



Investment Education Since 1951

www.better-investing.org

San Diego Chapter

6576 Jackson Drive

San Diego, CA 92119

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SEC Headquarters
450 Fifth Street NW
Washington, DC 20549

Dear Sir or Madam:

The San Diego Chapter of the National Association of Investors Corporation is conducting a trial project. The purpose of the project is to explore methods of increasing visitors at local Investment club meetings.

Our organizational mission includes a strong emphasis on teaching investment courses to members and the public. Many people hear of investment club activity and want to learn more about it. They are interested in exploring it first hand. The problem exists in that NAIC Chapters and clubs feel the SEC would disapprove of and punish any activity that provides club contact information to inquiring individuals.

The San Diego chapter is very willing and does provide information about starting a club to anyone that inquires. Yet a significant number of inquirers are obviously disappointed as they want to see a club in action before they make a decision about proceeding to club formation. But the chapter has felt constrained by past practices. Those practices include refusing direct contact information with clubs who may be willing to host guests but does include giving information about local "Blue Books"

The San Diego chapter does follow the national custom of providing loose leaf binders (Blue Books) wherein individuals can fill out sheets with personal information and express a desire to join a club as a member. The second book provides clubs an opportunity to show they are considering new members. These books are available at local chapter functions for anyone interested to read.

The current pilot project of the San Diego Chapter is designed to make a clear distinction between visiting a club and joining a club. Specific information is given about the due diligence that both the potential member and the club should exercise prior to any offer of membership. The second major difference is that rather than just toting Blue Books around the Chapter President maintains a file of individuals and clubs open to visitations. When a reasonable match is found the club is contacted and they may extend or not extend an invitation on the basis of their own decision and judgment.

The San Diego Chapter has reviewed the SEC literature on Investment Clubs and has

National Association of Investors Corporation
Investment Education for Individual Investors and Investment Clubs

formed the following opinions.

Investment clubs do not need to register with the SEC provided:

They do not have any passive members.	(Any club with passive members is excluded from project participation. NAIC requires active participation by all members)
They do not have more than 100 members:	(We know of no club with near that many members)
They do not intend to make a public offering:	(we know of no club that intends to make a public offering.)
If any of the three conditions of the <i>Investment Company Act of 1940</i> do not apply:	
The club invests in securities.	Applies
The club issues membership interests that are Securities.	Does not apply. (No passive members are allowed)
The club is not able to rely on an exclusion from the definition of investment company.	Clubs cannot rely on any exclusion.

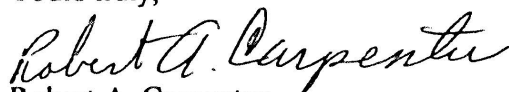
Enclosed you will find the forms used by the San Diego Chapter in the current Project and previous practices as well as some of the statements used by NAIC Regarding this subject.

The San Diego Chapter is working to make the Visitation project forms available on our Web site www.naicsd.org. where interested persons or clubs can download them. In the future we contemplate using public service announcements and other media to make the service more visible to the public.

Our question is: Do any of the activities of this pilot visitation project give rise to any SEC concern to the extent that we should not extend this effort beyond the trial period? Could the SEC consider this a "no action" situation?

Your comments and/or opinions on the above matters will be of great guidance and value to us and will be greatly appreciated.

Yours truly,



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