Act 1934
Section 15C
Rule 15c3-1
Public Availability 7/7/77

June 7, 1977

Mr. Gordon Reis, Jr.
Seasongood & Mayer
400 Dixie Terminal Building
Cincinnati, Ohio 45202

Dear Mr. Reis:

This is in response to your letter of May 13, 1977 on behalf of Seasongood & Mayer ("S & M") regarding Rule 15c3-1 (17 CFR 240.15c3-1) under the Securities Exchange Act of 1934.

I understand that S & M, acting as manager of a municipal syndicate, will deposit a good faith check covering the municipal underwriting with the issuer and request that each member of the account supply S & M with its share of the funds. After receipt of such deposit you credit an account payable to such joint account partners. This is done, you explain, since S & M heads a great many municipal syndicates and it is necessary to keep track of who has paid.

You express your view that such amounts payable should not be included in aggregate indebtedness until such time as the good faith deposit has been returned to S & M by the issuer and requested a "no action" letter concurring with this view.

Based on the information contained in your letter, it is the Division's view that such deposits made to S & M by joint account partners are not excluded from the definition of aggregate indebtedness and would therefore not recommend to the Commission that no action be taken if such amounts are not included in S & M's aggregate indebtedness.

Mr. Gordon Reis, Jr.
Seasongood & Mayer

If you have any questions, please contact me.

Sincerely,

Robert L. Smith
Securities Operations
Specialist

RLS/djh
6/07/77

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INVESTMENT SECURITIES
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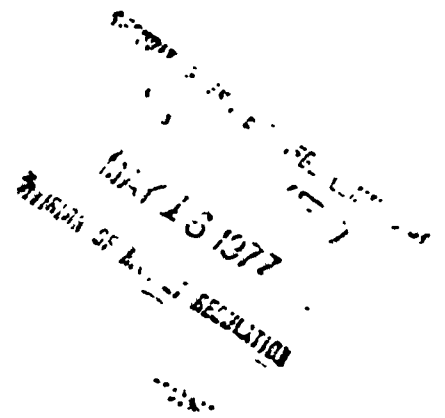
13 May 1977



Mr. Nelson S. Kibler
Assistant Director
Broker-Dealer Financial Responsibility
and Securities Transactions
Division of Market Regulation
Securities and Exchange Commission
Washington, D. C. 20549

Dear Mr. Kibler:

We are in disagreement with the National Association of Security Dealers as regards one point on the last examination performed by them and have been advised by them that they have been upheld by Washington, wherever that might mean.

We, acting as manager of a municipal syndicate, posted our good faith check covering a municipal underwriting. We then requested each member of the account to supply us with his share of the funds. It should be pointed out at this point that we had previously advanced the funds and that they were not in our hands but in the hands of the municipality. In view of the fact that we head a great many municipal syndicates it is obviously necessary to keep track of who has paid, so we show a credit on our books for the amount received from our other joint account partners. This exact situation prevailed at the time of the examination in question, and the NASD examiner insisted that these amounts which had been posted by joint account partners with us, as previously indicated, represented aggregate indebtedness.

It is our contention that such a position is totally unsound until such time as the good faith deposit has been returned to us by the issuer on delivery of the bonds. There are obviously three possibilities which might occur with a good faith deposit: Number one, that for some reason or other, and this rarely happens, the syndicate should conclude to forfeit the good faith deposit and not take up the bonds. In this case, obviously, we could have liability for the good faith deposit to our joint account partners. The second possibility would be that the account showed a loss as a result of an unwise purchase and, in this case, we might well use the good faith deposit of the individual partners to offset their share of the loss. The third and last possibility is the most normal, and that is, the check is returned at the time of the delivery of the bonds. We would have no possible reason as syndicate manager to retain it and therefore, in our opinion, we unquestionably have a liability to our joint account partners for their share of this deposit at that time, but not before.

This could seem to be a minor matter and under normal circumstances probably would not in any way affect our financial statement; however, we must always look to the future and, as indicated above, feel that the conclusions reached in this examination are totally illogical.

We are, consequently, writing with a request for a "no action" letter covering joint account partners' share of good faith deposits supplied to us as principal underwriter or syndicate manager, if we do not include these deposits in aggregate indebtedness until such time as we actually are in possession of the returned good faith deposit.

Sincerely yours,

Gordon Reis, Jr.

GR:bdc

cc: David Rosedahl
Secy. & Asst. General Counsel
Securities Industry Association
20 Broad Street
New York, New York 10005

Roy Bock
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