



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

DIVISION OF BANKING
SUPERVISION AND REGULATION

June 29, 1983

Mr. Keith McGarrahan
Vice President
Preston Securities
424 Lamar Blvd. East
Suite 210
Arlington, TX 76011

Dear Mr. McGarrahan:

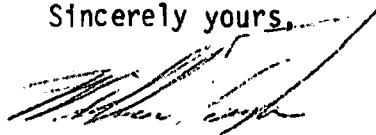
Chairman Volcker has asked me to reply to your letter of June 24, 1983. When the Board first received the authority from Congress to apply margin regulations to over-the-counter securities, it decided to adopt objective standards which would then be applied impartially and uniformly to select the over-the-counter stocks that would be eligible for margin. These criteria, which have been amended frequently and as recently as May 1982, have been selected to ensure that 1) stocks included on the List have market characteristics similar to exchange-listed securities; 2) manipulation to prevent or permit inclusion or non-inclusion be made as difficult as possible and 3) fluctuations in the List be minimized.

The criteria can generally be defined as market-oriented and financial. The market-oriented data includes such information as price, volume and number of market makers and is provided to the Board by the National Association of Securities Dealers. The market criteria are monitored over a four month survey period prior to the publication of the List, which is revised three times a year. The survey period for the June List runs from the preceding October through January; for the October List from the preceding February through May; and for the February List from the preceding June through September.

As we indicated in our April 8, 1983 letter to you regarding Patrick Industries, the price during the current survey period, i.e. October 1, 1982 through January 31, 1983, averaged less than \$5.00 (specifically \$4.34). We also indicated that if its price increase continued, the issuer would be contacted in early July and considered for inclusion on the next List, namely October. The price, as you have indicated, averaged \$8.46 during the survey period of February through May 1983 and the company has already been contacted and asked to furnish the Board with financial data. A copy of that letter was sent to your attention on June 24, 1983.

We regret the misunderstanding that appears to have arisen over the publication schedule of the List and hope this information answers your concerns. If you have any further questions, please call Robert S. Plotkin, Assistant Director, at 202-452-2782.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "William Taylor", written over a horizontal line.

William Taylor
Deputy Director