

Notice To Members

National Association of Securities Dealers, Inc.

May 1989

Number 89-39

Suggested Routing:*

- | | | | |
|---|--|--|--|
| <input checked="" type="checkbox"/> Senior Management | <input type="checkbox"/> Internal Audit | <input checked="" type="checkbox"/> Operations | <input type="checkbox"/> Syndicate |
| <input type="checkbox"/> Corporate Finance | <input checked="" type="checkbox"/> Legal & Compliance | <input type="checkbox"/> Options | <input type="checkbox"/> Systems |
| <input type="checkbox"/> Government Securities | <input type="checkbox"/> Municipal | <input type="checkbox"/> Registration | <input checked="" type="checkbox"/> Trading |
| <input type="checkbox"/> Institutional | <input type="checkbox"/> Mutual Fund | <input type="checkbox"/> Research | <input checked="" type="checkbox"/> Training |

*These are suggested departments only. Others may be appropriate for your firm.

IMPORTANT MAIL VOTE

Subject: Proposed New Rule Re: Handling Customer Limit Orders

Last Voting Date: June 1, 1989

EXECUTIVE SUMMARY

Members are invited to vote on a proposed new Section 45 to Article III of the NASD Rules of Fair Practice that would set forth obligations of member firms that accept customer limit orders and continue their own market-making activities in the security that is the subject of the limit order. The rule would also provide a model statement that the NASD believes constitutes adequate disclosure to customers of the manner in which their order may be handled. The text of the proposed rule follows this notice.

BACKGROUND AND ANALYSIS

In *Notice to Members* 85-12 (February 15, 1985), the NASD set forth its views that, on accepting a customer limit order, a member undertakes a fiduciary obligation and cannot trade for its own account at prices more favorable than the customer limit order unless there is an understanding by the customer as to the priorities that will govern the order. At the time it issued *Notice to Members* 85-12, the NASD contemplated an amendment to the Rules of Fair Practice that would codify this position. Because an appeal of an NASD discipli-

nary action involving this issue was pending, however, the NASD did not proceed with such rule making. The Commission has now ruled in that disciplinary action and has affirmed the conclusion reached by the NASD.¹ The NASD Board has, therefore, determined that it is now appropriate to provide guidance to NASD member firms on the type of communication with customers that would satisfy member firms' obligations regarding handling customer limit orders.

The proposed rule change requires that each member firm that accepts and holds an unexecuted customer limit order, and anticipates continuing to trade for its own market-maker account in the security that is the subject of this order at prices equal to or better than the limit price, provide a written statement to each existing customer at the time the rule is adopted and to each new customer upon the opening of an account. This statement would be required to clearly disclose the circumstances under which the firm accepts limit orders and the policies and procedures followed by the firm in handling those orders. The rule further provides the text of a model disclosure statement that the NASD deems to constitute adequate

¹In the Matter of E. F. Hutton & Co., Securities Exchange Act Release No. 25587 (July 6, 1988).

disclosure of the fact that a firm may accept a limit order but not grant the order priority over its own market-making activities.

The NASD Board of Governors believes the proposed rule amendments will provide necessary guidance to NASD members as to what steps they must take to ensure that customers placing limit orders with the firm are treated in a manner consistent with the firm's obligations under Article III, Section 1 of the Rules of Fair Practice. Thus, the Board believes the proposed amendments are necessary and appropriate and recommends that members vote their approval. Please mark the attached ballot according to your convictions and return it in the enclosed, stamped envelope to The Corporation Trust Company. Ballots must be postmarked **no later than June 1, 1989**.

Questions concerning this notice may be directed to T. Grant Callery, NASD Associate General Counsel, at (202) 728-8285.

**PROPOSED NEW SECTION 45
TO ARTICLE III OF THE NASD
RULES OF FAIR PRACTICE**

(Note: All of the proposed text is new language.)

Sec. 45. Customer Limit Orders

(a) A member firm that has accepted and holds an unexecuted limit order from a customer and continues to trade the subject security for its own market-maker account at prices equal to or better than the limit order price shall not be deemed to have acted in a manner inconsistent with Article III, Section 1 of the Rules of Fair Practice if the member firm provides to its existing customers as of the effective date of this rule and to each new customer at the time his or her account is opened a written statement clearly disclosing:

(i) the circumstances in which the firm accepts limit orders, and

(ii) the policies and procedures followed by the firm in handling such orders.

(b) If it is the policy of a member firm that acts as a market maker to accept limit orders from its customers but not to grant priority to such orders over transactions for its own market-maker account, a written statement substantially as follows provided by the member firm would be deemed to constitute adequate disclosure to its customers for purposes of paragraph (a) of this Section:

"By accepting your limit order for transactions in securities in the NASDAQ or over-the-counter market, we undertake to monitor the interdealer market and to seek to execute your order only if the inside bid (in the case of a limit order to sell, the highest price at which a dealer is being quoted as willing to buy securities) or the inside asked (in the case of a limit order to buy, the lowest price at which a dealer is being quoted as willing to sell securities) reaches your limit price. We reserve the right, while your limit order remains unexecuted, to trade for our own market-maker account at prices equal to or better than your limit order price and not to execute your order against incoming orders from other customers. For example, if the inside market is 10 bid, 10 1/4 asked and you place a limit order to sell securities at 10 1/8, we will seek to execute your order only if the inside bid reaches your limit price of 10 1/8 (exclusive of any markdown or commission equivalent that we may charge in connection with the transaction) and, while your order remains unexecuted, we may continue to sell securities for our market-maker account at prices at or above 10 1/8."

Notice To Members

National Association of Securities Dealers, Inc.

May 1989

Number 89-40

Suggested Routing:*

- | | | | |
|---|--|--|--|
| <input checked="" type="checkbox"/> Senior Management | <input type="checkbox"/> Internal Audit | <input type="checkbox"/> Operations | <input type="checkbox"/> Syndicate |
| <input type="checkbox"/> Corporate Finance | <input checked="" type="checkbox"/> Legal & Compliance | <input type="checkbox"/> Options | <input type="checkbox"/> Systems |
| <input type="checkbox"/> Government Securities | <input type="checkbox"/> Municipal | <input checked="" type="checkbox"/> Registration | <input checked="" type="checkbox"/> Trading |
| <input type="checkbox"/> Institutional | <input type="checkbox"/> Mutual Fund | <input type="checkbox"/> Research | <input checked="" type="checkbox"/> Training |

*These are suggested departments only. Others may be appropriate for your firm.

REQUEST FOR COMMENTS

**Subject: Proposed Amendment to Code of Procedure Re: Summary Remedial Proceedings;
Last Date for Comments: June 1, 1989**

EXECUTIVE SUMMARY

The NASD requests comments on a proposed amendment to the Code of Procedure that would create a new procedure by which the NASD could take appropriate remedial actions against an NASD member or an associated person if such member or person had engaged and there was a reasonable likelihood that the member or person would again engage in securities-law violations. The text of the proposed amendment follows this notice.

BACKGROUND

The Board of Governors is concerned because the NASD has been confronted on several occasions recently with instances of members that have violated various SEC and NASD rules and regulations and, when advised to cease such activities, have evidenced an intent to continue the violative conduct. The NASD, under the present Code of Procedure, has no expeditious method specifically designed to handle such situations. In order to address these situations, the Board of Governors is requesting comment on an amend-

ment to the Code of Procedure that would allow the NASD to take appropriate action.

EXPLANATION

The proposed amendment would permit the NASD to deny membership to, or condition the membership of a broker-dealer, or bar or condition a person's association with a broker-dealer if the broker-dealer or person has engaged and there is a reasonable likelihood the broker-dealer or person will again engage in acts or practices inconsistent with just and equitable principles of trade. The amendment provides the NASD with a wide range of actions it could take against a member or associated person for ongoing violations, including imposing limitations or conditions on or the cancellation or revocation of the firm's membership or the person's registration. This range of permissible actions would allow the NASD to tailor the action taken to meet the needs of the situation. The firm or person that is the subject of such a proceeding would have the right to a hearing prior to the NASD taking any action and, once the Board acts, that decision could be appealed to the SEC.

The Board of Governors believes that Sections 15A(g)(3)(A) and (B) of the Securities Exchange Act of 1934 ("Act") authorize the NASD to take such action and that the proposed procedure

meets the hearing requirement of Section 15A(h)(1) of the Act.

Under the proposed amendment, the NASD Executive Committee would be required to authorize the initiation of such a proceeding only after a finding by that Committee that the proceeding was needed to protect the public interest. The NASD would notify the member and/or associated person of the time and place of the hearing. The matter would be considered by a District Committee hearing panel consisting of at least three persons, and this panel would render its decision within five days of the hearing.

Any party aggrieved by the decision or the Board itself could ask that this decision be reviewed by a committee of the Board of Governors. Any such request would not operate as a stay of the District panel's decision. Upon any application for review, a hearing before a Special Hearing Committee of the Board would be held within five days. Any decision rendered by the Special Hearing Committee would be a final action of the NASD and could be appealed to the SEC. All decisions rendered would be in writing, and any member or person would have the right to appear in person, submit any relevant evidence, and be represented by counsel.

The NASD encourages all members and other interested persons to comment on the proposed amendment. Comments should be directed to: Mr. Lynn Nellius, Secretary, National Association of Securities Dealers, Inc., 1735 K Street, NW, Washington, DC 20006-1506.

Comments must be received **no later than June 1, 1989**. Comments received by this date will be considered by the NASD National Business Conduct Committee and the Board of Governors. Any changes to the NASD Code of Procedure must be approved by the Board and filed with, and approved by, the Securities and Exchange Commission before becoming effective.

Questions concerning this notice may be directed to Craig L. Landauer, Senior Attorney, NASD Office of General Counsel, at (202) 728-8291.

**PROPOSED AMENDMENT
TO CODE OF PROCEDURE**

(Note: All of the proposed text is new language, and therefore is underlined.)

ARTICLE

Summary Remedial Proceedings

Purpose

Sec. 1. This Article provides procedures, in addition to those contained for summary suspension or revocation pursuant to Article VIII or VI of this Code of Procedure, for the Corporation to condition, or suspend the membership of a member or to suspend a person from being associated with a member. Such actions would be instituted pursuant to the authority of the Corporation under Section 15(g)(3)(A) and (B) of the Securities Exchange Act of 1934 to deny membership to, or condition the membership of, a broker or dealer or to bar a person from being associated with a member or condition such person's association, if the broker or dealer or person has engaged, and there is a reasonable likelihood the broker or dealer or person will again engage, in acts or practices inconsistent with just and equitable principles of trade.

Commencement of Summary
Remedial Proceedings

Sec. 2. Should the Corporation determine to commence a summary remedial proceeding pursuant to Section 1, the Corporation shall give notice thereof to the member or person associated with a member. Such notification shall contain a statement of the specific grounds on which such action is taken and shall be issued only after approval of the Executive Committee of the Board of Governors, which shall conclude that proceeding is in the public interest. The date and location of the hearing shall be sent to the member or person at least five (5) business days prior to the hearing. The matter shall be presented to a hearing panel designated by the District Business Conduct Committee, and the panel shall have at least three members.

District Committee Decision

Sec. 3. A written decision shall be issued by the District Committee hearing panel within five calendar days of the date of the hearing, and a copy shall be sent to the party against whom the Corporation has taken summary action and, in the case of a person associated with a member, the member with which the party is presently an associated person. The decision shall contain the

reasons supporting the action taken. The duration of any condition or restriction imposed will be set forth in the decision and limited to a period no longer than that required to protect the public interest.

Review by Board

Sec. 4. The District Committee decision shall be subject to review by the Board of Governors on its own motion within five calendar days after issuance of the written decision. Any such decision shall also be subject to review upon application of any person aggrieved thereby if filed within five days after issuance. The institution of review, whether on application or on the initiative of the Board, shall not operate as a stay of the decision. Upon receipt of an application for review, a hearing will be held within five calendar days after receipt of such application.

Findings of Board on Review

Sec. 5. Upon consideration of the record, and after such further hearings as it shall order, the Board shall affirm, modify, reverse, dismiss, or remand the decision. The Board shall set forth specific grounds upon which its determination is based. If a hearing is held, a decision rendered by a special three-member hearing panel designated by the Board shall constitute final action by the Corporation.

Hearings

Sec. 6. At any hearing held under this Article, a record shall be kept and the member or person associated with a member, and the Corporation shall be entitled to be heard in person and be

represented by counsel and to submit any relevant evidence.

Decisions

Sec. 7. Following any hearing held under this Article, a written decision shall be issued setting forth the findings made and the grounds upon which that determination is based. Any decision conditioning or suspending a member or person associated with a member under this Article shall specify the time period, not to exceed one year, for which the conditions or suspension shall remain in effect and the conditions, if any, which must be fulfilled during the specified time period in order to have the conditions or suspension removed. Any conditions or suspension imposed pursuant to this Article shall be reviewable on the motion of any party 90 days after the date of the decision.

Other Action Not Foreclosed

Sec. 8. Action by the Corporation under this Article shall not foreclose action by the Corporation under any other provisions of this Code or the Rules of Fair Practice where a violation of the Rules of the Corporation may be involved.

Application to Commission for Review

Sec. 9. Any party against whom summary action has been taken by the Board of Governors may make application for review to the Securities and Exchange Commission in accordance with Section 19 of the Securities Exchange Act of 1934, as amended. There shall be no stay of the Board's action upon appeal unless the Commission determines otherwise.

Notice To Members

National Association of Securities Dealers, Inc.

May 1989

Number 89-41

Suggested Routing:*

- | | | | |
|---|--|---------------------------------------|------------------------------------|
| <input checked="" type="checkbox"/> Senior Management | <input type="checkbox"/> Internal Audit | <input type="checkbox"/> Operations | <input type="checkbox"/> Syndicate |
| <input type="checkbox"/> Corporate Finance | <input checked="" type="checkbox"/> Legal & Compliance | <input type="checkbox"/> Options | <input type="checkbox"/> Systems |
| <input type="checkbox"/> Government Securities | <input type="checkbox"/> Municipal | <input type="checkbox"/> Registration | <input type="checkbox"/> Trading |
| <input type="checkbox"/> Institutional | <input type="checkbox"/> Mutual Fund | <input type="checkbox"/> Research | <input type="checkbox"/> Training |

*These are suggested departments only. Others may be appropriate for your firm.

Subject: SEC Approval of By-Laws Amendment on Filling Vacancies on District Committees — Effective March 8, 1989

EXECUTIVE SUMMARY

The Securities and Exchange Commission recently approved an amendment to Article VIII, Section 5 of the NASD By-Laws that will expedite the filling of vacancies created by departures of District Business Conduct Committee (DBCC) members during their terms and avoid the necessity of holding interim elections.

The amendment provides for appointment of a person by the remaining DBCC members to fill the departing Committee member's seat until the next regularly scheduled election. At that time, the normal election process will produce a new Committee member to serve for the duration of the departing Committee member's term. The amendment became effective March 8, 1989.

months, the vacancy was filled by appointment by the remaining members of the DBCC of a representative of a member firm having a place of business in the same district. If the unexpired term of the Committee member causing the vacancy was 12 months or more, the vacancy was filled by an election conducted in accordance with the provisions of Section 4 of Article VIII.

District Committees encountered practical problems, including the necessity for holding special interim elections, when vacancies occurred as a result of departures of Committee members during their terms. The recently adopted amendment to Article VIII, Section 5 of the By-Laws will alleviate these burdensome and unnecessary problems. The amendment eliminates the requirement for a special election to be conducted to fill a vacancy of 12 months or more. Instead, regardless of the length of the remaining term, the remaining members of the DBCC will appoint a representative of a member firm doing business in the same district to fill the departing Committee member's seat until the next regularly scheduled election. A new Committee member will then be elected to serve for the duration of the departing Committee member's term.

The NASD Board of Governors recommended that, in each instance, the DBCC should seriously consider former DBCC members for

BACKGROUND AND SUMMARY

The previous procedure under Sections 5(a) and (b) of Article VIII of the NASD By-Laws set forth a two-step mechanism for filling vacancies on a DBCC. If the unexpired term of the Committee member causing the vacancy was less than 12

appointment to a vacancy. Because of prior experience, such persons would readily be able to assume the position and make a meaningful contribution.

Questions concerning this notice can be directed to Deborah F. McIlroy, Attorney, NASD Office of General Counsel, at (202) 728-8816.

AMENDMENT TO ARTICLE VIII, SECTION 5 OF THE NASD BY-LAWS

(Note: New text is underlined; deleted text is in brackets.)

Filling of Vacancies on District Committees

Sec. 5. All vacancies in any District Committee other than those caused by the expiration of a Committee member's term of office shall be filled as follows:

[(a) If the unexpired term of the member caus-

ing the vacancy is for less than twelve months, such vacancy shall be filled by appointment by the remaining members of the District Committee of some member of the Corporation having a place of business in the same district.

(b) If the unexpired term of the member causing the vacancy is for twelve months or more, such vacancy shall be filled by election, which shall be conducted as nearly as practicable in accordance with the provisions of Section 4 of this Article.]

The District Committee shall appoint a representative of a member firm having a place of business in the same district to fill any vacancy resulting from the unexpired term of a departed Committee member. Such appointment shall be effective until the next regularly scheduled election occurs, in accordance with the provisions of Section 4 of this Article. Following this election, the newly elected Committee member will serve only the duration of the departed Committee member's term.

Notice To Members

National Association of Securities Dealers, Inc.

May 1989

Number 89-42

Suggested Routing:*

- Senior Management
- Corporate Finance
- Government Securities
- Institutional

- Internal Audit
- Legal & Compliance
- Municipal
- Mutual Fund

- Operations
- Options
- Registration
- Research

- Syndicate
- Systems
- Trading
- Training

*These are suggested departments only. Others may be appropriate for your firm.

Subject: Memorial Day Trade Date-Settlement Date Schedule

Securities markets and the NASDAQ System will be closed Monday, May 29, 1989, in observance of Memorial Day. "Regular way" transactions made on the business days noted below will be subject to the following schedule:

Trade Date	Settlement Date	Reg. T Date*
May 19	May 26	May 31
22	30	June 1
23	31	2
24	June 1	5
25	2	6
26	5	7
29	Markets Closed	—
30	June 6	8

These settlement dates should be used by brokers, dealers, and municipal securities dealers

to clear and settle transactions pursuant to the NASD Uniform Practice Code and Municipal Securities Rulemaking Board Rule G-12 on Uniform Practice.

Questions regarding the application of these settlement dates to a particular situation may be directed to the NASD Uniform Practice Department at (212) 858-4341.

*Pursuant to Sections 220.8(b)(1) and (4) of Regulation T of the Federal Reserve Board, a broker-dealer must promptly cancel or otherwise liquidate a customer purchase transaction in a cash account if full payment is not received within seven business days of the date of purchase or, pursuant to Section 220.8(d)(1), make application to extend the time period specified. The date by which members must take such action is shown in the column entitled "Regulation T Date."

Notice To Members

National Association of Securities Dealers, Inc.

May 1989

Number 89-43

Suggested Routing:*

- | | | | |
|--|--|--|---|
| <input type="checkbox"/> Senior Management | <input checked="" type="checkbox"/> Internal Audit | <input checked="" type="checkbox"/> Operations | <input type="checkbox"/> Syndicate |
| <input type="checkbox"/> Corporate Finance | <input type="checkbox"/> Legal & Compliance | <input type="checkbox"/> Options | <input checked="" type="checkbox"/> Systems |
| <input type="checkbox"/> Government Securities | <input type="checkbox"/> Municipal | <input type="checkbox"/> Registration | <input checked="" type="checkbox"/> Trading |
| <input type="checkbox"/> Institutional | <input type="checkbox"/> Mutual Fund | <input type="checkbox"/> Research | <input type="checkbox"/> Training |

*These are suggested departments only. Others may be appropriate for your firm.

Subject: NASDAQ National Market System Additions, Changes, and Deletions As of April 13, 1989

As of April 13, 1989, the following six issues joined the NASDAQ National Market System, bringing the total number of issues in NASDAQ/NMS to 2,838:

Symbol	Company	Entry Date	SOES Execution Level
ASIPY	Anangel-American Shipholdings Limited	3/21/89	1000
CSBC	Central & Southern Holding Company	3/21/89	200
PETTV	Pettibone Corporation (WI)	3/21/89	500
UTMD	Utah Medical Products, Inc.	3/21/89	1000
MTTL	Mobile Telecommunications Technologies Corp.	4/5/89	500
ECFC	Eastchester Financial Corporation	4/12/89	1000

NASDAQ/NMS Pending Additions

The following issues have filed for inclusion in NASDAQ/NMS upon effectiveness of their registration statements with the SEC or other appropriate regulatory authority. Their inclusion may commence prior to the next regularly scheduled phase-in date.

Symbol	Company	Location	SOES Execution Level
BYTX	Bytex Corporation	Southborough, MA	1000
SEVN	Sevenson Environmental Services, Inc.	Niagara Falls, NY	1000

NASDAQ/NMS Symbol and/or Name Changes

The following changes to the list of NASDAQ/NMS securities occurred since March 13, 1989.

New/Old Symbol	New/Old Security	Date of Change
RFBK/RFBK	RS Financial Corp./Raleigh Federal Savings Bank	3/15/89
NLON/KCOP	New London, Inc./Kencope Energy Companies	3/16/89
FLOW/FLOW	Flow International Corp./Flow Systems, Inc.	3/20/89
IMGE/CCAB	IMNET, Inc./Communications & Cable, Inc.	3/22/89

Notice to Members 89-43

New/Old Symbol	New/Old Security	Date of Change
LGNT/DUQN	LEGENT Corporation/Duquesne Systems, Inc.	3/22/89
HFSLP/HFSLP	Home Owners Savings Bank, FSB (Ser A Pfd)/ Home Owners Federal Savings & Loan Association (Ser A Pfd)	4/3/89
SESL/SESL	Southeastern Savings Bank, Inc./ Southeastern Savings and Loan Company	4/5/89
FNYB/FWNY	First New York Business Bank Corp./First Women's Bank (The)	4/6/89
STRZ/FNAC	Star Banc Corp./First National Cincinnati Corp.	4/12/89

NASDAQ/NMS Deletions

Symbol	Security	Date
CSOU	Citizens & Southern Corp.	3/13/89
BAYA	Federal Savings Bank of Puerto Rico (The)	3/13/89
EATO	Eaton Financial Corporation	3/16/89
MGCO	Medicare-Glaser Corporation	3/21/89
MRNO	Morino, Inc.	3/21/89
FMDB	First Maryland Bancorp	3/22/89
SPCM	Specialty Composites Corporation	3/23/89
SIBR	Sybra, Inc.	3/28/89
RPAL	Royal Palm Savings Bank	3/29/89
BDGT	Budget Rent A Car Corporation	3/31/89
TRATS	Travelers Real Estate Investment Trust	3/31/89
TRIIS	Travelers Realty Income Investors	3/31/89
BDEL	Bank of Delaware Corporation	4/3/89
EQUI	Equion Corporation (The)	4/3/89
RAWC	Republic American Corporation	4/3/89
UFSB	University Savings Bank	4/3/89
FSBK	First Service Bank for Savings	4/5/89
MCCAA	Mobile Communications Corporation of America (CI A)	4/5/89
MCCAB	Mobile Communications Corporation of America (CI B)	4/5/89
SHONC	Shoney's, Inc.	4/5/89
POLY	Poly-Tech, Inc.	4/10/89
REGIE	Regina Company, Inc. (The)	4/11/89
CRTR	Charter-Crellin, Inc.	4/13/89

Questions regarding this notice should be directed to Kit Milholland, Senior Analyst, NASDAQ Operations, at (202) 728-8281. Questions pertaining to trade reporting rules should be directed to Leon Bastien, Assistant Director, NASD Market Surveillance, at (202) 728-8192.

Disciplinary Actions

National Association of Securities Dealers, Inc.

May 1989

Disciplinary Actions Reported for May

The National Association of Securities Dealers, Inc. (NASD), is taking disciplinary actions against the following firms and individuals for violations of the NASD Rules of Fair Practice and/or the rules of the Municipal Securities Rulemaking Board. Unless otherwise indicated, suspensions began with the opening of business on Monday, May 1, 1989.

FIRMS SUSPENDED

The following firms were suspended from membership in the NASD for failure to comply with formal written requests to submit financial information to the NASD. The action was based on the provisions of Article IV, Section 5 of the NASD Rules of Fair Practice and Article VII, Section 2 of the NASD By-Laws. The date the suspension commenced is listed after each entry. If the firm has complied with the request for information, the listing also includes the date that the suspension concluded.

Advantage Discount Brokerage, Inc., Research Triangle, NC (March 14, 1989)
Agency Financial Services, Inc., Spring Valley, NY (March 14, 1989)
M.D. Billy & Co., Inc., Fort Myers, FL (March 14, 1989)
Chickasaw Equities, Inc., Memphis, TN (March 14, 1989)
Conserve Capital Corp., North Little Rock, AR (March 14, 1989)
Convest Securities Corp., Newport Beach, CA (March 14, 1989)
Diversified Income Investments, Inc., Stuart, FL (March 14, 1989-March 28, 1989)
Eppler & Company, Inc., Teaneck, NJ (March 14, 1989)
Equities International Securities, Inc., New York, NY (March 14, 1989)
First Asian Securities Corp., New York, NY (March 14, 1989)
First Nationwide Securities, San Diego, CA (March 14, 1989)
J.G. Securities Corp., Newburgh, NY (March 14, 1989)

Hinkle-Keeran Group, Albuquerque, NM (March 14, 1989)
Independent Investment Brokers of America, San Diego, CA (March 14, 1989)
Junkin & Associates, Inc., Lake Forest, IL (March 14, 1989)
Mill City Capital Corp., Wayzata, MN (March 14, 1989)
Morgan Chase & Co., Inc., Sarasota, FL (March 14, 1989)
Mutual Funds Investment, Reno, NV (March 14, 1989)
Option Finance Corp., Chicago, IL (March 14, 1989)
PPTY Equity Corp., Los Angeles, CA (March 14, 1989)
Snider-Lund Securities, Inc., Arlington, TX (March 14, 1989)
SSG, Ltd., Atlanta, GA (March 14, 1989)
Terre South Investments, Inc., Houma, LA (March 14, 1989)
Vita Capital, Inc., Englewood, CO (March 14, 1989)
Wild Dunes Securities, Inc., Isle of Palms, SC (March 14, 1989)
Wingard Securities, Inc., Winter Garden, FL (March 14, 1989)

FIRMS FINED AND SUSPENDED

General Securities Corp. (North Kansas City, MO) was fined \$7,500, jointly and severally with an individual respondent, and was suspended from acting as a managing underwriter in any underwriting for 120 days. The sanctions were imposed by the NASD's Board of Governors following the appeal of a decision rendered by the

District Business Conduct Committee for District 4. The sanctions were based on findings that the firm sold 241,000 shares of certain common stock to 24 public investors while these securities were not registered with the Securities and Exchange Commission. In connection with the sale of such stock, the firm received \$236,000 from investors, deposited these funds into the firm's operating account, and held the funds for up to 56 days. As a result of this action, the exemption from the SEC Rule 15c3-3 was not available to the firm, and the firm failed to comply fully with the applicable provisions of the Rule. In addition, the firm accepted the \$236,000 in sales proceeds without promptly transmitting them. The firm also failed to record on its general ledger and trial balances cash held in the firm's bank account, failed to record a liability, failed on one occasion to compute accurately its aggregate indebtedness, and failed to disclose to investors that the firm was to receive a concession equal to 7 1/2 percent of the funds raised. The suspension from acting as a managing underwriter in any underwriting will commence May 15, 1989.

L&B Investment Corporation (New Orleans, Louisiana) submitted an Offer of Settlement pursuant to which the firm is fined \$20,000 and suspended from membership in the Association for two weeks. Without admitting or denying the allegations, the firm consented to the described sanctions and findings that, in connection with five direct participation program offerings, it failed to make, keep current, and preserve an accurate record of the receipt of investor funds. In connection with one offering, the Offering Memorandum represented that an investor must purchase a minimum of 28 units, unless fewer than 28 units remained available, but the firm permitted one customer to execute a subscription agreement for 14 units and another to execute an agreement for 16 units, although on both occasions more than 28 units were still unsold.

The firm also permitted a registered representative of another member firm to purchase units in four of the offerings and failed to notify this individual's employer in writing prior to the execution of the transactions that the firm intended to open and maintain the account. In addition, the firm purchased or caused the purchase of units in two of the offerings as nominees in an effort to close the offerings before the termination dates,

and these units were promptly resold to public customers. The offerings were, therefore, closed on the basis of non-bona fide sales. The firm also failed to establish escrow accounts as required for two offerings in a timely manner. In connection with one offering involving the acquisition and operation of a shopping center, the firm failed to disclose in the Offering Memorandum that the partnership property would be used to collateralize loans to those investors electing to finance their purchases through a certain savings and loan association.

The firm also conducted a securities business at times when it failed to maintain minimum required net capital, failed to maintain fingerprint records for certain employees, and failed to give written notice to the Association of the termination of an individual within 30 days after his termination from the firm.

S.D. Securities, Inc. (New York, NY) submitted a Letter of Acceptance, Waiver and Consent pursuant to which the firm is fined \$15,000 and ordered to disgorge \$25,000. Without admitting or denying the allegations, the firm consented to the described sanctions and findings that it purchased from another member firm 5,000 shares of an issue at \$23 a share. The issue thereafter rose to an immediate after-market price of \$28 per share. The purchase was therefore in contravention of the Board of Governors' Interpretation with respect to Free-Riding and Withholding.

FIRMS AND INDIVIDUALS FINED AND SUSPENDED

B.F. Anderson Investment Securities, Inc. (Baton Rouge, LA), Budd F. Anderson, Jr. (Registered Principal, Baton Rouge, LA), Roger M. Cotton (Registered Principal, Baton Rouge, LA), Michael N. Wirstrom (Registered Principal, Baton Rouge, LA), and Mary S. Henderson (Registered Representative, Baton Rouge, LA) submitted an Offer of Settlement pursuant to which B.F. Anderson Investment Securities, Inc., Anderson, Cotton, Wirstrom, and Henderson are fined \$7,000; jointly and severally; the firm is suspended from executing any options transactions for 30 days, provided that it may effect unsolicited liquidating orders for customers during such suspension; and is barred from accepting any discretionary option agreements. Budd F. Anderson is suspended from association with any NASD

member as a General Securities Principal for 30 days, Roger M. Cotton is suspended from association with any NASD member as a General Securities Principal for two weeks, Michael N. Wirstrom is suspended from association with any NASD member as a Registered Options Principal for 30 days, and Mary S. Henderson is suspended from association with any NASD member in any capacity for 30 days. Without admitting or denying the allegations, the firm, Anderson, Cotton, Wirstrom, and Henderson consented to the described sanctions and findings that the firm and Budd F. Anderson, Jr., failed to register Anderson as an Options Principal, as prescribed by Schedule C of the Association's By-Laws, although he acted in such capacity by reviewing and approving in writing certain options transactions in a public customer's account. In connection with these transactions, the firm, Anderson, and Wirstrom failed to establish, maintain, and enforce written supervisory procedures that would enable it to exercise reasonable and proper supervision over the registered representative executing such transactions in the customer's account. Also, in connection with the transactions executed by this representative, the firm and Anderson failed to ascertain by investigation the good character, business repute, qualifications, and experience of this individual prior to making such a certification on his application for registration with the Association. A Uniform Termination Notice was also submitted on behalf of this individual that falsely indicated he was terminated for "voluntary" reasons and was "discharged for procedural differences" and that also failed to disclose a customer complaint filed against him.

In addition, Mary S. Henderson exercised discretionary power in a customer account without first obtaining written acceptance of the account as discretionary by a Registered Options Principal and failed to identify each discretionary order as discretionary on the order ticket at the time of entry. Henderson also recommended and engaged in common stock and option purchase and sale transactions and did not have reasonable grounds for believing that these recommendations and the resulting transactions were suitable for the customer. In connection with these transactions, the firm and Wirstrom failed to accept the customer's discretionary account in writing and failed to have a reasonable basis for believing that the customer

was able to understand and bear the risks of the strategies or transactions proposed, and to maintain a record of the basis for such determination. Further, Wirstrom failed to approve and initial each discretionary order on the day it was entered, or confirm approval by another Registered Principal within a reasonable time. The firm, Anderson, Cotton, and Wirstrom also failed to establish, maintain, and enforce written procedures that would enable it to exercise reasonable and proper supervision over Henderson's activities.

The firm, Cotton, and Wirstrom further permitted options transactions to be executed in a number of options accounts without the review and endorsement, in writing, of a Registered Options Principal. Some of these transactions were discretionary, and they failed to have a Registered Options Principal approve and initial each discretionary order on the day entered or within a reasonable time after approval by a Registered Principal. The firm, Anderson, and Wirstrom also allowed discretionary power to be exercised in the accounts of two public customers although neither of these accounts were accepted as discretionary. Finally, the firm, Anderson, Cotton, and Wirstrom allowed options transactions to be executed in the account of a customer and failed to initially furnish the customer with an options disclosure document and to exercise due diligence to ascertain that the customer indeed desired to engage in options transactions.

Bay City Securities, Inc. (a/k/a Citadel Capital Group, Incorporated, Mobile, AL) and James D. Guy (Registered Principal, Mobile, AL) submitted an Offer of Settlement pursuant to which the firm is fined \$30,000 and suspended from membership in the Association for one year, and James D. Guy is fined \$10,000, suspended from association with any member of the NASD as a principal for one year, and required to requalify as a principal before again acting in that capacity. Without admitting or denying the allegations, the firm consented to the described sanctions and findings that the firm underwrote the initial public offering of 800,000 shares of common stock in an all-or-none contingency offering, closed the offering on the basis of two non-bona fide sales, and failed to refund subscribers' monies. The firm and Guy also sent or caused to be sent confirmations of securities transactions that inaccurately reflected the prices of the securities purchased or sold by the

customers and that did not disclose the firm was a market maker in the subject securities. In addition, the respondents failed to establish, maintain, and enforce written supervisory procedures providing for the designation of a duly qualified municipal securities principal as responsible for supervising the activities of the firm's associated persons with respect to its municipal securities business, and providing for the prompt review and written approval of each transaction by the designated municipal securities principal.

Further, the firm and Guy engaged in securities transactions with public customers on a principal basis at prices not reasonably related to the current market price of the securities. The firm and Guy also inaccurately computed the firm's net capital and aggregate indebtedness and filed inaccurate FOCUS Part I Reports with the Association.

Juno Securities, Inc. (La Jolla, CA) and Howard C. Peterson (Registered Principal, La Jolla, CA) were fined \$11,000, jointly and severally. The sanctions were imposed by the NASD's Board of Governors following its review of a decision rendered by the District Business Conduct Committee for District 2S. The sanctions were based on findings that the firm and Peterson failed to keep current and accurate books and records in that they failed to reflect sales of 234 units of a limited partnership. Also in connection with these sales, funds received from investors were not promptly transmitted to a separate escrow account. In addition, contrary to representations made in the original prospectus, investor funds were withdrawn prior to the contingency being satisfied.

L'Argent Equities, Ltd. (Minneapolis, MN) and George William Fredericks (Registered Principal, Minneapolis, MN) submitted an Offer of Settlement pursuant to which L'Argent Equities, Ltd., was fined \$15,000 and George William Fredericks was fined \$10,000. Without admitting or denying the allegations, the firm and Fredericks consented to the described sanctions and findings that the firm, in connection with public offerings of three securities that traded at an immediate premium in the aftermarket, failed to make bona fide distributions of such units. The units were sold to senior bank officers not in accordance with their normal investment practices with L'Argent Equities, to two registered representatives of other member firms, and to another member firm, in contravention of the Board of Governors' Interpreta-

tion with respect to Free-Riding and Withholding. In addition, the firm and Fredericks, in connection with the sale of units to a registered representative of another member, failed to make a bona fide public offering in that the aggregate of said shares was substantial and disproportionate in amount compared with sales to members of the public. The firm and Frederick also failed to provide written notice to the employer members of registered representatives who purchased these hot issues before the execution of the transactions, or of the intentions to open or maintain these accounts.

Structured Shelters Securities, Inc. (Dayton, OH) and Thomas Allen Graham (Registered Representative, Strongsville, OH). Structured Shelters Securities, Inc., was fined \$5,000 and suspended from participation in any best-efforts contingency offering for one year and is thereafter required to notify the Association in writing of its intention to participate prior to participating in its first best-efforts contingent offering following the suspension, and Thomas Allen Graham is fined \$20,000 and suspended from association with any NASD member in any capacity for 30 days. The sanctions were imposed by the NASD's Board of Governors following the appeal of a decision rendered by the District Business Conduct Committee for District 9. The sanctions were based on findings that the firm offered and sold units to public investors on a best-efforts, part-or-none basis which contemplated that payment was not to be made until a minimum subscription total of \$370,000 was obtained in bona fide, fully paid transactions. The offering also failed to satisfy certain requirements of SEC Rule 15c2-4 in that the firm failed to establish an escrow account, promptly transmit all investor funds received to a bank, segregate investor funds from all other monies received as loans to the limited partnership prior to the satisfaction of the contingency, and maintain investor funds, without depletion, until the contingency was satisfied. The firm and Graham had improperly withdrawn investor funds from the checking account established and used for the offering prior to the satisfaction of the contingency. An offering memorandum was also utilized that contained untrue statements of material fact. In addition, Graham offered and sold units in a corporate offering and units in a limited partnership offering without giving prior written notification of these solicitations or sales to Structured

Shelters Securities, Inc., and without disclosure of his position as president of such corporation and his position as general partner of the limited partnership.

Swink & Company, Inc. (Little Rock, AR), Jim D. Swink (Registered Principal, Little Rock, AR), Richard H. Hardwick (Registered Principal, N. Little Rock, AR), Gary F. Granger (Registered Principal, Little Rock, AR), and Emile R. Ouellette (Registered Representative, Orlando, FL) submitted an Offer of Settlement pursuant to which they are fined \$15,000, jointly and severally, and Emile R. Ouellette is suspended from association with any NASD member for one business day. Without admitting or denying the allegations, the Respondents consented to the described sanctions and findings that Ouellette failed and neglected to comply with the terms and conditions established by the Board of Governors when they granted his application for continued association in a branch office of a member of the Association. This application was necessary because Ouellette was statutorily disqualified. After Swink & Company, Inc., acquired this other member's branch office, Ouellette failed to inform the Association that he would no longer be subject to on-site supervision, and he also failed to notify and obtain the approval of the Association before becoming the branch manager of this office.

In connection with these activities, the firm, Hardwick, and Granger had submitted a Membership Continuance Application to the NASD seeking approval of continuance in membership in the Association with Ouellette as an associated person. The application inaccurately represented that on-site supervision would be provided and that Ouellette would not have any supervisory duties. The firm, Hardwick, and Granger also failed to amend the firm's application to reflect these facts. In addition, the firm, Swink, and Hardwick failed to establish and enforce supervisory procedures that would enable the firm to exercise reasonable and proper supervision of Emile R. Ouellette.

INDIVIDUALS BARRED

Walter G. Asmus (Registered Representative, Denver, CO) was fined \$25,000 and barred from association with any member of the Association in any capacity. The sanctions were based on the findings that Asmus effected 11 securities transactions involving certain units in a

group investors' program and shares of a stock without prior written notification to his employer describing the proposed transactions. In connection with the sale of units and shares for two of the customers, Asmus withheld \$3,500 from each customer based on his rescission of the sale of such shares, and he failed to return the stock certificates representing such shares following the rescission. Further, such shares were sold to these customers without adequate information being provided regarding the risks associated with these purchases. In addition, Asmus established a securities account at his employer-member for the benefit of certain investors without disclosing to his firm that such account was a nominee account and without disclosing the names of the beneficial owners of the account. Asmus also received \$49,225 from purchasers of units and forwarded only \$48,312.50 of such funds to the securities account established for the benefit of these investors' participation in the program. Asmus subsequently withdrew \$4,000 from this account and deposited these funds to a bank account under his control. In addition, Asmus failed to respond to the Association's requests for information made pursuant to Article IV, Section 5 of the Rules of Fair Practice regarding these activities.

Richard Norris Baggott (Registered Principal, Carmel, CA), William Francis Wiggins (Registered Representative, Monterey, CA), Michael Edward Rogers (Registered Representative, Marina, CA), Tim Hamilton Bailey (Registered Representative, Pacific Grove, CA), and Gary Allan Isakson (Registered Representative, Monterey, CA). Richard Norris Baggott was fined \$50,000, ordered to disgorge \$15,673, and barred from association with any NASD member in any capacity; William Francis Wiggins was fined \$10,000, ordered to disgorge \$8,407, and suspended from association with any NASD member in any capacity for two years; Michael Edward Rogers was fined \$10,000, ordered to disgorge \$8,197, and suspended from association with any NASD member in any capacity for two years; Tim Hamilton Bailey was fined \$10,000, ordered to disgorge \$8,149, and suspended from association with any NASD member in any capacity for two years; and Gary Allan Isakson was fined \$15,000, and ordered to disgorge \$10,182. The sanctions were imposed by the NASD's Board of Governors following the appeal of a decision

rendered by the District Business Conduct Committee for District 2N. The sanctions were based on findings that Baggott, Wiggins, Rogers, Bailey, and Isakson participated in the sale to investors of promissory notes, which were determined to be securities, without prior written notification to their employer in contravention of the Board of Governors' Interpretation with respect to Private Securities Transactions and Section 40 of the Rules of Fair Practice. In addition, Isakson failed to respond to the Association's three requests for information concerning his sale of such promissory notes.

Curtis Behr (Registered Representative, Marshalltown, IA) submitted an Offer of Settlement pursuant to which he was fined \$15,000 and barred from association with any member of the NASD in any capacity. Without admitting or denying the allegations, Behr consented to the described sanctions and findings that he withdrew approximately \$79,598 from the accounts of four customers and employed approximately \$34,795 of this amount for his personal use and benefit.

Wesley M. Bybel (Registered Representative, Dix Hills, NY) was fined \$15,000 and barred from association with any member of the Association in any capacity. The sanctions were based on findings that Bybel failed to respond to the Association's requests for information made pursuant to Article IV, Section 5 of the Rules of Fair Practice concerning the circumstances surrounding his termination of employment by a member firm.

Jack Camhe (Registered Representative, Fort Lee, New Jersey) was fined \$100,000 and barred from association with any NASD member in any capacity. The sanctions were based on the findings that Camhe, on five separate occasions, caused checks totalling \$64,939.22 to be drawn on a customer's account, obtained the customer's signature on these checks, and, without the customer's knowledge or consent, double-endorsed and negotiated these checks. Camhe also caused to be liquidated and credited to this customer's account mutual fund shares totalling \$47,797.88 from the accounts of other customers.

Adam Chen-Ok (Registered Representative, Cupertino, California) was fined \$15,000 and barred from association with any member of the association in any capacity. The

sanctions were imposed by the NASD's Board of Governors following the appeal of a decision rendered by the DBCC for District 2N. The sanctions were based on findings that Chen-Ok deposited a check from his employer-member made payable to a customer in the amount of \$5,240.63 to his own bank account, misappropriating the funds and converting them to his own use.

Michael J. Craven (Registered Representative, Littleton, CO) submitted an Offer of Settlement pursuant to which he was fined \$5,000 and barred from association with any member of the NASD in any capacity. Without admitting or denying the allegations, Craven consented to the described sanctions and findings that he effected two unauthorized transactions in a customer's account. Craven then caused checks totalling \$10,000 to be disbursed from this account, obtained possession of them, caused them to be cashed, and retained the funds for his own use.

John S. Egan (Registered Representative, Bronx, NY) was fined \$75,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Egan embezzled \$93,362.91 from his employer-member by writing and cashing 10 checks payable to himself on the firm's account. Egan also failed to respond to the Association's three requests for information made pursuant to Article IV, Section 5 of the Rules of Fair Practice concerning this activity.

Kevin A. Fabiano (Registered Representative, St James, NY) was fined \$10,000 and barred from association with any NASD member in any capacity. The sanctions were based on the findings that Fabiano placed an order to purchase 10,000 shares for his personal account at a total cost of \$5,512.50 and failed to pay for such shares by settlement date. Thereafter, Fabiano deposited checks in the amount of \$5,512.50 on two occasions with his employer's clearing corporation. Each time, they were returned unpaid due to uncollected funds. Fabiano also failed to respond to the Association's two requests for information made pursuant to Article IV, Section 5 of the Rules of Fair Practice concerning these activities.

Thomas R. Fulton (Registered Representative, Jacksonville, FL) was fined \$15,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Fulton converted to his own use

customer funds totalling \$27,101. Fulton also failed to respond to an Association request for information concerning a customer complaint lodged against him.

Richard L. George (Registered Representative, Bronx, NY) was fined \$50,000 and barred from association with any NASD member in any capacity. The sanctions were based on the findings that George accepted endorsed firm checks, personal checks, and money orders in amounts totalling \$11,576.48 and cash in the amount of \$2,306.28 from insurance policyholders as payment for premiums, and converted these funds to his own use. In addition, George caused checks totalling \$13,600, representing loans on insurance policies, to be issued to customers without their authorization. He negotiated the checks, converting the proceeds to his own use. George also failed to respond to the Association's two requests for information made pursuant to Article IV, Section 5 of the Rules of Fair Practice that George schedule an interview to discuss these activities.

Michael W. Harris (Registered Representative, Everett, WA) was fined \$20,000 and barred from association with any member of the Association in any capacity. The sanctions were based on findings that Harris solicited a customer to purchase 10,000 shares of common stock for which the customer provided a check in the amount of \$5,000 made payable to Harris. He failed to provide prior written notification of this transaction to his employer-member, and further, retained the funds for his own use and benefit. Harris also failed to respond to the Association's two requests for information made pursuant to Article IV, Section 5 of the Rules of Fair Practice concerning these activities.

Paul K. Hickey (Registered Principal, New York, NY) was barred from association with any member of the Association in any capacity. The sanctions were based on findings that, after consenting to pay an arbitration award within 90 days after the issuance of a decision accepting his submission of an Offer of Settlement, Hickey failed to comply with the NASD decision and has to date failed to honor the award.

Mirko Jahn (Registered Representative, Hamburg, West Germany) was fined \$15,000 and barred from association with any member of the Association in any capacity. The sanctions were based on the findings that Jahn failed to respond to

the Association's requests for information made pursuant to Article IV, Section 5 of the Rules of Fair Practice concerning six customer complaints lodged against him.

Terry E. Lyon (Registered Representative, Tumwater, WA) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$10,000 and barred from association with any member of the NASD in any capacity. Without admitting or denying the allegations, Lyon consented to the described sanctions and findings that he misappropriated and converted to his own use the \$1,196 total proceeds of the surrender value of four insurance policies.

John M. Malkusz (Registered Representative, Astoria, NY) was fined \$40,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Malkusz received a check from a customer made payable to him in the amount of \$5,600 and represented to the customer that the proceeds of the check were to be used as repayment for money Malkusz had used to purchase shares for the customer in an initial public offering underwritten by his employer-member. Malkusz negotiated this check and converted the proceeds to his own use, and no shares in such offering were ever purchased for the customer. Malkusz also materially overstated the value of the account to the customer. Further, when the customer informed Malkusz that he needed \$14,000 for a real estate closing, and therefore told him to partially liquidate his account, Malkusz informed the customer that it would take too long to process the sales and offered instead to lend the customer \$18,000. Malkusz then wrote a personal check to the customer for this amount that was returned for insufficient funds. Malkusz also failed to respond to the Association's three requests made pursuant to Article IV, Section 5 of the Rules of Fair Practice that he review, sign, and return a staff memorandum summarizing the discussion at a staff interview and to respond to a customer complaint.

Juan R. Melecio (Registered Representative, Bronx, NY) was fined \$50,000 and barred from association with any member of the Association in any capacity. The sanctions were based on the findings that Melecio took possession of customer checks and cash totalling \$9,992.29 and converted the funds to his own use and benefit. Melecio also failed to respond to the Association's

requests for information made pursuant to Article IV, Section 5 of the Rules of Fair Practice concerning the circumstances surrounding his termination of employment by a member firm.

James D. Parks (Registered Representative, Smyrna, GA) was fined \$5,000 and barred from association with any member of the Association in any capacity. The sanctions were based on findings that Parks failed to respond to the Association's two requests for a written statement regarding certain customer complaints lodged against him.

Peter M. Parrott (Registered Representative, Los Angeles, CA) was fined \$338,740 and barred from association with any member of the Association in any capacity. The sanctions were based on the findings that Parrott effected liquidations in the amount of \$219,740 from a joint customer account without the knowledge or consent of the customers. Parrott converted the funds to his own use and benefit. In addition, Parrott transferred \$89,000 from a customer account, converted \$21,852.20 of that amount to his own use, and conducted unauthorized options trading with the remaining funds, sustaining losses in the approximate amount of \$67,147.80. Parrott also failed to respond to the Association's three requests for information made pursuant to Article IV, Section 5 of the Rules of Fair Practice concerning the circumstances surrounding his conversion of customer funds.

Patrick J. Powers (Registered Representative, Santa Rosa, CA) was fined \$15,000 and barred from association with any member of the Association in any capacity. The sanctions were based on the findings that Powers received a check from a customer in the amount of \$38,663.63 for the purchase of \$25,000 of interests in a limited partnership and \$13,663.63 of shares in a growth mutual fund, and deposited the \$13,663.63 intended for the mutual fund purchase in his personal checking account, utilizing this amount for his own use and benefit.

Donald B. Riches (Registered Representative, Oak Park, MI) was fined \$50,000 and barred from association with any member of the Association in any capacity. The sanctions were based on the findings that Riches received approximately \$10,270 from four public customers, with instructions to use the funds to purchase

securities, and retained the funds for his own use and benefit. Riches also failed to respond to the Association's requests for information made pursuant to Article IV, Section 5 of the Rules of Fair Practice concerning his handling of these funds.

Stathis S. Sarris (Registered Representative, White Plains, NY) was fined \$40,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Sarris took possession of and altered checks totalling \$43,000 drawn on a joint customer account and converted the proceeds to his own use and benefit. In addition, Sarris forged a letter authorizing the transfer of \$2,600 from the account of a customer to the account of his sister. Sarris also failed to respond to the Association's requests for information made pursuant to Article IV, Section 5 of the Rules of Fair Practice concerning the conversion of customer funds.

Robert Alan Schein (Registered Representative, Freeport, NY) was fined \$30,000 and barred from association with any NASD member in any capacity. The sanctions were based on the findings that Schein, without the knowledge or consent of a policyholder, effected the surrender of the policyholder's life insurance policy and converted the proceeds in the amount of \$22,939.35 to his own use and benefit. Schein also failed to respond to the Association's requests for information made pursuant to Article IV, Section 5 of the Rules of Fair Practice concerning the circumstances surrounding the termination of his employment by a member firm.

William J. Smallzman (Registered Representative, Miami Lakes, FL) was fined \$10,000 and barred from association with any NASD member in any capacity. The sanctions were based on the findings that Smallzman issued two checks to his employer-member in payment for securities purchased in his personal account that he knew or should have known were unfunded. His employer sustained a loss of \$2,157.50 after selling out the account. Smallzman also failed to respond to an Association request for an oral statement regarding the issuance of these unfunded checks.

Michale A. Stapleton, (Registered Representative, Oklahoma City, OK) was fined \$100,000 and barred from association with any NASD member in any capacity. The sanctions were based on the findings that Stapleton withdrew

and endorsed checks from customers' securities accounts totalling \$14,000 and deposited the funds into her own personal bank account. In addition, Stapleton transferred funds in the amount of \$42,768 and \$170,000 in bonds from certain customer accounts into the accounts of other customers without the knowledge or consent of the customers involved. Stapleton also purchased and sold put options in a customer's account without the customer's knowledge or consent, resulting in a loss to the customer of \$37,872. Additionally, Stapleton failed to respond to the Association's three requests for information made pursuant to Article IV, Section 5 of the Rules of Fair Practice concerning the circumstances surrounding her termination of employment by a member firm.

Derrick D. Stephens (Registered Representative, Inglewood, CA) was fined \$30,000 and barred from association with any member of the Association in any capacity. The sanctions were based on findings that Stephens opened accounts in the names of three businesses allegedly located in California, executed or caused to be executed numerous transactions in these accounts, and failed to disclose to his employer-member that these three customers would be unwilling and unable to pay for any losses incurred in these accounts. Stephens also failed to disclose that one of these businesses was an Arizona corporation that had forfeited its right to transact business in California and that the other two businesses were fictitious and were not registered with the state of California.

In addition, Stephens opened an account allegedly in the name of a California bank, executed certain transactions in the account, and failed to disclose to his employer-member that this bank had not obtained a license from the Superintendent of Banks of California. Further, he failed to disclose that the address and telephone number of the alleged bank was actually the residence and telephone number of an individual and that the alleged bank was a fictitious business entity that was unable and unwilling to pay for any losses in the account.

Stephens additionally failed to make certain required disclosures on Uniform Applications for Securities Industry Registrations Forms (Form U-4) submitted to two member firms and failed to respond to the Association's seven requests for information concerning his termination of

employment by a member firm.

Steven I. Wertman (Registered Representative, Staten Island, NY) was fined \$10,000 and barred from association with any member of the Association in any capacity. The sanctions were based on the findings that Wertman failed to respond to the Association's three requests for information made pursuant to Article IV, Section 5 of the Rules of Fair Practice concerning a customer complaint and his termination from a member firm.

INDIVIDUALS SUSPENDED

Mark A. Clark (Registered Representative, Little Rock, AR) was fined \$5,000 and suspended from association with any member of the NASD in any capacity for six months. The sanctions were based on findings that Clark participated in the offer and sale of limited partnership units on a best-efforts, all-or-none contingency offering and withdrew funds from the partnership banking account prior to the satisfaction of the contingency. Further, in connection with certain contingency offerings, false statements of material fact or omissions of material fact were made. Clark also participated in the sale of certain units to the general partner and an affiliate of his employer-member in order to satisfy the contingency. In addition, Clark offered and sold limited partnership units and failed to make, keep current, and preserve a record of the receipt of investor checks, and the time of entry and time of execution was not recorded on certain order tickets. Clark also inaccurately recorded as paid-in capital two assignments of securities, submitted a FOCUS Part I Report that treated a temporary transfer of securities as a permanent capital contribution, permitted his firm to conduct a securities business while failing to maintain minimum required net capital, and failed to give telegraphic notice to the Association and the Securities and Exchange Commission of the net capital deficiency.

Charles W. Eye (Registered Representative, Huntsville, AL) was fined \$18,500 and suspended from association with any member of the NASD in any capacity for 30 days. The sanctions were imposed by the NASD's Board of Governors following the appeal of a Decision rendered by the District Business Conduct Committee for District 5. The sanctions were based on findings that Eye recommended that a public customer purchase and sell certain securities in 20 transactions,

including the use of margin in certain of the transactions, when he knew or should have known that the recommendations were not suitable in light of the customer's previous trading experience, investment objectives, and financial resources. In addition, Eye executed, or caused to be executed, six securities purchase and sale transactions in the account without the customer's prior authorization, knowledge, or consent.

Salvador Garcia (Registered Representative, Corpus Christi, TX) was fined \$15,000 and suspended from association with any member of the NASD in any capacity for 30 days. The sanctions were based on findings that Garcia caused the unauthorized purchase of 300 shares in a customer's account and the unauthorized purchase of 52,450 shares in the joint account of two other customers.

Harry R. Gowdey (Registered Principal, Dallas, TX) was fined \$2,000, ordered to disgorge \$17,975, and suspended from association with any member of the NASD in a principal capacity for three years. The sanctions were imposed by the NASD's Board of Governors following its review of a decision rendered by the DBCC for District 6. The sanctions were based on findings that Gowdey engaged in private securities transactions without prior written notification to his employer. In addition, Gowdey engaged in the offer and sale of the stock while no registration statement was on file with the Securities and Exchange Commission and while no exemption from registration existed. Gowdey also failed to disclose to prospective investors that he would receive a commission or fee in connection with the private securities transactions.

Larry Raymond Michel (Registered Representative, Houston, TX) was fined \$1,000 and suspended from association with any member of the NASD in any capacity for 30 days. The sanctions were imposed by the NASD's Board of Governors following its review of a decision rendered by the DBCC for District 6. The sanctions were based on findings that Michel purchased a \$20,000 variable annuity for a customer and signed the customer's name to the annuity application without the customer's knowledge or consent. Michel also failed to timely or fully respond to the Association's three requests for information and two requests for additional information made pursuant to Article IV, Section 5 of the Rules of Fair Practice concerning the circumstances surrounding

his termination of employment by a member firm.

Robert Hartnagle (Registered Principal, Roswell, GA) was fined \$3,200, suspended from association with any member of the NASD in any capacity for five business days, and required to requalify by examination as a financial and operations principal before again acting in such capacity. The sanctions were based on findings that Hartnagle permitted his firm to effect transactions in nonexempt securities while failing to maintain required net capital. In addition, Hartnagle failed to post audit adjustments to the firm's books and records, which caused them to be inaccurate, filed inaccurate FOCUS Parts I and II Reports for certain months, and filed the annual audit report 45 days late.

Kenneth Richard Kossakowski (Registered Representative, West Seneca, NY) was fined \$10,000 and suspended from association with any member of the NASD in any capacity for 30 days. The sanctions were based on findings that Kossakowski offered and sold limited partnership interests and failed to give prior written notification of these transactions to his employer-member in contravention of the Board of Governors' Interpretation with respect to Private Securities Transactions, then in effect.

Gregory P. Maggipinto (Registered Representative, Foster City, CA) was fined \$2,500 and suspended from association with any member of the NASD in any capacity for 30 days. The sanctions were based on findings that Maggipinto forged the signatures of two customers, as well as the signature of his manager, to a margin agreement and forwarded it to his employer's clearing broker.

William Daniel McBrearty (Registered Representative, Phoenix, AZ), John Stephen Tighe (Registered Representative, El Toro, CA), and Sherman Maxwell Shabsin (Registered Representative, Diamond Bar, CA). William Daniel McBrearty was fined \$10,000, ordered to disgorge \$2,194, and suspended from association with any NASD member in any capacity for 45 days; John Stephen Tighe was fined \$15,000, ordered to disgorge \$12,527, suspended from association with any NASD member in any capacity for one year, and required to requalify by examination in any capacity in which he intends to become associated; and Sherman Maxwell Shabsin was fined \$10,000, ordered to disgorge \$8,194, and suspended from

association with any NASD member in any capacity for 30 days. The sanctions were imposed by the NASD's Board of Governors following the appeal of a decision rendered by the District Business Conduct Committee for District 2S. The sanctions were based on findings that McBrearty, Tighe, and Shabsin engaged in private securities transactions, sales of which were conducted under the auspices of a partnership that was not registered as a broker-dealer, without prior written notification to their employer in contravention of the Board of Governors' Interpretation with respect to Private Securities Transactions, then in effect.

Robert E. Sefcik (Registered Representative, Millburn, NJ) was fined \$5,000 and suspended from association with any member of the NASD in any capacity for 20 business days. The sanctions were based on findings that Sefcik completed an option agreement to which he forged the signatures of two customers without their knowledge or authorization and thereafter executed four index option transactions in the account, also without their knowledge or authorization.

Vincent A. Wood, III (Registered Principal, Richmond, VA) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he is fined \$2,000, jointly and severally with his employer-member, and suspended from association with any NASD member in any capacity for five business days. Without admitting or denying the allegations, Wood consented to the described sanctions and findings that he permitted his firm to engage in a

securities business at a time when it failed to maintain minimum required net capital. Wood also failed to maintain accurate net capital computations and filed inaccurate FOCUS Reports for certain periods. The inaccuracies were due primarily to the failure to deduct organizational expenses and aged concessions receivable as nonallowable assets. Further, Wood failed at certain times to post the firm's general ledger, failed to prepare trial balances and net capital computations, and failed to file telegraphic notice of the net capital deficiencies.

FIRMS EXPELLED FOR FAILURE TO PAY FINES AND COSTS IN CONNECTION WITH VIOLATIONS

Steven Andrew & Co., Inc., New York, NY
 Charles G. Peelor & Co., Inc., Pittsburgh, PA
 Tara Securities, Inc., Sunrise, FL

INDIVIDUALS WHOSE REGISTRATIONS WERE REVOKED FOR FAILURE TO PAY FINES AND COSTS IN CONNECTION WITH VIOLATIONS

Randall D. Abel, Mishawaka, IN
 Nick Antone, West Covina, CA
 Ruth E. Berry, Fort Lauderdale, FL
 Robert F. Cox, Salem, MA
 Antoine M. Devine, Bedford, TX
 John J. Durkin, Jr., Wood-Ridge, NJ
 Michael J. Fuchs, Ringwood, NY
 Lawrence J. Gollin, Pembroke Pines, FL
 Frank Grillo, Flushing, NY
 Paul F. Joyce, Boca Raton, FL
 Thomas J. Kilgore, III, Lakewood, CO
 Gary A. Shusas, Shrewsbury, MA

For Your Information

National Association of Securities Dealers, Inc.

May 1989

Test Site Changes for May in Kansas, New York, Georgia, and Florida

New PLATO Test Centers in Kansas

Effective May 1, 1989, Control Data PLATO Development Centers began operating at the following locations:

- Farmers State Bank Building, 718 Main Street, Suite 202, Hays, KS 67601 (913) 232-1690.
- Epic Office Center, 301 North Main Street, Suite 470, Wichita, KS 67202 (316) 265-5234.

PLATO Center Relocation in New York

Effective April 21, 1989, the Rochester Control Data PLATO Development Center was relocated to: Woodcliff I, 345 Woodcliff Drive, 2nd Floor, Fairport, NY 14450 (716) 383-5630.

Series 7 Test Site Changes

Atlanta

The May 20, 1989, Series 7 exam in Atlanta will be held at: Sheraton Century Hotel, 2000 Century Boulevard, Atlanta, GA.

Orlando

Effective May 20, 1989, all Series 7 exams in Orlando will be held at: University of Central Florida, 4000 Central Florida Boulevard, CEBA II, Orlando, FL.

For information on exams, locations, or dates, contact the Information Services Department at (301) 590-6500.

District 10 Schedules Member Seminar June 19-20, in Washington, DC

The NASD's District 10, headquartered in Washington, DC, has scheduled its 1989 membership meeting and educational seminar for June 19-20 at the Mayflower Hotel in Washington.

Seminar topics are compliance-oriented and designed to provide continuing education for management and operations personnel, with topics of special interest to securities lawyers and account-

ants. District 10 encompasses the District of Columbia, Maryland, North Carolina, and Virginia.

Correction to Disciplinary Actions for April

PDS Securities International, Inc., Chicago, IL was incorrectly identified in the April issue of *Notices to Members* as PBS Securities International, Inc.

New Phone, Fax Numbers for Market Surveillance Take Effect May 15

The Market Surveillance division of the NASD is expected to move to the Gordon E. Macklin Building in Rockville, Maryland, on May 15, 1989. Most of the phone numbers for the division will change as a result of the move. The new phone numbers are:

Market Surveillance, main number (301) 590-6410.

Market Surveillance, general Fax (301) 590-6481.

StockWatch (301) 590-6411.

StockWatch Fax (301) 590-6482.

StockWatch answering machine (301) 590-6413.

The toll-free number will remain the same, (800) 537-3929.