

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

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

November 9, 1970

Mr. Donald E. Weeden
Chairman of the Board
Weeden & Co. Incorporated
25 Broad Street
New York, New York 10004

Dear Don:

This will acknowledge your letter of October 30, 1970 concerning exclusion of third market securities in NASDAQ at startup.

Generally, I do not disagree with your recitation of the events leading up to the recent actions of the Association pertaining to listed securities and NASDAQ. I do think it fair, however, to repeat that it was with great reluctance that the Board, in 1968, implemented the NASDAQ system without an exclusion for listed stocks. I am sure that you can appreciate that at that time many of the problems of design, operation, regulation and actually contracting for the building of the system were still unresolved. Because of the complexities of implementation of the system it was, at least in my view, quite clear that inclusion of listed stocks would add to the burden of starting up this much needed and innovative system. Nonetheless, provision was made in Schedule D of the By-Laws for inclusion of listed stocks if they met the standards of the system.

As you know the matter lay relatively dormant until the middle of 1970. Changes not relating to listed securities were made in Schedule D as developments indicated such changes were necessary. Our NASDAQ Committee, which has labored for many years on this project, met frequently throughout this period. On August 26 of this year I attended a meeting of the NASDAQ Committee at which time one of the primary matters discussed was this question. I can assure you that both sides of this question were discussed, debated and considered at length. A majority of the Committee concluded that listed stocks should not be included at startup, and the President of the Association and I were requested to take whatever steps were necessary to work toward this end.

I feel that I must mention my regret at any impression which you received indicating that you were refused a reconsideration of the Association's position at the meeting with us on October 27. It was not within our province to reverse the Board's action but we felt it was important to us to gain any information, comments, or views which you held. I believe that the meeting was constructive and helpful from this point of view although I did think that we had agreed that no new light had been shed on arguments on either side of the question.

Needless to say, I cannot accede to your suggestion concerning the independence of the Association or any of its committees or officers. I do not feel that a useful purpose would now be served by responding to certain other comments in your letter except to say that action of the Commission on October 22, 1970, as to this matter was thought by us to be a majority of the Commission although we have no definite knowledge on this point thus, we at no time meant to infer that it was a unanimous decision. As we mentioned to you on October 27, we did receive official notice of the Commission's views by telephone before we mailed the ballots to our Board.

In regard to the three requests in your letter, I intend to take the following action:

1. Your request that a meeting of the Board be called will be presented to the Board for vote by mail. I must recommend that this request be denied at this time in view of the position I have taken in paragraph three below and because no new matters have been presented for consideration. The results of the mail vote were overwhelmingly in favor of exclusion at startup.
2. Your request that a memorandum from officers and counsel of the Association be sent to the membership concerning this question will be discussed with the Executive Committee. It is intended that as soon as is possible and appropriate the membership and press will be notified.
3. I will recommend that members who feel affected by the action of the Board be given adequate and fair opportunity to present their views and such other data or information as they deem appropriate for the Board's consideration. I would be pleased to have your comments as to the manner in which you think this may be accomplished most effectively.

Mr. Donald E. Weeden

November 9, 1970

Page 3

I would like to assure you that I am certain that each member of the Board of Governors desires that this matter be resolved in the most fair and forthright manner possible. I believe their activity and actions in this situation have been taken in utmost good faith and with full regard to the rights and obligations of all members and the public interest.

Sincerely yours,

Chairman
Board of Governors

Gordon L. Teach
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