

The National Association of Securities Dealers, Inc. (NASD), is the nonprofit, self-regulatory organization for the over-the-counter securities market. Through its subsidiary, NASDAQ, Inc., it owns and operates the nationwide, electronic NASDAQ System, which serves the fastest growing and second largest securities market in the United States. Working closely with the Securities and Exchange Commission, the NASD sets the standards for NASDAQ securities and market makers and provides ongoing surveillance of trading activities. The NASD also provides key services for its membership and NASDAQ companies, particularly through its cooperative efforts with governmental and other agencies on policies and legislation which affect the investment banking and securities business.

A total of 4,885 broker-dealer firms, including nearly all members of stock exchanges doing a public business, belong to the NASD and agree to abide by its rules as a condition of membership. Some 296,000 registered representatives of these organizations are subject to NASD regulation. As a regulatory organization whose activities are geared to protect investors and to promote fair business practices, the NASD determines the compliance of brokers and dealers with governmental regulations and its own Rules of Fair Practice.

The Cover: A Montage of Records

The montage on the front cover shows newspaper reports on record days for the NASDAQ market in 1983. From top to bottom: *The Wall Street Journal* shows NASDAQ volume of 79,747,400 shares for May 27, the first day that NASDAQ volume ever exceeded NYSE volume (76,290,000); the *Atlanta Constitution* shows record NASDAQ volume for a single day, 93,224,000 shares, traded on June 16; *The New York Times* reported the NASDAQ Composite Index record of 328.914 on June 24; the *International Herald Tribune* published NASDAQ volume of 11.9 billion shares for July 8, when the volume for just over six months in 1983 exceeded the 8.4 billion shares traded in the NASDAQ market in all of 1982; in the *Los Angeles Times*, the circle marks the largest number of shares ever traded in a single stock in any U.S. market in a single day, 16,542,600 shares of MCI Communications Corporation stock, traded on August 23; and the *Cleveland Plain Dealer* published NASDAQ statistics for December 30, when NASDAQ volume exceeded NYSE volume for the seventh time in 1983 and the NASDAQ market completed the year with a record volume of 15.9 billion shares, close to double the 8.4 billion shares in 1982. The montage on the back cover includes other prominent newspapers among the 119 which in 1983 published the NASDAQ National Market table, the NASDAQ National List or both.

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Highlights of the Year

NASD membership reached an all-time record high of 4,885 firms, and the number of registered representatives climbed to 296,000.

Total NASDAQ volume skyrocketed to 15.9 billion shares, nearly double the 8.4 billion shares traded in 1982, while the NASDAQ System achieved an up-time rate of 99 percent.

The dollar amount of public offerings filed with the NASD for review of underwriting terms soared to \$84.4 billion, up 88 percent over 1982.

Over 200,000 qualifications examinations were administered, 63 percent more than in 1982.

Two new services, the NASDAQ Options Program and the Small Order Execution System, entered the final design stage.


Participation in the Central Registration Depository grew to 43 states and the District of Columbia.

The Trade Acceptance and Reconciliation Service commenced operation with 33 members as initial participants.

The NASD's surveillance staff conducted 3,487 examinations of broker-dealers' main offices and branches.

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**To Members,
Issuers and Friends:**

The year 1983 was an outstanding one for the NASD and NASDAQ. Activity in the NASDAQ market climbed to record levels. NASDAQ's market within a market, the National Market System, grew dramatically during the year, establishing itself as one of the premier securities markets in the world. Long-standing NASD records were also broken as the number of members and their registered personnel soared to new heights. In addition, through new and innovative uses of computer technology, numerous improvements were made in the Association's regulatory programs. Also, several new member and market services were brought on-line while others entered the final design stage.

A key ingredient in the success of the NASDAQ market has been the continued dependability and reliability of the NASDAQ System. Due mainly to a major service quality program launched in early 1983, the System achieved a 99 percent up-time rate despite heavy load demands created by the largest share volume growth in NASDAQ history.


The previous NASDAQ volume record of 8.4 billion shares set in 1982 was exceeded by mid-year; and by year-end, volume reached 15.9 billion shares. On June 16, NASDAQ daily share volume neared the 100-million mark with a single day record total of 95.2 million shares traded. Aggregate NASDAQ share volume, which equalled three-quarters of NYSE volume at year-end, exceeded the NYSE daily volume on seven days during 1983.

One NASDAQ stock, MCI Communications Corporation, established the highest single day's volume for a stock ever recorded in any U.S. market when it traded 16.5 million shares on August 23. Each of the seven NASDAQ indexes established new records during the year; all but one closed the year with substantial gains..

In 1983, media coverage surged as major newspapers here and abroad published feature articles on the NASDAQ market. At year-end, more than 100,000 terminals were receiving NASDAQ quotations—with over 8,000 of these in more than 30 foreign countries. Two studies prepared under the auspices of Texas A&M University concluded that the liquidity of securities of similarly capitalized companies is frequently greater on NASDAQ than on the exchanges.

NASDAQ's National Market System, made up of NASDAQ companies meeting special financial and market standards, attracted record investor interest in its first full year of operation. Distinguished by last-sale reporting and running volume figures, NMS has added a new dimension to the trading of NASDAQ securities and hundreds of NASDAQ companies have voluntarily requested National Market System designation for their securities.

Work on expanded member services continued throughout 1983 with several programs scheduled to come on-line in 1984. NASDAQ, Inc., will introduce computerized collection and dissemination of





Gordon S. Macklin,
President, and
Norman T. Wilde, Jr.,
Chairman, seated.

mutual fund quotations and will begin a major upgrading of the NASDAQ System from its present 125-million share day capacity to a 200-million share day capacity. The initial phase of the Central Registration Depository, a centralized, automated registration system for securities industry personnel, will be completed in early 1984 with the addition of five more states bringing to 49 the total number of jurisdictions on the system. Preparations are also underway for the second phase of CRD which will permit the input of broker-dealer registration information directly into the system.

The Trade Acceptance and Reconciliation Service (TARS), which came on-line on a pilot basis in 1983, was implemented by the NASD to streamline the trade comparison process. During Phase II of TARS, the service will become available to all NASD members who belong to a participating clearing corporation.

NASD Market Services, Inc., an NASD subsidiary, continued its efforts during 1983 to develop the Small Order Execution System (SOES) to permit the automatic execution of trades of 300 shares or less. The system has been extensively reviewed and

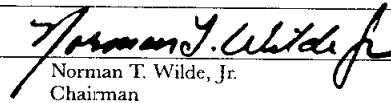
discussed by the NASD membership and is, in our opinion, vital if traders are to keep up with the even greater NASDAQ volume which is expected in the coming years.

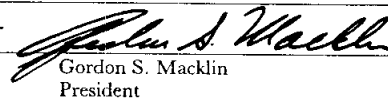
The NASD anticipates SEC approval of its proposed NASDAQ Options Program in 1984. This program, actively developed in 1983, will permit investors and market professionals to buy and sell standardized put and call options on qualified NASDAQ NMS securities and the NASDAQ family of indices. Innovative second-generation options trading concepts are being built into the proposed NASDAQ Options Program including a small order automatic execution system, patterned after SOES, and a "locked-in" trade feature for transaction reporting, comparison and clearance.

NASD membership reached an all-time high in 1983 of 4,885 firms. To deal with this increase in regulatory responsibility, the NASD took a number of steps to streamline its field inspection program. It also enhanced its surveillance capabilities with the addition of microcomputers for District Offices and the development of several new and improved automated surveillance reports.

To expedite the qualification examinations generated by membership growth, the NASD has continued to automate the testing of industry personnel through the PLATO System of the Control Data Corporation and to integrate the operation of this network with the recordkeeping functions of CRD.

It appears at this time that 1984 will be another very active year. Thus, it will be extremely important for the Association to continue to depend on volunteers from the industry's ranks who donate their talents and energy to insure the vitality of self-regulation in the securities industry. We would like to thank these many people and the staff of the NASD for their efforts on behalf of the industry. With this dedicated support, there is no question that the NASD will meet and surmount the challenges that lie ahead.


Norman T. Wilde, Jr.
Chairman


Gordon S. Macklin
President

The NASDAQ National Market System

NASDAQ terminals and circuits are continuously monitored by the NASDAQ Network Diagnostic and Control System. By means of this system, network operators are able to locate problems, identify their causes and take steps to restore service promptly.

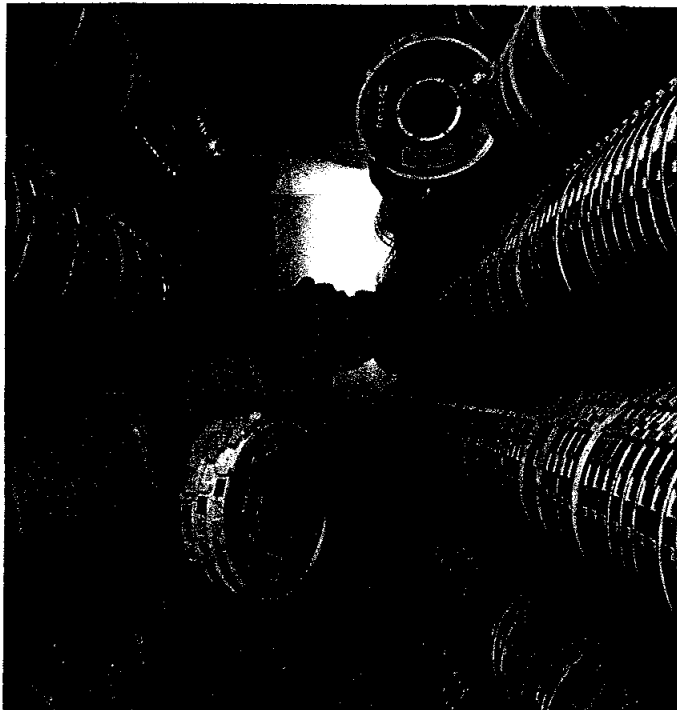
NASDAQ NMS

The Market of Today and Tomorrow

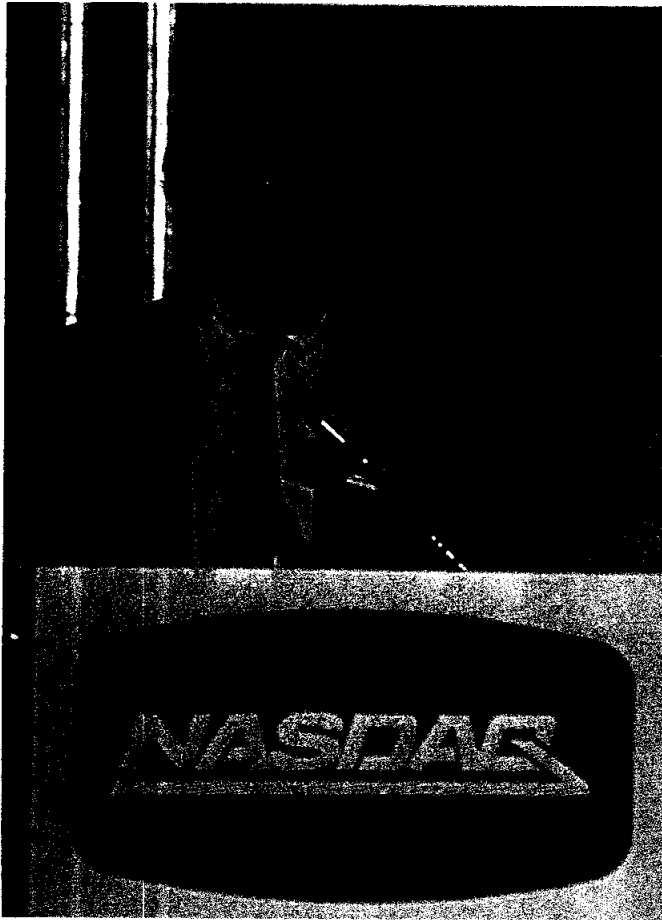
The NASDAQ National Market System matured in 1983, establishing itself as a major national and international market. This computerized marketplace successfully provides qualifying NASDAQ companies and their investors with advantages available nowhere else: up-to-the-minute volume and last-sale information and competing multiple market makers. NMS puts technology and competition to work for investors and represents, in dynamic operating form, the marketplace of the future.

The advent of the NASDAQ National Market System in 1982, followed by its smooth, rapid expansion in its first full year of operation, capped a decade of remarkable achievement since the NASD created the first electronic marketplace for securities and began a period of growth that has made the NASDAQ market, in terms of dollar volume of equity trading, the second largest in the United States and the third largest in the world, exceeded only by the New York and Tokyo Stock Exchanges.

The NASD created NASDAQ in 1971 using modern computer and communications technology. The NASDAQ National Market System was begun in April 1982 with 40 companies. The start-up of NMS was the culmination of several years of planning, and it responded to a 1975 congressional mandate for the use of new technology to link the various markets to create a broader, more efficient, more competitive national market system. During its first 60 days of operation, daily NMS trading volume averaged about 3.35 million shares, or 80% of the contemporary volume on the AMEX.



Historical price and trade information on the more than 4,400 NASDAQ securities is maintained in the tape library in the NASDAQ Central Processing Complex. Information is routinely extracted from these files for market surveillance and research projects.



**William G. McGowan,
Chairman and Chief
Executive Officer,
MCI Communications
Corporation, appeared
before the October
1983 Conference for
NASDAQ Companies,
and explained his
company's views on
the NASDAQ National
Market. In his remarks, he
said that, "We NASDAQ
issuers are an extremely
important part of the
NASD process and more
of us should strive to
contribute to it."**

Success led to public introduction of NMS on June 1, 1982, when last-sale quotations and running volume figures became available during the day. The information went into the System within 90 seconds of each trade. At the end of the day, total volume and the high, low and closing prices were available, rather than only the closing best bid and asked prices traditional for NASDAQ.

NMS was initiated with what the Securities and Exchange Commission designated as Tier 1 companies, those meeting certain market and financial criteria and mandated as part of NMS. Tier 2 companies were designated as qualified for voluntary participation and several hundred have joined. As of February 1984, there were more than 700 companies whose shares were included in NMS.

Favorable comparisons have been drawn publicly by NMS companies as to the quality of the NASDAQ market with that of the specialist system of the exchanges. MCI Communications Chairman William G. McGowan cites the example of market events following the Department of Justice announcement on a Friday afternoon of the break-up of AT&T, a competitor of MCI. Trading in AT&T stock was halted by the

New York Stock Exchange specialist and did not resume until late Monday. Meanwhile, MCI shares were traded through the entire period by the company's 29 competing market makers. Says Mr. McGowan: "MCI traded from noon on Friday through the market close, and then on Monday morning—over \$75 million worth of securities, with a multi-market maker system. The multi-market maker system worked extremely well for us—and for the market makers, too, by the way."

The rapid growth in the number of NMS companies has firmly established the critical mass essential to a successful market, and prominent companies such as MCI, Apple Computer, Tandem, Intel and Tampax, Inc., add a leadership dimension to the NASDAQ NMS market. More companies will be joining under present criteria, and efforts are underway to persuade the SEC to change the criteria so that more than 2,000 companies could eventually be qualified.

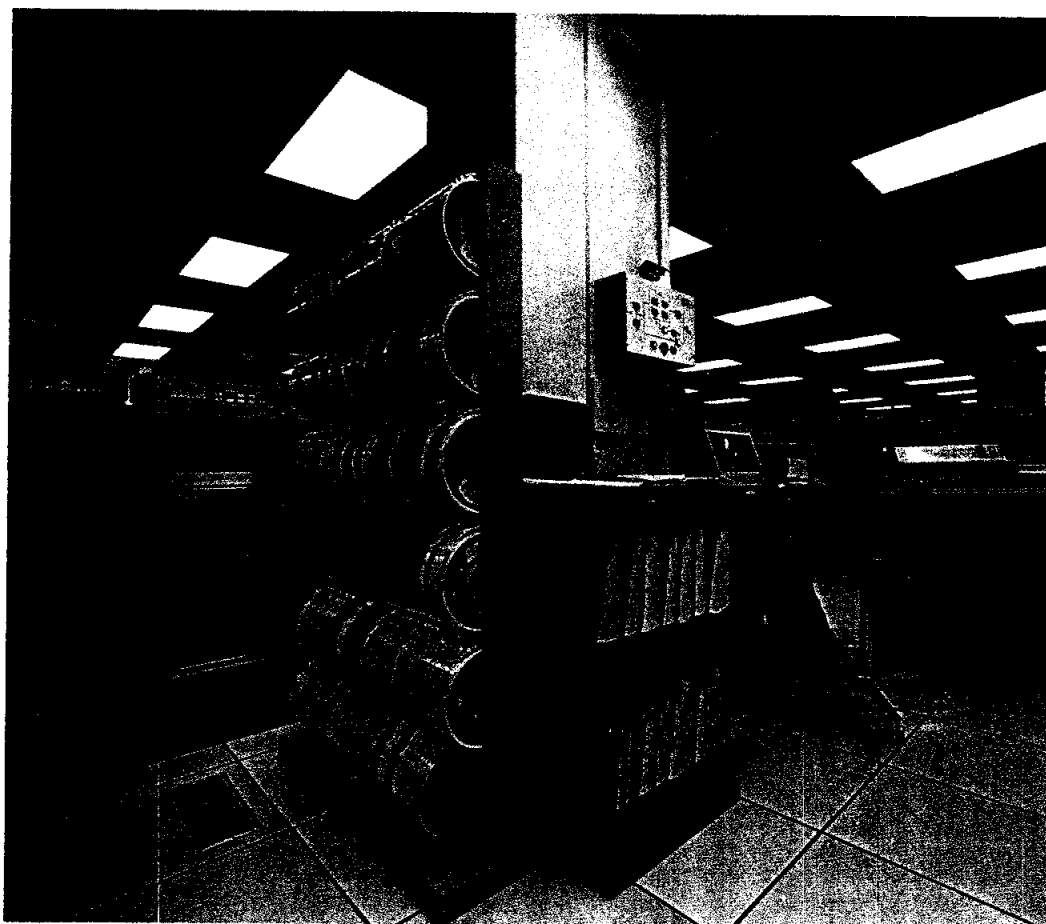
By the end of 1983, a profile of companies and their securities traded on NMS had emerged. The average share price was \$20.15, and there was an average of 7.7 million shares outstanding. Of those shares, the average float was 5.6 million and market value was \$154.4 million. Each company averaged 10.6 market makers.

As for the companies themselves, they had average assets of \$502.7 million and equity of \$79.4 million. Their revenues averaged \$172.5 million, and the net income level was \$8.4 million.

With companies and securities of this substance, volume growth and demand for services on NMS can be expected to continue. The NASD has made a major investment in upgrading its technical systems to



Through implementation of state-of-the-art automated systems, in 1983 the NASD processed a record number of broker-dealer registrations, qualifications examinations and applications for inclusion on NASDAQ and in the National Market System.



The heart of the NASDAQ National Market System is the computer complex in Trumbull, Connecticut. Through regional, private lines linked to regional concentrators located in Trumbull, Chicago and San Francisco, members' terminals communicate with the NASDAQ Central Processing Complex.

accommodate such demands, and new services are scheduled to augment those already available. A total of \$30,000,000 has been spent since 1980 on computers, concentrators and terminals representing the current state-of-the-art. The System can now handle 125-million share trading days, and plans are going forward to provide the means of supporting NASDAQ trading days of 200 million shares.

Through a subsidiary company, NASD Market Services, Inc., a variety of new services are being built. The Computer Assisted Execution System (CAES) was used for the first time to execute transactions in NMS issues during 1983. In 1984, the Small Order Execution System (SOES) will be ready for use. SOES will automatically execute small orders against the best quotations entered in the System and thus will equip market makers with the capability to handle greater volume more efficiently.

As a system based on computer technology, the NASDAQ National Market System can take full advantage of its potential. The NASD is determined to make the NASDAQ National Market System realize its promise as the marketplace of the future and the embodiment of the words "National Market System."



Comparison of Securities Markets — A Five-Year Review

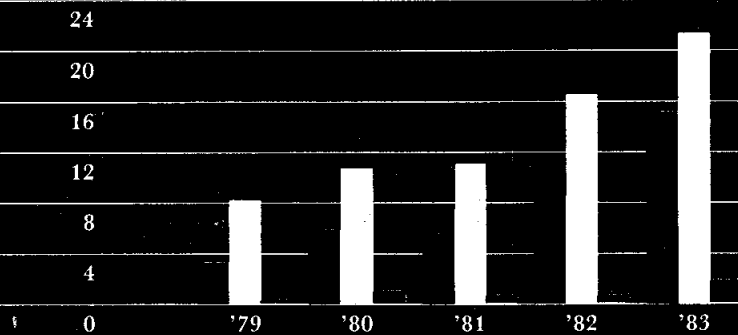
Share Volume

(in billions)

NASDAQ

■ NYSE

□ AMEX

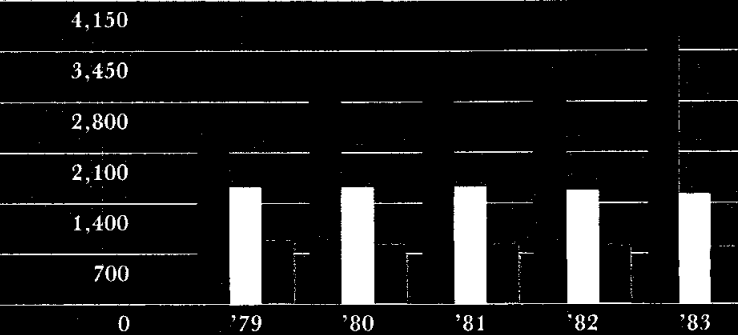


Number of Companies

NASDAQ

■ NYSE

□ AMEX

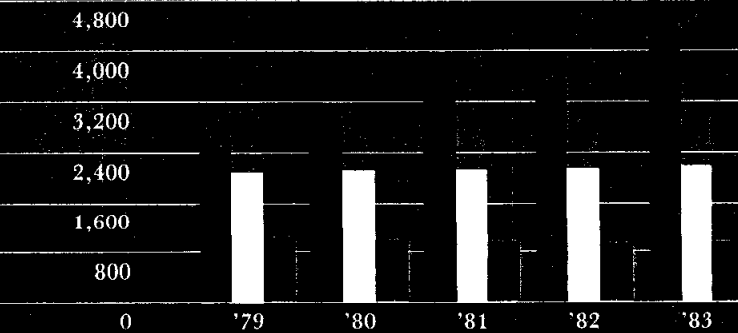


Number of Issues

NASDAQ

■ NYSE

□ AMEX

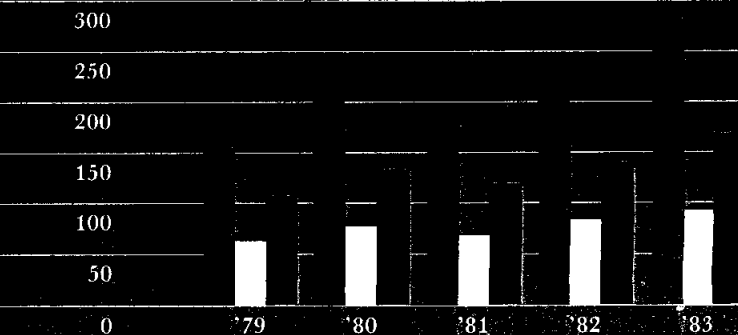


Performance of Indexes

NASDAQ

■ NYSE

□ S&P



Operating Review

NASD operations in 1983 spanned a full range of activities in three key areas: Automation, Member and Market Services, and Regulation. In the Automation area, NASDAQ System reliability and up-time were greatly improved. Expansion of the NASDAQ National Market System and the Central Registration Depository/Firm Access Query System in 1983 represented major progress by the NASD in terms of scope and quality of services it provides the investing public, issuers and members. In the regulation area, 1983 was a year in which the NASD's responsibilities grew significantly as a result of a substantial increase in the Association's membership and record activity by members in virtually all areas subject to NASD oversight.

NASDAQ: A Most Spectacular Year

By every measure, the NASDAQ market achieved prominence and maturity in 1983:

- A trading volume record of 15.9 billion shares was almost *double* the 8.4 billion shares traded in 1982, and well over four times the volume of five years earlier.
- A record dollar volume of trading of \$188.3 billion was more than double the \$84.2 billion in 1982, and more than four times the dollar volume of NASDAQ market trading in 1979.
- The number of companies whose stocks were

NASDAQ Dollar Volume

(in billions of \$)

210
180
150
120
90
60
30
0

NASDAQ Average Daily Volume

(in millions)

70
60
50
40
30
20
10
0

traded in the NASDAQ market reached a record 3,901, an increase of 637, or 19.5 percent over 1982, and an increase of 1,426, or 53.4 percent over 1979.

Among the other volume records set by the NASDAQ market in 1983 were:

- The highest single day's volume for any stock in any U.S. market at any time—16.5 million shares of MCI Communications Corporation stock traded on August 23, when MCI traded more than all the stocks in the Dow Jones Industrial Average combined.
- Average daily volume of 62.9 million shares compared to 33.3 million in 1982.
- The highest single day's volume for the 13 years of the NASDAQ market—95.2 million shares on June 16.
- The highest monthly volume for the 13 years of the NASDAQ market—1.75 billion shares in June.

The U.S. and World Significance

In the United States, the NASDAQ market has firmly established itself as the country's second largest. Although NASDAQ ranks first in terms of the number of companies traded in a single market, the NYSE still leads in a number of statistical categories, while the AMEX stands a distant third. In 1982, NASDAQ volume was slightly more than half that of the NYSE; in 1983, it was nearly three-quarters of NYSE volume. On seven days during the year—May 27, June 24, June 27, July 12, August 23, August 29 and December 30—NASDAQ volume exceeded that of the NYSE. NASDAQ volume is nearly three times the combined volume of the remaining major national securities exchanges—the American, Boston, Cincinnati, Midwest, Pacific and Philadelphia Stock Exchanges.

Internationally, NASDAQ has become the third largest market in terms of dollar volume of equity trading:

NYSE	Tokyo	NASDAQ
\$765.3 billion	\$235.1 billion	\$188.3 billion

The 1983 dollar volume of equity trading in the NASDAQ market was also larger than that of the London (\$42 billion), Zurich (\$38 billion), West German (\$34 billion), American (\$30 billion), and Paris (\$12.4 billion) exchanges combined.

NASDAQ Index Records

Six of the seven NASDAQ Indexes closed the year

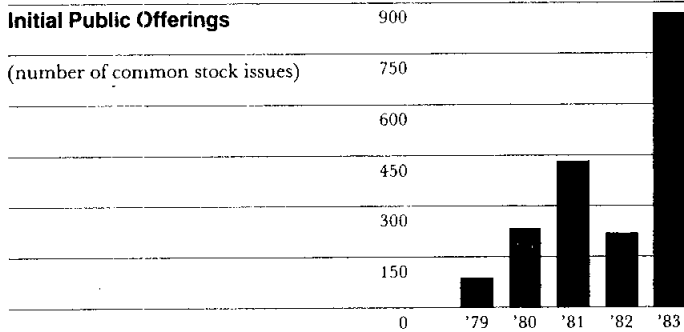
with significant gains over the prior year; all seven achieved their all-time record high during 1983.

Index	12/31/82	Record	12/30/83	Percent Gain
Composite	232.41	328.91	278.60	+19.9
Industrial	273.58	408.42	323.68	+18.3
Other Finance	207.50	284.39	277.53	+33.7
Insurance	226.40	287.34	257.63	+13.8
Bank	156.37	203.75	203.75	+30.3
Utility	286.23	391.37	269.39	- 5.9
Transportation	195.48	293.76	280.80	+43.6

The NASDAQ Composite Index, with its gain for the year of 19.9 percent, outpaced both the NYSE Composite and the Standard & Poor's 500 Indices.

The Quality of NASDAQ Securities

The attractiveness of NASDAQ securities to investors grew in great measure out of the financial characteristics of NASDAQ companies. To be included in the NASDAQ National List in newspapers, a company must have net income of \$300,000 in its latest or in two of its three latest fiscal years; those without current earnings must have capital and surplus of \$8 million and an operating history of four years. The number of NASDAQ companies meeting these criteria increased from 1,912 to 2,604 during the year. The typical NASDAQ National List company had the following average characteristics: assets of \$546 million, shareholders equity of \$127 million, revenue of \$271 million and net income of \$11 million.



4,467 NASDAQ securities, an average of 7.4 market makers per security.

Media Visibility Surges

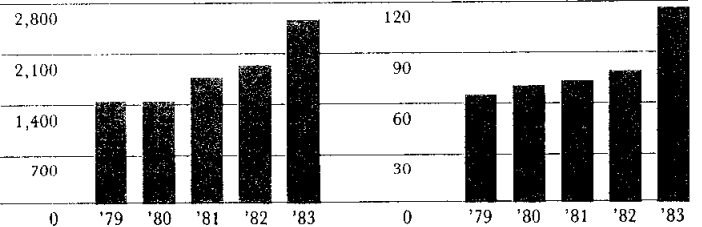
The surge in NASDAQ market activity led to greatly increased media coverage in 1983. At the beginning of the year, the NASDAQ National List of 1,912 securities appeared in 81 newspapers; at year-end, the National List was composed of 2,604 securities (including the National Market table) and it appeared in 101 newspapers. In addition, another 18 newspapers carried the NASDAQ National Market table.

Initial Public Offerings

In 1983, a record 914 first-time-to-market companies entered the NASDAQ System—recipients of the bulk of the estimated \$13 billion in capital raised nationwide in initial public offerings of securities. The average value of these offerings, \$14.2 million, was more than twice the average value of initial public offerings during the prior nine years.

Number of NASDAQ National List Issues

Growth in NASDAQ Newspaper Coverage
(number of newspapers)

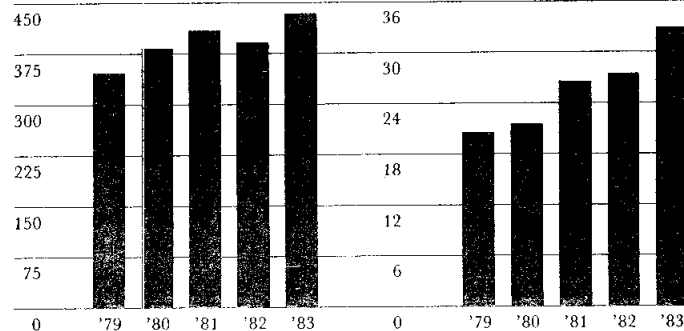


Growing Market Maker Activity

The number of NASDAQ market makers grew substantially from 407 market makers at the beginning of the year to 441 by year-end. These market makers had a record 32,923 positions in a total of

Number of Market Makers

Number of Market Maker Positions (in thousands)



Further, feature articles about the NASDAQ market appeared on an unprecedented scale in newspapers and magazines, including *The New York Times*, *The Wall Street Journal*, *USA Today*, the *Chicago Sun-Times*, the *Chicago Tribune*, the *Los Angeles Times*, *Barron's*, *Business Week*, *Forbes*, *Newsweek*, *U.S. News & World Report*, and many others. Overseas, the strong growth of NASDAQ was reported in *The Economist*, the *Financial Times*, *L'Expansion*, the *National Times of*

Australia and the *Japan Economic Journal*, while *The Wall Street Journal/Asia*, *The Wall Street Journal/Europe* and the *International Herald Tribune* published both the National Market table and the NASDAQ National List.

NASD Services Increase in Scale and Quality

NASDAQ System Performance and Capacity Grow

To process the record level of activity in the NASDAQ market, the NASDAQ System was significantly improved and expanded. The System is owned and operated by NASDAQ, Inc., a wholly owned subsidiary of the NASD.

A major service quality program was launched in early 1983. It brought NASDAQ System up-time to 99 percent notwithstanding the fact that the System was processing the largest share volume growth in NASDAQ's history. The program included:

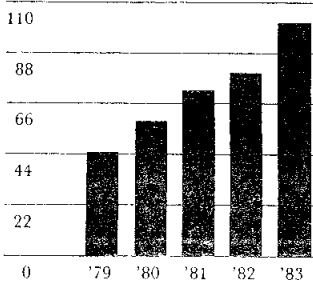
retrofitting market makers' terminals; decreasing the number of terminals on each individual communications line; increasing the capacity of the data lines linking the main computer facility and the regional communications centers; monitoring closely the performance of AT&T Long Lines; and monitoring the mean time required to repair malfunctioning terminals.

Daily, the NASDAQ System handled over one million quote requests, 14,000 transaction reports and 270,000 quote updates, while maintaining an average response time of three seconds.

System capacity was expanded by the installation of a third UNIVAC computer at the NASDAQ Data Center in Trumbull, Connecticut, and by increasing the power of the regional concentrators for the East Coast, the Midwest and the Far West. The number of Level 2 and Level 3 NASDAQ terminals installed in trading rooms grew from 1,700 to 2,150; another 300 terminals were on order at the end of the year for 1984 installation. There was equally great growth in the number of stockbrokers' quotation terminals receiving NASDAQ data, from 81,000 to over 100,000; some 8,000 of these terminals were installed in over 30 countries abroad.

NASDAQ Terminals

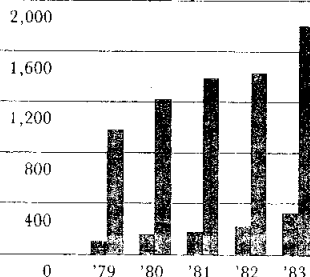
Level 1 (in thousands)



NASDAQ Terminals

Levels 2 and 3

■ Level 2 ■ Level 3



CRD to Include 49 Jurisdictions

Participation in the Central Registration Depository (CRD) rose to 43 states and the District of Columbia, up from 25 jurisdictions a year earlier.

Five states—Arizona, California, Maine, Tennessee

and Vermont—will join CRD in 1984. The feasibility of providing CRD services to Alaska, Hawaii and Puerto Rico is currently being studied.

A joint undertaking of the NASD and the North American Securities Administrators Association, CRD is a computerized system which streamlines application and licensing procedures for registered industry personnel. CRD permits firms to effect multiple registrations of personnel with the states by filing one form and submitting one check to the NASD; it also simplifies the year-end renewal of nearly 600,000 state licenses. The system utilizes 10 Tandem computers and 26 disk drives, maintains a data base of nearly 300,000 registered personnel and processes more than 50,000 documents a month.

A new CRD service, the Firm Access Query System (FAQS) was implemented in late 1983. This system permits NASD members to access their registration and accounting records in the CRD and to schedule qualifications examinations for their personnel, all through remote terminals. By year-end, 61 firms were users of the FAQS service.

Qualifications Examinations at Record Level

During 1983, the NASD administered over 200,000 qualifications examinations for itself, other self-regulatory organizations, the states, the SEC, the commodity exchanges and other certifying organizations. This was 63% higher than in 1982 and 100% higher than the number of examinations in 1981.

Qualifications Exams

(in thousands)

210

180

150

120

90

60

30

0

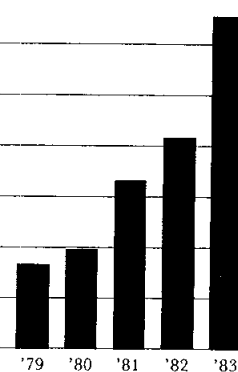
'79

'80

'81

'82

'83



To handle the sharp rise in qualifications examinations, the NASD has increasingly sought to automate test delivery through the PLATO System of the Control Data Corporation and to integrate the operation of this network with the recordkeeping functions of the CRD. Fully automated testing on the PLATO System accounted for 67 percent of total examinations in 1983; use of the PLATO System expedites the testing process by providing daily test administration on an appointment basis, video display of the examination questions and immediate scoring at the conclusion of each candidate's examination session.

NASD Market Services, Inc.

Adds New Services

NASD Market Services, Inc. (MSI), another wholly owned subsidiary of the NASD, has created automated systems to support the trading and back office operations of NASD member firms. One such service, a computer-to-computer interface of NASDAQ with the systems of member firms, permits firms to trade-report simultaneously with the

entry of data into their computer systems for internal recordkeeping purposes.

Another MSI service, the Trade Acceptance and Reconciliation Service (TARS), became operational during 1983 and has already become an indispensable tool for resolving uncompleted trades for the initial participants. The 33 firms utilizing this new service account for 54 percent of all over-the-counter transactions which are cleared through clearing corporations. TARS provides an efficient and prompt means of resolving trouble trades by streamlining the comparison process.

Phase II of TARS will provide all NASD members who belong to a participating clearing corporation with the ability to enter original trade data through TARS to their clearing corporations for comparison. Expansion of the System will bring this new facility to all over-the-counter participants and will speed the processing of uncompleted trades throughout the over-the-counter market.

New Automation Capabilities in 1984

In 1984, NASDAQ, Inc., will introduce computerized collection and dissemination of mutual fund quotations; it will also begin a major upgrading of the NASDAQ System from its present 125-million share day capacity to a 200-million share day capacity.

MSI will concentrate its resources on developing the Small Order Execution System (SOES) for the automatic execution of trades of 300 shares or less

with automatic trade reporting, comparison and linkage to securities clearing systems.

NASDAQ Options Program Advanced

The Association worked diligently in 1983 to secure SEC approval for its long-proposed NASDAQ Options Program. Recently modified to incorporate the latest innovations in marketplace technology and systems, the NASDAQ options proposal was the subject of numerous meetings of the Options Committee with the SEC staff and with representatives of various member firms and industry organizations. At year-end, the NASD filed a comprehensive package of material with the SEC to expedite consideration of the NASDAQ options proposal.

Simultaneously with its efforts to gain regulatory approval of its program, the NASD is taking steps to design a totally new system to display options quotations, accept last-sale and clearing reports, and provide for the automated execution of small options orders. An indication from the SEC as to the future of the NASDAQ Options Program is expected early in 1984.

Strong Member Response to Group Fidelity and Surety Bond Buying Programs

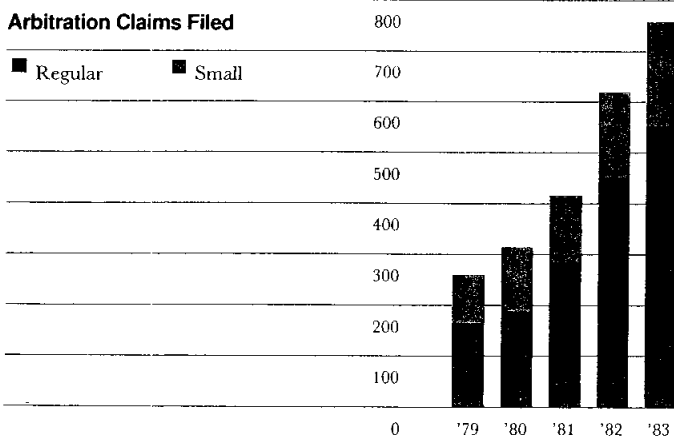
A total of 1,939 member firms are now participating in the NASD-sponsored Group Fidelity Bond Buying Program which began in late 1982. The group premium rates give members an average

savings of 35 to 40 percent over individual buying.

A similar program to provide NASD members with the surety bonds required by many states under their securities laws commenced in October 1983. The program provides for automatic issuance with no underwriting, and no additional collateral is required at inception. This program is of great benefit to smaller firms, particularly those which operate in several states. The initial response has been excellent and 1,189 surety bonds have already been issued under the program.

Arbitration Claims Over \$56 Million

In 1983, member firms and public customers filed 552 regular claims and 216 small claims with the NASD's arbitration facility. These 768 cases represent a 27 percent increase in filings over 1982 and a 437 percent growth in the past five years. The total amount claimed in these 768 cases exceeded \$56 million. A total of 402 regular claims and 147 small claims were closed in 1983.



Washington Conference Held

To assist NASDAQ companies in their planning efforts, in October 1983 the NASD conducted a Washington Conference on "The Environment for Your Company and Your Stock." The Conference was attended by 150 senior NASDAQ company executives from all over the U.S. Speaking on the outlook for the U.S. economy were Secretary of the Treasury Donald T. Regan; Vice Chairman of the Federal Reserve Board Preston Martin; Deputy Secretary of Commerce Clarence J. Brown; and, John M. McCarthy, Managing Partner of Lord, Abnett & Co. On the future of the financial markets, the speakers were William A. Schreyer, President of Merrill Lynch & Co.; William R. Hambrecht, President of Hambrecht & Quist Incorporated; William R. Stuttaford, Senior Partner of the London brokerage firm of Laurence, Prust & Co.; SEC Commissioners Bevis Longstreth and James C. Treadway; and Congressman Timothy E. Wirth. Speakers on the third main topic, the NASDAQ Market, were NASD President Gordon S. Macklin; MCI Communications Corporation Chairman William G. McGowan; and Paul H. Kangas, the market commentator for "The Nightly Business Report," which is seen by 10 million viewers on 260 TV stations across the United States. A summary of the proceedings of the Conference was published and distributed to all NASDAQ companies, NASD members and other interested parties.

Studies Find NASDAQ Market Highly Liquid

Two independent research studies found that the liquidity of the securities of similarly capitalized companies is frequently greater on NASDAQ than on the exchanges. These independent studies were prepared under the auspices of the College of Business Administration, Department of Finance, Texas A&M University, and were published and distributed by the NASD.

The first study, *Liquidity, Exchange Listing and Common Stock Performance*, examined the relationship of common stock liquidity to both exchange listing and price behavior during major up and down movements in the market. According to the authors, "OTC liquidity tends to dominate AMEX liquidity of stocks of the same size. The liquidity argument sometimes given by corporate financial officers for listing on the AMEX seems questionable. Moreover, for most size ranges short of very large companies, NYSE listing may imply a lower liquidity than had the firm remained OTC. That greater liquidity of OTC stocks probably results from the interest of multiple market makers in their stocks. . . . A small or even moderate size NYSE or AMEX stock has no such constituency, receiving the attention of a single specialist." The authors also said that, "Our study results add to a growing body of evidence that exchange listing is of little (or at least questionable) benefit to companies."

The second study, *Listing and the Liquidity of Bank Stocks*, examined the effect on market liquidity for

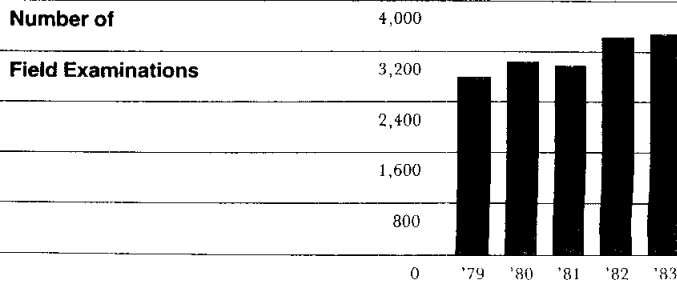
over 200 bank stocks that were listed on an exchange during the four-year period 1979-1982. The principal finding of the study was that "listing does not appear to add to the liquidity of the stock of banking organizations and there is some surprising and reasonable evidence that listing actually significantly reduces the liquidity for banking organizations."

Broker-Dealer and Market Surveillance: Scope, Cost-Effectiveness Grow

Membership Growth

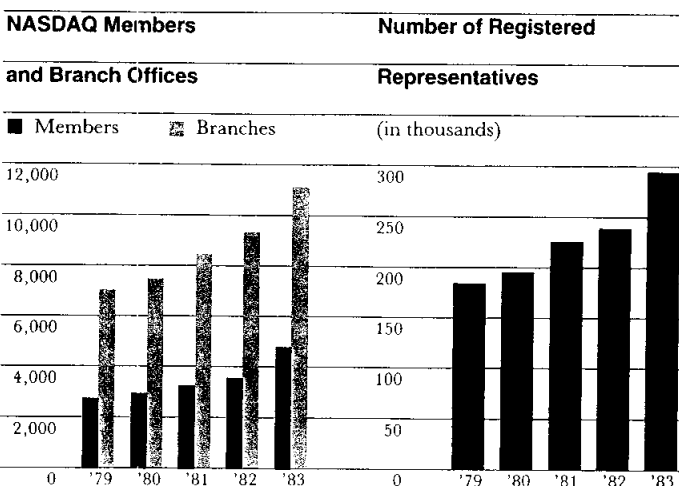
Increases Surveillance Responsibilities

The membership of the NASD reached 4,885 firms, an all-time record in the 44-year history of the Association and an increase of 1,188 firms in 1983 alone. A total of 723 first-time entrants into the securities industry was admitted during the year; in addition, due to the elimination by Congress of the SECO category of securities firms—firms regulated directly by the SEC, and not belonging to any self-regulatory organization—465 SECO firms became NASD members.



Membership growth in 1983 was also reflected in a great increase in registered personnel, who now number 296,000, up some 23 percent over 1982.

During the year, the NASD conducted 3,487 routine and special examinations of members. The total included 3,164 main office and 323 branch office examinations.



fewest number of new SIPC cases since 1980. While three of the five firms placed in SIPC liquidation during the year were designated to the NASD for financial responsibility, they represented less than 6 percent of the total outlay of \$46.2 million in SIPC advances for 1983 trustee cases.

An integral aspect of the NASD's early warning procedures is its self-liquidation program. Since its inception in 1975, approximately \$191 million in cash and securities have been distributed under this program to satisfy outstanding obligations to customers and broker-dealers. Also, during this period, the NASD has successfully overseen the liquidation of 85 members designated to the Association without the need for the appointment of an SIPC trustee.

Market Surveillance and Anti-Fraud Sections

The on-line monitoring systems of NASD Market Surveillance detected 6,417 unusual price movements in NASDAQ securities in 1983, up from 5,240 in 1982. These alerts, as well as other monitoring systems, led to 677 formal reviews of unusual price or volume activity, which developed into 227 investigations. The investigations resulted in the referral of 112 cases, involving insider trading, market manipulation and other questionable practices, to the SEC, NASD District Offices or the NASD's Anti-Fraud Section.

The Association's Anti-Fraud Unit conducted a number of examinations in 1983, both on a joint

Disciplinary Actions

From their reviews of 3,445 examination reports, the thirteen District Business Conduct Committees issued 273 formal and summary complaints, accepted 62 Letters of Admission, Waiver and Consent and rendered 293 disciplinary decisions. These decisions included the expulsion of 8 firms, the barring of 46 individuals and the suspension of 3 firms and 37 individuals.

SIPC Liquidations Decline

As the designated examining authority for approximately 4,400 broker-dealers, the NASD had its

basis with the SEC as well as on its own. Many of these investigations focused on new issue distribution practices and after-market trading activities, particularly those which involved hot issues of low priced stocks.

Quotation Halts Increase

The number of quotation halts instituted by Market Surveillance increased to 668, from 625 in 1982.

During a halt, quotations for a security are withheld from the NASDAQ System for a period of time to allow a company to disseminate material news that may affect the price of its stock. Once there has been adequate time for the news to be disseminated, quotations are resumed.

NMS Trade Monitoring System Enhanced

A new, fully automated Quote/Trade Comparison Report now compares each reported transaction price for an NASDAQ National Market security with the best bid and offer at the time of the trade report. During 1983, in excess of 3 million trades were analyzed and 98.9 percent were found to have been reported at prices equal to or better than the prevailing market.

Intermarket Surveillance Group Involvement

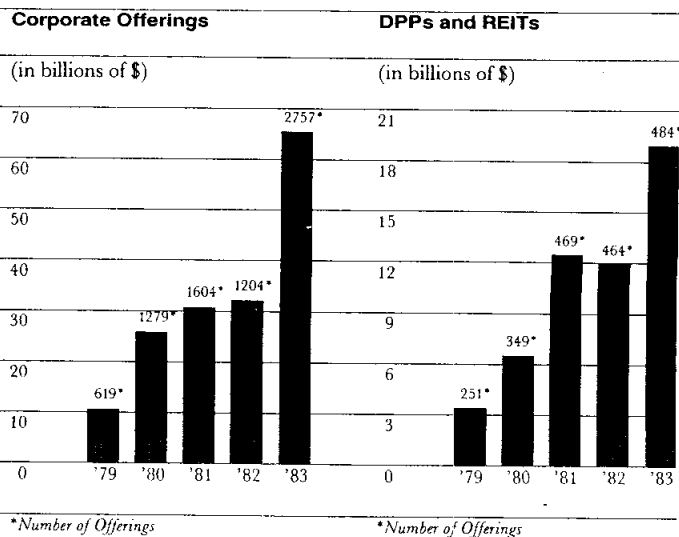
The NASD continued to participate actively with other self-regulatory organizations (SROs) in the Intermarket Surveillance Group. The Group was formed several years ago in response to the SEC's

Options Study and is primarily concerned with improving the quality of surveillance of securities and derivative products which are traded across markets. In 1983, the Group dealt with a number of options-related surveillance issues, including the development of an intermarket audit trail and the impact of new products on intermarket regulation. Also, the NASD took part in 11 formal intermarket investigations with other SROs.

Public Offerings at All-Time High

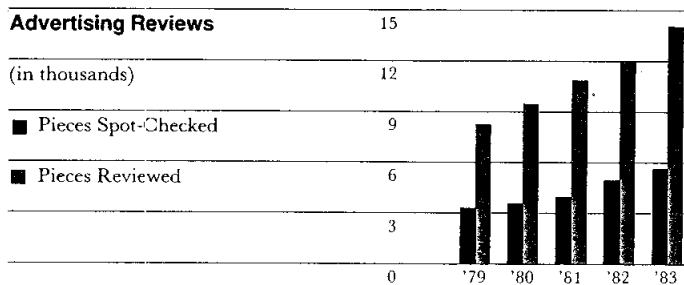
Continued record-high levels of activity throughout 1983 brought the aggregate registered amount of public offerings filed with the NASD for review of underwriting terms and arrangements to \$84.4 billion. This represents an increase of 88.4 percent from the previous high of \$44.8 billion in 1982.

The number of offerings filed in 1983 increased dramatically to 3,241 from 1,668 in the prior year,



representing an increase of 94.3 percent. Filings of corporate equity and debt securities during 1983 reached a record high of \$65.4 billion, representing an increase of 99 percent over the \$32.9 billion filed in 1982. Filings of oil and gas direct participation programs remained soft during 1983 with real estate activity continuing to grow. During the year, filings of direct participation programs and Real Estate Investment Trusts (REITs) totalled 484, having an aggregate value of \$19 billion. This represents an increase of 58.4 percent over the \$12 billion filed in 1982.

of policy recommendations with respect to the future of the financial services industry. In the rule-making area, the Association submitted an assortment of comments on proposals advanced by others which would impact NASD members and/or NASDAQ companies. The year 1983 was also one in which the NASD adopted a number of amendments to its Corporate Financing Interpretation, saw its proposal for tax-deferred reserves for market makers reintroduced in Congress and assisted members in understanding the new TEFRA regulations. A brief review of these and related developments follows.



Recommendations to the Vice President's Task Group on Financial Services

In response to a request for comment by the Federal Task Group on Regulation of Financial Services, headed by Vice President George Bush, on the future scheme of regulation for the rapidly evolving financial services industry, the NASD offered the following suggestions:

Advertising Reviews

The volume of advertising and sales literature reviewed by the NASD's Advertising Department continued its seven-year upward trend in 1983. Members filed 14,356 items for review, and another 5,775 items were received in response to spot checks. Overall volume of material received was up 15 percent over 1982.

- Coordinate federal regulation of the securities industry with the state regulation effort to preserve the progress already achieved by the industry in streamlining the regulatory process.
- Adopt the concept of regulation by function to remedy the problem of different types of financial institutions performing essentially the same functions.

Securities Regulation Developments

On behalf of NASD members and NASDAQ issuers, the Association in 1983 advanced a number



<ul style="list-style-type: none"> • Consider a requirement for objective qualifications examinations for all who are engaged in the trading of securities. 	<p>through disciplinary action, and members' supervisory procedures. NASD action on this proposal is scheduled for early 1984.</p>
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<ul style="list-style-type: none"> • Improve the current structure of securities credit regulation by making it more uniform and responsive to a changing industry. 	<p>Modified Rule 415 Adopted</p> <p>After an 18-month period of conditional approval, the SEC adopted a modified version of Rule 415, its</p>
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Bank Registration as Broker-Dealer Endorsed

In December, the Association commented in support of an SEC proposal which would require a bank to register as a broker-dealer if it publicly solicited brokerage business, received transaction-related compensation for providing brokerage services, or dealt in or underwrote securities other than exempted or municipal securities. In its letter, the Association said "... that application of the federal securities laws to banks that engage in the securities business will not only eliminate unequal regulation as a competitive concern but will offer the public dealing with banks in this respect the important public protection provision contained in the securities laws."

In a related development, the NASD published for comment a proposed amendment to its Bylaws which would require a member to register, as representatives, persons employed by non-broker-dealers who perform activities on behalf of the member similar to those performed by registered representatives. The effect of the proposal is to protect investors against unqualified persons by means of the protections afforded by examination, accountability

shelf registration rule. Originally available to all public companies, the rule as adopted applies only to traditional shelf offerings and offerings by companies qualified for registration on Form S-3 or Form F-3. The Association had taken the position that the rule should be available only for highly rated debt offerings.

Corporate Finance Regulations Adopted

During the year, the Association made or proposed the following changes to its corporate finance regulations:

- Adopted new standards of fairness with respect to the NASD's review of underwriting terms and arrangements.
- Adopted an exemption from the NASD's corporate financing filing requirements for offerings made pursuant to Rule 415 on Form S-3.
- Adopted an amendment to the Corporate Financing Interpretation increasing from 10 percent to 15 percent the over-allotment option available to underwriters in a "firm commitment" offering.
- Proposed to the Federal Reserve Board that



Regulation T be amended or interpreted to permit brokers and dealers to distribute public offerings of direct participation program securities (mostly limited partnerships) which feature installment payment provisions. The NASD believes that such sales do not involve an extension of credit and that the proposed change would eliminate burdensome regulation.

- Modified Schedule E of the Bylaws, which governs the public offering of securities of NASD members or affiliates of NASD members, to eliminate a number of restrictive provisions in the area of conflicts of interest in self-underwritings. The essential components of the rule requiring independence in the pricing and due diligence functions were retained, however, in a somewhat modified form.

deferral of action, the NASD commented that the SEC's action should have been based on the inherent negative aspects of the proposal, not on a lack of competition in 19c-3 securities.

Although 19c-3 volume has not been large, no evidence has been developed from the pilot program to suggest that such trading has been harmful to customers or markets. In the circumstances, the NASD recommended to the SEC that Rule 19c-3 be retained.

More NASDAQ Securities Eligible For Margin

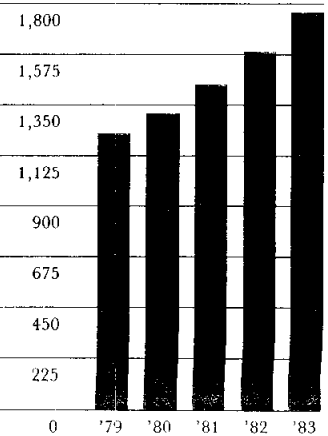
In 1983, the Federal Reserve Board designated 327 additional NASDAQ securities as OTC Margin Stocks. The net total of over-the-counter stocks which were margin-eligible at year-end stood at 1,742. (On February 21, 1984, the number of OTC margin stocks was increased to 1,917.) Notwithstanding this progress, there continues to be a significant number of over-the-counter companies with substantial capital and surplus, float, assets,

Rule 19c-3 Securities

In 1983, the SEC decided to defer the enactment of its proposed anti-internalization rule which it had published for comment in December 1982, and which would have required the exposure of customer orders in Rule 19c-3 securities to all competing markets. The Commission based its deferral on the argument that meaningful competition in 19c-3 securities did not exist, and it requested comments as to whether Rule 19c-3 should be repealed.

The NASD had opposed the order exposure rule as being anti-competitive, unnecessary, costly and inefficient. Although it welcomed the Commission's

OTC Margin Stocks



market maker interest and revenues that are not marginable simply because they trade in the over-the-counter market. Through meetings with members of the Board and its staff and the submission of empirical data, the Association continued its efforts during the year to persuade the Federal Reserve Board to adopt the full NASDAQ National Newspaper List criteria as an alternative standard for determining the marginability of over-the-counter securities.

On this point, the NASD has been very much encouraged by the interest of Vice President Bush's Task Group on this subject. To assist the Task Group in its study of this matter, the Association has supplied information and other details describing the problem and outlining a proposed solution.

Investment Law Study

During the past year, the Association continued its efforts to identify and seek changes in existing statutory provisions which discriminate either on their face or in practice against investment in NASDAQ securities. "Legal investment" laws govern investment by such entities as banks, insurance companies and public employee pension funds. The study found that discrimination against over-the-counter and in favor of exchange-listed securities is not a substantial problem in either banking or insurance statutes, although a large number of the laws contain restrictions on investment in common stock in general. The Association is undertaking efforts to effect changes in those instances where discrimination does exist.

Broader Blue Sky Exemptions Sought

The Association has proposed to the North American Securities Administrators Association (NASAA) that securities qualifying for inclusion in the NASDAQ National Market and certain initial public offerings be exempted from state registration requirements. In support of this proposal, the NASD provided NASAA with extensive historical data on earnings, revenues, assets, net tangible assets and stockholdings of NMS-eligible securities. Meanwhile, during 1983, Delaware and Illinois adopted exemptions for certain NASDAQ securities so that now 85 percent of NASDAQ companies are headquartered in states that provide exemptions.

Rule 10b-6 Overhauled

The SEC, with the assistance of the NASD, overhauled Rule 10b-6, which previously required market makers to suspend market making in a security for a ten-day "cooling-off" period prior to a distribution in which their firm was involved. By the SEC's action, the "cooling-off" period was eliminated for unsolicited transactions; the period was reduced to two days for solicited transactions in securities which have a minimum price of \$5 and a minimum public float of 400,000 shares; the period for solicited transactions in exchange-traded options was reduced to four days; and investment grade nonconvertible preferred and nonconvertible debt



securities were fully exempted from the rule's requirements. All other securities remain subject to the ten-day "cooling-off" period. The Commission's action implemented a substantial part of the changes the NASD had recommended in comments earlier in the year on then-proposed changes to Rule 10b-6.

Foreign Issuers' Requirements Revised

The SEC adopted a rule change which will require all foreign issuers seeking future inclusion in NASDAQ to be registered pursuant to Section 12(g) of the Securities Exchange Act of 1934. This registration requires foreign issuers to file periodic reports with the Commission similar to those filed by domestic companies. However, the 102 non-Canadian foreign securities on NASDAQ as of October 5, 1983 have been "grandfathered" and will be permitted to remain on NASDAQ indefinitely without Section 12(g) registration, provided they satisfy all other requirements for continued inclusion. Canadian issues, of which there were 186, must be registered pursuant to Section 12(g) after January 1986 in order to remain on NASDAQ.

Market Maker Reserve Bill Introduced

Representatives Edward J. Markey (D-Mass.) and Silvio R. Conte (R-Mass.) have introduced H.R. 3907, which would provide a 10-year, tax-deferred reserve for a portion of the profits made by market makers in the trading of small business

equity securities. H.R. 3907 is substantially the same as the proposal originally advanced in 1979 by the NASD's Joint Industry/Government Committee on Small Business Financing as a means for substantially enhancing the capital formation opportunities for small business. At a mid-1983 SEC Government/Business Forum on Capital Formation, former NASD Chairman J. Stephen Putnam, testifying on behalf of the NASD, recommended congressional action on the NASD's proposal. Although the proposal would cost the U.S. Treasury approximately \$36 million in deferred revenues, he estimated that it would raise \$180 million in new capital for small businesses and, in the process, create several thousand new jobs.

Mutual Fund Operations Task Force Established

In November, the NASD's Board approved the formation of an industry task force to study methods of improving the process of settlement of mutual fund transactions between dealers and principal underwriters. The task force, which is to be co-sponsored by the Investment Company Institute, will be attempting to identify short-term improvements to the settlement process, as well as exploring potential longer-range solutions such as centralized clearing.

NASD Comments on Proposal For Negotiated Mutual Fund Sales Charges

The Association filed extensive comments on

proposed SEC Rule 22d-6 under the Investment Company Act of 1940, which would permit mutual funds and unit trusts to vary offering prices in any way described in their prospectuses, including "negotiated" prices. While supporting the SEC's goal of simplifying the exemptive process, the Association expressed its view that the negotiated charge aspect of the proposal was inconsistent with the statute, that it exceeded the Commission's authority, that it would disrupt the orderly distribution of mutual fund shares, and that the proposal would benefit neither investors nor the industry.

Net Capital Rule Relief

In view of the burden that the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) regulations were expected to have on the municipal securities industry (resulting from the requirement that municipal bonds issued after July 1, 1983 be issued in registered form), the Association petitioned the Securities and Exchange Commission to grant relief from the net capital and customer protection rules as such rules pertain to aged transactions in municipal securities. Based on data

supplied by the Association, the Commission granted until December 31, 1983 the relief sought by the Association and thereafter extended that period until April 1, 1984, once again at the Association's request.

Coping With TEFRA

Although the provisions of TEFRA with respect to withholding on dividends and interest were repealed in 1983, they were replaced by the Interest and Dividend Tax Compliance Act of 1983, a compromise measure which imposed obligations on members in the areas of taxpayer identification numbers and backup withholding on all reportable payments. Through numerous educational notices and information updates, the Association sought to assist members in complying with the requirements imposed by TEFRA. The Association was also an active participant in a working conference sponsored by the Internal Revenue Service on TEFRA, and it testified before the IRS at public hearings and filed extensive comments with the IRS expressing concern about the burdens which TEFRA posed for NASD members.

1983 NASD Officers and Board of Governors

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

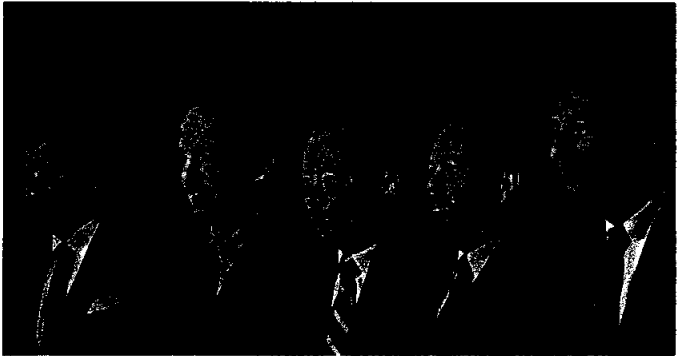
A To serve until January 1984



C To serve until January 1985



E To serve until January 1986



G To serve until January 1987



◀ **A** (from left to right)

Norman T. Wilde, Jr.
Janney Montgomery Scott Inc.
Philadelphia, Pennsylvania
Chairman, 1983

A. James Jacoby
Asiel & Co.
New York, New York
Vice Chairman, 1983

B. Mills Sinclair
Young, Smith & Peacock, Inc.
Vice Chairman—Finance, 1983

Gordon S. Macklin
President and Member
of the Board

Shannon Michael Drew
Kidder, Peabody & Co. Incorporated
San Francisco, California

◀ **C** (from left to right)

Carl P. Sherr
Carl P. Sherr and Company
Worcester, Massachusetts
Chairman, 1984

David M. Underwood
Underwood, Neuhaus & Co., Incorporated
Houston, Texas
Vice Chairman, 1984

Peter K. Loeb
Paine Webber Mitchell Hutchins Inc.
New York, New York
Vice Chairman—Finance, 1984

L.H. Bayley
David A. Noyes & Company
Indianapolis, Indiana

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

◀ **E** (from left to right)

Douglas E. DeTata
Prudential-Bache Securities Inc.
San Francisco, California

James C. Stone, III
J.J.B. Hilliard, W.L. Lyons, Inc.
Louisville, Kentucky

William G. McGowan*
MCI Communications Corporation
Washington, D.C.

Leonard Mayer
Mayer & Schweitzer, Inc.
Jersey City, New Jersey

Herbert A. Sarkisian, Jr.
Moors & Cabot, Inc.
Boston, Massachusetts

◀ **G** (from left to right)

B. Lee Karns*
Comprehensive Care Corporation
Newport Beach, California

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

Bernard L. Madoff
Bernard L. Madoff
New York, New York

Robert P. Rittereiser
Merrill Lynch, Pierce, Fenner
& Smith Incorporated
New York, New York

Larry D. Hayden
Hanifen, Imhoff, Inc.
Denver, Colorado

B (from left to right) ▶

J.M. (Mac) Hill*
Rangaire Corporation
Cleburne, Texas

Bruce A. Mann*
L. F. Rothschild, Unterberg, Towbin
San Francisco, California

Glenn R. Oxner
Interstate Securities Corporation
Greenville, South Carolina

Ray J. Groves*
Ernst & Whinney
Cleveland, Ohio

H. Lawrence Parker
Morgan Stanley & Co. Incorporated
New York, New York

Walter N. Trulock, III
Dean Witter Reynolds Inc.
Pine Bluff, Arkansas

D (from left to right) ▶

Richard R. West*
The Amos Tuck School of
Business Administration
Dartmouth College
Hanover, New Hampshire

Russell H. Baumgardner*
Apogee Enterprises, Inc.
Minneapolis, Minnesota

Ruth S. Block*
The Equitable Life Assurance
Society of the United States
New York, New York

Donald W. Crowell
Crowell, Weedon & Co.
Los Angeles, California

Bill T. Wall
Stern Brothers & Co.
Kansas City, Missouri

F (from left to right) ▶

John F. Cogan, Jr.*
The Pioneer Group, Inc.
Boston, Massachusetts

Peter D. Byrne
Dean Witter Reynolds Inc.
New York, New York

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

Roland M. Trafton*
SAFECO Corporation
Seattle, Washington

David C. Grove
Somers, Grove & Co., Inc.
Portland, Oregon

H (from left to right) ▶

Alex Hammond-Chambers*
Ivory & Sime
Edinburgh, Scotland

John L. Watson, III
Robinson Humphrey/
American Express Inc.
Atlanta, Georgia

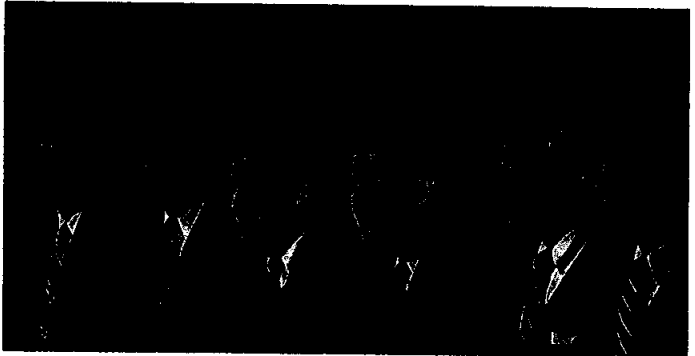
Alan B. Levenson*
Fulbright & Jaworski
Washington, D.C.

David W. Hunter
Parker/Hunter Incorporated
Pittsburgh, Pennsylvania

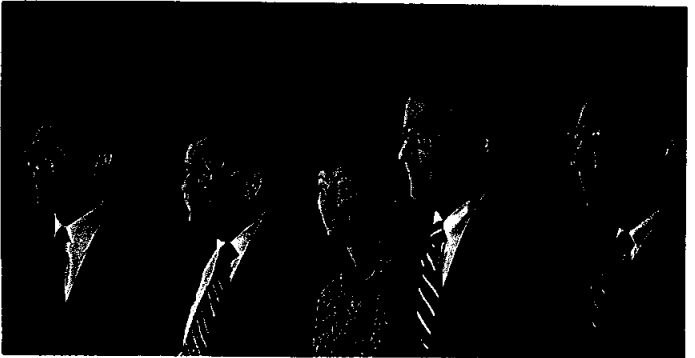
John B. Levert, Jr.
Howard, Weil, Labouisse, Friedrichs
Incorporated
New Orleans, Louisiana

*Governor-at-Large

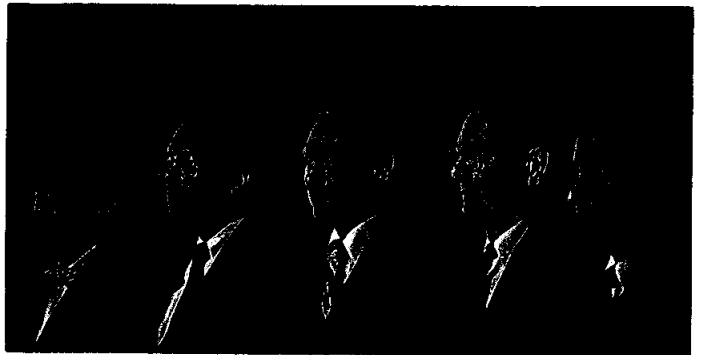
B To serve until January 1984



D To serve until January 1985



F To serve until January 1986



H To serve until January 1987



1983 National Committees

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

Executive

- *Norman T. Wilde, Jr., Chairman
- *Shannon M. Drew
- *A. James Jacoby
- *Bruce A. Mann
- *Glenn R. Oxner
- *Carl P. Sherr
- *B. Mills Sinclair
- *Gordon S. Macklin, President

Finance

- *B. Mills Sinclair, Chairman
- *L. H. Bayley
- *Donald W. Crowell
- *Shannon M. Drew
- *Ray J. Groves
- *J. M. Hill
- *H. Lawrence Parker
- James W. Ratzlaff
- *Walter N. Trulock, III
- *David M. Underwood
- *Norman T. Wilde, Jr.
- *Gordon S. Macklin, President
- Jack A. Schindel, Treasurer
(Ex Officio)

National Business Conduct

- *Carl P. Sherr, Chairman
- *J. Philip Boesel, Jr.
- *Peter D. Byrne
- *John F. Cogan, Jr.
- *Douglas E. DeTata
- *David C. Grove
- *Leonard Mayer
- *Herbert A. Sarkisian, Jr.
- *James C. Stone, III
- *Roland M. Trafton

National Nominating

- *Norman T. Wilde, Jr., Chairman
- James F. Keegan
- L. C. Petersen
- J. Stephen Putnam
- Ernest F. Rice, Jr.
- *Gordon S. Macklin, President
(Ex Officio)

Arbitration

- *B. Mills Sinclair, Chairman
- *L. H. Bayley
- John D. Berl
- Bernard R. Bober
- Stephen L. Hammerman
- Philip J. Hoblin
- Alan B. Levenson
- *Peter K. Loeb
- *Leonard Mayer
- David W. Mesker
- John F.X. Peloso
- *James C. Stone, III
- *Walter N. Trulock, III
- *David M. Underwood
- *Richard R. West

Blue Ribbon

- Robert P. Rittereiser, Chairman
- Leland H. Amaya
- *Peter D. Byrne
- Richard Del Bello
- Benjamin H. Griswold, IV
- John E. Herzog
- Richard F. Lynch
- Bernard L. Madoff
- *Leonard Mayer
- David W. Mesker
- Jeremiah A. Mullins
- *Glenn R. Oxner
- Thomas J. Peltier
- Thomas C. Schneider
- John N. Tognino
- *Norman T. Wilde, Jr.

Capital & Margin

- Benjamin L. Lubin, Chairman
- Vincent P. Fay
- Joseph A. Gottlieb
- *Glenn R. Oxner
- *B. Mills Sinclair
- Daniel P. Son
- *James C. Stone, III
- Eli Weinberg
- Frank E. Witt

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- Philip F. Searle
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Renee B. Pazan
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*Member, NASD Board of Governors

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Judy & Robinson Securities, Inc.
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Kidder, Peabody & Co. Incorporated
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Los Angeles, California 90017
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San Francisco, California 94104
(415) 781-3434

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2,157 Branches

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Vice Chairman

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754 Branches

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J. Jerry Dolan

R. Rowland & Co., Incorporated
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Smart, Moreland, Neuner & Soden,
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Floyd Steiner

First Securities Company
of Kansas, Incorporated
Wichita, Kansas

Jack Rosenfield, Director

911 Main Street, Suite 2230
Commerce Tower Building
Kansas City, Missouri 64105
(816) 421-5700

184 Members

598 Branches

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Arkansas
Louisiana
Mississippi
Western
Tennessee



John J. Zollinger, III, Chairman

Scharff & Jones Inc.
New Orleans, Louisiana

Das A. Borden, Vice Chairman

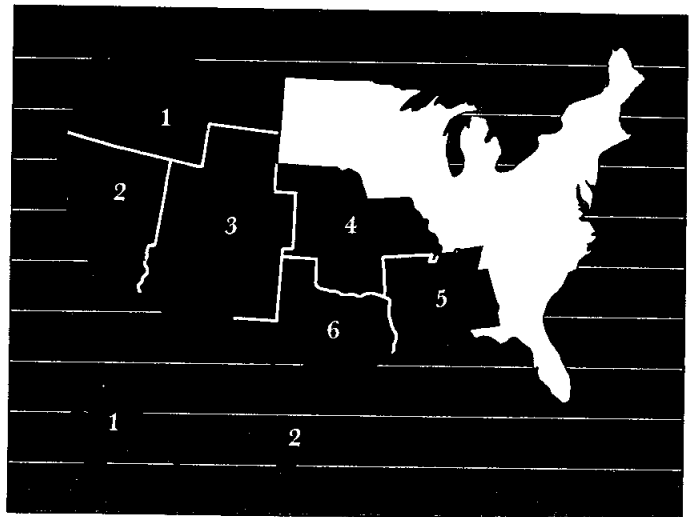
Das A. Borden & Associates
Muscle Shoals, Alabama

R. Baxter Brown

Brown, Geary & McInnes,
Incorporated
Jackson, Mississippi

Bill R. Carty

Carty & Company, Inc.
Memphis, Tennessee



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Little Rock, Arkansas

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(504) 522-6527

170 Members

451 Branches

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Dallas, Texas

Saul P. Baker

First Southwest Company
Dallas, Texas

Alan K. Goldfarb

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Corporation
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Dallas, Texas

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Rotan Mosle Inc.
Fort Worth, Texas

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Robert S. Strevell

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Planning, Inc.
Houston, Texas

Richard C. Webb

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1407 Main Street
Dallas, Texas 75202
(214) 742-4103

336 Members

753 Branches

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Puerto Rico
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Chairman

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Greenville, South Carolina

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Vice Chairman

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Alan Bush Brokerage Co.
Boca Raton, Florida

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Palm Beach, Florida

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& Co., Inc.
Savannah, Georgia

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Atlanta, Georgia 30308
(404) 658-9191

396 Members
1,229 Branches

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Iowa
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Minnesota
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South Dakota
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Vice Chairman

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Chicago, Illinois

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The Milwaukee Company
Milwaukee, Wisconsin

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Frehling & Co.
Chicago, Illinois

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Chicago, Illinois

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Chicago, Illinois

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Chicago, Illinois 60602
(312) 236-7222

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1,723 Branches

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Cincinnati, Ohio

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A.E. Aub & Co.
Cincinnati, Ohio

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McDonald & Company
Cleveland, Ohio

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Cleveland, Ohio

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Cleveland, Ohio 44114
(216) 694-4545

120 Members
493 Branches

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Greensboro, North Carolina

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Folger Nolan Fleming Douglas,
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Washington, D.C.

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Davenport and Co. of Virginia, Inc.
Richmond, Virginia

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Washington, D.C. 20006
(202) 728-8400

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660 Branches

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Smyth, Akins & Lerch, Inc.
Bryn Mawr, Pennsylvania

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Philadelphia, Pennsylvania 19103
(215) 665-1180

314 Members
661 Branches

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adjacent NY and
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Vice Chairman
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Tucker Anthony & R. L. Day, Inc.
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L. F. Rothschild, Unterberg, Towbin
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Society of the United States
New York, New York

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Fahnestock & Co.
New York, New York

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Spear, Leeds & Kellogg
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Bear, Stearns & Co.
New York, New York

Norman H. Pessin
Neuberger & Berman
New York, New York

Charles T. Peterson
Paine Webber Jackson & Curtis Inc.
New York, New York

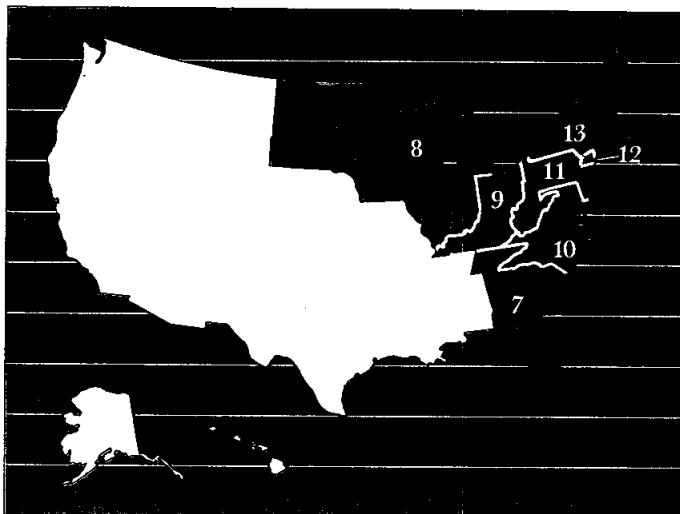
Samuel A. Ramirez
Samuel A. Ramirez & Co., Inc.
New York, New York

Judith G. Shepard
Goldman, Sachs & Co.
New York, New York

George J. Bergen, Vice President,
Director

Two World Trade Center
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New York, New York 10048
(212) 839-6200

1,114 Members
813 Branches



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Massachusetts
New
Hampshire
Rhode Island
Vermont

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with the
exception of
New York City
and adjacent
counties



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Rochester, New York

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Vice Chairman
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Boston, Massachusetts

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Fechter, Derwiler & Co., Inc.
Boston, Massachusetts

Alan P. Goldberg
Hawthorne Securities Corporation
Boston, Massachusetts

John G. Higgins
Kidder, Peabody & Co. Incorporated
Boston, Massachusetts

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S. C. Parker & Co., Inc.
Buffalo, New York

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Cummings & Co., Inc.
Providence, Rhode Island

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Tucker Anthony & R. L. Day, Inc.
Hartford, Connecticut

Eric Pierce
Eaton & Howard, Vance Sanders
Distributors, Inc.
Boston, Massachusetts

Gregory P. Plunkett
First New England Securities
Corporation
Boston, Massachusetts

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Equity Services, Inc.
Montpelier, Vermont

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NEL Equity Services Corporation
Boston, Massachusetts

Allen Weintraub
Advest, Inc.
Hartford, Connecticut

William S. Clendenin, Director
50 Milk Street
Boston, Massachusetts 02109
(617) 482-0466

375 Members
742 Branches

Consolidated Balance Sheets

As of September 30 (dollars in thousands)	1983	1982
Assets		
Current assets		
Cash	\$ 964	\$ 403
Marketable debt securities, principally U.S. Government, at cost (approximate market value for 1983: \$35,756; for 1982: \$21,302)	35,668	21,288
Interest and other receivables	3,438	2,971
Total current assets	40,070	24,662
Investment in National Securities Clearing Corporation, at cost	300	300
Fixed assets		
Land, buildings and improvements	8,941	6,704
Data processing, subscriber equipment and software	27,914	23,520
Furniture, equipment and leasehold improvements	3,758	3,106
	40,613	33,330
Less accumulated depreciation and amortization	12,016	6,397
	28,597	26,933
Other assets	1,280	923
	\$70,247	\$52,818
Liabilities and Equity		
Current liabilities		
Accounts payable and accrued expenses	\$ 5,836	\$ 6,057
Deferred fee income and deposits	4,559	3,707
Loans payable, 5%-6%	520	520
Note payable	500	
Current portion of mortgage payable	146	139
Current portion of obligations under capital leases	1,055	862
Total current liabilities	12,616	11,285
Obligations under capital leases	3,086	3,091
Mortgage payable, 5½%, due in 1985	166	312
Other liabilities	486	367
Total liabilities	16,354	15,055
Equity	53,893	37,763
Commitments and contingencies		
	\$70,247	\$52,818

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Operations and Equity

Year ended September 30 (dollars in thousands)	1983	1982
Income		
NASDAQ and MSI service fees	\$21,410	\$15,854
Member assessments	18,998	15,079
Registration and examination fees	14,756	9,727
NASDAQ issuers fees	7,351	5,539
Corporate finance fees	6,110	2,886
Interest and other	4,671	4,501
Regulatory fees	1,805	1,089
	75,101	54,675
Expenses		
Salaries and employee benefits	30,170	26,928
Depreciation and amortization	5,866	3,614
Professional and other services	4,971	3,939
Data processing and transmission	6,654	6,320
Office expense	4,309	4,396
Publications, supplies and postage	3,314	2,695
Travel, meetings and investigations	3,157	2,889
Interest	219	267
Other	311	297
	58,971	51,345
Net income	16,130	3,330
Equity at beginning of year	37,763	34,433
Equity at end of year	\$53,893	\$37,763

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Changes in Financial Position

Year ended September 30 (dollars in thousands)	1983	1982
Financial resources were provided by:		
Net income	\$16,130	\$ 3,330
Add items not affecting working capital		
Depreciation and amortization	5,866	3,614
Loss on disposal of equipment	151	213
Working capital provided by operations	22,147	7,157
Increase in obligations under capital leases	886	
Increase in other liabilities	119	81
Proceeds from sale of fixed assets	29	261
	23,181	7,499
Financial resources were used for:		
Additions to fixed assets	7,710	9,002
Decrease in long-term obligations under capital leases	891	862
Increase in other assets	357	111
Decrease in long-term mortgage payable	146	139
	9,104	10,114
Increase (decrease) in working capital	\$14,077	\$(2,615)
Analysis of Changes in Working Capital		
Increase (decrease) in current assets		
Cash	\$ 561	\$ (10)
Marketable debt securities	14,380	(2,697)
Interest and other receivables	467	156
	15,408	(2,551)
Decrease (increase) in current liabilities		
Accounts payable and accrued expenses	221	750
Deferred fee income and deposits	(852)	(577)
Loans payable		(200)
Note payable	(500)	
Current portion of mortgage payable	(7)	(8)
Current portion of capital lease obligations	(193)	(29)
	(1,331)	(64)
Increase (decrease) in working capital	\$14,077	\$(2,615)

The accompanying notes are an integral part of these financial statements.

Notes to Consolidated Financial Statements

September 30, 1983 and 1982

1. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the National Association of Securities Dealers, Inc. (NASD) and its wholly owned subsidiaries, NASDAQ, Inc., NASD Market Services, Inc. (MSI) and National Clearing Corporation (NCC) after elimination of all significant intercompany transactions.

Depreciation and Amortization

Fixed assets are depreciated on a straight-line basis over useful lives as follows:

Buildings	30 to 38 years
Building improvements	10 years
Data processing, subscriber equipment and software	5 to 6 years
Furniture and equipment	4 to 10 years

Equipment acquired under capital leases is amortized on a straight-line basis over the terms of the leases.

Software Costs

Purchased software, developed by others, is capitalized if it has a continuing value and is considered an integral part of purchased hardware. All other software development costs are charged to expense as incurred.

Income Taxes

NASD and NASDAQ, Inc. are tax-exempt, not-for-profit organizations. MSI is a taxable entity and recognizes certain expenses, principally start-up expenditures and depreciation, in different periods for income tax purposes than for financial reporting purposes. Investment tax credits, to the extent available, are accounted for under the flow-through method.

2. Business Segments

The NASD is a not-for-profit membership association established to regulate the over-the-counter securities market.

NASDAQ, Inc. owns and operates the nationwide, electronic NASDAQ quote information system.

MSI was formed primarily for the purpose of establishing national market facilities to assist the NASD in carrying out its regulatory responsibilities and to provide services for the benefit of NASD members in their pursuit of efficient execution of securities transactions.

NCC owns a one-third interest in the National Securities Clearing Corporation (NSCC). NCC's operations are not significant. The assets (consisting principally of the investment in NSCC), liabilities and operations of NCC have been consolidated with NASD in the following segment information. The investment in NSCC is carried at cost because NSCC is controlled by the users of the clearing facilities and does not intend to pay dividends to its shareholders.

Business Segments (in thousands)

1983	NASD	NASDAQ	MSI	Consolidated
Income	\$53,556	\$20,408	\$ 3,211	\$75,101
Expenses	37,355	19,658	4,032	58,971
Net income (loss):				
NASD	16,201			
Subsidiaries	(71)			
	\$16,130	\$ 750	\$ (821)	\$16,130
Total assets	\$63,299	\$24,029	\$ 1,955	\$70,247
Equity (deficit):				
NASD	\$42,355			
Subsidiaries	11,538			
	\$53,893	\$17,090	\$(4,401)	\$53,893
1982				
Income	\$38,060	\$17,580	\$ 503	\$54,675
Expenses	33,227	16,543	3,043	51,345
Net income (loss):				
NASD	4,833			
Subsidiaries	(1,503)			
	\$ 3,330	\$ 1,037	\$(2,540)	\$ 3,330
Total assets	\$45,774	\$23,601	\$ 640	\$52,818
Equity (deficit):				
NASD	\$26,154			
Subsidiaries	11,609			
	\$37,763	\$16,340	\$(3,580)	\$37,763

Intercompany billings, payables and receivables have been eliminated from the consolidated financial data.

3. Related Party Transactions

NASD provides regulatory services to NSCC relating to NASD members who are also members of NSCC. Charges to NSCC for these services were \$1,317,000 in 1983 and \$1,089,000 in 1982. Effective July 1, 1983, fees for these services are billed directly to members. Accounts receivable from NSCC were \$276,000 at September 30, 1982.

4. Note Payable

NASDAQ, Inc. maintains an unsecured \$3,000,000 bank line of credit with interest at the prime rate. \$500,000 was borrowed in December 1982 and repaid in November 1983. The weighted average interest rate for 1983 was 12%. The interest rate at September 30, 1983 was 11%.

5. Capitalized Leases

Data processing, subscriber equipment and software at September 30, 1983 and 1982 includes the capitalization of computer leases of \$6,233,000 and \$5,133,000, respectively. Amortization expense was \$910,000 and \$855,000 in 1983 and 1982, respectively, and related accumulated amortization at September 30, 1983 is \$2,193,000. The initial terms of the leases are 60-76 months. Minimum lease payments are \$1,283,000 per year for 1984 through 1986, \$628,000 in 1987 and \$249,000 in 1988. The present value of future minimum lease payments is \$4,141,000, resulting in imputed interest of \$585,000.

6. Retirement Benefits

NASD maintains a savings plan and a defined benefit pension plan for the benefit of all eligible employees. Current service costs are funded as they accrue. Unfunded prior service costs are being funded over a period of 30 years.

Savings plan expense for the years 1983 and 1982 was \$401,000 and \$310,000, respectively.

Pension expense for the years 1983 and 1982 aggregated \$1,316,000 and \$1,170,000, respectively. A comparison of accumulated pension plan benefits and net pension plan assets as of the most recent valuation dates is presented below:

As of January 1	1983	1982
Actuarial present value of accumulated plan benefits:		
Vested	\$3,182,000	\$2,730,000
Non-vested	882,000	1,249,000
	\$4,064,000	\$3,979,000
Net assets available for plan benefits	\$7,492,000	\$5,394,000

The average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 6% for 1983 and 1982.

7. Income Taxes

MSI has tax-basis net operating loss and investment tax credit carryforwards available for future utilization as follows:

Year Expires	Net Operating Loss	Investment Tax Credit
1995		\$ 25,000
1996		20,000
1997	\$1,431,000	2,000
1998	1,678,000	54,000
	\$3,109,000	\$101,000

MSI net operating loss and investment tax credit carryforwards for financial statement purposes are \$5,551,000 and \$101,000, respectively.

MSI has not incurred any federal income tax liability since its organization.

8. Commitments and Contingencies

In connection with its operations, NASD incurred office and equipment rental expense of \$2,977,000 and \$2,546,000 during the years ended September 30, 1983 and 1982, respectively. Minimum lease payments for the succeeding fiscal years are as follows: \$2,175,000 in 1984, \$2,163,000 in 1985, \$2,062,000 in 1986, \$1,428,000 in 1987, \$1,094,000 in 1988 and \$5,070,000, in aggregate, from 1989 through 1995. No lease extends beyond 1995. The majority of these leases contain escalation clauses based on increases in property taxes and building operation costs.

During the current year, the NASD entered into contractual agreements for the purchase of computer hardware and software. At September 30, 1983, the amount outstanding on these agreements was approximately \$3,209,000.

There are legal proceedings pending against the NASD separately or with others. Management believes, based upon the opinion of counsel, that liabilities arising from these proceedings, if any, will not have a material effect on the NASD.

Report of Independent Accountants

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

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations and equity and of changes in financial position present fairly the financial position of the National Association of Securities Dealers, Inc. and its subsidiaries at September 30, 1983 and 1982, and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse

Washington, D.C.
December 22, 1983



National Association of
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(202) 728-8000

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Vice Chairman

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Treasurer

A. John Taylor
Vice President
Variable Contracts

S. William Broka
Secretary

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Stock	High	Low	Open	Close	Change
IBM	110 1/4	109 3/4	110 1/4	109 3/4	-1/8
AT&T	48 1/4	48 1/8	48 1/4	48 1/8	-1/8
GE	34 1/4	34 1/8	34 1/4	34 1/8	-1/8
AMER	28 1/4	28 1/8	28 1/4	28 1/8	-1/8
DUKE	24 1/4	24 1/8	24 1/4	24 1/8	-1/8
WAL	20 1/4	20 1/8	20 1/4	20 1/8	-1/8
AMER	16 1/4	16 1/8	16 1/4	16 1/8	-1/8
AMER	12 1/4	12 1/8	12 1/4	12 1/8	-1/8
AMER	8 1/4	8 1/8	8 1/4	8 1/8	-1/8
AMER	4 1/4	4 1/8	4 1/4	4 1/8	-1/8

54 THE WALL STREET JOURNAL, Tuesday, May 31, 1983

Over-the-Counter Markets

Quotations From the Nasdaq System
Listed from Eastern Time Tables, Friday, May 27, 1983

Volume: All Issues 19,747,490

SEMI-CONDUCTOR

Symbol	High	Low	Open	Close	Change
IBM	110 1/4	109 3/4	110 1/4	109 3/4	-1/8
AT&T	48 1/4	48 1/8	48 1/4	48 1/8	-1/8
GE	34 1/4	34 1/8	34 1/4	34 1/8	-1/8
AMER	28 1/4	28 1/8	28 1/4	28 1/8	-1/8
DUKE	24 1/4	24 1/8	24 1/4	24 1/8	-1/8
WAL	20 1/4	20 1/8	20 1/4	20 1/8	-1/8
AMER	16 1/4	16 1/8	16 1/4	16 1/8	-1/8
AMER	12 1/4	12 1/8	12 1/4	12 1/8	-1/8
AMER	8 1/4	8 1/8	8 1/4	8 1/8	-1/8
AMER	4 1/4	4 1/8	4 1/4	4 1/8	-1/8

ACTIVE STOCKS

Symbol	High	Low	Open	Close	Change
IBM	110 1/4	109 3/4	110 1/4	109 3/4	-1/8
AT&T	48 1/4	48 1/8	48 1/4	48 1/8	-1/8
GE	34 1/4	34 1/8	34 1/4	34 1/8	-1/8
AMER	28 1/4	28 1/8	28 1/4	28 1/8	-1/8
DUKE	24 1/4	24 1/8	24 1/4	24 1/8	-1/8
WAL	20 1/4	20 1/8	20 1/4	20 1/8	-1/8
AMER	16 1/4	16 1/8	16 1/4	16 1/8	-1/8
AMER	12 1/4	12 1/8	12 1/4	12 1/8	-1/8
AMER	8 1/4	8 1/8	8 1/4	8 1/8	-1/8
AMER	4 1/4	4 1/8	4 1/4	4 1/8	-1/8

Nasdaq National Market

National Market

Market trend

Top gainers

Most active

Wilshire

THE ATLANTA CONSTITUTION, Fri, June 17, 1983

NASDAQ Over-The-Counter Securities

NASDAQ index

Market trend

Top gainers

Most active

Wilshire

1. 1983

Over-the-Counter NASDAQ NATIONAL MARKET

Week ending July 8, 1983

Symbol	High	Low	Open	Close	Change
IBM	110 1/4	109 3/4	110 1/4	109 3/4	-1/8
AT&T	48 1/4	48 1/8	48 1/4	48 1/8	-1/8
GE	34 1/4	34 1/8	34 1/4	34 1/8	-1/8
AMER	28 1/4	28 1/8	28 1/4	28 1/8	-1/8
DUKE	24 1/4	24 1/8	24 1/4	24 1/8	-1/8
WAL	20 1/4	20 1/8	20 1/4	20 1/8	-1/8
AMER	16 1/4	16 1/8	16 1/4	16 1/8	-1/8
AMER	12 1/4	12 1/8	12 1/4	12 1/8	-1/8
AMER	8 1/4	8 1/8	8 1/4	8 1/8	-1/8
AMER	4 1/4	4 1/8	4 1/4	4 1/8	-1/8

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Over-the-Counter

for Tuesday, Aug. 23, 1983

NASDAQ Final O-T-C Index

Category	High	Low	Close
Composite	298.93	293.59	293.66
Industrial	360.63	355.09	355.23
Banks	191.20	188.23	190.28
Insurance	254.92	254.62	254.86
Financial	271.13	269.69	269.77
Transport	267.11	262.55	262.68
Utilities	319.64	278.61	280.22

The Last

Symbol	High	Low	Open	Close	Change
IBM	110 1/4	109 3/4	110 1/4	109 3/4	-1/8
AT&T	48 1/4	48 1/8	48 1/4	48 1/8	-1/8
GE	34 1/4	34 1/8	34 1/4	34 1/8	-1/8
AMER	28 1/4	28 1/8	28 1/4	28 1/8	-1/8
DUKE	24 1/4	24 1/8	24 1/4	24 1/8	-1/8
WAL	20 1/4	20 1/8	20 1/4	20 1/8	-1/8
AMER	16 1/4	16 1/8	16 1/4	16 1/8	-1/8
AMER	12 1/4	12 1/8	12 1/4	12 1/8	-1/8
AMER	8 1/4	8 1/8	8 1/4	8 1/8	-1/8
AMER	4 1/4	4 1/8	4 1/4	4 1/8	-1/8

Los Angeles Times

THE PLAIN DEALER, SATURDAY, DECEMBER 31, 1983

OVER-THE-COUNTER

Symbol	High	Low	Open	Close	Change
IBM	110 1/4	109 3/4	110 1/4	109 3/4	-1/8
AT&T	48 1/4	48 1/8	48 1/4	48 1/8	-1/8
GE	34 1/4	34 1/8	34 1/4	34 1/8	-1/8
AMER	28 1/4	28 1/8	28 1/4	28 1/8	-1/8
DUKE	24 1/4	24 1/8	24 1/4	24 1/8	-1/8
WAL	20 1/4	20 1/8	20 1/4	20 1/8	-1/8
AMER	16 1/4	16 1/8	16 1/4	16 1/8	-1/8
AMER	12 1/4	12 1/8	12 1/4	12 1/8	-1/8
AMER	8 1/4	8 1/8	8 1/4	8 1/8	-1/8
AMER	4 1/4	4 1/8	4 1/4	4 1/8	-1/8

NASDAQ NATIONAL MARKET

Week ending

Symbol	High	Low	Open	Close	Change
IBM	110 1/4	109 3/4	110 1/4	109 3/4	-1/8
AT&T	48 1/4	48 1/8	48 1/4	48 1/8	-1/8
GE	34 1/4	34 1/8	34 1/4	34 1/8	-1/8
AMER	28 1/4	28 1/8	28 1/4	28 1/8	-1/8
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AMER	8 1/4	8 1/8	8 1/4	8 1/8	-1/8
AMER	4 1/4	4 1/8	4 1/4	4 1/8	-1/8