NOTICE TO MEMBERS 82-48
Notice to Members should be
retained for future reference.

NASD

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

October 8, 1982

TO: All NASD Members, Trading Departments and Branch Offices

RE: Additional NASDAQ/NMS Securities Subject to Real Time Transaction Reporting Effective November 8, 1982

Twenty-five additional securities qualified for designation as NASDAQ National Market System securities as a result of the September 30 quarterly analysis required by SEC Rule 11Aa 2-1. Consequently, real time transaction reporting will commence for the following issues effective November 8, 1982:

Adolph Coors Company, Class B
American Life Insurance Company
Chem Nuclear Systems, Inc.
Comdial Corporation
DeKalb AgResearch, Inc., Class B
Docutel/Olivetti Corporation
Dysan Corporation
First Bank System, Inc.
Godfather's Pizza, Inc.
Landmark Banking Corporation of Florida
Lin Broadcasting Corporation
McCormick & Company, Inc.
Morrison Incorporated
Nuclear Pharmacy, Inc.
People Express Airlines, Inc.
Pic 'N' Save Corp.
Price Company (The)
Quotron Systems, Inc.
Regency Electronics, Inc.
Safeco Corporation
R.P. Scherer Corporation
Sensormatic Electronics Corp.
Tele-Communication, Inc., Class A
Texon Energy Corporation
Valley National Corporation

A complete list of the Tier 1 issues is attached.

October 8, 1982

TIER 1 LIST OF THE NASDAQ/NATIONAL MARKET SYSTEM

1. Academy Insurance Group, Inc.
2. Adolph Coors Company, Class B*
3. Amarex, Inc.
4. American Greetings Corporation
5. American International Group
6. American Life Insurance Company*
7. Apple Computer, Inc.
8. Avantek, Inc.
9. Betz Laboratories, Inc.
10. CPT Corporation
11. Cetus Corporation
12. Chart House, Inc.
13. Chem Nuclear Systems, Inc.*
14. Chi Chi's, Inc.
15. Chubb Corp. (The)
16. Color Tile, Inc.
17. Comdial Corporation*
18. Comprehensive Care Corp.
19. Convergent Technologies, Inc.
20. Cross and Trecker Corp.
21. DeKalb AgResearch, Inc., Class B*
22. Digital Switch Corporation
23. Docutel/Olivetti Corporation*
24. Dysan Corporation*
25. Economics Laboratory, Inc.
26. El Paso Electric Company
27. Farmers Group, Inc.
28. First Bank System, Inc.*
29. Flagship Banks, Inc.
30. Godfather's Pizza, Inc.*

31. Graphic Scanning Corporation
32. Hadson Petroleum Corporation
33. I.M.S. International, Inc.
34. ISC Systems Corporation
35. Intel Corporation
36. Intergraph Corporation
37. Intermedics, Inc.
38. Jerrico, Inc.
39. Landmark Banking Corporation of Florida*
40. Life Investors, Inc.
41. Lin Broadcasting Corporation*
42. MCI Communications Corporation
43. May Petroleum, Inc.
44. McCormick & Company, Inc.*
45. McRae Consolidated Oil & Gas, Inc.
46. Millipore Corporation
47. Morrison Incorporated*
48. National Data Corporation
49. Network Systems Corporation
50. Nicklos Oil & Gas Company
51. Nike, Inc.
52. Nuclear Pharmacy, Inc.*
53. Oceaneering International, Inc.
54. Pabst Brewing Company
55. Pay 'N Save Corp.
56. People Express Airlines, Inc.*
57. Pic 'N' Save Corp.*
58. Pioneer Hi-Bred International, Inc.
59. Pizza Time Theatre, Inc.
60. Price Company (The)*
61. Quotron Systems, Inc.*
62. Reeves Communications Corp.
63. Regency Electronics, Inc.*
64. Roadway Services, Inc.
65. Safeco Corporation*

66. R.P. Scherer Corporation*
67. Seagate Technology
68. Sensormatic Electronics Corp.*
69. Service Merchandise Company, Inc.
70. St. Paul Companies, Inc.
71. Sykes Datatronics, Inc.
72. Tampax, Inc.
73. Tandem Computers, Inc.
74. Tandon Corporation
75. Tele-Communication, Inc., Class A*
76. Texon Energy Corporation*
77. Tipperary Corporation
78. Tom Brown, Inc.
79. Tony Lama Company, Inc.
80. Trans-Western Exploration, Inc.
81. Triad Systems Corp.
82. U.S. Bancorp
83. United States Surgical Corp.
84. Valley National Corporation*
85. Yellow Freight System, Inc.

*Qualified due to September 30 review

—NASD—

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

October 15, 1982

TO: All NASD Members

RE: Second Phase of the NASDAQ National Market System (NMS)

The second phase of the NASDAQ National Market System is about to get underway. The recently modified schedule, approved by the NASD's Board of Governors at its September meeting, calls for start-up of this portion of the program in February 1983.

By way of background, any security having an average trading volume of 600,000 shares a month for six months and a bid price of $10 per share is automatically required by SEC rule to trade in the NASDAQ National Market System. When a security trades in the NASDAQ/NMS, it is subject to real-time trade reporting. In this new environment, market makers now report price and volume data for NASDAQ/NMS securities as trades are executed throughout the day. Many newspapers are now publishing separate stock tables including high trade, low trade, last trade, net change from previous day, and daily share volume for NASDAQ/NMS securities.

At the present time, a total of 60 NASDAQ issues are trading in this environment. On the basis of third quarter data, another 25 securities will be added to the NASDAQ/NMS on Monday, November 8th. Another review to be conducted of fourth quarter 1982 data is expected to result in still another 10 to 20 NASDAQ securities being mandated by SEC rule into the NMS in early February 1983.

It is today, however, that the process leading to the second stage of NASDAQ NMS begins. That is, companies having securities which satisfy less stringent criteria than those set forth above may now elect voluntary NASDAQ/NMS designation. The criteria to be satisfied in order to make that election are as follows:

Voluntary Designation Criteria

Publicly Held Shares	250,000
Market Value of Float	$3 million
Bid Price	$5 on each of the five (5) business days prior to the date of application
Net Worth	$1 million

Tangible Assets	$2 million
Trading Volume	Average 100,000 shares per month for each of six (6) months preceding the date of application
Market Makers	Four (4) on each of the five (5) business days prior to the date of application

NASD records indicate that approximately 600 companies meet those criteria and they are now eligible to apply for NASDAQ/NMS designation. Application forms have recently been sent to each such company as the first step in setting the process in motion. Applications for inclusion at start-up of this phase of the NASDAQ National Market System will be accepted from eligible companies electing NASDAQ/NMS designation through December 15, 1982. Companies submitting applications after December 15th will be considered for inclusion in NMS at a later stage of the phase-in procedure.

The NASD's NMS Securities Qualification Committee will select securities for the February 1983, start-up of trading in this new category of NMS securities from among those eligible companies whose dollar trading volume ranks in the top 75%. The companies to be chosen will also be selected to provide a representative cross-section of industries and regions of the country. The number, location and dispersion of market makers in such issues will also be considered.

In order to facilitate proper testing, the number of issues entering the NASDAQ/NMS in February 1983 is being limited to 100. This number includes those issues which are subject to mandatory designation as NMS securities based upon December 31, 1982 data. During the period February through April, 1983, the NASD will be conducting a study of the impact of last sale reporting on the markets for each of the issues which voluntarily elects NASDAQ/NMS designation. The study will also focus on the ability of the NASDAQ System to accommodate these additional securities. Unless significant adverse findings are developed by the aforementioned study, beginning in May 1983, another 100 eligible issues will be admitted to trading in the NMS. Thereafter, an additional 100 securities will be added in each succeeding month until all eligible applications are included in the NMS.

This phase-in procedure is conditioned on the NASD having a fully tested computer-to-computer interface arrangement to permit the entry of last sale trade reports by market makers to NASDAQ via a direct link. This will enable market makers to report to NASDAQ at the same time trades are entered into their firm in-house computers for internal recordkeeping purposes. The current schedule calls for this link to be fully operational in mid-November.

Questions with respect to this notice may be directed to Gary Guinn at (202) 728—8052.

* * *

NASD

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

October 19, 1982

TO: Members of the National Association of Securities Dealers, Inc. and Other Interested Persons

RE: Adoption of Appendix F on Direct Participation Programs

On September 16, 1982, the Securities and Exchange Commission approved Appendix F to Article III, Section 34 of the Association's Rules of Fair Practice ("Appendix F") which prescribes standards of fairness and reasonableness for public offerings of direct participation programs (Securities Exchange Act Release No. 19054). Appendix F is effective immediately and applies to any NASD member or associated person who participates in a public offering of a direct participation program. "Direct participation program" is defined in Section 34 generally as an entity which "provides for flow-through tax consequences." (See NASD Manual (CCH) ¶2191.) Direct participation programs most commonly take the form of limited partnerships.

Background

Appendix F implements authority vested in the Board of Governors by Section 34 "to adopt rules, regulations and procedures prescribing standards of fairness and reasonableness for direct participation programs ...." The initial version of Appendix F was published for comment on May 9, 1972. Subsequent versions were published in 1973, 1977, 1978, and 1981. Appendix F was filed with the SEC on August 7, 1981 and approved following the submission of an amendment on July 19, 1982.

Section-by-Section Analysis

A brief analysis of each section of Appendix F follows. The text of Appendix F is attached and should be referred to for the specific provisions of each section.

Section 1 - Application of Appendix F

Section 1 prohibits any member or associated person from participating in a public offering of a direct participation program except in accordance with Appendix F.

Section 2 - Definitions

Section 2 defines certain terms used in Appendix F. Definitions contained in Section 34 are incorporated by reference.

Section 3 - Suitability

Section 3 relates to suitability. Subsection 3(a) prohibits members from distributing a program unless the program has established suitability standards which are fully disclosed in the prospectus.

Subsection 3(b) incorporates the Association's traditional concepts of suitability found in Article III, Section 2 of the Rules of Fair Practice and applies when a member recommends the purchase, sale, or exchange of an interest in a direct participation program. Subsection 3(b), however, goes into greater specificity than Section 2 in describing factors to be considered by a member in determining suitability. Subsection 3(b)(1) requires that a member have reasonable grounds to believe, on the basis of certain information obtained from a participant, that (1) the participant is or will be in a financial position to realize the benefits flowing from his investment, including the tax benefits where they are a significant part of the program; (2) the participant has a sufficient net worth to sustain the risks inherent in the program; and (3) the program is otherwise suitable for the participant.

Subsection 3(b)(2) requires the member to retain documents disclosing the basis on which the determination of suitability was made as to each participant. In addition, Subsection 3(c) prohibits a member from executing a transaction in a direct participation program in a discretionary account without specific authority from the customer.

Section 4 - Disclosure

Section 4 of Appendix F requires that a member or associated person participating in a public offering have reasonable grounds to believe, based on information made available by the sponsor, that all material facts are adequately and accurately disclosed and provide a basis for evaluating the

program. Subsection 4(b) specifies items on which a member shall obtain information (if considered relevant in view of the program) in discharging its obligations under the section. These relate generally to compensation, properties, tax aspects, sponsor experience and stability, conflicts, risks, and appraisals and other reports. Although Section 4 presumes a "due diligence" type of investigation, the listing of items in Subsection 4(b) is not intended to indicate that an examination of those items alone constitutes the performance of adequate "due diligence" for any particular offering.

Recognizing that an inquiry into the adequacy and accuracy of the information provided to investors may involve substantial expense, especially in relation to the size of a member's participation in a distribution, Subsection (c) of Section 4 allows a member to rely on the results of an inquiry conducted by another member or members, subject to certain conditions. In addition, Subsection 4(d) places an affirmative obligation on a member to inform a prospective participant of pertinent facts relating to the liquidity and marketability of the program during the term of the investment.

Section 5 - Organization and Offering Expenses

Section 5 reflects the exercise of the Association's traditional authority to regulate the type and amount of underwriting compenstion received by members or associated persons. Subsection 5(b)(1) provides that all items of underwriting compensation accruing to the underwriter in connection with a public offering may not exceed currently effective compensation guidelines published by the Association. Where a member or an affiliate of a member is the sponsor of a program, Subsection 5(b)(2) provides that organization and offering expenses may not exceed currently effective guidelines for those expenses. Subsection 2(b)(2) defines the term "organization and offering expenses" to encompass all expenses incurred in preparing a direct participation program for registration and subsequently offering units of the program to the public, including all items of compensation accruing to the underwriter. The Association is publishing compensation and expense guidelines for the first time today in Notice-to-Members 82-51.

In addition, Subsection 5(b)(3) of Appendix F conditions the payment of broker/dealer compensation out of offering proceeds on the satisfaction of escrow requirements. Payment of compensation from sources other than offering proceeds may be made if made on the basis of bona fide transactions. Subsection 5(b)(4) prohibits the payment of commissions to an investment advisor as an inducement to recommend the purchase of a program to an investor unless the advisor is a registered broker/dealer or a person associated with a registered broker/dealer.

Subsection 5(b)(5) prohibits the payment of indeterminate compensation to members or associated persons for services

in connection with the distribution of program units and specifies the more common forms which such compensation might take.

Subsections 5(c) and (d) specify the items of compensation that will be taken into consideration by the Association in computing the amount of compensation attributable to the underwriter in a public offering, the factors that will be considered in any determination of whether compensation is received in connection with an offering, and the method to be used in computing the value attributable to securities received as compensation.

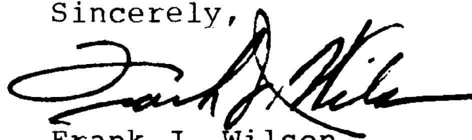
Subsection 5(e) sets forth the circumstances under which sales incentive items may be provided by a sponsor directly to salespersons. The subsection places a limit of $50 on the aggregate value of such items received by each associated person annually, requires that the value of sales incentive items paid directly to salespersons by a sponsor be included as underwriting compensation, and requires that disclosure be made in the prospectus of payment of the sales incentive items.

Subsection 5(f) sets forth those conditions under which a sponsor may provide sale incentive items to a member as part of the underwriting compensation arrangements. The subsection requires that a fair market value be established for the item, that the proposed payment be disclosed in the prospectus, that the disposition of sales incentive items be controlled solely by the member, and that the value of all such items be reflected on the records of the member as underwriting compensation received in connection with the offering.

* * *

Questions concerning Appendix F should be directed to Dennis C. Hensley or Harry E. Tutwiler at telephone number (202) 728-8258.

Sincerely,



Frank J. Wilson
Executive Vice President
Legal and Compliance

APPENDIX F

Section 1 - Application of Appendix F

No member or person associated with a member shall participate in a public offering of a direct participation program except in accordance with this Appendix.

Section 2 - Definitions

(a) Terms used in this Appendix which are defined in Article III, Section 34 of the Rules of Fair Practice shall have the meaning stated in that Section.

(b) The following terms shall have the stated meaning when used in this Appendix:

(1) FAIR MARKET NET WORTH - total assets computed at fair market value less total liabilities.

(2) ORGANIZATION AND OFFERING EXPENSES - expenses incurred in preparing a direct participation program for registration and subsequently offering interests in the program to the public, including all forms of compensation paid to underwriters, broker/dealers, or affiliates thereof in connection with the offering of the program.

(3) PARTICIPANT - the purchaser of an interest in a direct participation program.

(4) PERSON - any natural person, partnership, corporation, association or other legal entity.

(5) PROSPECTUS - a prospectus as defined by Section 2(10) of the Securities Act of 1933, as amended, an offering circular as described in Rule 256 of the General Rules and Regulations under the Securities Act of 1933 or, in the case of an intrastate offering, any document utilized for the purpose of announcing the offer and sale of securities to the public.

(6) REGISTRATION STATEMENT - a registration statement as defined by Section 2(8) of the Securities Act of 1933, as amended, a notification on Form 1-A filed with the Securities and Exchange Commission pursuant to the provisions of Rule 255 of the General Rules and Regulations under the Securities Act of 1933 and, in the case of an intrastate offering, any document initiating a registration or similar process for an issue of securities which is required to be filed by the laws or regulations of any state.

Section 3 - Suitability

(a) A member or person associated with a member shall not underwrite or participate in a public offering of a direct participation program unless standards of suitability have been established by the program for participants therein and such standards are fully disclosed in the prospectus and are consistent with the provisions of subsection (b) of this section.

(b) In recommending to a participant the purchase, sale or exchange of an interest in a direct participation program, a member or person associated with a member shall:

(1) have reasonable grounds to believe, on the basis of information obtained from the participant concerning his investment objectives, other investments, financial situation and needs, and any other information known by the member or associated person, that:

(i) the participant is or will be in a financial position appropriate to enable him to realize to a significant extent the benefits described in the prospectus, including the tax benefits where they are a significant aspect of the program;

(ii) the participant has a fair market net worth sufficient to sustain the risks inherent in the program, including loss of investment and lack of liquidity; and

(iii) the program is otherwise suitable for the participant; and

(2) maintain in the files of the member documents disclosing the basis upon which the determination of suitability was reached as to each participant.

(c) Notwithstanding the provisions of subsections (a) and (b) hereof, no member shall execute any transaction in a direct participation program in a discretionary account without prior written approval of the transaction by the customer.

Section 4 - Disclosure

(a) Prior to participating in a public offering of a direct participation program, a member or person associated with a member shall have reasonable grounds to believe, based on information made available to him by the sponsor through a prospectus or other materials, that all material facts are adequately and accurately disclosed and provide a basis for evaluating the program.

(b) In determining the adequacy of disclosed facts pursuant to subsection (a) hereof, a member or person associated with a member shall obtain information on material facts relating at a minimum to the following, if relevant in view of the nature of the program:

(1) items of compensation;

(2) physical properties;

(3) tax aspects;

(4) financial stability and experience of the sponsor;

(5) the program's conflicts and risk factors; and

(6) appraisals and other pertinent reports.

(c) For purposes of subsections (a) or (b) hereof, a member or person associated with a member may rely upon the results of an inquiry conducted by another member or members, provided that:

(1) the member or person associated with a member has reasonable grounds to believe that such inquiry was conducted with due care;

(2) the results of the inquiry were provided to the member or person associated with a member with the consent of the member or members conducting or directing the inquiry; and

(3) no member that participated in the inquiry is a sponsor of the program or an affiliate of such sponsor.

(d) Prior to executing a purchase transaction in a direct participation program, a member or person associated with a member shall inform the prospective participant of all pertinent facts relating to the liquidity and marketability of the program during the term of the investment.

Section 5 - Organization and Offering Expenses

(a) No member or person associated with a member shall underwrite or participate in a public offering of a direct participation program if the organization and offering expenses are not fair and reasonable, taking into consideration all relevant factors.

(b) In determining the fairness and reasonableness of organization and offering expenses for purposes of subsection (a) hereof, the arrangements shall be presumed to be unfair and unreasonable if:

(1) the total amount of all items of compensation from whatever source payable to underwriters, broker/ dealers, or affiliates thereof, which are deemed to be in connection with or related to the distribution of the public offering, exceeds currently effective compensation guidelines for direct participation programs published by the Association [1];

(2) organization and offering expenses paid by a program in which a member or an affiliate of a member is a sponsor exceed currently effective guidelines for such expenses published by the Association [2];

(3) any compensation in connection with an offering is

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[1] A guideline for underwriting compensation of ten percent of proceeds received, plus a maximum of 0.5 percent for reimbursement of bona fide due diligence expenses, was published in Notice-to-Members 82-51 (October 19, 1982).

[2] A guideline for organization and offering expenses of 15 percent of proceeds received was published in Notice-to-Members 82-51 (October 19, 1982).

to be paid to underwriters, broker/dealers, or affiliates thereof out of the proceeds of the offering prior to the release of such proceeds from escrow, provided, however, that any such payment from sources other than proceeds of the offering shall be made only on the basis of bona fide transactions;

(4) commissions or other compensation are to be paid or awarded either directly or indirectly, to any person engaged by a potential investor for investment advice as an inducement to such advisor to advise the purchaser of interests in a particular program, unless such person is a registered broker/dealer or a person associated with such a broker/dealer; or

(5) the program provides for compensation of an indeterminate nature to be paid to members or persons associated with members for sales of program units, or for services of any kind rendered in connection with or related to the distribution thereof, including, but not necessarily limited to, the following: a percentage of the management fee, a profit sharing arrangement, brokerage commissions, an overriding royalty interest, a net profits interest, a percentage of revenues, a reversionary interest, a working interest, a security or right to acquire a security having an indeterminate value, or other similar incentive items.

(c) All items of compensation paid by the program directly or indirectly from whatever source to underwriters, broker/dealers, or affiliates thereof, including, but not limited to, sales commissions, wholesaling fees, due diligence expenses, other underwriter's expenses, underwriter's counsel's fees, securities or rights to acquire securities, rights of first refusal, consulting fees, finder's fees, investor relations fees, and any other items of compensation for services of any kind or description, which are deemed to be in connection with or related to the public offering, shall be taken into consideration in computing the amount of compensation for purposes of determining compliance with the provisions of subsections (a) and (b) of this section.

(d) The determination of whether compensation paid to underwriters, broker/dealers, or affiliates thereof is in connection with or related to a public offering, for purposes of this section, shall be made on the basis of such factors as the timing

of the transaction, the consideration rendered, the investment risk, and the role of the member in the organization, management and direction of the enterprise in which the sponsor is involved. For purposes of determining the factors to be utilized in computing compensation derived from securities received in connection with a public offering, the guidelines set forth in the Interpretation of the Board of Governors--Review of Corporate Financing shall govern to the extent applicable.

(e) No sponsor, affiliate of a sponsor (other than a member dealing with persons associated with that member), or program shall provide any sales incentive item, including, but not limited to, travel bonuses, prizes, and awards, directly to a person associated with a member unless:

(1) the aggregate value of all such items to be received by each associated person during any year does not exceed $50;

(2) the value of all such items to be made available in connection with an offering is included as compensation to be received in connection with the offering for purposes of paragraph (b)(1) of this section; and

(3) the proposed payment or transfer of all such items are disclosed in the prospectus or similar offering document.

(f) No sponsor, affiliate of a sponsor, or program shall provide compensation to a member in the form of sales incentive items including, but not limited to, travel bonuses, prizes, and awards unless all of the following conditions are satisfied:

(1) a fair market dollar value of the incentive items has been established;

(2) the value of all such items to be made available in connection with an offering is included as compensation to be received in connection with the offering for purposes of subsection (b) of this section;

(3) arrangements relating to the proposed payment or transfer of all such items are disclosed in the prospectus or similar offering document;

(4) the manner of receiving all such items and their subsequent disposition, whether to associated persons or otherwise, is controlled solely by the

member in a manner which enables the member to properly supervise its associated persons; and

(5) the value of all such items is reflected on the books and records of the recipient member as compensation received in connection with the offering.

Notice to Members should be retained for future reference.

82-51

NASD

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

October 19, 1982

TO: Members of the National Association of Securities Dealers, Inc. and Other Interested Persons

RE: Direct Participation Program Compensation Guidelines

For several years, the Association has reviewed the fairness and reasonableness of underwriting compensation for public direct participation programs distributed by members. This review has been conducted pursuant to the general guidelines of the Interpretation of the Board of Governors -- Review of Corporate Financing under Article III, Section 1 of the Rules of Fair Practice (NASD Manual (CCH) ¶2151) and internal compensation guidelines which have never been formally published.

In Notice to Members 82-50 (October 19, 1982) the Association announced the adoption and immediate effectiveness of Appendix F to Article III, Section 34 of the Rules of Fair Practice ("Appendix F"). Appendix F regulates various aspects of members' involvement in public offerings of direct participation programs and provides more specific standards for underwriting compensation and certain organizational expenses.

Section 5 of Appendix F prohibits members from participating in a public offering if the organization and offering expenses are not fair and reasonable. The section further states that

> in determining the fairness and reasonableness of organization and offering expenses ... arrangements shall be presumed to be unfair and unreasonable if:
>
> (1) the total amount of all items of compensation from whatever source payable to underwriters, broker/dealers, or affiliates ... in connection with ... the public offering, exceeds currently effective compensation guidelines for direct participation programs published by the Association; [or]

> (2) organization and offering expenses paid by a program in which a member or an affiliate of a member is a sponsor exceed currently effective guidelines for such expenses published by the Association ....

Guidelines for underwriting compensation and organization and offering expenses therefore are being published herein for the first time. These guidelines have been developed by the Direct Participation Programs Committee.

Underwriting Compensation

The Association's guidelines place a limitation on underwriting compensation received in connection with the public offering of a direct participation program of ten percent of the program proceeds received. An issuer may reimburse an underwriter an amount not exceeding 0.5 percent of the proceeds for bona fide "due diligence" expenses incurred without that amount being included in the overall ten percent limitation. Any such reimbursement greater than 0.5 percent, however, will be included as underwriting compensation.

Subsection 5(c) of Appendix F specifies the items taken into consideration in computing the amount of compensation attributable to the underwriter. Subsection 5(c) provides that:

> All items of compensation paid by the program directly or indirectly from whatever source to underwriters, broker/dealers, or affiliates thereof, including, but not limited to, sales commissions, wholesaling fees, due diligence expenses, other underwriter's expenses, underwriter's counsel's fees, securities or rights of first refusal, consulting fees, finder's fees, investor relations fees, and any other items of compensation for services of any kind or description, which are deemed to be in connection with or related to the public offering, shall be taken into consideration in computing the amount of compensation for purposes of determining compliance with ... this section.

In addition, Subsection 5(d) describes factors to be considered in determining whether compensation received by the underwriter is related to the offering.

Organization and Offering Expenses

The Association's guidelines place a limitation on total organization and offering expenses of 15 percent of program proceeds received. "Organization and offering expenses" is defined in Subsection 2(b)(2) as

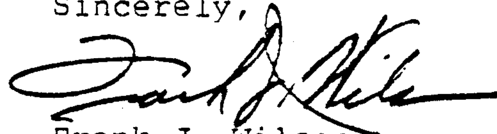
> expenses incurred in preparing a direct participation program for registration and subsequently offering interests in the program to the public, including all forms of compensation paid to underwriters, broker/dealers, or affiliates thereof in connection with the offering of the program.

The definition includes the total amount of underwriting compensation (and any "due diligence" reimbursement), as determined pursuant to Subsection 5(b)(1), as well as total expenses incurred in preparing a program for registration. Such expenses include registration fees, printing costs, accounting and legal fees, and other miscellaneous costs which may be incurred by the sponsor in organizing a program for distribution.

* * * *

Questions concerning the application of the Association's direct participation program compensation guidelines should be directed to the Association's Corporate Financing Department at telephone number (202) 728-8258.

Sincerely,



Frank J. Wilson
Executive Vice President
Legal and Compliance

NASD

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

October 21, 1982

TO: Members of the National Association of Securities Dealers, Inc. and Other Interested Persons

RE: Referral of Private Offerings of Direct Participation Program Securities

The Association's Direct Participation Programs Committee and Board of Governors continue to be concerned about the proliferation of direct participation programs which are offered as private placements in apparent violation of securities registration requirements. While it appears that most private offerings are made in accordance with generally recognized conditions for exemption under Section 4(2) or 3(b) of the Securities Act of 1933, we believe that a large number of offerings which are distributed without registration do not satisfy those conditions. In some cases, private offerings are sold by persons not properly registered as broker/dealers as required by Section 15(b) of the Securities Exchange Act of 1934. In view of these continuing practices, the Association is again publishing information on a procedure whereby members and others can refer questionable private offerings to the Corporate Financing Department for a general analysis and further referral to appropriate District Offices or other regulatory authorities.

Background

During the late 1970's, the Association became concerned with the lack of information on private direct participation program offerings. The Board of Governors authorized a study of all private offerings of such programs in which members or their associated persons participated during a 12-month period. Over 1400 offerings were received and analyzed. Findings and conclusions drawn from the study were published by the Association in 1980.

On the basis of the study, the Association concluded that those problems relating to private offerings which involve NASD members or their associated persons (and therefore are under

NASD jurisdiction) could be regulated through existing Association inspection and disciplinary procedures, and that it was not necessary to require that private offerings be filed with the Association prior to sale. It was also concluded, however, that existing regulatory procedures would be made more effective if a means were established whereby questionable offerings could be referred to the appropriate enforcement staff. With respect to offerings beyond the Association's jurisdiction, a referral procedure would facilitate the enforcement of existing requirements by other regulatory agencies.

Accordingly, the Association announced in its 1980 report that a referral program had been established. To date, however, the program has not received widespread attention. Thus, the availability of the program is being publicized again.

Scope of Referral Program

The referral program is intended to serve the limited purpose of identifying offerings distributed under a claimed exemption from registration which is invalid, offerings made by persons claiming an exemption from broker/dealer registration requirements which is not valid, and offerings made on the basis of disclosure which is apparently misleading or fraudulent.

The program is not intended to provide the person submitting an offering with a determination of overall fairness or of compliance with any statutory exemption or NASD, SEC, or state rule. The party referring the offering will receive at most only an acknowledgement of its receipt. The program may be used by anyone and members and their associated persons are encouraged to participate.

Referral Procedure

Offerings may be submitted for referral by mailing all relevant offering documents (particularly the offering circular and any sales literature) to:

Private Offering Referral Program
Corporate Financing Department
1735 K Street, N.W.
Washington, D.C. 20006

Persons identifying themselves in the submission will receive acknowledgement of receipt of the material. It is not necessary for the submitting party to be identified, however. Upon receipt of offering materials, the Association's staff will review the

materials for the purpose of determining the appropriate regulatory organization with jurisdiction over the offering.

* * * * *

We are hopeful that the Association's referral program will provide a more effective means for regulatory organizations to identify and correct abuses of private offering exemptions. Any questions regarding this notice may be directed to Dennis C. Hensley or Elizabeth H. Anderson of the Corporate Financing Department at (202) 728-8258.

Sincerely,

Frank J. Wilson
Executive Vice President
Legal and Compliance

-NASD

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

October 21, 1982

TO: Members of the National Association of Securities Dealers, Inc. and Other Interested Persons

RE: Referral of Private Offerings of Direct Participation Program Securities

The Association's Direct Participation Programs Committee and Board of Governors continue to be concerned about the proliferation of direct participation programs which are offered as private placements in apparent violation of securities registration requirements. While it appears that most private offerings are made in accordance with generally recognized conditions for exemption under Section 4(2) or 3(b) of the Securities Act of 1933, we believe that a large number of offerings which are distributed without registration do not satisfy those conditions. In some cases, private offerings are sold by persons not properly registered as broker/dealers as required by Section 15(b) of the Securities Exchange Act of 1934. In view of these continuing practices, the Association is again publishing information on a procedure whereby members and others can refer questionable private offerings to the Corporate Financing Department for a general analysis and further referral to appropriate District Offices or other regulatory authorities.

Background

During the late 1970's, the Association became concerned with the lack of information on private direct participation program offerings. The Board of Governors authorized a study of all private offerings of such programs in which members or their associated persons participated during a 12-month period. Over 1400 offerings were received and analyzed. Findings and conclusions drawn from the study were published by the Association in 1980.

On the basis of the study, the Association concluded that those problems relating to private offerings which involve NASD members or their associated persons (and therefore are under

NASD jurisdiction) could be regulated through existing Association inspection and disciplinary procedures, and that it was not necessary to require that private offerings be filed with the Association prior to sale. It was also concluded, however, that existing regulatory procedures would be made more effective if a means were established whereby questionable offerings could be referred to the appropriate enforcement staff. With respect to offerings beyond the Association's jurisdiction, a referral procedure would facilitate the enforcement of existing requirements by other regulatory agencies.

Accordingly, the Association announced in its 1980 report that a referral program had been established. To date, however, the program has not received widespread attention. Thus, the availability of the program is being publicized again.

Scope of Referral Program

The referral program is intended to serve the limited purpose of identifying offerings distributed under a claimed exemption from registration which is invalid, offerings made by persons claiming an exemption from broker/dealer registration requirements which is not valid, and offerings made on the basis of disclosure which is apparently misleading or fraudulent.

The program is not intended to provide the person submitting an offering with a determination of overall fairness or of compliance with any statutory exemption or NASD, SEC, or state rule. The party referring the offering will receive at most only an acknowledgement of its receipt. The program may be used by anyone and members and their associated persons are encouraged to participate.

Referral Procedure

Offerings may be submitted for referral by mailing all relevant offering documents (particularly the offering circular and any sales literature) to:

Private Offering Referral Program
Corporate Financing Department
1735 K Street, N.W.
Washington, D.C. 20006

Persons identifying themselves in the submission will receive acknowledgement of receipt of the material. It is not necessary for the submitting party to be identified, however. Upon receipt of offering materials, the Association's staff will review the

materials for the purpose of determining the appropriate regulatory organization with jurisdiction over the offering.

* * * * *

We are hopeful that the Association's referral program will provide a more effective means for regulatory organizations to identify and correct abuses of private offering exemptions. Any questions regarding this notice may be directed to Dennis C. Hensley or Elizabeth H. Anderson of the Corporate Financing Department at (202) 728-8258.

Sincerely,

Frank J. Wilson
Executive Vice President
Legal and Compliance

APPENDIX F
to Article III,
Section 34 of the
Rules of Fair Practice

Section 1 - Application of Appendix F

No member or person associated with a member shall participate in a public offering of a direct participation program except in accordance with this Appendix.

Section 2 - Definitions

(a) Terms used in this Appendix which are defined in Article III, Section 34 of the Rules of Fair Practice shall have the meaning stated in that Section.

(b) The following terms shall have the stated meaning when used in this Appendix:

(1) FAIR MARKET NET WORTH - total assets computed at fair market value less total liabilities.

(2) ORGANIZATION AND OFFERING EXPENSES - expenses incurred in preparing a direct participation program for registration and subsequently offering interests in the program to the public, including all forms of compensation paid to underwriters, broker/dealers, or affiliates thereof in connection with the offering of the program.

(3) PARTICIPANT - the purchaser of an interest in a direct participation program.

(4) PERSON - any natural person, partnership, corporation, association or other legal entity.

(5) PROSPECTUS - a prospectus as defined by Section 2(10) of the Securities Act of 1933, as amended, an offering circular as described in Rule 256 of the General Rules and Regulations under the Securities Act of 1933 or, in the case of an intrastate offering, any document utilized for the purpose of announcing the offer and sale of securities to the public.

(6) REGISTRATION STATEMENT - a registration statement as defined by Section 2(8) of the Securities Act of

1933, as amended, a notification on Form 1-A filed with the Securities and Exchange Commission pursuant to the provisions of Rule 255 of the General Rules and Regulations under the Securities Act of 1933 and, in the case of an intrastate offering, any document initiating a registration or similar process for an issue of securities which is required to be filed by the laws or regulations of any state.

(7) TAXABLE INCOME - taxable income as defined in Section 63 of the Internal Revenue Code of 1954, as amended, without taking into consideration the effects of investment in the program.

(8) TAX BRACKET - the maximum rate at which a portion of a person's taxable income would be taxed.

Section 3 - Suitability

(a) A member or person associated with a member shall not underwrite or participate in a public offering of a direct participation program unless standards of suitability have been established by the program for participants therein and such standards are fully disclosed in the prospectus and are consistent with the provisions of subsection (b) of this section.

(b) In any sale or solicitation of or recommendation to purchase an interest in a direct participation program to a prospective participant, a member or person associated with a member shall:

(1) inform the prospective participant of all pertinent facts relating to the liquidity and marketability of the program during the term of the investment and the tax consequences upon dissolution of the program;

(2) have reasonable grounds to believe, on the basis of information obtained from a prospective participant, that the prospective participant is or will be in a tax bracket appropriate to enable him to realize the tax benefits described in the prospectus after giving effect to all of his direct participation program investments, provided that the member shall have reasonable grounds to believe that a prospective participant in an oil and gas

program, other than a program formed to acquire producing properties, is or will be in at least a 49 percent tax bracket prior to giving effect to all of his investments in direct participation programs;

(3) have reasonable grounds to believe that a prospective participant has a fair market net worth sufficient to sustain the risks inherent in the program, including loss of investment and lack of liquidity, and that his investments in all direct participation programs bear a reasonable relationship to his fair market net value;

(4) have reasonable grounds to believe that the purchase of the program is suitable for the prospective participant on the basis of information furnished by him concerning his investment objectives, financial situation and needs and any other information known by such member or person associated with a member; and,

(5) maintain in the files of the member documents disclosing the basis upon which the determination of suitability was reached as to each prospective participant.

(c) A member or person associated with a member may sell, solicit or recommend the purchase of a direct participation program contrary to the provisions of subsections (a) and (b) hereof, provided that:

(1) the burden of proving a determination of the suitability of a prospective participant for investment in a program shall be upon the member or person associated with a member making it; and,

(2) the member or persons associated with a member who makes a determination of the suitability of a prospective participant shall document in writing the basis therefor with particular reference to each departure from the standards specified in subsections (a) and (b) hereof and retain such documentation in the files of the member.

(d) In any solicitation or recommendation of the resale, transfer or other disposition of a direct participation program made to a participant, a member or person associated with a member shall explain to the participant all details regarding the method of valuation of program interests established by the sponsor and the likely tax consequences of the proposed transaction.

(e) Notwithstanding the provisions of subsections (a) through (d) hereof, no member shall execute any transaction on behalf of a customer involving an interest in a direct participation program without prior specific authority from the customer to do so.

Section 4 - Disclosure

(a) Prior to participating in a public offering of a direct participation program, a member or person associated with a member shall have reasonable grounds to believe, based on information made available to him by the sponsor through a prospectus or other materials, that all material facts are adequately and accurately disclosed and provide a basis for evaluating the economic merits of the program.

(b) A member or person associated with a member shall give consideration, as relevant in view of the nature of the program, to the following:

(1) items of compensation;

(2) physical properties;

(3) tax aspects;

(4) financial stability and experience of the sponsor;

(5) the program's conflicts and risk factors;

(6) appraisals and other pertinent reports; and

(7) any other items of material fact.

(c) For purposes of subsections (a) or (b) hereof, a member or person associated with a member may rely upon the results of an inquiry conducted by another member or members, provided that:

(1) the member or person associated with a member has reasonable grounds to believe that such inquiry was conducted with due care;

(2) the results of the inquiry were provided to the member or person associated with a member with the consent of the member or members conducting or directing the inquiry; and

(3) no member that participated in the inquiry is a sponsor of the program or an affiliate of such sponsor.

Section 5 - Organization and Offering Expenses

(a) No member or person associated with a member shall underwrite or participate in a public offering of a direct participation program if the organization and offering expenses are not fair and reasonable, taking into consideration all relevant factors,

(b) In determining the fairness and reasonableness of organization and offering expenses for purposes of Section (5)(a), the arrangements shall be presumed to be unfair and unreasonable if:

(1) the total amount of all items of compensation from whatever source payable to underwriters, broker/dealers, or affiliates thereof, which are deemed to be in connection with or related to the public offering, are not fair and reasonable in relationship to the cash receipts of the offering;

(2) organization and offering expenses paid by a program in which a member or an affiliate of a member is a sponsor exceed 15 percent of the dollar amount of the cash receipts of the offering;

(3) any compensation in connection with an offering is to be paid to underwriters, broker/dealers, or affiliates thereof out of the proceeds of the offering prior to the release of such proceeds from escrow, provided, however, that any such payment from sources other than proceeds of the offering shall be made only on the basis of bona fide transactions;

(4) commissions or other compensation are to be paid or awarded either directly or indirectly, to any person engaged by a potential investor for investment advice as an inducement to such advisor to advise the purchaser of interests in a particular program, unless such person is a registered broker/dealer or a properly registered person for selling program interests; or

(5) the program provides for compensation of an indeterminate nature to be paid to members or persons associated with members for sales of

program units, or for services of any kind rendered in connection with or related to the distribution thereof, including, but not necessarily limited to, the following: a percentage of the management fee, a profit sharing arrangement, brokerage commissions, an overriding royalty interest, a net profits interest, a percentage of revenues, a reversionary interest, a working interest, a security or right to acquire a security having an indeterminate value, or other similar incentive items.

(c) All items of compensation paid by the program directly or indirectly from whatever source to underwriters, broker/dealers, or affiliates thereof, including, but not limited to, sales commissions, wholesaling fees, due diligence expenses, other underwriter's expenses, underwriter's counsel's fees, securities or rights to acquire securities, rights of first refusal, consulting fees, finder's fees, investor relations fees, and any other items of compensation for services of any kind or description, which are deemed to be in connection with or related to the public offering, shall be taken into consideration in computing the amount of sales commissions to determine compensation for purposes of determining compliance with the provisions of subsections (a) and (b) of this section.

(d) The determination of whether compensation paid to underwriters, broker/dealers, or affiliates thereof is in connection with or related to a public offering, for purposes of this section, shall be made on the basis of such factors as the timing of the transaction, the consideration rendered, the investment risk, and the role of the member in the organization, management and direction of the enterprise in which the sponsor is involved. For purposes of determining the factors to be utilized in computing compensation derived from securities received in connection with a public offering, the guidelines set forth in the Interpretation of the Board of Governors--Review of Corporate Financing shall govern to the extent applicable.

(e) No sponsor, affiliate of a sponsor (other than a member dealing with persons associated with that member), or program shall provide any sales incentive item, including, but not limited to, travel bonuses, prizes, and awards, to any person associated with a member unless:

(1) the aggregate value of all such items to be received by each associated person during any year does not exceed $50;

(2) the value of all such items to be made available in connection with an offering is included as compensation to be received in connection with the offering for purposes of paragraph (b) (1) of this section; and

(3) the proposed payment or transfer of all such items are disclosed in detail in the prospectus or similar offering document.

(f) Notwithstanding the provisions of subsection (e) hereof, a sponsor, affiliate of a sponsor, or program may provide compensation to a member in the form of sales incentive items including, but not limited to, travel bonuses, prizes, and awards if all of the following conditions are satisfied:

(1) a fair market dollar value of the incentive items has been established;

(2) the value of all such items to be made available in connection with an offering is included as compensation to be received in connection with the offering for purposes of paragraph (b)(1) of this section;

(3) arrangements relating to the proposed payment or transfer of all such items are disclosed in detail in the prospectus or similar offering document;

(4) the manner of receiving all such items and their subsequent disposition, whether to associated persons or otherwise, is controlled solely by the member in a manner which enables the member to properly supervise its associated persons; and

(5) the value of all such items is reflected on the books and records of the recipient member as compensation received in connection with the offering.

NOTICE TO MEMBERS: 82-53
Notices to Members should be retained for future reference.

-NASD-

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

October 29, 1982

M E M O R A N D U M

TO: All NASD Members

RE: Requirement for NASDAQ Market Makers to Join a Clearing Corporation

On January 3, 1983, an amendment to Schedule D of the Association's By-Laws will become effective which requires each registered NASDAQ market maker that is located within 25 miles of a clearing corporation utilizing a continuous net settlement system (CNS) to clear and settle eligible transactions in all NASDAQ securities through a registered CNS clearing facility. Nevertheless, members of a clearing entity may upon prior agreement of both parties to the transaction settle trades "ex-clearing" or directly through use of the mails. Also, a NASDAQ market maker subject to the requirements of this By-Law amendment may elect to enter into a correspondent clearing arrangement with an NASD member that clears through a continuous net settlement clearing facility. A list of these clearing facilities and their locations is attached as Exhibit I.

The Association believes this new requirement will encourage the use of established clearing entities thereby facilitating the development of a prompt, effective and efficient national system for the clearance and settlement of over-the-counter securities transactions. The NASD anticipates that broader participation by NASDAQ market makers in a CNS clearing system will reduce the delays and costs involved in clearing transactions, and in resolving uncompared trades which is particularly significant in times of heavy volume.

All NASDAQ market makers located within a 25 mile radius of a registered clearing agency using a continuous net settlement system must either be a member of such a clearing entity or establish a correspondent clearing arrangement with another member that clears through a CNS clearing facility by January 3, 1983,

the effective date of this amendment to Schedule D. In this connection, it should be noted that a NASDAQ market maker may select any clearing facility it chooses and is not required to use the facility located closest to it.

The text of this amendment to Schedule D of the Association's By-Laws is attached as Exhibit II. Questions regarding this Notice should be directed to Thomas R. Cassella, Director, Financial Responsibility, at (202) 728-8237.

Sincerely,

Frank J. Wilson
Executive Vice President
Legal and Compliance

Enclosures

EXHIBIT I

LOCATIONS OF CLEARING CORPORATIONS

Midwest Clearing Corporation

120 South LaSalle Street
Chicago, Illinois 60603
Contact: Lee Mikell,
Vice President, Marketing
(312) 368-2477

Clearing Facilities in: Chicago and New York

National Securities Clearing Corporation

55 Water Street, 22nd Floor
New York, New York 10041
Contact: John L. Kinnaman,
Vice President, Marketing
(212) 248-0720

Clearing Facilities in:

Boston	Denver	Minneapolis
Chicago	Jersey City	New York
Cleveland	Los Angeles	St. Louis
Dallas	Milwaukee	Washington, D.C.
		San Francisco

Pacific Clearing Corporation

301 Pine Street
San Francisco, California 94104
Contact: Betty R. Carter,
Senior Vice President, Marketing
(415) 393-4196

Clearing Facilities in:

Denver	Spokane	San Francisco
Portland	Seattle	Salt Lake City
		Los Angeles

Stock Clearing Corporation of Philadelphia

1900 Market Street
Philadelphia, Pennsylvania 19103
Contact: Pamela Tropp,
Corporate Secretary
(215) 564-5072

Clearing Facilities in:

New York	Philadelphia
Pittsburgh	Washington, D. C.

* * * * *

Text of the Amendment to Section C.3. of Part I of Schedule D of the Association's By-Laws

(e) Clearance and Settlement - A registered market maker located in an area where clearing facilities are available (as determined by the Board of Governors) shall clear and settle transactions in all NASDAQ securities through the facilities of a registered clearing agency. Transactions may, however, be settled "ex-clearing" upon agreement of both parties to the transaction.

EXPLANATION OF THE BOARD OF GOVERNORS

The Board of Governors has determined that, for purposes of this rule, clearing facilities are available if located within 25 miles of a market maker. Notwithstanding its proximity to a particular clearing facility, a market maker may clear its transactions through any registered clearing facility with continuous net settlement; enter into a correspondent clearing arrangement with a member which clears through a continuous net settlement clearing facility; or use direct mail settlement.

NOTICE TO MEMBERS: 82-54
Notice to Members should be retained for future reference.

-NASD-

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

November 12, 1982

TO: All NASD Members and Municipal Securities Bank Dealers

ATTN: All Operations Personnel

RE: Holiday Schedule For the Remainder of 1982

Securities markets and the NASDAQ System will be closed on Thursday, November 25, Thanksgiving Day and Friday, December 24, Christmas Day Observance. "Regular-Way" transactions made on the preceding business days will be subject to the schedule below.

Members should be aware that securities markets and the NASDAQ System will be open on Friday, December 31, and this day will be considered as a regular business day.

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

Trade Date		Settlement Date		Regulation T Date*	
November	18	November	26	November	30
	19		29	December	1
	22		30		2
	23	December	1		3
	24		2		6
	26		3		7
December	17	December	27	December	29
	20		28		30
	21		29		31
	22		30	January 3, 1983	
	23		31		4
	27	January 3, 1983			5

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*Pursuant to Section 4(c)(2) of Regulation T of the Federal Reserve Board, a broker-dealer must promptly cancel or otherwise liquidate a customer purchase transaction in a cash account if full payment is not received within seven (7) business days of the date of purchase or, pursuant to Section 4(c)(6), make application to extend the time period specified. The date by which members must take such action is shown in the column entitled "Regulation T Date".

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

Questions regarding the application of this notice may be directed to the Uniform Practice Department of the NASD at (212) 839-6257.

* * *

NOTICE TO MEMBERS: 82-55
Notices to members should be retained for future reference.

NASD

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

MEMORANDUM

TO: All NASD Members

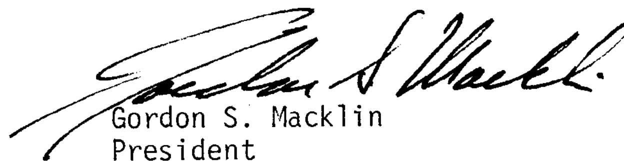
RE: 1983 Schedule of Holidays

DATE: December 1, 1982

Listed below is the NASD 1983 Schedule of Holidays.

February 21, Monday	Washington's Birthday Observed
April 1, Friday	Good Friday
May 30, Monday	Memorial Day
July 4, Monday	Independence Day
September 5, Monday	Labor Day
November 24, Thursday	Thanksgiving Day
December 26, Monday	Christmas Day Observed

Sincerely,



Gordon S. Macklin
President

—NASD

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

December 14, 1982

MEMORANDUM

TO: All NASD Members and Interested Persons

ATTN: TRAINING DIRECTORS AND REGISTRATION PERSONNEL

RE: Increase In PLATO No Show/Late Cancellation Fee

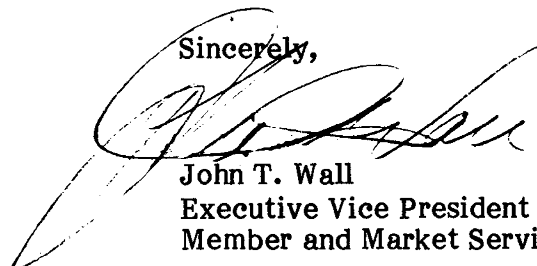
Effective December 1, 1982, the fee for candidates who fail to appear at or timely cancel scheduled appointments at PLATO learning centers was increased to $30.00. This fee reflects the full amount of direct charges levied against the NASD by Control Data Corporation and, as in the past, will be charged to sponsoring firms. The purpose of the fee is to compensate Control Data for opportunity costs incurred for unused appointment time in the learning centers. In addition, the fee will discourage incidents that result in scheduling delays for candidates who would otherwise be able to obtain appointments on a more timely basis. Authorization for this fee is contained in Section 2(f) of Schedule A of the NASD By-Laws, which was amended by the NASD's Board in November in accordance with the above.

An appointment cancellation is considered timely if effected according to the following schedule:

If Appointment Is Scheduled For	Cancellation Must Be Effected No Later Than Noon On
Monday	Thursday of the Preceding Week
Tuesday	Friday of the Preceding Week
Wednesday	Monday of the Same Week
Thursday	Tuesday of the Same Week
Friday	Wednesday of the Same Week

Questions regarding this notice may be directed to Frank J. McAuliffe at (202) 728-8136.

Sincerely,



John T. Wall
Executive Vice President
Member and Market Services

NOTICE TO MEMBERS: 82-57
Notices to Members Should Be
Retained For Future Reference.

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

December 14, 1982

IMPORTANT

TO: All NASD Members

RE: SEC Approves Uniform Practice Code Section 64 - Acceptance and Settlement of COD Orders

On January 1, 1983, new Section 64 of the Association's Uniform Practice Code, "Acceptance and Settlement of COD Orders," will become effective. The new rule will standardize the procedures to be followed by members for (1) accepting customer's COD/POD orders and (2) settlement processing of trades executed for customers on a COD/POD basis. This rule was approved by the Securities and Exchange Commission on November 9, 1982. The Commission simultaneously approved similar rules filed by the New York, American, Midwest, Philadelphia, and Pacific Stock Exchanges.

Explanation of the COD/POD Privileges

COD/POD privileges commonly are extended by broker-dealers to institutional customers. The privileges result in an exception to the requirement of Regulation T of the Federal Reserve Board that customers pay for securities within seven (7) business days after the date of purchase and permit payment on delivery or within thirty-five (35) calendar days of the trade, whichever is earlier.

COD, "Collect on Delivery," refers to a purchase by a customer and POD, "Payment on Delivery," refers to a sale by a customer, wherein a broker-dealer receives or makes payment at the time securities are delivered.

Description of Section 64

Section 64 is the result of an industry-wide cooperative effort to modernize trade processing, to make reasonable use of existing customer-oriented automated systems, such as, the Institutional Delivery (ID) Systems available through several registered securities depositories, and to help resolve the "Don't Know" (DK) institutional trade problem. During periods of high market volume, the procedures in Section 64 will be especially important.

Section 64 will have the greatest impact on members, their customers, clearing agents and correspondents which presently are or become participants in a registered securities depository.

On the effective date, January 1, 1983, the rule will allow NASD members which are also depository members and NASD members which clear through depository members, to accept depository eligible COD/POD orders from customers which are members of a depository (or whose agents or correspondents are members of a depository) only if the facilities of the depository are used for the confirmation, affirmation and book entry settlement of those trades.

The rule will only apply to those transactions which involve NASD members and customers that are both participants or whose agents are participants in a depository, and requires such transactions to be settled by means of the ID Systems provided by the depositories. The rule will not, however, require members, their COD/POD customers, clearing agents or correspondents to become participants in registered securities depositories, nor will it have any effect on the clearance of COD/POD business of NASD members which are not participants or whose agents, customers or customers' agents or correspondents are not participants in a depository.

Explanation of Section 64

A copy of Section 64 is attached as Exhibit A. Paragraphs (a)(1) through (a)(4) of the rule direct members to obtain certain information and assurances prior to the acceptance of COD/POD orders.

Paragraph (5) addresses settlement procedures for COD/POD trades and sets forth the general requirement that customers depository eligible COD/POD transactions be confirmed, acknowledged and settled by book entry through a securities depository.

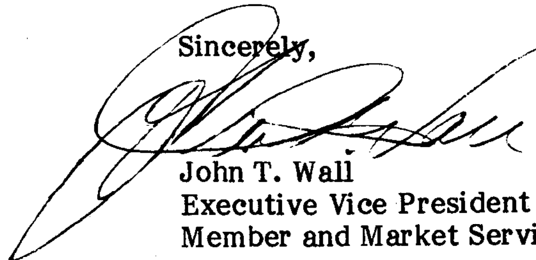
Exceptions to this requirement are set forth in subparagraphs (i) and (ii) of paragraph (a)(5). The first exception is for transactions settled outside of the United States and the second is for transactions where both parties to either side of the transaction (i.e. the customer and its agent or the member and its agent) are not participants in a registered securities depository. This exception is designed to compel use of a depository where one is available on both sides of a transaction but to allow COD/POD transactions outside of the depository system when the parties on one or both sides of the trade are not participants.

* * *

Additional information on the rule may be found in SEC Release No. 34-19227 and from the registered securities depositories offering ID Systems.

Questions regarding the new rule may be directed to James R. Yore, Uniform Practice Department at (212) 839-6255.

Sincerely,



John T. Wall
Executive Vice President
Member and Market Services

Attachment

SECTION 64 — ACCEPTANCE AND SETTLEMENT OF COD ORDERS

(a) No member shall accept an order from a customer pursuant to an arrangement whereby payment for securities purchased or delivery of securities sold is to be made to or by an agent of the customer unless all of the following procedures are followed:

(1) The member shall have received from the customer prior to or at the time of accepting the order, the name and address of the agent and the name and account number of the customer on file with the agent.

(2) Each order accepted from the customer pursuant to such an arrangement has noted thereon the fact that it is a payment on delivery (POD) or collect on delivery (COD) transaction.

(3) The member shall deliver to the customer a confirmation, or all relevant data customarily contained in a confirmation with respect to the execution of the order, in whole or in part, not later than the close of business on the next business day after any such execution.

(4) The member shall have obtained an agreement from the customer that the customer will furnish his agent instructions with respect to the receipt or delivery of the securities involved in the transaction promptly upon receipt by the customer of each confirmation, or the relevant data as to each execution, relating to such order (even though such execution represents the purchase or sale of only a part of the order), and that in any event the customer will assure that such instructions are delivered to his agent no later than:

(i) in the case of a purchase by the customer where the agent is to receive the securities against payment (COD), the close of business on the fourth business day after the date of execution of the trade as to which the particular confirmation relates; or,

(ii) in the case of a sale by the customer where the agent is to deliver the securities against payment (POD), the close of business on the third business day after the date of execution of the trade as to which the particular confirmation relates.

(5) The facilities of a securities depository shall be utilized for the confirmation, acknowledgement and book entry settlement of all depository eligible transactions covered by this rule except:

(i) Transactions that are to be settled outside of the United States;

(ii) Transactions wherein both a member and its agent are not participants in a securities depository, or where both the customer and its agent are not participants in a securities depository.

(b) Definitions:

(1) "Securities depository" shall mean a clearing agency as defined in Section 3(2)(23) of the Securities Exchange Act of 1934, that is registered with the Securities and Exchange Commission pursuant to Section 17A(b)(2) of the Act.

(2) "Depository eligible transactions" shall mean transactions in those securities for which confirmation, acknowledgement and book entry settlement can be performed through the facilities of a securities depository.

NASD

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

December 17, 1982

MEMORANDUM

TO: All NASD Members

RE: **GROUP FIDELITY BOND BUYING PROGRAM**

It gives me a great deal of pleasure to announce that the NASD sponsored program to provide fidelity bonds for NASD members will commence immediately. It will be underwritten by the National Union Fire Insurance Company of Pittsburgh, Pennsylvania, a member of the American International Group of Insurance Companies and administered by Marsh & McLennan Inc.

The program will be of significant benefit to most NASD members who are required to carry fidelity bonds. It will provide competitive premium rates and easy access to fidelity bonding coverage up to $500,000.

Here are some of the highlights of the program:

1) Members whose minimum fidelity bonding requirement is $500,000 or less will be eligible to participate in the program.

2) Members who wish to purchase more than their minimum required coverage may do so within the program, up to $500,000.

3) In most cases bonds will be issued without underwriting on receipt of a simple application and a check for the first annual premium. In most situations members will be able to calculate their own premiums as indicated in the attached material.

4) The amount of coverage purchased will apply to all insuring agreements. There will be no reduction in coverage for Securities Forgery or Fraudulent Trading.

5) There will be two deductible levels as follows:

Amount of Coverage	Deductible
Up to $250,000	$5,000
$250,001 to $500,000	$10,000

6) Members who do not generally carry customer accounts (i.e. those subject to paragraph (a)(2) of the SEC's net capital rule 15c3-1) will receive a 10% discount from the basic premium.

Definition of Employee

In Notice to Members No. 82-40, dated June 17, 1982, the Board of Governors of the Association asked for member comments on a proposed amendment to the NASD fidelity bonding rule which would add a definition of employee to the rule. After careful consideration of the comment letters received, the Board unanimously approved the amendment at its meeting on July 16, 1982. The amendment was filed with the Securities and Exchange Commission pursuant to Rule 19b-4 under the Securities Exchange Act of 1934. Commission approval of the amendment was received on December 1, 1982.

Text of the Amendment to Article III, Section 32
NASD Rules of Fair Practice

The following is the full text of new paragraph (e) to Appendix C of Article III, Section 32 of the NASD Rules of Fair Practice:

Definitions

(e) For purposes of fidelity bonding the term "employee" or "employees" shall include any person or persons associated with a member firm (as defined in Article I, Section 3(f) of the By-Laws) except:

1) Sole Proprietors

2) Sole Stockholders

3) Directors or Trustees of member firms who are not performing acts coming within the scope of the usual duties of an officer or employee.

Effect of the Amendment

The amendment will require members to include under their fidelity bonding coverage most persons associated with their firms who are engaged in the investment banking or securities business.

Co-owners (partners and partial stockholders), officers, employees and registered principals and representatives will be required to be covered under members' fidelity bonds.

Persons associated with member firms who are sole owners (sole proprietors and sole stockholders) will not be classified as employees and will not be required to be included under their firm's bonding coverage. Such will also be true of Directors and Trustees of member firms who do not engage in activities on behalf of their firms which fall within the scope of the usual duties of officers or employees.

The definition of employee in the policy to be used in the group program has been amended to comply with the new definition of employee. Members who are not eligible for or who do not choose to join the group program will be required to bring their current bonds into compliance with the new definition of employee.

Grace Period

To provide members with sufficient time to bring their bonds into compliance either by joining the group program or by having their current bonds amended, a grace period of 12 months from December 17, 1982 will be allowed to all NASD members.

Enhancements to the Group Program

As soon as the Group Fidelity Bond Program is underway other coverages desired by members will be evaluated by the Fidelity Bonding Committee and offered to members. The first such coverage will be the Surety Bonds required by many State Blue Sky Laws.

Participation

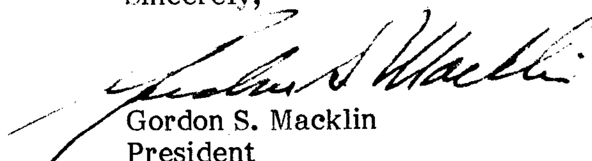
The policy and rates are currently being filed in all states. Most states have file-and-use regulations but there are some whose regulations require specific approval. If there is no informational material enclosed with this letter the policy and rates are not yet approved in your state. As soon as such approval is received you will receive the necessary information to enable you to join the program.

The key to the success of any group insurance program is maximum participation by those who are eligible to join such a plan. I urge those of you who are eligible to participate to do so either immediately or as soon as it is to your economic advantage.

Questions about the operation of the program, e.g., rates, coverage, applications, claims, etc. should be directed to Marsh & McLennan Inc. Location and phone numbers are in the enclosed informational material.

Questions relating to the fidelity bonding rule and the new definition of employee should be directed to A. John Taylor, Vice President, Variable Contracts at (202) 728-8328.

Sincerely,



Gordon S. Macklin
President

-NASD-

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

IMPORTANT NOTICE

TO: All NASD Members

DATE: December 30, 1982

RE: Securities and Exchange Commission Approval of New Article III, Section 37 of the Rules of Fair Practice and Permanent Operating Rules Governing ITS/CAES Linkage

The Securities and Exchange Commission (Commission) by its order dated May 6, 1982 (Release No. 18713) adopted final amendments to the plan governing the operation of the Intermarket Trading System (ITS) in order to include the Association as a participant in ITS and to implement the automated interface between ITS and the Computer Assisted Execution System (CAES) previously required by the Commission's order dated April 21, 1981 (Release No. 17744). The automated interface between ITS and CAES (ITS/CAES Linkage) commenced operation on May 17, 1982.

By a companion order also dated May 6, 1982 (Release No. 18714), the Commission approved and declared effective interim rules adopted by the Association for implementation during the initial six month period of operation of the ITS/CAES linkage. These rules were entitled "INTERIM RULES OF PRACTICE AND PROCEDURE FOR INTERMARKET TRADING SYSTEM/COMPUTER ASSISTED EXECUTION SYSTEM AUTOMATED INTERFACE" and are now contained in the NASD manual at Paragraph 2501.

The ITS Plan, as amended by the Commission order, imposed upon the Association the obligation to adopt on a permanent basis specific rules, regulations and procedures governing the operation of the ITS/CAES linkage. In order to comply with these obligations, the Board of Governors approved for membership vote a new Article III, Section 37 of the Association's Rules of Fair Practice. This new section provided authorization to the Board to adopt rules, regulations and procedures required under the ITS Plan and permit it to alter, amend or modify them from time-to-time without further recourse to the membership for a vote. In addition, the Board of Governors also published the interim rules applicable to the ITS/CAES linkage for comment to determine whether it would be appropriate, in whole or in part, to adopt them on a permanent basis.

Article III, Section 37 of the Association's Rules of Fair Practice was approved by a vote of the membership on June 14, 1982. This rule was filed with and approved by the Commission on October 4, 1982. In addition, the Board reviewed the comments received from the membership. As a result, it

approved their adoption as permanent rules with modifications being made only as to the elements required to be included in a commitment to trade (Section (d)(2)(H)) and one portion of the trade-through rule (Section (h)(2)(B)).

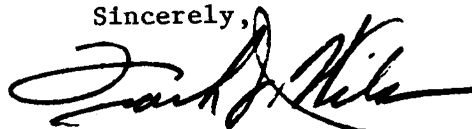
More specifically, a new Section (d)(2)(H) has been added which requires that a commitment be marked "short" or "short exempt" where appropriate. A change has also been made to the trade-through rule to obviate certain ambiguity in connection with the corrective action to be taken where the contra-side of the transaction is either an ITS/CAES market maker acting as agent or a non-ITS/CAES market maker. Under the original proposal, if an ITS/CAES market maker was on only one side of the transaction, or if the other side of the transaction was an ITS/CAES market maker acting as agent, Section (h)(2)(B) provided that corrective action was to be taken by the ITS/CAES market maker "registered" in the ITS/CAES security. It was, therefore, unclear which ITS/CAES market maker was intended to take the corrective action where both sides of the transaction involved ITS/CAES market makers, but only one side was acting as agent. To clarify such, former Section (h)(2)(B) was split into three new sections, Section (h)(2)(B), Section (h)(2)(C) and Section (h)(2)(D). Section (h)(2)(D) contains no substantive change to the language previously contained in Section (h)(2)(B).

New Section (h)(2)(B) provides that if an ITS/CAES market maker is on only one side of the transaction, the ITS/CAES market maker registered in the security shall satisfy the bid or offer traded-through in its entirety; otherwise, the price of the transaction which constitutes the trade-through shall be corrected by the ITS/CAES market maker to a price at which a trade-through would not have occurred.

New Section (h)(2)(C) provides that if ITS/CAES market makers are on both sides of a transaction and either one or both are acting as agent, the price of the transaction which constituted the trade-through shall be corrected by agreement of the parties to a price at which a trade-through would not have occurred; otherwise, the ITS/CAES market maker that initiated the transaction would be required to satisfy, or cause to be satisfied, the bid or offer traded-through in its entirety at the price of such bid or offer.

The foregoing changes to the ITS/CAES Operating Rules were filed with the Commission and approved by its order dated November 17, 1982 (Release No. 19249). These rules have been declared effective by the Board of Governors of the Association and now govern operation of the ITS/CAES linkage. A copy of new Article III, Section 37 as well as the full text of the operating rules is in the process of being mailed to all members for inclusion in the Association's Manual. During the interim, however, please refer to new Sections (d)(2)(H), (h)(2)(B) and (h)(2)(C), the full text of which is attached to this notice. The remainder of the operating rules are now set forth in the NASD Manual and remain unchanged. Questions regarding their meaning or applicability should be addressed to Robert E. Aber, Assistant General Counsel at (202) 728-8290.

Sincerely,



Frank J. Wilson
Executive Vice President
and General Counsel

NEW SECTIONS OF THE ITS/CAES OPERATING RULES

SECTION (d)(2)

(H) designate the commitment "short" or "short exempt" whenever it is a commitment to sell which, if it should result in an execution in the receiving market, would result in a short sale to which the provisions of paragraph (a) of Rule 10a-1 under the Act would apply.

SECTION (h)(2)

(B) if an ITS/CAES market maker executed the transaction and the contra-side was not an ITS/CAES market maker (i) the ITS/CAES market maker registered in the security shall satisfy, or cause to be satisfied, the bid or offer traded-through in its entirety at the price of such bid or offer, or, if the ITS/CAES market maker elects not to do so, (ii) the price of the transaction which constituted the trade-through shall be corrected by the ITS/CAES market maker to a price at which a trade-through would not have occurred and the price correction shall be reported through the consolidated last sale reporting system.

SECTION (h)(2)

(C) if ITS/CAES market makers are on both sides of a trade and one or both are acting as agent, the price of the transaction which constituted the trade-through shall be corrected, by agreement of the parties, to a price at which a trade-through would not have occurred and the price correction shall be reported through the consolidated last sale reporting system; otherwise, the ITS/CAES market maker that initiated the transaction shall satisfy, or cause to be satisfied, the bid or offer traded-through in its entirety at the price of such bid or offer.