirkpatrick, Pettis,
Smith, Polian Inc.
Omaha, Nebraska



Williamson S. Stuckey, Jr.*
Former Congressman
Washington, D.C.



James F. Wade
Julien Collins & Company
Chicago, Illinois



James W. Ratzlaff*
Capital Research
and Management Company
Los Angeles, California



Ernest F. Rice, Jr.
Blunt Ellis & Loewi Incorporated
Milwaukee, Wisconsin



Donald E. Weston
Gradison & Company Incorporated
Cincinnati, Ohio



Vernon B. Willis
Dain, Bosworth Incorporated
Las Vegas, Nevada



Conrad S. Young*
United of Omaha
Omaha, Nebraska

*Governor-at-Large

† Died August 11, 1979

National Committees 1979

The National Committees of the NASD are appointed by the Board of Governors and make recommendations to the Board in their various areas of responsibility. The Executive, Finance and Business Conduct Committees meet immediately prior to each Board meeting; all other Committees meet as necessary.

Executive

J. Stephen Putnam*
Chairman
William R. Hambrecht*
James F. Keegan*
Raymond J. Kiernan*
Robert A. Mackie, Jr.*
David W. Wiley, Jr.*
John A. Wing*
Gordon S. Macklin*

Finance

William R. Hambrecht*
Chairman
John Barnard, Jr.*
John D. Berl*
Gerald B. Brenzel*
Ernest E. Cragg*
J. Stephen Putnam*
Wayne G. Skaggs
Gordon S. Macklin*
Jack A. Schindel
(*Ex Officio*)

National Business Conduct

James F. Keegan*
Chairman
John D. Berl*
Vice Chairman
Edward S. Arnold*
Andrew M. Blum*
William B. Madden*
James J. McCormack*
W. Lincoln Mossop, Jr.*
Mason T. New*
L. C. Petersen*
Williamson S. Stuckey, Jr.*
James F. Wade*

Arbitration

Alfred J. Rauschman
Chairman
Edward S. Arnold*
Eugene Arnold, Jr.
Dwight C. Baum
Eugene W. Bell
Donald R. Bonniwell, Jr.
Gerald B. Brenzel*
J. Gordon Cooney
Lloyd J. Derrickson
Constantine N. Katsoris
William B. Madden*
N. Clark Moran
A. A. Sommer
Arnold J. Weinberg
John R. Winsor

Automation

Thomas C. Schneider
Chairman
Richard L. Bové
Jerome Grossman
Raymond J. Kalinowski
John D. McClure
Mason T. New*
Robert W. Parker
James F. Wade*
Lawrence J. Welte

Corporate Advisory

Douglas H. Curtis*
Chairman
David R. Cowart
John P. Dubinsky
Robert D. Hedberg
J. M. Hill
Lawrence A. Leser
Edward T. Neun
Shelby H. Page
George G. Raymond, Jr.
Thomas C. Sullivan
Lawrence R. Thielen

Corporate Financing

Peter A. Bernard*
Chairman
Andrew M. Blum*
Arthur Fleischer, Jr.
William R. Hambrecht*
William Harman
Fred L. Heyes
William M. Kearns, Jr.
Anthony A. LaCroix
Robert A. Malin
N. Clark Moran
J. Perry Ruddick
William Z. Suplee, III*
William F. White

Direct Participation Programs

John F. Guion
Chairman
Jaye F. Dyer
Robert L. Franklin
Richard C. Garton
Gerald Horwitz
Anthony A. LaCroix
James H. Levi
Thomas J. McAllister
Lewis G. Mosburg, Jr.
Mason T. New*
Carl M. Rheuban
Kenneth Sanders
Robert A. Shive
Linda Wertheimer
Lawrence J. Winston

ERISA

John A. Wing*
Chairman
Ernest E. Cragg*
Robert W. Goodfellow
William B. Madden*
Walter Schnabel

Fidelity Bonding

Nelson S. Burbank
Chairman
Ralph L. Gosselin
John C. Harden
Francis X. LeMunyon
John C. Printon*
William W. Strawther, Jr.*
William Z. Suplee, III*
John R. Winsor

Financial Responsibility

N. Clark Moran
Chairman
Joseph A. Crisler, III
Gerald W. Demain
Robert W. Goodfellow
Ralph L. Gosselin
Albert Kopin
Joseph F. Neil
John C. Printon*

Foreign

Peter A. Bernard*
Chairman
Alan H. Bede
Michael J. G. Chapman
Albert J. Coffey
William S. Gilbreath
Haruzo Hayakawa
Robert A. Mackie, Jr.*
Walter Schnabel
David Stein
Barthold von Ribbentrop
Stanford S. Warshawsky

Information

Raymond J. Kiernan*
Chairman
Peter A. Bernard*
Douglas H. Curtis*
Peter J. DaPuzzo
John P. Dubinsky
Martha Famula
W. Lincoln Mossop, Jr.*
Lawrence R. Rice
Thomas C. Sullivan

Insurance Trustees and Insurance

N. Clark Moran
Chairman
Nelson S. Burbank
Ernest E. Cragg*
Julian E. Gillespie
James J. McCormack*
Gordon S. Macklin*
Jack A. Schindel

Investment Companies

John Barnard, Jr.*
Chairman
George S. Bissell
H. Day Brigham, Jr.
Ernest E. Cragg*
J. Paul Erickson
William J. Lippman
John E. McTavish
George W. Meyer
Richard F. Palmer
Martin H. Proyect
James W. Ratzlaff
Thatcher W. Root

Long Range Planning

Eugene Arnold, Jr.
Chairman
Robert S. Driscoll
Ray Garrett, Jr.
David W. Mesker
J. Stephen Putnam*
Ian McK. Rolland
Robert W. Swinarton
John A. Wing*
Gordon S. Macklin*

Margin

Gerald B. Brenzel*
Chairman
David B. Coates
Gerald W. Demain
Vincent P. Fay
John Geelan
Simon K. Schaffler
Harry C. Webb, Jr.

Municipal Securities

Alfred J. Bianchetti
Chairman
Donald R. Bonniwell, Jr.
Gerald B. Brenzel*
William A. Chisholm
Charles S. Garland, Jr.
Gedale B. Horowitz
J. Kevin Kenny
William Kondratuk
William S. Magnus
Edward Roddy
Jean J. Rousseau
Robert A. Schlichting
Eugene B. Shepherd

NASDAQ

Raymond J. Kiernan*
Chairman
Douglas H. Curtis*
John P. Dubinsky
John E. Herzog
James F. Jamieson
James F. Keegan*
John J. Morton
Edward T. Neun
L. C. Petersen*
Fredric W. Rittreiser
Williamson S. Stuckey, Jr.*
Thomas C. Sullivan
John D. Waller
Kenneth J. Wessels
Stephen S. Wien
David W. Wiley, Jr.*

National Market System Design

James F. Keegan*
Chairman
Richard L. Bové
Peter D. Byrne
Bernard L. Madoff
Raymond Meselsohn
Mason T. New*
Robert W. Parker
Fredric W. Rittreiser
Lawrence J. Welte
Kenneth J. Wessels

**National Market System Securities
Qualifications**

Douglas H. Curtis*
Chairman
William R. Hambrecht*
Raymond J. Kiernan*
Edward T. Neun
L. C. Petersen*
Williamson S. Stuckey, Jr.*
Thomas C. Sullivan

National Market System Trading

James F. Keegan*
Chairman
Peter J. DaPuzzo
Murray L. Finebaum
Raymond J. Kiernan*
Robert A. Mackie, Jr.*
Bernard L. Madoff
John J. Morton
Mason T. New*
Thomas C. Schneider
Richard H. Tierney
David W. Wiley, Jr.*

Options

Alfred J. Rauschman
Chairman
Thomas J. Asher
Mike Epstein
John E. Herzog
Robert A. Mackie, Jr.*
Jeremiah A. Mullins
Mickey Pauley
Theodore M. Perkowski
Leslie H. Pihlblad
James Quarto
Lawrence R. Rice
William W. Strawther, Jr.*

Qualifications

James J. McCormack*
Chairman
John D. Berl*
James Blake
John E. Eckelberry
Leonard Mayer
George W. Meyer
W. Lincoln Mossop, Jr.*
James J. O'Donnell
Alan Pessin
Wayne G. Skaggs
William Z. Suplee, III*
Lawrence J. Winston

Real Estate

Robert L. Franklin
Chairman
Samuel M. Chase, Jr.
Richard E. Landau
John R. Larson
William B. Madden*
James J. Matison
Steven Miller
Mason T. New*
Howard C. Pizer
Burton E. Smith
Walter A. Turner, Jr.

Registration

N. Clark Moran
Chairman
Peter A. Bernard*
John J. D'Arcy
Edward E. Hill
Philip H. Hoblin
Marcia Rung
Arnold Schron
W. Stewart Storie

Retirement Plan Review

John A. Wing*
Chairman
Ernest E. Cragg*
James J. McCormack*
John C. Printon*

Small Business Financing

William R. Hambrecht*
Chairman
J. Coleman Budd
Anthony A. LaCroix
J. Stephen Putnam*
Ernest F. Rice, Jr.

Uniform Practice

Ralph L. Gosselin
Chairman
Henry C. Alexander
Lyle W. Davis
Robert C. Dissett
Robert A. Mackie, Jr.*
Maurice J. McGann
Raymond Meselsohn
Helen Shenkman
James F. Wade*

Variable Contracts

Ernest E. Cragg*
Chairman
Bruce Avedon
Robert R. Baird
John Barnard, Jr.*
Samuel C. Cantor
Harold Engelman
David D. Horn
Donal A. Kinney
James J. McCormack*
Milton F. Svetanics, Jr.

**AD HOC AND
SPECIAL COMMITTEES
Section 24**

Alfred J. Rauschman
Chairman
J. Logan Burke, Jr.
Vice Chairman
John Barnard, Jr.*
J. Coleman Budd
John Daly
Philip D. Davidson
Lloyd J. Derrickson
Donald M. Feuerstein
Ray Garrett, Jr.
William R. Hambrecht*
William Harman
David H. Klann
John E. Kohl
Robert E. Linton
David W. Mesker
W. Allen Northcutt, III
Michael S. O'Brien
Richard O. Scribner
Lewis M. Weston
Samuel H. Wolcott, III

Rules and By-Laws Amendments

John A. Wing*
Chairman
Gerald B. Brenzel*
Robert R. Googins
J. Stephen Putnam*
John R. Winsor

***NASD Board of Governors Member**

District Committees 1979

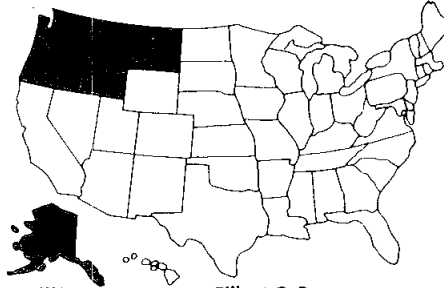
District 1
Charles N. Covey
Chairman
 Atkinson and Company
 Portland, Oregon



District 2
Ronald P. Lynch
Co-Chairman
 Lord, Abbett & Co.
 San Francisco, California
Richard A. Miller
Co-Chairman
 Loeb Rhoades, Hornblower
 & Co.
 Los Angeles, California



The District Committees are elected by NASD member firms in their respective areas. They supervise NASD programs in the Districts and serve as Business Conduct Committees, which review the reports of NASD examiners, investigate complaints against members, conduct disciplinary proceedings and impose penalties for violations of Federal and state laws and of the NASD's Rules of Fair Practice. The Chairmen of the District Committees constitute the Advisory Council to the Board of Governors.



ALASKA
 IDAHO
 MONTANA
 OREGON
 WASHINGTON

Gilbert C. Powers
Vice Chairman
 Kidder, Peabody & Co.
 Incorporated
 Seattle, Washington

J. Sheldon Jones
 June S. Jones Co.
 Portland, Oregon

Richard T. McLean
 Seattle-Northwest Securities
 Corporation
 Seattle, Washington

E. G. Marks
 Merrill Lynch, Pierce, Fenner &
 Smith Incorporated
 Spokane, Washington

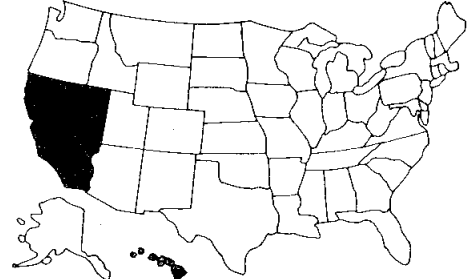
James P. Mendenhall
 Bache Halsey Stuart Shields
 Incorporated
 Seattle, Washington

Rod A. Moore
 Adams, Hess, Moore & Co.
 Portland, Oregon

Stuart C. Nicholson
 D. A. Davidson & Co.
 Great Falls, Montana

Kenneth M. Snider
 KMS Financial Services, Inc.
 Seattle, Washington

L. Hoyt DeMers
Director
 1111 IBM Building
 Seattle, Washington 98101



CALIFORNIA
 HAWAII
 NEVADA

Howard D. Banks*
 Blyth Eastman Dillon & Co.
 Incorporated
 San Francisco, California

Thomas A. Belshe
 E. F. Hutton & Company, Inc.
 San Francisco, California

Richard D. Bingham
 Bateman Eichler, Hill Richards,
 Incorporated
 Los Angeles, California

Leland S. Bright
 Sage Financial Corporation
 La Jolla, California

Robert Crary
 Shuman, Agnew & Co., Inc.
 San Francisco, California

John J. Doughty
 Daniel Reeves & Co. Incorporated
 Los Angeles, California

Donald R. Duffy
 Waldron & Co., Inc.
 San Rafael, California

Murray L. Finebaum
 Cantor, Fitzgerald & Co., Inc.
 Beverly Hills, California

Arnold L. Hoffman
 Drexel Burnham Lambert
 Incorporated
 San Francisco, California

Theodore G. M. Jung
 Bache Halsey Stuart Shields
 Incorporated
 Honolulu, Hawaii

James L. Owens
 Jefferies & Company, Inc.
 Los Angeles, California

Lynn P. Reitnouer
 Crowell, Weedon & Co.
 Los Angeles, California

Lawrence R. Rice
 Morgan, Olmstead, Kennedy
 & Gardner Incorporated
 Los Angeles, California

William R. Timken
 Hambrecht & Quist
 San Francisco, California

Jon H. Tolson
 Sutro & Co. Incorporated
 San Francisco, California

Theodore F. Schmidt
Director
 425 California Street
 Room 1400
 San Francisco, California 94104

William J. Radding, Jr.
Director
 606 South Olive Street
 Los Angeles, California 90014
 *Served for part of 1979

74 MEMBERS
 331 BRANCHES
 5,449 REGISTERED REPRESENTATIVES

324 MEMBERS
 1,168 BRANCHES
 24,793 REGISTERED
 REPRESENTATIVES

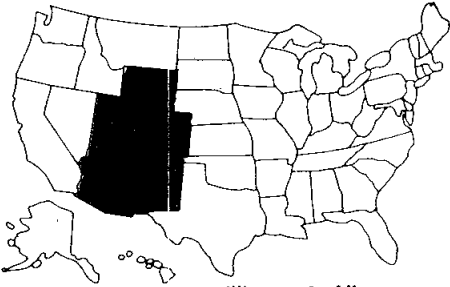
District 3
B. Mills Sinclair
Chairman
 Young, Smith & Peacock, Inc.
 Phoenix, Arizona



District 4
L. Kenneth Britt
Chairman
 Zahner and Company
 Kansas City, Missouri



District 5
James S. Holbrook, Jr.
Chairman
 First Birmingham Securities
 Corporation
 Birmingham, Alabama
Hughes Schneidau, Jr.
Chairman †
 Waters, Parkerson & Co., Inc.
 New Orleans, Louisiana



ARIZONA
 COLORADO
 NEW MEXICO
 UTAH
 WYOMING

William A. Conklin
Vice Chairman
 Gerwin and Company
 Denver, Colorado

Michael T. Hamilton
 Hyder and Company
 Albuquerque, New Mexico

Jack I. Kibben
 Piper, Jaffray & Hopwood
 Incorporated
 Sheridan, Wyoming

James D. Payne
 Olsen & Company
 Salt Lake City, Utah

Edwin J. Pittock
 E. J. Pittock & Co., Incorporated
 Denver, Colorado

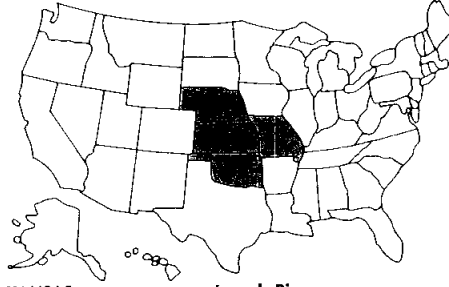
Burton A. Struthers
 E. F. Hutton & Company, Inc.
 Tucson, Arizona

Edward H. Sundermann, Jr.
 Hanifen, Imhoff & Samford, Inc.
 Denver, Colorado

Darlene V. Swanson
 Manequity, Inc.
 Englewood, Colorado

L. Richard Ure
 Dean Witter Reynolds Inc.
 Salt Lake City, Utah

John T. Christensen
Director
 909 17th Street
 Room 608
 Denver, Colorado 80202



KANSAS
 MISSOURI
 NEBRASKA
 OKLAHOMA

Joseph Pierce
Vice Chairman
 Beecroft, Cole & Company
 Topeka, Kansas

Fred M. Cotsworth
 Smith, Moore & Co.
 St. Louis, Missouri

James R. Dunlap
 Fitzgerald Cowen & Roberts Inc.
 Tulsa, Oklahoma

J. Paul Erickson
 Mutual of Omaha Fund
 Management Company
 Omaha, Nebraska

John E. Hayes
 McCourtney-Breckenridge
 & Company
 St. Louis, Missouri

John H. Henning
 Blyth Eastman Dillon & Co.
 Incorporated
 Kansas City, Missouri

Carl Hohnbaum
 B. C. Christopher & Company
 Kansas City, Missouri

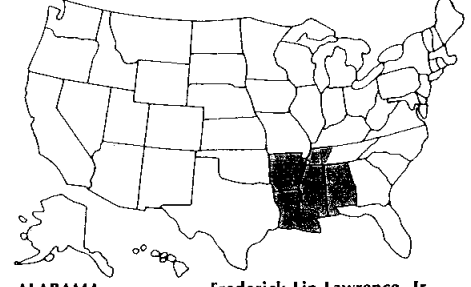
Wayne Lamb
 Wadde!l & Reed, Inc.
 Kansas City, Missouri

Douglas V. Martin III
 Newhard, Cook & Co. Incorporated
 St. Louis, Missouri

H. Clay Miller
 George K. Baum & Company
 Incorporated
 Kansas City, Missouri

Owen L. Saddler, Jr.
 Kirkpatrick, Pettis, Smith,
 Polian Inc.
 Omaha, Nebraska

Richard M. Coster
Director
 911 Main Street, Suite 2230
 Commerce Tower Building
 Kansas City, Missouri



ALABAMA
 ARKANSAS
 LOUISIANA
 MISSISSIPPI
 WESTERN
 TENNESSEE

Frederick Lin Lawrence, Jr.
Vice Chairman
 Tennessee Capital Corporation
 Memphis, Tennessee

David B. Coates
 T. J. Raney & Sons, Inc.
 Little Rock, Arkansas

John B. Dickey
 John B. Dickey & Co.
 Paragould, Arkansas

William K. McHenry, Jr.
 Sterne, Agee and Leach, Inc.
 Birmingham, Alabama

W. Thad McLaurin
 Doty, McLaurin & Taylor, Inc.
 Jackson, Mississippi

John O. Roy, Jr.
 E. F. Hutton & Company, Inc.
 New Orleans, Louisiana

Walter N. Trulock III
 Dean Witter Reynolds Inc.
 Little Rock, Arkansas

A. Duncan Williams
 A. Duncan Williams, Inc.
 Memphis, Tennessee

Edward J. Newton
Director
 1004 Richards Building
 New Orleans, Louisiana 70112
 † Died June 17, 1979

105 MEMBERS
 418 BRANCHES
 6,395 REGISTERED REPRESENTATIVES

116 MEMBERS
 413 BRANCHES
 9,285 REGISTERED REPRESENTATIVES

98 MEMBERS
 277 BRANCHES
 5,037 REGISTERED REPRESENTATIVES

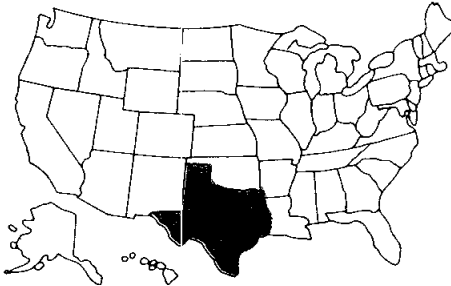
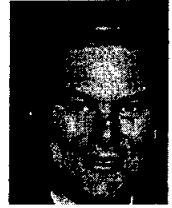
District 6
Malcolm L. Cooper
Chairman
 Rotan Mosle Inc.
 Austin, Texas



District 7
Harold W. Clark
Chairman
 The Cherokee Securities
 Company
 Nashville, Tennessee



District 8
J. Philip Boesel, Jr.
Chairman
 R. G. Dickinson & Co.
 Des Moines, Iowa



TEXAS

Frederick L. Baker
 Fred Baker & Associates, Inc.
 San Antonio, Texas

Diana L. Boswell
 John Nuveen & Co. Incorporated
 Austin, Texas

Edwin Pace Griffin
 Rauscher Pierce Refsnes, Inc.
 Dallas, Texas

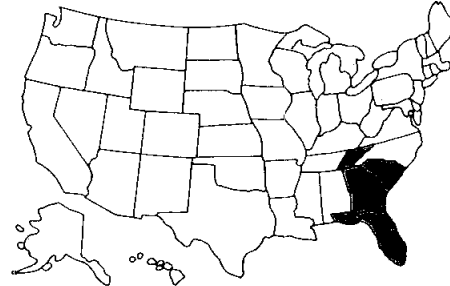
Samuel P. Mitchell
 Eppler, Guerin & Turner, Inc.
 Dallas, Texas

Eugene B. Shepherd
 Greer Moreland Fosdick
 Shepherd Inc.
 Houston, Texas

James E. Trice
 Bache Halsey Stuart Shields
 Incorporated
 San Antonio, Texas

David M. Underwood
 Underwood, Neuhaus & Co., Inc.
 Houston, Texas

Peter M. Walker
Director
 1610 Metropolitan Federal Savings
 Building
 1407 Main Street
 Dallas, Texas 75202



FLORIDA
GEORGIA
SOUTH CAROLINA
EASTERN TENNESSEE
CANAL ZONE
PUERTO RICO
VIRGIN ISLANDS

William Hindsman
Vice Chairman
 Johnson, Lane, Space, Smith
 & Co., Inc.
 Atlanta, Georgia

Ralph C. Allen
 Allen & Company
 Lakeland, Florida

L. Massey Clarkson, Jr.
 Drexel Burnham Lambert
 Incorporated
 Atlanta, Georgia

James H. Gaff
 Blyth Eastman Dillon & Co.
 Incorporated
 Ft. Lauderdale, Florida

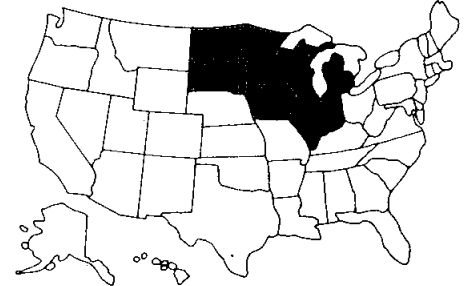
G. C. McCall, Jr.
 J. C. Bradford & Co.
 Nashville, Tennessee

Walter H. McIntyre, Jr.
 A. G. Edwards & Sons, Inc.
 Eustis, Florida

Park B. Smith
 Frost, Johnson, Read & Smith, Inc.
 Charleston, South Carolina

Robert L. Walters
 Provident National Assurance
 Company
 Chattanooga, Tennessee

Bennett Whipple
Director
 1100 Atlanta Center
 250 Piedmont Avenue, N.E.
 Atlanta, Georgia 30308



ILLINOIS
INDIANA
IOWA
MICHIGAN
MINNESOTA
NORTH DAKOTA
SOUTH DAKOTA
WISCONSIN

Jerome J. Brault
Vice Chairman
 The Chicago Corporation
 Chicago, Illinois

John M. Behrendt
 The Lincoln National Life
 Insurance Company
 Fort Wayne, Indiana

Clayton F. Brown
 Wauterlek & Brown, Inc.
 Chicago, Illinois

Paul A. Frederick
 Frederick & Company, Inc.
 Minneapolis, Minnesota

John E. McTavish
 John Nuveen & Co. Incorporated
 Detroit, Michigan

Joseph M. Mengden
 First of Michigan Corporation
 Detroit, Michigan

Richard C. Romano
 Romano Brothers and Company
 Evanston, Illinois

Thatcher W. Root
 Manley, Bennett, McDonald & Co.
 Detroit, Michigan

Eugene H. Rudnicki
 B. C. Ziegler and Company
 West Bend, Wisconsin

John R. Stephens
 Equity Securities Trading Co. Inc.
 Minneapolis, Minnesota

King R. Traub
 Traub and Company, Inc.
 Indianapolis, Indiana

John L. Walton
 Dain, Bosworth Incorporated
 Minneapolis, Minnesota

William F. White
 Bacon, Whipple & Co.
 Chicago, Illinois

E. Craig Dearborn
Director
 10 S. La Salle Street
 Room 600
 Chicago, Illinois 60603

125 MEMBERS
 394 BRANCHES
 8,476 REGISTERED REPRESENTATIVES

172 MEMBERS
 733 BRANCHES
 13,048 REGISTERED REPRESENTATIVES

358 MEMBERS
 1,157 BRANCHES
 32,605 REGISTERED REPRESENTATIVES

District 9
Randolph D. Bucey
Chairman
 The First Boston Corporation
 Cleveland, Ohio



District 10
Leslie J. Silverstone
Chairman
 Dean Witter Reynolds Inc.
 Washington, D.C.



District 11
Robert A. Woeber
Chairman
 Arthurs, Lestrage & Short
 Pittsburgh, Pennsylvania



**KENTUCKY
OHIO**

Jack W. Levi, Jr.
Vice Chairman
 A. E. Aub & Co.
 Cincinnati, Ohio

H. Keith Allen
 The Ohio Company
 Columbus, Ohio

Prentice Brown
 Johnston, Brown, Burnett &
 Knight, Inc.
 Louisville, Kentucky

Edward S. Herzog
 Kidder, Peabody & Co.
 Incorporated
 Toledo, Ohio

Joseph M. Hickey
 Prescott, Ball & Turben
 Cleveland, Ohio

James K. Luntz
 Merrill Lynch, Pierce, Fenner &
 Smith Incorporated
 Canton, Ohio

Richard M. Pauly
 Hill & Co.
 Cincinnati, Ohio

P. William Hotchkiss
Director
 100 Erieview Plaza
 Cleveland, Ohio 44114

**DISTRICT OF
COLUMBIA
MARYLAND
NORTH CAROLINA
VIRGINIA**

Harry M. Boyd
Vice Chairman
 Interstate Securities Corporation
 Charlotte, North Carolina

Edmund J. Cashman, Jr.
 Legg Mason Wood Walker,
 Incorporated
 Baltimore, Maryland

Julian E. Gillespie
 Johnston, Lemon & Co.
 Incorporated
 Washington, D.C.

Edwin B. Horner, Jr.
 Horner, Barksdale & Co.
 Lynchburg, Virginia

John J. Muldowney
 Scott & Stringfellow, Inc.
 Richmond, Virginia

G. Lewis Nichols
 Carolina Securities Corporation
 Raleigh, North Carolina

Duane E. Waldenburg
 Vance, Sanders & Company, Inc.
 Washington, D.C.

Julia M. Walsh
 Julia M. Walsh & Sons,
 Incorporated
 Washington, D.C.

Thomas P. Forde
Director
 1735 K Street, N.W., 6th Floor
 Washington, D.C. 20006

**DELAWARE
NEW JERSEY*
PENNSYLVANIA
WEST VIRGINIA**
 * With the exception
 of counties adjacent
 to New York City

Allen Weintraub
Vice Chairman
 Advest, Inc.
 Philadelphia, Pennsylvania

Charles J. Anderson
 Delaware Management Company,
 Inc.
 Philadelphia, Pennsylvania

Richard J. Beisel
 Parker/Hunter Inc.
 Pittsburgh, Pennsylvania

John L. Dolphin
 Dolphin & Bradbury
 Philadelphia, Pennsylvania

Thomas J. Fittin, Jr.
 Fittin, Cunningham & Lauzon, Inc.
 Belmar, New Jersey

Robert C. Fixter
 J. W. Sparks Municipals, Inc.
 Philadelphia, Pennsylvania

Samuel R. Roberts
 W. H. Newbold's Son & Co., Inc.
 Philadelphia, Pennsylvania

Gerald A. Roney
 Moore, Leonard & Lynch,
 Incorporated
 Pittsburgh, Pennsylvania

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

George S. Weaver, Jr.
 Hazlett, Burt & Watson, Inc.
 Wheeling, West Virginia

Robert S. Woodcock
 Hopper Soliday & Co., Inc.
 Philadelphia, Pennsylvania

Robert B. Gilmore
Director
 1932 Philadelphia National Bank
 Building
 Broad and Chestnut Streets
 Philadelphia, Pennsylvania 19107

75 MEMBERS
 298 BRANCHES
 7,854 REGISTERED REPRESENTATIVES

102 MEMBERS
 360 BRANCHES
 11,735 REGISTERED REPRESENTATIVES

190 MEMBERS
 501 BRANCHES
 15,445 REGISTERED REPRESENTATIVES



District 12
Benjamin L. Lubin
Chairman
 Bruns, Nordeman, Rea & Co.
 New York, New York



District 13
Frances B. Dyleski
Chairwoman
 Robert C. Carr & Co., Inc.
 Manchester, New Hampshire



NEW YORK CITY*
 * Includes adjacent NY and NJ counties

David Marcus
Vice Chairman
 Drexel Burnham Lambert
 Incorporated
 New York, New York

Travers J. Bell, Jr.
 Daniels & Bell, Inc.
 New York, New York

George W. Benoit
 Matthews & Wright, Inc.
 New York, New York

Alfred J. Bianchetti
 Dean Witter Reynolds Inc.
 New York, New York

Bernard R. Bober
 Ehrlich-Bober & Co., Inc.
 New York, New York

John F. Bryan
 Moseley, Hallgarten, Estabrook
 & Weeden, Inc.
 New York, New York

Mikiel de Bary
 Marquette de Bary Co.,
 Incorporated
 New York, New York

William H. Fickel
 Metropolitan Life Insurance
 Company
 New York, New York

John E. Herzog
 Herzog, Heine, Geduld, Inc.
 Jersey City, New Jersey

A. James Jacoby
 Asiel & Co.
 New York, New York

John A. LaGrua
 Scandinavian Securities
 Corporation
 New York, New York

Thomas D. Levis
 Investors Company
 New York, New York

Peter K. Loeb
 Loeb Rhoades, Hornblower & Co.
 New York, New York

Sam Scott Miller
 Paine, Webber, Jackson & Curtis
 Incorporated
 New York, New York

Thomas L. Piper III
 New Court Securities Corporation
 New York, New York

Fredric W. Rittereiser
 Thomson McKinnon Securities Inc.
 New York, New York

Michael L. Tarnopol
 Bear, Stearns & Co.
 New York, New York

George J. Bergen
Vice President, Director
 77 Water Street
 New York, New York

CONNECTICUT
MAINE
MASSACHUSETTS
NEW HAMPSHIRE
NEW YORK*
RHODE ISLAND
VERMONT

* With the exception of New York City and adjacent counties

Robert L. Goldberg
Vice Chairman
 John Hancock Distributors, Inc.
 Boston, Massachusetts

Irwin Chase
 Moseley, Hallgarten, Estabrook
 & Weeden, Inc.
 Springfield, Massachusetts

William Clafin, Jr.
 Merrill Lynch, Pierce, Fenner &
 Smith Incorporated
 Boston, Massachusetts

Robert L. Clark
 Alex. Brown & Sons
 Boston, Massachusetts

Tarrant Cutler
 Massachusetts Financial Services
 Company
 Boston, Massachusetts

John S. Earwaker, Jr.
 Travelers Equities Sales Inc.
 Hartford, Connecticut

Dewey E. Hall
 Bache Halsey Stuart Shields
 Incorporated
 Buffalo, New York

Anthony A. LaCroix
 Advest, Inc.
 Hartford, Connecticut

Howard R. Merriman, Jr.
 Miller & George
 Providence, Rhode Island

Eugene F. Miller
 E. F. Miller Municipals Inc.
 Rochester, New York

Herbert Sarkisian, Jr.
 Hodgdon & Company
 Boston, Massachusetts

Carl P. Sherr
 Carl P. Sherr & Company
 Worcester, Massachusetts

William S. Clendenin
Director
 75 Federal Street
 Boston, Massachusetts 02110

805 MEMBERS
 435 BRANCHES
 31,316 REGISTERED REPRESENTATIVES

257 MEMBERS
 500 BRANCHES
 19,881 REGISTERED REPRESENTATIVES

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC. AND NASDAQ, INC.

BALANCE SHEETS

September 30,

| | 1979 | | | 1978 | | |
|--|----------------------------------|---------------------|---------------------|----------------------------------|---------------------|---------------------|
| | NASD (Parent Organization) | NASDAQ | Consolidated | NASD (Parent Organization) | NASDAQ | Consolidated |
| Assets | | | | | | |
| Current assets | | | | | | |
| Cash | \$ 231,890 | \$ 143,415 | \$ 375,305 | \$ 191,380 | \$ 191,382 | \$ 382,762 |
| Investment securities, at cost (approximate market value for 1979: NASD \$12,634,000, NASDAQ \$12,796,000; for 1978: NASD \$7,379,000, NASDAQ \$8,811,000) | 13,062,073 | 12,951,818 | 26,013,891 | 7,572,707 | 8,880,654 | 16,453,361 |
| Other current assets | 934,940 | 1,279,509 | 2,050,746 | 897,178 | 1,069,646 | 1,902,425 |
| Total current assets | 14,228,903 | 14,374,742 | 28,439,942 | 8,661,265 | 10,141,682 | 18,738,548 |
| Data processing, subscriber equipment and software, at cost less accumulated depreciation and amortization of \$7,994,000 and \$6,795,000 | | 803,429 | 803,429 | | 2,400,789 | 2,400,789 |
| Investments in | | | | | | |
| NASDAQ, Inc. at equity in net assets (Notes 1 and 2) | 10,946,705 | | | 4,915,373 | | |
| Investment securities, at cost (approximate market value of \$4,435,000) (Note 5) | | | | 4,494,987 | | 4,494,987 |
| National Securities Clearing Corporation, at cost (Note 2) | 300,000 | | 300,000 | 300,000 | | 300,000 |
| Depository Trust Company, at cost (Note 6) | 199,583 | | 199,583 | 209,162 | | 209,162 |
| Land, building and improvements, at cost less accumulated depreciation of \$615,000 and \$535,000 (Note 4) | 2,951,361 | | 2,951,361 | 2,974,743 | | 2,974,743 |
| Furniture, equipment and leasehold improvements, at cost less accumulated depreciation and amortization of \$3,000 (NASD) and \$85,000 (NASDAQ) in 1979, and \$48,000 (NASDAQ) in 1978 (Note 2) | 62,129 | 133,120 | 195,249 | 8,484 | 119,949 | 128,433 |
| Special investment account, at lower of cost or market (Note 2) | 267,916 | | 267,916 | 265,956 | | 265,956 |
| Other assets | 255,016 | 12,620 | 267,636 | 219,283 | 24,760 | 244,043 |
| | <u>\$29,211,613</u> | <u>\$15,323,911</u> | <u>\$33,425,116</u> | <u>\$22,049,253</u> | <u>\$12,687,180</u> | <u>\$29,756,661</u> |
| Liabilities and Association Equity | | | | | | |
| Current liabilities | | | | | | |
| Accounts payable and accrued expenses | \$ 1,658,016 | \$ 377,206 | \$ 1,871,519 | \$ 1,102,732 | \$ 421,129 | \$ 1,459,462 |
| Prepaid NASDAQ issuers fees | 1,767,348 | | 1,767,348 | 1,665,409 | | 1,665,409 |
| Loans payable, 5%-6% | 320,250 | | 320,250 | | | |
| Current portion of mortgage payable | 117,533 | | 117,533 | 111,257 | | 111,257 |
| Current portion of note payable (Note 5) | | 2,000,000 | 2,000,000 | | 2,000,000 | 2,000,000 |
| Refund of user services fees (Note 2) | | | | | 1,350,678 | 1,350,678 |
| Total current liabilities | 3,863,147 | 2,377,206 | 6,076,650 | 2,879,398 | 3,771,807 | 6,586,806 |
| Long-term liabilities | | | | | | |
| Reserve for deferred compensation | 267,916 | | 267,916 | 265,956 | | 265,956 |
| Mortgage payable (Note 4) | 706,233 | | 706,233 | 823,765 | | 823,765 |
| Note payable (Note 5) | | 2,000,000 | 2,000,000 | | 4,000,000 | 4,000,000 |
| Total liabilities | 4,837,296 | 4,377,206 | 9,050,799 | 3,969,119 | 7,771,807 | 11,676,527 |
| Association equity (Note 5) | 24,374,317 | 10,946,705 | 24,374,317 | 18,080,134 | 4,915,373 | 18,080,134 |
| Commitments and contingencies (Notes 5, 7 and 8) | | | | | | |
| | <u>\$29,211,613</u> | <u>\$15,323,911</u> | <u>\$33,425,116</u> | <u>\$22,049,253</u> | <u>\$12,687,180</u> | <u>\$29,756,661</u> |

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC. AND NASDAQ, INC.

STATEMENTS OF OPERATIONS AND ASSOCIATION EQUITY

| | Year ended September 30, | | | | | |
|--|----------------------------------|---------------------|---------------------|----------------------------------|---------------------|---------------------|
| | 1979 | | | 1978 | | |
| | NASD (Parent Organization) | NASDAQ | Consolidated | NASD (Parent Organization) | NASDAQ | Consolidated |
| Income | | | | | | |
| Member assessments and branch office fees | \$ 7,872,371 | | \$ 7,872,371 | \$ 7,548,831 | | \$ 7,548,831 |
| NASDAQ user services fees | | \$15,274,616 | 15,274,616 | | \$13,850,376 | 13,850,376 |
| Registered representative fees | | | | | | |
| Applications | 1,361,601 | | 1,361,601 | 1,294,900 | | 1,294,900 |
| Examinations | 1,371,878 | | 1,371,878 | 1,046,503 | | 1,046,503 |
| Corporate finance fees | 1,127,073 | | 1,127,073 | 1,092,684 | | 1,092,684 |
| Fines | 405,052 | | 405,052 | 209,985 | | 209,985 |
| Interest and other | 1,360,012 | 1,015,435 | 2,375,447 | 1,058,702 | 568,066 | 1,626,768 |
| NASDAQ issuers fees | 3,177,558 | | 3,177,558 | 2,859,326 | | 2,859,326 |
| Regulatory service NSCC (Note 3) | 795,190 | | 795,190 | 783,004 | | 783,004 |
| Refund of user services fees (Note 2) | | | | | (1,350,678) | (1,350,678) |
| | <u>17,470,735</u> | <u>16,290,051</u> | <u>33,760,786</u> | <u>15,893,935</u> | <u>13,067,764</u> | <u>28,961,699</u> |
| Expenses | | | | | | |
| Salaries and employee benefits | 11,938,241 | 1,348,970 | 13,287,211 | 10,204,671 | 1,004,297 | 11,208,968 |
| Travel, meeting and investigation | 1,323,264 | 155,597 | 1,478,861 | 1,271,938 | 131,915 | 1,403,853 |
| Publication, supplies and postage (net of publication sales of \$88,000 in 1979 and \$39,000 in 1978) | 988,810 | 107,501 | 1,096,311 | 911,409 | 78,923 | 990,332 |
| Professional and other services | 887,174 | 293,772 | 1,180,946 | 767,156 | 279,637 | 1,046,793 |
| Occupancy (net of rent received of \$256,000 in 1979 and \$205,000 in 1978) | 959,301 | 429,592 | 1,388,893 | 969,924 | 416,650 | 1,386,574 |
| Telephone and office | 569,052 | 80,555 | 649,607 | 548,922 | 95,133 | 644,055 |
| Interest | 48,649 | 490,000 | 538,649 | 54,590 | 700,000 | 754,590 |
| System operator's fees | | 4,098,638 | 4,098,638 | | 4,349,278 | 4,349,278 |
| Depreciation and amortization | 83,183 | 1,561,231 | 1,644,414 | 75,061 | 1,637,900 | 1,712,961 |
| Data processing and transmission (net of computer time sales of \$104,000 in 1979 and \$108,000 in 1978) | 354,366 | 1,460,970 | 1,815,336 | 255,108 | 1,072,087 | 1,327,195 |
| Other | 55,844 | 231,893 | 287,737 | 55,942 | 189,106 | 245,048 |
| | <u>17,207,884</u> | <u>10,258,719</u> | <u>27,466,603</u> | <u>15,114,721</u> | <u>9,954,926</u> | <u>25,069,647</u> |
| Net income | | | | | | |
| NASD | 262,851 | | | 779,214 | | |
| NASDAQ, Inc. | 6,031,332 | 6,031,332 | | 3,112,838 | 3,112,838 | |
| Consolidated | 6,294,183 | | 6,294,183 | 3,892,052 | | 3,892,052 |
| Association equity, beginning of year | 18,080,134 | 4,915,373 | 18,080,134 | 14,188,082 | 1,802,535 | 14,188,082 |
| Association equity, end of year | <u>\$24,374,317</u> | <u>\$10,946,705</u> | <u>\$24,374,317</u> | <u>\$18,080,134</u> | <u>\$ 4,915,373</u> | <u>\$18,080,134</u> |

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC. AND NASDAQ, INC.

STATEMENTS OF CHANGES IN FINANCIAL POSITION

Year ended September 30,

| | 1979 | | | 1978 | | |
|--|----------------------------------|---------------------|---------------------|----------------------------------|---------------------|---------------------|
| | NASD (Parent Organization) | NASDAQ | Consolidated | NASD (Parent Organization) | NASDAQ | Consolidated |
| Financial resources were provided by: | | | | | | |
| Net income | \$ 262,851 | \$ 6,031,332 | | \$ 779,214 | \$ 3,112,838 | |
| Net income of NASDAQ, Inc. | 6,031,332 | | | 3,112,838 | | |
| | 6,294,183 | 6,031,332 | \$ 6,294,183 | 3,892,052 | 3,112,838 | \$ 3,892,052 |
| Items not affecting working capital in the period: | | | | | | |
| Net income of NASDAQ, Inc. | (6,031,332) | | | (3,112,838) | | |
| Depreciation and amortization | 83,183 | 1,561,231 | 1,644,414 | 75,061 | 1,637,900 | 1,712,961 |
| Loss on disposition of data processing, subscriber equipment and software | | 28,165 | 28,165 | | 23,418 | 23,418 |
| Proceeds from disposition of data processing, subscriber equipment and software | | 100,000 | 100,000 | | 165,000 | 165,000 |
| Decrease in non-current investment securities | 4,494,987 | | 4,494,987 | 2,815 | | 2,815 |
| Decrease in investment in Depository Trust Company | 9,579 | | 9,579 | 6,423 | | 6,423 |
| | 4,850,600 | 7,720,728 | 12,571,328 | 863,513 | 4,939,156 | 5,802,669 |
| Financial resources were used for: | | | | | | |
| Purchase of data processing, subscriber equipment and software | | 55,191 | 55,191 | | 237,273 | 237,273 |
| Purchase of building improvements, furniture, equipment and leasehold improvements | 113,446 | 50,016 | 163,462 | 52,848 | 31,673 | 84,521 |
| Increase (decrease) in other assets | 35,733 | (12,140) | 23,593 | 30,596 | (5,528) | 25,068 |
| Decrease in long-term note payable | | 2,000,000 | 2,000,000 | | 2,000,000 | 2,000,000 |
| Decrease in long-term mortgage payable | 117,532 | | 117,532 | 111,258 | | 111,258 |
| | 266,711 | 2,093,067 | 2,359,778 | 194,702 | 2,263,418 | 2,458,120 |
| Increase in working capital | \$ 4,583,889 | \$ 5,627,661 | \$10,211,550 | \$ 668,811 | \$ 2,675,738 | \$ 3,344,549 |
| Analysis of Changes in Working Capital | | | | | | |
| Increase (decrease) in current assets: | | | | | | |
| Cash | \$ 40,510 | \$ (47,967) | \$ (7,457) | \$ (12,000) | \$ 27,841 | \$ 15,841 |
| Investment securities | 5,489,366 | 4,071,164 | 9,560,530 | 877,240 | 2,582,309 | 3,459,549 |
| Other current assets | 37,762 | 209,863 | 247,625 | 156,306 | 190,231 | 346,537 |
| | 5,567,638 | 4,233,060 | 9,800,698 | 1,021,546 | 2,800,381 | 3,821,927 |
| Decrease (increase) in current liabilities: | | | | | | |
| Accounts payable and accrued expenses | (555,284) | 43,923 | (511,361) | (250,816) | 226,035 | (24,781) |
| Prepaid NASDAQ issuers fees | (101,939) | | (101,939) | (95,978) | | (95,978) |
| Loans payable | (320,250) | | (320,250) | | | |
| Current portion of mortgage payable | (6,276) | | (6,276) | (5,941) | | (5,941) |
| Refund of user services fees | | 1,350,678 | 1,350,678 | | (350,678) | (350,678) |
| | (983,749) | 1,394,601 | 410,852 | (352,735) | (124,643) | (477,378) |
| Increase in working capital | \$ 4,583,889 | \$ 5,627,661 | \$10,211,550 | \$ 668,811 | \$ 2,675,738 | \$ 3,344,549 |

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC. AND NASDAQ, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1979 AND 1978

Note 1—Organization

The National Association of Securities Dealers, Inc. (NASD) is a not-for-profit membership association established to regulate the over-the-counter securities market. NASDAQ, Inc., which was incorporated in 1976 to operate the NASDAQ quote information system, and National Clearing Corporation (NCC) are both wholly-owned subsidiaries of the NASD (Note 9).

Note 2—Summary of Significant Accounting Policies
Investment in Subsidiaries

In January 1977, the operations of NCC were combined with the clearing subsidiaries of the New York Stock Exchange, Inc. and the American Stock Exchange, Inc. into the National Securities Clearing Corporation (NSCC). Pursuant to the plan of consolidation, NCC obtained a one-third ownership interest in NSCC. As a result of this combination, NCC's operations are not significant. Accordingly, the assets (consisting principally of the investment in NSCC), liabilities and operations of NCC have been consolidated with the NASD in the accompanying financial statements. The investment in NSCC is carried at cost since that corporation is controlled by the users of the clearing facilities and does not intend to pay dividends to its shareholders.

The consolidated financial statements include the accounts of the NASD, NASDAQ, Inc. and NCC after elimination of all significant intercompany transactions.

Retirement Benefits and Deferred Compensation

In November 1978, the NASD Board of Governors approved a defined benefit pension plan and a savings plan effective January 1, 1979. This plan amends and restates the non-contributory pension plan maintained in prior years and covers substantially all NASD employees. Certain employees have been granted extended retirement and death benefits.

It is NASD's policy to fund pension costs and to provide for the cost of other benefits as they accrue. Unfunded prior service costs are being funded over a period of 30 years. Pension and deferred compensation costs were \$762,000 and \$427,000 for the years ended September 30, 1979 and 1978, respectively. The 1979 amount includes \$130,000 for the newly approved savings plan. As of January 1, 1979, the net assets of the plan exceeded the actuarially computed value of vested benefits.

The Special Investment Account represents amounts set aside to fund the reserve for deferred compensation which relates to five former or current employees.

Depreciation and Amortization

NASD's building and improvements are being depreciated on a straight-line basis over lives of 38 and 10 years, respectively. Furniture and equipment acquired by the NASD subsequent to September 30, 1978 is being depreciated on a straight-line basis over 10 years. Purchases prior thereto were treated as an expense in the year acquired.

NASDAQ, Inc.'s data processing, subscriber equipment and software acquired in early 1976 is being depreciated and amortized on an accelerated basis over 4 years. Other NASDAQ equipment subsequently acquired, is being depreciated using various methods over useful lives of from 4 to 10 years.

Prepaid NASDAQ Issuers Fees

Prepaid NASDAQ issuers fees are deferred and included in income of the applicable fiscal year.

Income Taxes

NASD is a tax-exempt not-for-profit organization. During the 1979 fiscal year, NASDAQ, Inc. was also ruled exempt from Federal and certain state income taxes. It is anticipated that exemptions from remaining states and other jurisdictions will be obtained.

Refund of User Services Fees

During 1978, the governing Boards of NASD and NASDAQ, Inc. approved a \$1,350,678 refund of NASDAQ user services fees. The refund reflects a reduction in rates for that year.

Note 3—Related Party Transactions

NASDAQ, Inc. utilizes the services of NASD employees. In addition, NASD provides NSCC regulatory services relating to NASD members who are also members of NSCC. Such regulatory services include periodic examination of the books, records and operations of NSCC members; monitoring and investigating the financial and operating condition of members and new applications for membership; and appraising NSCC of unusual market conditions which affect securities cleared by NSCC. In addition, NASD bills NASDAQ, Inc. for other expenses incurred on its behalf. Billings from NASD during 1979 and 1978 for these activities are summarized as follows:

**Billings from NASD for
year ended September 30,**

| | 1979 | 1978 |
|-----------------------|-------------|-------------|
| NASDAQ, Inc. | \$1,547,827 | \$1,215,315 |
| NSCC, regulatory fees | 795,190 | 783,004 |

Unpaid receivable (payable) balances of NASD at September 30, 1979 and 1978 with NASDAQ, Inc. and NSCC are summarized as follows:

**NASD receivable (payable)
at September 30,**

| | 1979 | 1978 |
|--------------|-------------|------------|
| NASDAQ, Inc. | \$(163,703) | \$(64,399) |
| NSCC | 219,966 | 237,281 |

Note 4—Mortgage Payable

NASD's land and buildings are pledged as security for a 5½% mortgage. The mortgage loan is payable through 1985 in equal monthly installments of principal and interest of \$13,326.

Note 5—Note Payable

In early 1976, NASDAQ issued a 10½% note, the principal of which is payable in annual installments of \$2,000,000 through 1981. The NASD has guaranteed payment of the loan, and initially pledged investment securities of \$4,500,000 as collateral. In April 1979, the pledge agreement was terminated. Under a provision of the note agreement, NASD is required to maintain consolidated working capital of the lesser of \$4,500,000 or 125% of the outstanding principal balance of the note. Working capital, as defined in the agreement, is not reduced by the current portion of the note payable. In addition, NASD is required to maintain a consolidated tangible equity of at least \$7,500,000. The note agreement contains other restrictive covenants relating to, among other things, additional indebtedness, dividends and transactions with affiliates.

Note 6—Investment in Depository Trust Company

Pursuant to a plan to diversify the ownership of Depository Trust Company (DTC) among various self-regulatory and other organizations, in October, 1975, NASD acquired 8% of the outstanding shares of DTC from the New York Stock Exchange. Entitlement to own shares of DTC is redetermined each year based on usage of its facilities. Since 1975, NASD has incurred minor gains and losses when necessary to adjust its holdings to its redetermined entitlement. Currently, NASD owns 6% of the outstanding shares of DTC.

Note 7—Commitments

In connection with the operations of its district offices, NASD leases office space in various locations. Office and equipment rental expense amounted to \$1,027,000 and \$990,000 for the years ended September 30, 1979 and 1978, respectively. Minimum lease payments for the succeeding fiscal years are as follows: \$881,000 in 1980, \$897,000 in 1981, \$753,000 in 1982, \$694,000 in 1983, \$549,000 in 1984 and \$4,390,000 from 1985 through 1995. No lease extends beyond 1995. The majority of these leases contain escalation clauses based on increases in property taxes and building operation costs.

On February 9, 1976 NASDAQ, Inc. entered into an agreement under which Bunker Ramo performs certain services relating to the operation of the NASDAQ system. Minimum annual payments under this agreement for the succeeding fiscal years will be \$3,300,000 in 1980 and \$2,340,000 in 1981. This agreement expires June 30, 1981, but may be terminated by NASDAQ, Inc. upon six months notice or by either party under certain other conditions. NASDAQ, Inc. incurred office and equipment rental expenses of \$908,000 and \$548,000 for the years ended September 30, 1979 and 1978, respectively. Minimum commitments for these expenses for the succeeding fiscal years are as follows: \$566,000 in 1980, \$525,000 in 1981, \$503,000 in 1982 and \$325,000 in 1983.

In September, 1979, the NASD Board of Governors approved the purchase of the NASDAQ Data Center in accordance with a purchase option in their lease. The purchase price will be based upon the current appraised value of the property.

Note 8—Litigation

There are legal proceedings pending against the NASD separately or with others. Management believes, based upon the opinion of counsel, that liabilities arising from these proceedings, if any, will not have a materially adverse effect on the NASD. On September 30, 1978 certain potentially material legal actions existed that involved alleged violations of the anti-trust laws or the failure of the NASD to take appropriate action in the exercise of its regulatory responsibility. These actions were dismissed during the year ended September 30, 1979.

Note 9—Subsequent Events

In November, 1979, the NASD acquired all the authorized capital stock of a newly formed corporation, the NASD Market Services, Inc. The new corporation was formed primarily for the purpose of establishing national market facilities to assist the NASD in carrying out its regulatory responsibilities and for the benefit of the NASD members in their pursuit of efficient execution of securities transactions.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Governors of
National Association of Securities Dealers, Inc.
and NASDAQ, Inc.

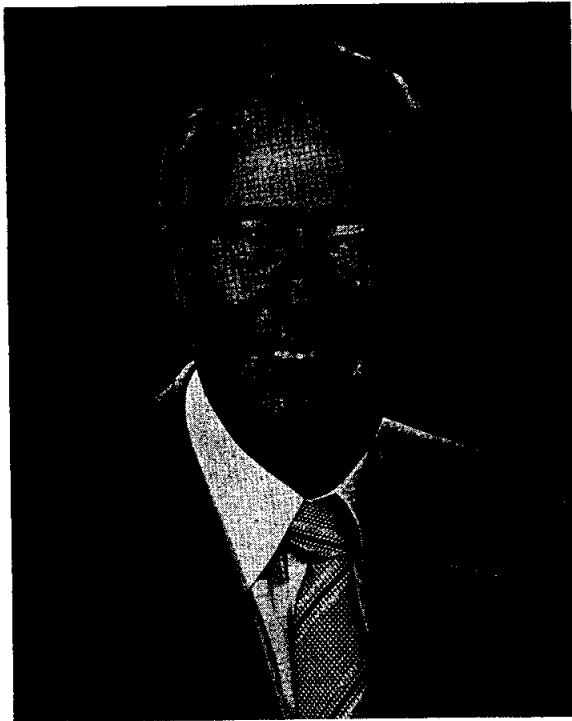
We have examined the accompanying individual and consolidated balance sheets of the National Association of Securities Dealers, Inc. (NASD) and its subsidiary NASDAQ, Inc. as of September 30, 1979 and 1978, and the related statements of operations and Association equity and of changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our report dated January 8, 1979, our opinion on the September 30, 1978 financial statements was qualified because of the uncertain effect on those financial statements of several potentially material legal actions pending at that time. These legal actions were dismissed during the current year. Accordingly, our present opinion on the September 30, 1978 financial statements is no longer qualified.

In our opinion, the financial statements examined by us present fairly the individual and consolidated financial position of the National Association of Securities Dealers, Inc. and NASDAQ, Inc. at September 30, 1979 and 1978, and the individual and consolidated results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied.

Washington, D.C.
January 4, 1980

Price Waterhouse & Co.



A Resolution

In Tribute to the Memory of

COLIN A. CAMPBELL

Adopted by the Board of Governors of the National Association of Securities Dealers, Inc. on August 16, 1979

Whereas, a long and distinguished career in the investment business came to a close with the death on August 11, 1979, of Colin A. Campbell, a member of the Association's Board of Governors and President of Campbell, Waterman Inc., Seattle, Washington, and

Whereas, he served with distinction as Governor of the National Association of Securities Dealers, Inc. from January 18, 1977 until his death, and

Whereas, he gave unsparingly his time, thought and energy to the Association, the purposes and objectives of which he vigorously and ably advanced, and thereby earned the gratitude of his contemporaries in the securities business, and

Whereas, he brought to the deliberations of the Board of Governors excellent judgment, clearly expressed, and

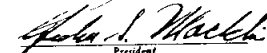
Whereas, his warm personality, gentleness and deep concern for others won him the friendship of all his colleagues on the Board,

Now, Therefore, Be It Resolved, that the Members of the Board of Governors express their deep sorrow at the passing of their valued friend and colleague, and

Be It Further Resolved, that the Members of the Board of Governors sincerely acknowledge his outstanding contribution to the securities business and the public interest, and

Be It Further Resolved, that a copy of this resolution be presented to Marie, his wife, and to the associates of his firm, Campbell, Waterman Inc.


Chairman, Board of Governors


President

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.
1735 K STREET, N.W. WASHINGTON, D. C. 20006