NASD REGULATORY & COMPLIANCE

ALERT

SEC Proposes Major Disclosure Rules for "Penny Stocks"

In an effort to bring even greater regulatory and enforcement attention to the "penny stock" market, the Securities and Exchange Commission (SEC) made rule proposals to amend the Securities Exchange Act of 1934 that would result in significant changes to penny-stock regulation.

These proposals would implement certain provisions of the Securities Enforcement Remedies and Penny Stock Reform Act of 1990. The public comment period on these measures expires July 19, 1991.

The proposals exclude from the definition of penny stock securities for which last-sale reports are collected and made available through an effective transaction reporting plan.

Generally, these include issues designated as Nasdaq National Market System (Nasdaq/NMS®) securities as well as New York Stock Exchange (NYSE), American Stock Exchange (Amex), and certain regional exchange-listed securities that meet NYSE or Amex listing standards.

Also excluded from the definition of penny stocks under the proposals are securities with a price of $5 per share or more as determined either on a per-transaction basis or on the basis of at least three bona fide interdealer bid quotations on an interdealer quotation system or an exchange quotation. Securities issued by a registered investment company, or put and call options issued by the Options Clearing Corporation, also would be excluded.

In addition, the proposals exclude securities registered or approved for registration on a national securities exchange with maintenance criteria that require at least $2 million in net tangible assets or in stockholder equity. Because of these maintenance requirements certain non-NMS Nasdaq securities would be included in the definition of penny stock as currently proposed.

Under the proposals, certain transactions would be exempt from all of the proposed penny-stock disclosure rules except the required disclosure of sole market-maker status.

The exemption covers transactions in penny stocks by a broker-dealer that does less than 5 percent of its securities business in penny stocks and that has not been a market maker, during the past year, in the penny stock being traded. The rule also would exempt transactions in securities of an issuer with net tangible assets in excess of $2 million that has been in continuous operation for at least three years, or $5 million if the issuer has been in continuous operation for less than three years. In addition, the proposals exempt transactions with an accredited institutional investor, transactions not recommended by the broker-dealer, and transactions in which the issuer of the penny stock purchases its own securities.

Another provision in the rule

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NASD Plans to Publish Markup Guidelines

The NASD soon will publish a *Notice to Members* to help members calculate markups and markdowns on principal transactions executed with customers. Excessive and unfair pricing to unsophisticated customers always has been a prime regulatory concern, but it has become even more important as the NASD continues to address penny-stock fraud and other abusive sales practices involving unfair pricing.

In its *Notice to Members*, the NASD will show members how the NASD determines the prevailing market price and the appropriate methodology for calculating a markup or markdown under differing market conditions to include considerations such as whether the member was a market maker or a retail dealer; the market for the security was active and competitive or, instead, dominated and controlled; or, actual transactions or validated quotations will serve as the best evidence of the prevailing market price.

To help members in this area, the NASD is developing explicit guidelines for ascertaining the market price in active, competitive markets and in markets that the member dominates and controls.

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would exempt specific transactions in penny stocks from the requirements to provide a risk-disclosure document, disclose bid and ask prices, and provide monthly account statements if the securities are:

- Registered or approved for registration, and the transactions are executed, on a national securities exchange that makes transaction reports available under an effective transaction reporting plan; or
- Authorized, or approved for authorization, for quotation in the Nasdaq system, where a registered Nasdaq market maker executes the transaction in the stock, a broker crosses two customer orders on an agency basis, or an underwriter or any syndicate or selling group member participating in a distribution of the stock that is the subject of the transaction executes the trade.

Under the proposals, a broker-dealer could not effect transactions in penny stocks without first providing to the customer a standardized disclosure document.

The document must explain risks of investing in penny stocks; important concepts associated with the penny-stock market; the broker-dealer's duties to customers, including disclosures required by each of the proposed rules; a toll-free telephone number for the customer to inquire about the broker-dealer's disciplinary history; the customer's rights and remedies in cases of fraud or abuse in transactions in penny stocks; and, other significant information of which the investor should be aware.

As proposed, a broker-dealer cannot trade a penny stock without first disclosing and then confirming to the customer current quotation prices or similar market information.

For principal transactions, the dealer must disclose its own quote to a customer if the dealer consistently has executed trades with other dealers at its quote for the security during the past five business days and if the dealer believes its present quote accurately reflects the price at which it will trade with other dealers.

Otherwise, the dealer must disclose that it has not traded consistently at its quotes, and it must report the price at which it last traded the penny stock with another dealer.

For agency or riskless principal transactions, the broker-dealer must disclose the best interdealer bid and offer prices for the penny stock that the broker-dealer obtains through reasonable diligence.

For all such transactions in penny stocks, the broker-dealer must also report the number of shares to which the bid and offer prices apply.

Another proposal requires a broker-dealer, before effecting a penny-stock transaction for a customer, to first disclose to the customer any compensation received from the penny-stock transaction. The proposal defines "compensation" as:

- In an agency trade, any remuneration received or to be received from a customer for the transaction.
- In a riskless principal trade, the difference between the price to the customer and the contemporaneous purchase or sale price.
- In a nonriskless principal trade, the difference between the price to the customer and the prevailing market price in the security.

Also, a broker-dealer would have to first disclose and confirm to the customer:

- The aggregate or per-share amount of cash compensation that an associated person has received or will receive from any source for the transaction, if the firm determines compensation on a transactional or per-share basis.
- The amount of cash or other compensation that an associated person has received from any source during the preceding calendar year in all penny-stock transactions, if the amount exceeds 25 percent of the total compensation that the associated person received during that year for all securities transactions.

Under another proposal, a broker-dealer would have to provide to a customer a monthly statement disclosing the identity and number of shares of each penny stock in the customer's account, the transaction dates, the purchase price, and the estimated market value of the security, based on the broker-dealer's recent purchase prices or recent dealer bids.

The statement must also contain a standardized explanation of the limited market for the securities and nature of an estimated market value in such a limited market.

If the broker-dealer has not effected any penny-stock transactions for the customer for six consecutive months, the rule would permit quarterly account statements.

Finally, a broker-dealer that is the sole market maker in a penny stock cannot effect transactions in the stock unless it tells the customer that it is the sole market maker and, as a result, has substantial influence over the market for the security. Moreover, the proposed rule prohibits a market maker in a penny stock from representing directly or indirectly to a customer that a transaction in the stock is "at the market" or at a price related to the market unless it knows, or has reason to believe, that a market exists outside its control.

NASD Collects $360,000 From Kober Financial

The NASD has taken disciplinary action pursuant to Offers of Settlement submitted by Kober Financial Corp. of Englewood, Colorado, and six individuals presently or formerly associated with the firm.

The Offers of Settlement, made without admitting or denying the allegations in the complaint, responded to NASD charges of misconduct during the distribution of the initial public offering (IPO) of Fox Ridge Capital Corp., a non-Nasdaq over-the-counter "blind pool" security underwritten by Kober in 1988, and also during the first six weeks of aftermarket trading, when Kober was said to have dominated and controlled the market for the security.

In addition to Kober, the respondents were Richard Gawlik, the firm's President; Peter N. Bowinski, who was in charge of the compliance department; Harvey F. Levin, formerly Kober's sales manager and now a trader for the firm; Jesse W. Ireland, a trader at Kober; Michael B. Albert, formerly associated with Kober; and John J. Flynn, formerly with Kober. During the relevant time period, Albert and Flynn were the owners of a Kober branch in Florida.

Under the terms of the Offers of Settlement, the respondents agreed to a variety of sanctions. Kober was censured and has paid a fine of $360,000 to the NASD. Kober also agreed to several remedial measures designed to prevent a repetition of the alleged misconduct. The principal measures include an agreement by Kober that prohibits the firm from underwriting, participating in the underwriting, or making a market in new blind-pool or "blank check" offerings for two years.

In addition, Kober has agreed to hire an outside consultant to review the firm's policies concerning markups, markdowns, and commissions charged on low-priced securities, domination and control of the market in low-priced securities, and related compliance and supervisory issues.

Albert and Flynn agreed to a censure, a fine of $250,000 each, and a bar from association with any member of the NASD in any capacity.

Gawlik agreed to a censure and a 90-calendar-day suspension from associating with any member of the NASD in any capacity.

For an additional six-month period, Gawlik would be limited in his activities in the areas of corporate finance and the supervision of trading and sales practices. Gawlik was required to requalify by examination as a General Securities Principal before again functioning in that capacity. Bowinski agreed to a censure and a 90-calendar-day suspension from associating with any member as a General Securities Principal, and was required to requalify. Levin agreed to a censure and a 30-calendar-day suspension from associating with any member in a trading capacity.

Without admitting or denying the allegations, all respondents consented to findings that they violated various provisions of the federal securities laws and the rules of the NASD. These include Section 10(b) and Rule 10b-5 of the Securities Exchange Act of 1934 and Section 18 of the NASD's Rules of Fair Practice.

These provisions prohibit the use of any manipulative, deceptive, or other fraudulent device in the purchase or sale of any security.

Kober underwrote Fox Ridge's IPO dated August 30, 1988, and placed 90 percent of the offering with its own clients. The complaint alleges that, prior to the completion of the offering, Albert, Flynn, and Gawlik agreed that Kober would repurchase all or substantially all of the shares from customers of its Englewood, Colorado, office at premium prices and redistribute them to customers of Kober's Florida offices at even higher prices. The complaint alleged that Gawlik, Levin, and others had the shares repurchased at per-share prices ranging from $.012 to $.0148, and then resold at $.04, a 300 percent premium over the public offering price of $.01 per share.

The complaint also alleged that Kober, Gawlik, and certain registered representatives made false and misleading statements about the terms of the offering, including misrepresentations that any shares purchased by insiders of Fox Ridge would be held for investment purposes, and that the company had no business opportunities under investigation.

According to the complaint, the President of the issuer purchased 5 percent of the shares during the IPO and sold those shares on the first day of aftermarket trading.

The complaint further charged that between October 19, 1988, and December 2, 1988, Kober, acting through Albert, Flynn, Gawlik, Bowinski, and Ireland, dominated and controlled the market for Fox Ridge and sold the securities to customers at fraudulently excessive prices. It also alleged that Albert and Flynn committed similar fraudulent and manipulative conduct concerning Qwix Technologies, Inc., another non-Nasdaq over-the-counter security, while they were associated with another broker-dealer.

Their alleged misconduct continued while both were employed at Kober. In connection with this misconduct, the complaint charged that Kober, Gawlik, and Bowinski failed to supervise properly Albert's and Flynn's activities at Kober concerning excessive markups in Qwix.

First Eagle, Inc., Expelled for Penny-Stock Violations

The NASD recently expelled First Eagle, Inc., of Englewood, Colorado, from membership in the NASD and took disciplinary action against Barry W. Fortner, Chairman of the Board and President; Robert C. Valerius, Compliance Officer; Thomas L. Svalberg, Chief Financial Officer; Terry D. Bixler, Head Trader; Bradley A. Sandlin and Jann E. Sandlin, managers of the Metairie, Louisiana branch office; Carol A. Browning, manager of the Charleston, South Carolina branch office; and 21 salesmen. Pursuant to Offers of Settlement, the NASD fined First Eagle $100,000 and expelled it from NASD membership.

It also fined Fortner $10,000 and suspended him for two years in all capacities, suspended Valerius for one week in all capacities and ordered him to requalify as a principal, and suspended Svalberg for two weeks in the capacity of financial principal.

In addition, the NASD fined Bixler $5,000, suspended him for 30 days in all capacities, suspended him for two years in the capacity of principal or head trader, ordered him to requalify as a principal, and suspended Browning for one week in all capacities and ordered her to requalify as a principal.

Also, pursuant to Offers of Settlement, the NASD suspended the following salesmen in various branch offices for one day in all capacities: Robert J. Stonicher, David G. Nicholson, Ned L. LeBlanc, III, Kevin R. Smith, John P. Carpenter, Gregory J. Simonds, John F. Yakimczyk, Michael S. Cluphf, Legrand R. Groves, Jr., Robert L. Murray, Timothy Carr, Joseph B. Murdock, David M. Baker, Harold H. Herman, and William G. Baum.

In addition, the NASD suspended assistant branch manager/salesmen Terry B. McNeal, John A. Barron, and George M. Spolski for one week in all capacities and ordered them to requalify as principals. Finally, John W. Ostrand, a salesman in the Metairie, Louisiana branch office, was fined $15,000 and barred in all capacities.

The Offers of Settlement were made without admitting or denying the allegations in the complaint. In a related decision, Bradley Sandlin was fined $15,000 and barred in all capacities, Jann Sandlin was fined $5,000 and suspended for six months in all capacities, salesman Robert L. Sullivan was fined $10,000 and suspended for one month in all capacities, and salesman Glen A. Hatteberg was suspended for one day in all capacities.

"The development of this case demonstrates not only the NASD's continued commitment on a national and regional level to eliminate egregious sales and trading practice abuses in the penny-stock market," says John E. Pinto, NASD Executive Vice President for Compliance. "It also demonstrates that we will hold employees at the branch level accountable if they knowingly participate and gain excessive profits from their activities with a firm that does not charge fair and reasonable prices."

Cartel Acquisitions, Inc., was a "blank check" initial public offering (IPO) that First Eagle underwrote in late 1988. The NASD found that First Eagle, acting through Fortner and Bradley Sandlin, made false and misleading representations to investors in Cartel's IPO and also failed to disclose material information to these investors.

In connection with the initial public offering, the NASD also found that First Eagle, acting through Fortner, sold Cartel units to five individuals or entities that possessed material, nonpublic information concerning merger negotiations between Cartel and another company.

The NASD found that First Eagle dominated and controlled the secondary market for Cartel, accounting for 94 percent of the purchase volume and 95 percent of the sales volume for the period between November 14, 1988, and May 23, 1989.

The NASD found that, in light of the firm's dominant share of aftermarket trading and the virtual absence of competition by marketmakers, First Eagle was the only market in Cartel. It therefore could not rely on quotes as indicative of the prevailing market in Cartel but instead was required to use the firm's contemporaneous cost of acquiring Cartel to compute its markups, according to the findings.

The NASD found that, while dominating and controlling the market for Cartel, all of the respondents, with the exception of Valerius and Svalberg, charged their customers excessive markups in approximately 1,500 transactions ranging from 11 percent to 130 percent over the prevailing market price of the security.

The NASD also found that First Eagle manipulated the market price for Cartel and that, except for Valerius and Svalberg, all respondents charged different public customers widely varying prices and arbitrarily set those prices to produce the trading activity that followed.

In addition, they neglected to disclose to their customers the pricing method used and the absence of a relationship of the pricing method to a bona fide assessment of demand for the stock.

The NASD found that these respondents failed to inform their customers that they charged excessive markups, or to disclose the amount of the markups and the fact that the firm dominated and controlled the market for Cartel. The NASD also found that First Eagle, acting through Fortner, Svalberg, and Bradley Sandlin, sent inaccurate confirmations to the purchasers of Cartel units in the IPO.

The NASD further found that First Eagle, acting through Fortner, Svalberg, Valerius, Bradley Sandlin, and Jann Sandlin, paid commissions on Cartel transactions to an unregistered broker-dealer, and that Bradley Sandlin and Jann Sandlin allowed salesmen to send a misleading videotape to investors. The NASD found that each respondent violated various NASD rules.

The NASD found that First Eagle and Bradley Sandlin, in particular, violated Section 10(b) of the Securities Exchange Act of 1934, Rule 10b-5 promulgated thereunder, and Article III, Section 18 of the NASD's Rules of Fair Practice.

NASD Expels First Alliance, Bars President

The NASD has taken disciplinary action against First Alliance Securities, Inc., of Atlanta, Georgia; its former President, William F. Lincoln; and Robert Hartnagel, an associated person.

The misconduct involved, among other things, charging fraudulently excessive markups to customers in the sale of millions of shares of seven securities of different issuers, all of which were over-the-counter (OTC) "penny stocks."

The NASD expelled the firm from membership in the NASD, fined it $50,000, and ordered it, jointly and severally with Lincoln, to pay a total of $2.5 million restitution to the customers who were harmed.

Lincoln was also fined $50,000 and barred from associating with any member of the NASD.

Hartnagel, whom the NASD charged with acting as a financial and operations principal without being properly registered and with violating a suspension imposed in a prior NASD disciplinary action, was fined $20,000, suspended from associating with any member firm for a period of six months, and barred from associating with any member of the NASD in a principal capacity.

Following a disciplinary hearing before the District 7 Business Conduct Committee, the NASD found that the firm, Lincoln, and Hartnagel violated various NASD rules including violations of Article III, Section 18 of the NASD's Rules of Fair Practice. The NASD found that the firm was not acting as a market maker for the seven OTC securities at issue that are not listed either on Nasdaq or an exchange: Sea Venture Cruises, Inc.; C-Square Ventures, Inc.; Cimarron Consolidated Mining and Oil, Inc.; Pioneer Petroleum and Mining, Inc.; Triangle Group, Inc.; Salvatori Ophthalmics, Inc.; and American Pizza Company.

The NASD further found that the firm, acting through Lincoln, charged its customers fraudulently excessive markups ranging from 10 percent to 3,300 percent above the prevailing market price.

Rule Change Affects OTC Bulletin Board

The SEC has amended Rule 15c2-11 effective June 1, 1991. This rule is important for broker-dealers engaged in quoting non-Nasdaq over-the-counter securities in an interdealer quotation medium, such as the NASD's OTC Bulletin Board.

Under the rule, a broker-dealer must gather, review, and retain in its files specified information about the issuer before initiating or resuming a quotation for the issuer's security in any quotation medium. The rule's review and information maintenance requirements can be satisfied in one of only five ways.

The first is to review and have on file a prospectus for the issuer that has been filed with the SEC and is less than 90 days old. The second is to review and have on file a Regulation A offering statement for the issuer that is less than 40 days old. The third is to review and have on file the issuer's latest 10-K, 10-Qs, and 8-Ks.

The fourth relates to certain foreign issuers that file periodic reports with the SEC. The fifth is a provision generally used when the other provisions do not apply and requires the broker-dealer to review and have on file other specified information about the issuer, such as financial statements that cover the past two years.

In addition, the amended rule now requires broker-dealers to have a "reasonable basis under the circumstances for believing that the information is accurate in all material respects and obtained from reliable sources." The amendments also require the broker-dealer to have in its records a copy of any trading suspension order, or Exchange Act release announcing a trading suspension, issued by the SEC regarding any of the issuer's securities during the preceding 12 months. Further, the broker-dealer has to review its information on file together with the information contained in the trading suspension orders or releases and any other material information concerning the issuer in the broker-dealer's knowledge or possession.

Finally, the amended Rule (i) expands the information to be gathered for any issuer that files periodic reports with the Commission, (ii) requires retention of all specified documents and information for at least three years, and (iii) specifies a lead time of three business days for submission of certain information to the operator of a quotation medium for covered securities.

Broker-dealers may qualify for one of four exemptions in the rule. The first covers a security listed on any U.S. stock exchange if the security trades on the exchange the same day or the business day before the publication or submission of the quotation request to a quotations medium. The second applies when the broker-dealer enters a quotation solely on behalf of a customer and the quotation is not solicited. The third is the piggyback exemption, which exists when the security has been quoted during the past 30 calendar days for at least 12 days with no more than four consecutive days without quotes. The fourth is the Nasdaq exemption for a security authorized for quotation on Nasdaq that has not been suspended, terminated, or prohibited.

NASD Cautions Members on Comparisons, Illustrations

The NASD advises members selling mutual funds to use caution when reprinting comparisons of mutual fund performance and when using computer-generated illustrations of performance.

In May 1990, the SEC issued a no-action letter to GAM Services Inc. on the use of reprints. These reprints included articles from newspapers or periodicals with tables or charts showing the performance of different investment companies based on their investment performance within a stated period of time.

The SEC conditioned its no-action position on the following: that the only business activity of GAM is underwriting GAM funds, that GAM uses only performance tables published by persons not affiliated with GAM, that GAM reprints only performance tables from widely circulated publications, that GAM prominently places a legend stating that the reprint is an advertisement for GAM funds only, and that GAM complies with all applicable SEC requirements.

Following release of this no-action letter, the NASD's Advertising Department sought guidance as to whether this position superseded existing NASD rules and guidelines.

The NASD Investment Companies Committee responded that NASD regulations apply to all communications with the public and that the use of third-party reprints that comply with NASD rules and regulations as well as the SEC's no-action letter is permitted.

Software packages available to mutual fund salespersons enable them to produce hypothetical illustrations of mutual fund performance. The use of these products has created concern among some fund groups as well as the NASD about supervision of the registered representative using these illustrations. In addition, the Investment Companies Committee has expressed serious concern about the sales practices used in conjunction with such illustrations, particularly relating to comparisons with other investments (including other mutual funds) and projections of performance.

Members are reminded that computer-generated illustrations are "sales literature" and must comply with all applicable rules and regulations. Any illustrations of performance used in supplemental sales literature must include the 1-, 5-, and 10-year (or life of fund) average annual total returns, calculated in accordance with SEC rule specifications. The illustration also must include a legend disclosing "that the performance data quoted represents past performance and that the investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost."

Article III, Section 35 of the NASD Rules of Fair Practice sets forth general standards for members to follow when preparing communications for the public.

In judging the appropriateness of comparisons, the NASD refers specifically to Sections 35(d)(1)(A) and (B).

In addition, Section 5 of the Guidelines Regarding Communications with the Public about Investment Companies and Variable Contracts covers "Considerations Regarding Comparisons."

Such considerations include, but are not limited to, fairness and balance, explanations of the comparison's purpose as well as any material differences between the subjects being compared, completeness, inclusion of all material facts, clear explanation of any factors needed to make such comparisons fair, and similar investment objectives for groups of investment companies being compared.

Any questions regarding these issues should be directed to Clark Hooper, Advertising Department, at (202) 728-8330.

Main Offices Receive Ethics Brochure

Included with this issue of the *Regulatory & Compliance Alert* mailed to each member's main office is a copy of the recently published NASD brochure titled *Understanding Your Role as an RR.*

This new publication explains registered representatives' obligations to customers and responsibilities to their firms.

While intended for new applicants for registration, the information contained in this brochure is extremely useful not only to neophytes but also to more experienced representatives. Additional copies of the brochure are available for:

1 - 50 copies	$.50 each
51 - 500 copies	.40 each
Over 500 copies	.35 each

To order copies send a check or money order, payable to the National Association of Securities Dealers, Inc., to NASD, Book Order Department, P.O. Box 9403, Gaithersburg, MD 20898-9403

NASD DISCIPLINARY ACTIONS

In March, April, and May 1991, the NASD announced the following disciplinary actions against these firms and individuals. Publication of these sanctions alerts members and their associated persons to actionable behavior and to the penalties that may result.

District 1

Emmett A. Larkin Company, Inc. (San Francisco, California), Gordon F. Hing (Registered Principal, San Francisco, California), and **William Thomas Kennaugh (Registered Principal, San Francisco, California)** submitted an Offer of Settlement pursuant to which they were fined $25,000, jointly and severally. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Hing and Kennaugh, made inaccurate computations of the amount required to be on deposit in the Special Reserve Account for the Exclusive Benefit of Customers resulting in deficiencies in the Reserve Account. According to the findings, the respondents, in certain instances, failed to obtain promptly physical possession and control of customer fully paid for securities and created or increased a deficit position through the delivery of securities. The findings also stated that the firm, acting through Hing and Kennaugh, failed to compute its net capital accurately.

Emmett A. Larkin Company, Inc. (San Francisco, California) and **Gordon F. Hing (Registered Principal, San Francisco, California)** submitted a Letter of Acceptance, Waiver and Consent pursuant to which they were fined $25,000, jointly and severally. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Hing, failed to reduce customers' excess margin securities to possession or control and allowed these securities to be hypothecated in a bank loan. The findings also stated that the firm, acting through Hing, failed to take prompt steps to obtain physical possession or control of customers' fully paid securities that were reflected in the firm's records as failed to receive in excess of 30 days.

According to the findings, the firm, acting through Hing, failed to implement appropriate written supervisory procedures regarding possession and control of customers' fully paid and excess margin securities. Moreover, the NASD determined that the firm, acting through Hing, prepared inaccurate computations of its Special Reserve Account and failed to deposit and maintain the required amount of cash and/or qualified securities in such account. Furthermore, the NASD found that, in contravention of Regulation T, the respondents failed to promptly cancel or otherwise liquidate transactions for which customers had not made full cash payment within the required time.

Pinnacle Securities, Ltd. (Concord, California), Bruce Eugene Campbell (Registered Principal, Concord, California), and **Kenneth Edward Robison (Registered Representative, Chico, California)** were fined $10,440, jointly and severally. In addition, the firm and Campbell were fined $5,000, jointly and severally. The sanctions were imposed by the NASD's Board of Governors following an appeal of a decision by the District Business Conduct Committee (DBCC) for District 1. The sanctions were based on findings that Campbell participated in the sale of limited partnership interests to 10 investors without giving prior written notification to his member firm. In connection with such activity, the firm, acting through Campbell, engaged in such transactions prior to the firm becoming a member of the NASD. Furthermore, the firm and Campbell permitted Robison to act as a representative of the firm when he was not registered with the NASD. The firm, acting through Campbell, participated as an underwriter in the same offering on a contingency basis and received investor funds without depositing the funds into an escrow account. Moreover, the firm, acting through Campbell and Robison, disbursed investors' funds from the offering prior to reaching the required contingency.

Edward Bruno Daroza, Jr. (Registered Principal, Redmond, Washington) was barred from association with any member of the NASD in a principal capacity, fined $15,000, and suspended for six months from association with any member of the NASD as a registered representative. He also must requalify by examination as a general securities representative after the suspension. The sanctions were imposed by the NASD's Board of Governors following an appeal of a decision by the DBCC for District 3. The sanctions were based on findings that a former member, acting through Daroza, effected securities transactions while the firm failed to maintain required net capital. In addition, Daroza engaged in deceptive and misleading conduct as to his clearing firm by establishing two fictitious customer accounts through which he effected a series of securities transactions for his former member firm. This activity circumvented the net capital requirement and Regulation T of the Federal Reserve Board.

This action has been appealed to the Securities and Exchange Commission (SEC), and the sanctions, other than the bar, are not in effect pending consideration of the appeal.

Gerald William Gorman (Registered Representative, Chicago, Illinois) was fined $10,000 and barred from association with any member of the NASD in any capacity. The sanctions were imposed by the NASD's Board of Governors following an appeal of a decision by the DBCC for District 1. The sanctions were based on findings that Gorman failed to respond to NASD requests for information concerning his termination from a member firm.

Milton Allen Perlow (Registered Representative, Diablo, California) and **Harvey Ira Samuels (Registered Representative, Moraga, California)** submitted an Offer of Settlement pursuant to which they were fined $5,000, jointly and severally with a member firm. Perlow was fined an additional $10,000, and both Perlow and Samuels were suspended from association with any member of the NASD in any capacity for two months.

Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that, in connection with the offer and sale of limited partnership units in two offerings, Perlow and Samuels represented to investors that all funds would be returned to the investors if subscriptions were not received by a certain date. According to the findings, the funds were released from escrow prior to such date when only a portion of the funds had been received from investors, and part of the funds came from individuals who were not considered bona fide public investors. The findings also stated that Perlow and Samuels represented to investors that one of the offerings would terminate on a particular date but that sales continued after this date.

The NASD found that Perlow and Samuels participated in an offering on a best-efforts "part or none" basis and received investors' funds without depositing such funds into an escrow account. In addition, the NASD determined that Perlow, on several occasions, guaranteed customers against losses and caused a limited partnership to loan $25,000 to a customer so that the customer could purchase units in another limited partnership. The findings also stated that Samuels caused a limited partnership to pay $5,000 to an investor for services not related to that partnership. Furthermore, Perlow and Samuels failed to respond to NASD requests for information.

Charles D. Tom (Registered Representative, Issaquah, Washington) was suspended from association with any member of the NASD in any capacity for one year. The sanction was imposed by the NASD's Board of Governors following an appeal of a decision by the DBCC for District 3. The sanction was based on findings that Tom executed options transactions in the joint account of two public customers without obtaining prior written discretionary trading authority from the customers and without written acceptance of the account as discretionary by his member firm. In addition, Tom guaranteed these customers against losses in their account.

This action has been appealed to the SEC, and the sanction is not in effect pending consideration of the appeal.

District 2

Frank Bernard Varites (Registered Representative, Poway, California) was fined $20,000 and barred from association with any member of the NASD in any capacity. The sanctions were imposed by the NASD's Board of Governors on review of a decision by the DBCC for District 2. The sanctions were based on findings that Varites misused customer and firm funds by causing the issuance of checks totaling $15,442.65 made payable to himself from eight of his member firm's securities accounts without the knowledge or consent of the beneficial owners of such accounts. Thereafter, he converted the proceeds to his own use and benefit.

Jeffrey David Renley (Registered Representative, Orange, California) was fined $10,000. The sanction was imposed by the NASD's Board of Governors following an appeal of a decision by the DBCC for District 2. The sanction was based on findings that Renley exercised discretion in the joint account of customers without obtaining prior written discretionary trading authority from such customers or his member firm. In addition, he executed three options transactions in a public customer's account without the prior knowledge or consent of the customer. Furthermore, Renley issued checks totaling $37,000 to two public customers in settlement of their complaints without the knowledge or consent of his member firm.

Jonathan Garrett Ornstein (Registered Representative, Los Angeles, California) was fined $10,000, suspended from association with any member of the NASD in any capacity for two years, and required to requalify by examination before acting in any registered capacity. The sanctions were imposed by the NASD's Board of Governors following an appeal of a decision by the DBCC for District 2. The sanctions were based on findings that Ornstein failed to respond to NASD requests for information and engaged in numerous options transactions for the account of a public customer without the customer's knowledge or consent.

This action has been appealed to the SEC, and the sanctions are not in effect pending consideration of the appeal.

Francisco Javier Mares (Registered Representative, San Diego, California) was fined $5,000 and suspended from association with any member of the NASD in any capacity for six months. The sanctions were imposed by the NASD's Board of Governors following an appeal of a decision by the DBCC for District 2. The sanctions were based on findings that Mares obtained his member firm's signature-guarantee stamp without authorization and stamped the back of a customer check. He then forged the signature of his member firm's operations clerk in order to facilitate the negotiation of a check on behalf of a customer.

Charlotte Louise Jenkins (Registered Representative, Oakland, California) was fined $15,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Jenkins received funds totaling $15,000 from two public customers for the purchase of annuity contracts but failed to make such purchases. When these customers asked Jenkins to liquidate their contracts, Jenkins canceled a purchase order from a third customer and withdrew funds by forging a withdrawal slip from the bank account of a fourth customer in order to return the monies to the first two customers. Jenkins also failed to respond to NASD requests for information.

Beverly Ann Lemoine (Associated Person, Los Angeles, California) was fined $35,000 and barred from association with any member of the NASD in any capacity. The sanctions were imposed by the NASD's Board of Governors on review of a decision by the DBCC for District 2. The sanctions were based on findings that Lemoine submitted 86 fictitious life-insurance applications to her member firm and received commissions totaling $13,754.64 to which she was not entitled.

Diehl & Company (Newport Beach, California) and **Russell Reed Diehl (Registered Principal, Irvine, California).** The firm and Russell Diehl were fined $25,000, jointly and severally. In addition, the firm was suspended from membership in the NASD for 30 days, and Russell Diehl was 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 an appeal of a decision by the DBCC for District 2. The sanctions were based on findings that the firm, acting through Russell Diehl, conducted a securities business while failing to maintain sufficient net capital and failed to maintain its books and records properly.

Raul E. DelRio, Jr. (Registered Representative, Escondido, California) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined $43,142 and barred from association with any member of the NASD in any capacity. Without admitting or denying the allegations, DelRio consented to the described sanctions and to the entry of findings that he caused the issuance of four checks totaling $28,142 from a public customer's account, forged the customer's signature on the checks, and deposited the checks into a bank account. The findings further stated that the bank account was under DelRio's control and that he converted the funds to his own use and benefit.

Kenneth Wayne Elsberry (Registered Principal, La Jolla, California) and **David John Wildsmith Lewis (Registered Principal, Pinner Middlesex, Great Britain)** submitted an Offer of Settlement pursuant to which Elsberry was fined $10,000 and suspended from association with any member of the NASD for seven days as a registered principal. Lewis was fined $10,000 and suspended from association with any member of the NASD for six months as a financial and operations principal. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that Elsberry and Lewis, acting on behalf of a member firm, engaged in a general securities business while failing to maintain sufficient net capital, and failed to preserve accurate books and records. In addition, the NASD found that Elsberry and Lewis failed to give telegraphic notice to the SEC or to the NASD concerning the firm's net capital deficiency.

Kelly Page Frost (Registered Representative, San Diego, California) was fined $15,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Frost failed to respond to NASD requests for information concerning his termination from a member firm.

Norman Kaufman (Registered Representative, Santa Monica, California) and **Norman Herbert Gershman (Registered Principal, New York, New York).** Kaufman was fined $25,000, suspended from association with any member of the NASD in any capacity for one year, and required to requalify by examination before acting again in any registered capacity. In addition, Gershman was fined $10,000. The sanctions were imposed by the NASD's Board of Governors following an appeal of a decision by the DBCC for District 2.

The sanctions were based on findings that Kaufman exercised discretionary trading authority over a customer's account and executed securities transactions without having reasonable grounds for believing such transactions were suitable for the customer considering her financial situation and investment objectives. Furthermore, Gershman failed to supervise Kaufman's activities properly and adequately.

District 3

David Walter Williams (Registered Representative, Auburn, Washington) submitted an Offer of Settlement pursuant to which he was fined $50,000 and barred from association with any member of the NASD in any capacity. Without admitting or denying the allegations, Williams consented to the described sanctions and to the entry of findings that he entered into a course of conduct that operated as a fraud and deceit on public customers in that he made material misrepresentations and omitted material facts in soliciting and executing the sale of common stock to public customers.

F. Kennard Barson (Registered Representative, Salt Lake City, Utah) was fined $100,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Barson induced four public customers to invest funds totaling $73,491.86 with him by misrepresenting the nature and terms of such investments and failing to state material facts. In addition, Barson made improper use of the customers' funds by failing to invest their monies in corporate notes or annuities and, instead, using the funds for his own purposes. Barson also sold these customers securities that were neither registered nor exempt from registration under the Securities Act of 1933. Furthermore, in contravention of the Interpretation of the Board of Governors concerning Private Securities Transactions, Barson effected securities transactions without the prior knowledge or approval of his member firm.

H.T. Fletcher Securities, Inc. (Englewood, Colorado) was fined $2,500 with each of two registered representatives, jointly and severally, and suspended from effecting any purchase of designated securities in customer accounts for 30 days. In addition, the firm was required to obtain a written agreement and suitability determination for purchases of designated securities in all accounts for an additional 90 days from the termination of its suspension. The firm also was required to provide proof of remedial action with respect to its written supervisory procedures within 60 days. The sanctions were based on findings that Fletcher sold designated securities to four public customers without first obtaining the suitability statements and written agreements required by SEC Rule 15c2-6. The firm also failed to maintain adequate written supervisory procedures concerning designated securities.

Marshall Davis, Inc. (Denver, Colorado), Rene Philippart (Registered Principal, Littleton, Colorado), and **Walter T. Black (Registered Representative, Denver, Colorado)** were fined $25,000, jointly and severally, and required to disgorge $19,369.35, jointly and severally. In addition, Philippart and Black were barred from association with any member of the NASD in any capacity. The sanctions were based on findings that the firm, acting through Philippart and Black, effected principal transactions with public customers at prices that were unfair with markups ranging from 11.1 to 73.3 percent over the firm's contemporaneous cost for the securities.

Thomas A. Christofferson (Registered Representative, Greeley, Colorado) was fined $35,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that he effected unauthorized transactions in the accounts of nine public customers and failed to follow the instructions of three customers regarding the purchase and sale of securities in their respective accounts. In addition, Christofferson made misrepresentations to four customers regarding the purchase price of securities and guaranteed customers against loss in order to induce the customers to purchase securities.

William Roscoe Eyler (Registered Representative, West Linn, Oregon) was fined $47,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Eyler accepted a personal check for $7,534.23 from a public customer to be rolled over into a new Individual Retirement Account. The check was made payable to the "William Eyler Special Account." Eyler failed to follow the customer's instructions and, when the customer requested that the money be withdrawn from his account, Eyler sent the customer a personal check for $7,943 that was not paid due to insufficient funds. Eyler also failed to respond to NASD requests for information.

Geremy Patrick Garner (Registered Representative, Jersey City, New Jersey) was suspended from association with any member of the NASD in any capacity for 30 days. The sanction was based on findings that Garner executed an unauthorized transaction in the joint account of two public customers.

Stuart M. Helffrich (Registered Representative, Park Ridge, Illinois) was fined $5,000 and suspended from association with any member of the NASD in any capacity for one year. For an additional period of two years commencing at the end of the one-year suspension, he shall become associated with a member of the NASD only under terms that require the member to supervise his activities to prevent violations such as those in this action. The sanctions were imposed by the NASD's Board of Governors on review of a decision by the DBCC for District 3. The sanctions were based on findings that Helffrich obtained a $500 check from his member firm that was payable to a customer, forged the customer's name to the check, and converted the funds to his own use and benefit.

Robb B. Ivey (Registered Representative, Dallas, Texas) was fined $15,000, suspended from association with any member of the NASD in any capacity for three business days, and required to requalify by examination as a registered representative. The sanctions were based on findings that Ivey induced three public customers to purchase shares of common stock by means of material misrepresentations including price predictions and guarantees against loss for such investments.

Jerry A. Kregg (Registered Representative, Denver, Colorado) was fined $10,000, suspended from association with any member of the NASD in any capacity for 30 days, and required to requalify by examination as a general securities representative. The sanctions were based on findings that Kregg effected unauthorized securities transactions in the account of public customers.

Arthur Joseph Moylan, Jr. (Registered Representative, Tucson, Arizona) was fined $30,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that, without the knowledge or consent of an insurance customer, Moylan caused the customer's address of record to be changed to his home address, applied for a loan against the customer's insurance policy, and caused the loan proceeds to be sent to his home address. Furthermore, he caused the loan proceeds check to be endorsed by someone other than the customer and used the funds for his own benefit. Moylan also failed to respond to NASD requests for information.

Kenton B. Regier (Registered Representative, Denver, Colorado) was fined $15,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Regier entered three unauthorized transactions in the account of a public customer and forged the customer's signature on an account transfer form.

Michael E. Schlater (Registered Representative, Lakewood, Colorado) was fined $10,000. The sanction was based on findings that Schlater induced public customers to purchase securities by making misrepresentations concerning specific price projections.

Whitehouse & Moore Investments, Inc. (Englewood, Colorado) and **George Raymond Johnston, Jr. (Financial and Operations Principal, Denver, Colorado)** submitted a Letter of Acceptance, Waiver and Consent pursuant to which they were censured and fined $2,500, jointly and severally. In addition, the firm was prohibited from conducting a securities business without having a properly qualified financial and operations principal acting in that capacity. Johnston was fined an additional $2,500, suspended from association with any member of the NASD as a financial and operations principal for 60 days, and required to requalify by examination in that capacity.

Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Johnston, conducted a securities business while failing to maintain its required minimum net capital, and that it filed inaccurate FOCUS Part I reports. The findings also stated that the firm, acting through Johnston, failed to maintain accurate books and records.

Donald Bruce Adams (Registered Representative, Salem, Oregon) was fined $154,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Adams misused customer funds in that his member firm issued two checks totaling $84,009.73 representing surrender requests purportedly made by an insurance customer. The checks were subsequently endorsed and deposited into a bank account controlled by Adams. The customer did not endorse or receive any of the funds nor did he authorize anyone else to sign or endorse the checks on his behalf. Adams also failed to respond to NASD requests for information.

Kevin A. Bikus (Registered Representative, Highlands Ranch, Colorado) was fined $25,000 and suspended from association with any member of the NASD in any capacity for 20 days. The sanctions were based on findings that Bikus executed unauthorized transactions in public customer accounts.

James H. Blackman (Registered Representative, Aurora, Colorado) was barred from association with any member of the NASD in any capacity. The sanction was based on findings that Blackman failed to honor a $4,751.53 arbitration award.

Philip S. Brown (Registered Representative, Denver, Colorado) was fined $3,000 and suspended from association with any member of the NASD in any capacity for two business days. The sanctions were imposed by the NASD's Board of Governors following an appeal of a decision by the DBCC for District 3. The sanctions were based on findings that Brown executed unauthorized transactions in the joint accounts of public customers.

This action has been appealed to the SEC, and the sanctions are not in effect pending consideration of the appeal.

Brian Joseph Chaffee (Registered Representative, Cheney, Washington) submitted an Offer of Settlement pursuant to which he was fined $20,000 and barred from association with any member of the NASD in any capacity. Without admitting or denying the allegations, Chaffee consented to the described sanctions and to the entry of findings that he effected unauthorized transactions in the accounts of public customers. The NASD found that Chaffee opened three accounts at his member firm ostensibly for Canadian customers when, in fact, the accounts were for the benefit of residents of the states of Washington and California.

According to the findings, Chaffee effected the purchase of securities for those three accounts when such securities had not been registered or qualified in accordance with applicable provisions of the securities laws of those states or exempted from such registration or qualification. Moreover, the findings stated that Chaffee opened two fictitious accounts at his member firm purportedly for customers when, in fact, these were 'nominee accounts controlled by Chaffee and used by him to create the appearance of bona fide customer purchases of securities.

Robert H. Joyce (Registered Representative, Lakewood, Colorado) was fined $20,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Joyce failed to respond to NASD requests for information in connection with a special examination for which the NASD requested bank statements to ascertain the financial condition of his member firm.

Gary Frank Vick (Registered Representative, Albuquerque, New Mexico) was fined $7,500, suspended from association with any member of the NASD in any capacity for two years, and required to be under additional supervision by any member firm with which he associates for two more years following his suspension. The sanctions were imposed by the NASD's Board of Governors on review of a decision by the DBCC for District 3. The sanctions were based on findings that Vick held customer funds in an account over which he had control and misappropriated funds totaling $19,942 for his own purposes from this account.

District 4

Michael G. Raich, Jr. (Registered Representative, Monaca, Pennsylvania) was fined $15,000 and barred from association with any member of the NASD in any capacity. The sanctions were imposed by the NASD's Board of Governors following an appeal of a decision by the DBCC for District 4. The sanctions were based on findings that Raich failed to respond to NASD requests for information concerning his termination from a member firm.

William A. Bundy (Registered Representative, St. Joseph, Missouri) submitted an Offer of Settlement pursuant to which he was fined $1,000 and suspended from association with any member of the NASD in any capacity for two years. Without admitting or denying the allegations, Bundy consented to the described sanctions and to the entry of findings that, during the course of taking the Series 6 examination, he was observed using notes.

Kevin Lee Custer (Registered Principal, Salt Lake City, Utah) submitted an Offer of Settlement pursuant to which he was barred from association with any member of the NASD as a principal. In addition, Custer was suspended from association with any member of the NASD as a registered representative for two years. Without admitting or denying the allegations, Custer consented to the described sanctions and to the entry of findings that, in contravention of the Policy of the Board of Governors with respect to Fair Dealing with Customers, Custer executed securities transactions for the accounts of public customers without the knowledge or consent of the customers.

Firm One Securities, Inc. (Westlake Village, California) was expelled from membership in the NASD. The sanction was based on findings that Firm One, acting through an associated person, failed to prepare and/or maintain the firm's books and records accurately. In addition, the firm failed to establish and maintain adequate written supervisory procedures and systems. The firm also opened two branch offices in contravention of its restriction agreement with the NASD and failed to operate those offices in a manner that limited the firm's obligations to only payment of commissions in connection with revenues generated by those offices.

General Securities Corp. (North Kansas City, Missouri) and **David S. Miller (Registered Principal, Kansas City, Missouri)** submitted a Letter of Acceptance, Waiver and Consent pursuant to which they were fined $11,666.75, jointly and severally. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Miller, failed to comply with the NASD's Mark-Up Policy in that it effected corporate securities transactions at prices that were unfair and unreasonable. In addition, the NASD found that the firm, acting through Miller, failed to obtain quotations as required by the Board of Governors' Interpretation with respect to Execution of Retail Transactions in the Over-the-Counter Market.

District 5

David A. Sabens (Registered Representative, Indianapolis, Indiana) was fined $15,000. The sanction was based on findings that Sabens engaged in unauthorized securities purchase and sale transactions in the account of a public customer.

Phillip J. Tullis (Registered Representative, Dunwoody, Georgia) was fined $30,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Tullis entered into an agreement with another broker to share commissions received in connection with municipal and equity securities transactions that were executed in the accounts of public customers. Tullis received $19,365.76 in commissions but failed to notify his member firm or the other broker's member firm of the agreement. Furthermore, Tullis engaged in these private securities transactions without prior written notice to his member firm and without being properly registered with the NASD.

Zakary Rahman (Registered Representative, New Orleans, Louisiana) and **Charles L. Crawford, Jr. (Registered Principal, Lafayette, Louisiana)**. Rahman was fined $20,000 and barred from association with any member of the NASD in any capacity. Crawford was fined $10,000, suspended from association with any member of the NASD in any capacity for two weeks, and required to requalify by examination as a registered options principal. The sanctions were imposed by the NASD's Board of Governors following an appeal of a decision by the DBCC for District 5.

The sanctions were based on findings that Rahman executed in the accounts of public customers numerous unauthorized options transactions that were unsuitable for the customers, failed to disclose to the customers all the material risks of options trading, and failed to comply with a customer's instructions to limit his risk. Rahman sent a letter to a public customer that falsely represented that he would provide the customer with portfolio insurance, and he failed to describe the options strategy that he proposed to use or the risks of the options positions that would be assumed.

In addition, Rahman exercised discretionary authority in the accounts of public customers without prior written authorization from the customers or written acceptance by his member firm. Furthermore, Crawford, acting on behalf of his member firm, failed to establish, maintain, and enforce written supervisory procedures and failed to supervise the activities of Rahman reasonably and properly.

Powell & Satterfield, Inc. (Little Rock, Arkansas), William W. Satterfield (Registered Principal, Little Rock, Arkansas), Joseph A. Powell (Registered Principal, Little Rock, Arkansas), Jack S. Lewis, Jr. (Registered Principal, North Little Rock, Arkansas), Robert E. Thomas (Registered Principal, Little Rock, Arkansas), Arthur G. Myers (Registered Representative, Little Rock, Arkansas), Geffrey A. Yielding (Registered Representative, Sherwood, Arkansas), and **Allan M. Tucker, Jr. (Registered Principal, Little Rock, Arkansas)** submitted an Offer of Settlement pursuant to which the firm and individual respondents Satterfield, Powell, Lewis, Thomas, Myers, and Yielding were fined $25,000, jointly and severally. In addition, Lewis was suspended from association with any member of the NASD in any principal capacity for one year, and Tucker was fined $5,000 and suspended from association with any member of the NASD in any capacity for two weeks.

Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Lewis, Thomas, Myers, and Yielding, executed certain government securities purchase and sale transactions with public customers at prices that included excessive markups and markdowns. In connection with these transactions, according to the findings, Satterfield and Powell failed to supervise Meyers, Yielding, Lewis, and Thomas properly. In addition, the NASD determined that Tucker effected transactions in government securities that were part of a repurchase agreement at prices that were not reasonably related to the current market price. Tucker also sent false and misleading confirmations to public customers, effected transactions that were unsuitable for customers, and failed to record the nature of these repurchase agreements on his member firm's books and records, the NASD found. Furthermore, the firm, Satterfield, and Powell failed to supervise the activities of Tucker, the findings added.

Settles Financial Investments, Inc. (Sherwood, Arkansas) and **Danny L. Hollingsworth (Financial and Operations Principal, Reno, Nevada).** The firm was fined $50,000 and expelled from membership in the NASD. Hollingsworth submitted an Offer of Settlement pursuant to which he was suspended from association with any member of the NASD as a financial and operations principal for three months.

Without admitting or denying the allegations, Hollingsworth consented to the described sanctions and to the entry of findings that the firm, acting through Hollingsworth, engaged in a securities business when the firm's net capital was below its required minimum and that it did not give telegraphic notice to the NASD and the SEC of its failure to comply with the minimum net capital requirement. The sanctions against the firm were based on findings that Settles failed to notify the NASD immediately that its clearing relationship was terminated by its clearing agent even though the firm had previously agreed in writing to do so.

In addition, without the knowledge or consent of customers, the firm established two accounts in the names of corporate customers and effected 48 transactions in one of the accounts resulting in losses totaling $30,252.36, according to the findings. The firm entered into a series of transactions in government securities in the other account when the firm should have known that the customer was not financially suitable for the level of sophistication of such trading activity, the findings stated.

Settles also accepted and deposited a $5,000 check from a public customer, the NASD found, but failed to establish a Special Reserve Bank Account for the exclusive benefit of customers and failed to compute a reserve formula. Furthermore, the firm permitted an individual to transmit business without proper registration with the NASD.

Louis H. Denton (Registered Representative, Church Hill, Mississippi) was fined $25,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Denton received $2,250 from a public customer for investment purposes but, instead, misappropriated and converted the funds to his own use. Denton also prepared two false confirmations for another public customer indicating that the customer made a $3,000 investment. In addition, Denton failed to respond to NASD requests for information.

Stephen E. Goodson (Registered Representative, Birmingham, Alabama) was fined $25,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Goodson solicited and received $5,000 from a public customer for investment in a limited partnership. Goodson failed to invest the funds and, instead, misappropriated and converted the monies to his own use and benefit. In addition, he failed to respond to NASD requests for information.

John F. Horton (Registered Principal, Metairie, Louisiana) and **Collins J. Roussel, III (Registered Representative, Kenner, Louisiana)** were each fined $20,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that, on several occasions, Horton purchased shares of common stock for the accounts of public customers without the knowledge or consent of the customers. Horton also failed to respond to NASD requests for information. Furthermore, Roussel failed to supervise the activities of Horton properly.

Charles W. McMakin (Registered Principal, Baton Rouge, Louisiana) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined $10,000 and suspended from association with any member of the NASD in a principal capacity for one week. Without admitting or denying the allegations, McMakin consented to the described sanctions and to the entry of findings that he entered into an agreement with another individual to share commissions for securities transactions. As a result of this agreement, the NASD found that McMakin paid commissions totaling $35,257.52 to this individual who, as an employee of another member and later as an unregistered person, was prohibited from receiving such compensation.

Steven Dale McQueen (Registered Principal, Oklahoma City, Oklahoma) was fined $70,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that McQueen received checks totaling $34,850 and shares of a common stock from public customers with instructions to sell the stock and invest the proceeds of the checks and stock in the purchase of another common stock and bonds. McQueen failed to follow the customers' instructions and, instead, converted the proceeds to his own use and benefit without the knowledge or consent of the customers. Furthermore, McQueen issued false confirmations to the same customers that purported to reflect the purchases they requested, although no such purchases were made. In addition, McQueen failed to respond to NASD requests for information.

Terence Jose Ware (Registered Representative, Oklahoma City, Oklahoma) was fined $20,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that, without the knowledge or consent of a public customer, Ware forged the customer's signature on an application for participation in a fixed annuity program. Ware also failed to respond to NASD requests for information.

IPI Securities, Inc. (Birmingham, Alabama) and **Vincent C. Haydock (Registered Principal, Birmingham, Alabama)** submitted an Offer of Settlement pursuant to which the firm was fined $10,000 and suspended from membership in the NASD for one day. Haydock was suspended from association with any member of the NASD in any capacity for three months. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Haydock, failed to keep current and preserve ledgers or other records reflecting all assets and liabilities.

The NASD also found that the firm, acting through Haydock, engaged in a securities business when its net capital was below the required minimum. Furthermore, the findings stated that IPI, acting through Haydock, failed to immediately give telegraphic notice to the SEC and the NASD concerning the firm's net capital deficiency. In addition, the NASD determined that the firm, acting through Haydock, recorded the firm's net capital on its FOCUS Part I report inaccurately and failed to file its FOCUS Part II report.

Ronald M. Chapoton (Registered Representative, Metairie, Louisiana) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined $5,000 and suspended from association with any member of the NASD in any capacity for one week. Without admitting or denying the allegations, Chapoton consented to the described sanctions and to the entry of findings that he signed the name of a public customer to an application to invest in a tax-exempt fund. In addition, the findings stated that Chapoton failed to amend his Uniform Application for Securities Industry Registration (Form U-4) promptly to disclose that a settlement had been reached with a public customer in connection with a lawsuit filed against him and a member firm.

Dennis Ray Dees (Registered Representative, Zachary, Louisiana) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was suspended from association with any member of the NASD in any capacity for six months. Without admitting or denying the allegations, Dees consented to the described sanctions and to the entry of findings that he exercised discretion in the account of a public customer without obtaining written authorization from the customer and without having his member firm accept the account in writing as a discretionary account.

Frank A. Marra (Registered Principal, Orlando, Florida), Charles R. Kiefner (Registered Principal, Baton Rouge, Louisiana), and **Ricky E. Hartness (Financial and Operations Principal, Atlanta, Georgia)** submitted an Offer of Settlement pursuant to which Marra was suspended from association with any member of the NASD in any principal capacity for one month and required to requalify as a general securities principal. Kiefner was suspended from association with any member of the NASD in any capacity for one business day and required to requalify as a general securities principal, and Hartness was suspended from association with any member of the NASD in any capacity for two weeks.

Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that Marra failed to supervise properly the activities of another individual. The NASD also found that Kiefner and Hartness, acting on behalf of their member firm, failed to establish, maintain, and enforce a supervisory system reasonably designed to ensure that other individuals complied with applicable securities laws and regulations, and with NASD rules.

John T. Murray (Registered Representative, New Orleans, Louisiana) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined $20,000 and barred from association with any member of the NASD in any capacity. Without admitting or denying the allegations, Murray consented to the described sanctions and to the entry of findings that he received from a public customer $10,000 in bearer bonds with instructions to deposit the bonds in the customer's account. The findings stated that, instead, Murray deposited only $5,000 of the bonds in the customer's account and deposited the remaining $5,000 in the account of a second customer without the first customer's knowledge or consent. Furthermore, the NASD determined that Murray then sold the bonds for $5,772.50, remitted $2,000 of the proceeds to the second customer as repayment for a personal loan, and converted the remaining $3,772.50 to his own use.

John L. Schaffler, III (Registered Representative, Memphis, Tennessee) submitted an Offer of Settlement pursuant to which he was fined $5,000, suspended from association with any member of the NASD in any capacity for six months, and required to requalify as a general securities representative. Without admitting or denying the allegations, Schaffler consented to the described sanctions and to the entry of findings that he executed the sale of a customer's government securities fund and used the proceeds to purchase another fund that had similar investment objectives while costing the customer an additional sales charge of $9,876.25.

The NASD also found that Schaffler executed the purchase of shares of a government fund without informing another public customer that such purchase could have been made in the customer's existing government fund account at a reduced sales charge at the breakpoint level under the rights-of-accumulation feature of that fund. Furthermore, the NASD determined that Schaffler made inaccurate statements regarding a sales charge when confirming a purchase with a different public customer. In addition, the findings stated that Schaffler made inaccurate statements that induced six other public customers to purchase shares of an investment company.

Richard A. Sena (Registered Representative, Cincinnati, Ohio) submitted an Offer of Settlement pursuant to which he was suspended from association with any member of the NASD in any capacity for two months and required to requalify by examination as a general securities representative. Without admitting or denying the allegations, Sena consented to the described sanctions and to the entry of findings that he executed certain municipal securities purchase and sale transactions with a member firm at prices that were not reasonably related to the current market price for the securities and constituted a practice commonly known as adjusted trading. Adjusted trading is generally a two-step transaction in which a security is sold at a price above the prevailing market price (usually to conceal a loss) and another security is purchased at a price above the true market value at the time of the purchase to offset the overpayment in the earlier sale transaction.

According to the findings, Sena also caused the falsification of books and records of the firms and customers involved in that the realized losses on such sales were concealed and the new securities purchased were recorded at inflated prices. In addition, the findings stated that Sena caused false and misleading confirmations to be mailed to the firms and customers involved.

Phillip J. Tullis (Registered Representative, Dunwoody, Georgia) was fined $20,000 and barred from association with any member of the NASD in any capacity. The sanctions were imposed by the NASD's Board of Governors following an appeal of a decision by the DBCC for District 5. The sanctions were based on findings that Tullis failed to execute the order of a public customer in a timely manner. He also made improper use of funds and securities of the same customer in that he asked the customer to endorse a $29,181.96 check to him and then deposited the check into his own bank account. In addition, Tullis failed to respond to NASD requests for information.

District 6

David Herbert Malsbury (Registered Representative, San Antonio, Texas) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined $50,000 and barred from association with any member of the NASD in any capacity. Without admitting or denying the allegations, Malsbury consented to the described sanctions and to the entry of findings that, without the knowledge or consent of a public customer, he submitted forged redemption requests to a municipal bond fund and received a total of $39,242.50 from the customer's account. Thereafter, Malsbury converted the proceeds to his own use and benefit, according to the findings.

Greycliffe Securities, Inc. (Dallas, Texas) and **William Ian MacDonald (Registered Principal, Desoto, Texas)** were fined $25,000, jointly and severally. The firm was suspended from membership with the NASD for 60 days, and MacDonald was suspended from association with any member of the NASD in any capacity for 60 days. In addition, the firm's exemption from the requirement of having a financial and operations principal was revoked. The sanctions were based on findings that the firm, acting through MacDonald, effected transactions in securities while failing to maintain its required minimum net capital. The firm, acting through MacDonald, submitted inaccurate assessment reports to the NASD understating assessable income, and it failed to prepare and maintain accurate books and records. In addition, Greycliffe, acting through MacDonald, failed to file FOCUS Part IIA reports in a timely manner and to maintain a fidelity bond.

The respondents did not submit to the NASD written notification of the termination of association of 10 individuals. Greycliffe, acting through MacDonald, also failed to show evidence of supervision of any transactions or acceptance of each new customer. Furthermore, its written supervisory procedures did not designate a supervisor of each office of supervisory jurisdiction, did not assign each registered representative to a supervisor, and did not provide for an annual meeting to discuss compliance matters.

New South Securities, Inc. (Amarillo, Texas) and **Zachary Lee Shultz (Registered Principal, Amarillo, Texas)** submitted an Offer of Settlement pursuant to which the firm and Shultz were fined $10,000, jointly and severally. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that, in connection with the offer and sale of interests in two limited partnerships, New South, acting through Shultz, released investor funds from the escrow accounts and transferred such funds to the general partner before the required number of units were sold. The NASD also found that the firm, acting through Shultz, allowed an individual to act as a direct participation programs principal when he was not so registered or qualified with the NASD. In addition, the findings stated that New South, acting through Shultz, paid a finder's fee of $2,250 to a person who was not registered with the NASD and failed to fingerprint five nonregistered persons properly.

Susan Carol Belanger (Registered Representative, Port Neches, Texas) was fined $50,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Belanger received checks totaling $23,233.03 from public customers for the purchase of mutual fund shares. She failed to invest the funds and, instead, deposited the checks in her own bank account and converted the proceeds to her own use and benefit without the knowledge or consent of the customers.

Joseph Warren Bishop (Registered Representative, Grapevine, Texas) 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, Bishop consented to the described sanctions and to the entry of findings that he failed to honor a $70,000 arbitration award.

Ralph Richard Boerner (Registered Representative, Coppell, Texas) was fined $20,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Boerner failed to respond to an NASD request for information concerning a customer complaint.

Michael Thomas Hesse (Registered Representative, Denton, Texas) and **Ray Edward Johnston (Registered Principal, Carrollton, Texas).** Hesse was fined $20,000, and Johnston was fined $5,000 and suspended from association with any member of the NASD in any capacity for five business days. The sanctions were imposed by the NASD's Board of Governors following an appeal of a decision by the DBCC for District 6.

The sanctions were based on findings that Hesse exercised discretion and control over the accounts of a public customer and effected transactions in these accounts that were excessive in size and frequency. Furthermore, Hesse recommended to the same customer the purchase and sale of securities, including options, without having reasonable grounds for believing that such recommendations were suitable for the customer considering her financial situation, needs, and investment objectives. In addition, Johnston failed to supervise Hesse's activities adequately and properly.

Ray Edward Johnston (Registered Principal, Carrollton, Texas) was fined $20,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Johnston failed to respond to an NASD request for information concerning a customer complaint.

William Joseph Ladwig (Registered Representative, Stephenville, Texas) was fined $20,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Ladwig failed to respond to an NASD request for information concerning a customer complaint.

John Michael Sorensen (Registered Principal, Houston, Texas) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined $50,000 and barred from association with any member of the NASD in any capacity. Without admitting or denying the allegations, Sorensen consented to the described sanctions and to the entry of findings that he received funds totaling $313,664.56 from public customers, deposited the monies into a checking account under his control, and converted the funds to his own use and benefit.

Dennis Michael Williams (Registered Principal, Laguna Hills, California) was fined $20,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Williams failed to respond to NASD requests for information concerning his termination from a member firm.

Robert Arthur Wilson (Registered Representative, South Hampton, New York) submitted an Offer of Settlement pursuant to which he was fined $1,000 and suspended from association with any member of the NASD in any capacity for two weeks. Without admitting or denying the allegations, Wilson consented to the described sanctions and to the entry of findings that he participated in private securities transactions without providing prior written notice to his member firm.

District 7

Easter Kramer Group Securities, Inc. (Boca Raton, Florida) and Angelo Cosino DaBiero (Registered Representative, Hobe Sound, Florida) were each fined $25,000. The firm was expelled from membership in the NASD, and DaBiero was barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Easter Kramer and DaBiero failed to honor a $2,552 arbitration award.

Graystone Nash, Inc. (Bloomfield, New Jersey), Dennis Michael Williams (Registered Representative, Laguna Hills, California), and **Sean M. Boyle (Registered Representative, Boca Raton, Florida)** were fined $25,000, jointly and severally. The firm was expelled from membership in the NASD, and Williams and Boyle were barred from association with any member of the NASD in any capacity. The sanctions were based on findings that they failed to honor a $25,800.16 arbitration award.

John Eugene Bucholz (Registered Representative, Atlanta, Georgia) was fined $50,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Bucholz solicited a public customer and accepted a $10,000 check from the customer for the purpose of loaning the proceeds to his member firm. Bucholz guaranteed the return of the funds plus interest but failed to repay the customer. In addition, Bucholz sold and purchased bonds for the account of the same public customer without the knowledge or consent of the customer.

Terry R. Donnelly (Registered Representative, Alpharetta, Georgia) was fined $25,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Donnelly effected or caused to be effected the purchase of shares of a common stock in the joint account of two public customers without the knowledge or consent of the customers. He also failed to respond to NASD requests for information.

Robert P. Gordon (Registered Representative, St. Petersburg, Florida) submitted an Offer of Settlement pursuant to which he was fined $500 and suspended from association with any member of the NASD in any capacity for six months. Without admitting or denying the allegations, Gordon consented to the described sanctions and to the entry of findings that he failed to respond to NASD requests for information concerning a customer complaint.

Thomas Bruno Haider (Registered Representative, New Port Richey, Florida) was fined $20,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Haider accepted checks totaling $3,761 from two public customers for investment purposes. He failed to make such investments and, instead, deposited the funds in his personal bank account and applied the proceeds to his own use and benefit. Haider also failed to respond to NASD requests for information.

Stephen Howard Larkin (Registered Representative, Yukon, Oklahoma) was barred from association with any member of the NASD in any capacity. The sanction was based on findings that Larkin failed to honor a $1,189.50 arbitration award.

Richard Stanley Markey (Registered Representative, Avon, Connecticut) was barred from association with any member of the NASD in any capacity. The sanction was based on findings that Markey received from a public customer a $5,000 check intended for the purchase of a common stock but, instead, converted the funds to his own use and benefit.

Stanford Harvey Marks (Registered Representative, N. Miami Beach, Florida) was fined $2,500 and suspended from association with any member of the NASD in any capacity for 10 business days. The sanctions were based on findings that Marks recommended that a public customer sell uncovered put options without having reasonable grounds for believing that such recommendation was suitable for the customer based on the customer's other security holdings, investment objectives, and financial situation and needs.

Jeffrey B. Morrison (Registered Representative, Atlanta, Georgia) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined $5,000 and suspended from association with any member of the NASD in any capacity for 10 days. Without admitting or denying the allegations, Morrison consented to the described sanctions and to the entry of findings that he established a securities account with his member firm in his wife's maiden name. According to the findings, he effected securities transactions in this account that were at his direction and to his own benefit without advising his member firm that he was the beneficial owner of the account. In addition, the NASD found that Morrison effected 19 purchase transactions in this account and failed to remit payment to his member firm as required by Regulation T of the Federal Reserve Board.

Brent Alan Peterson (Registered Principal, Boca Raton, Florida) was fined $8,746.25 and barred from association with any member of the NASD as a general securities principal. The sanctions were based on findings that Peterson, acting on behalf of a member firm, effected with public customers as principal purchases and sales of corporate securities at prices that were unfair.

Rakif Ronald Plotkin (Registered Representative, Palm Harbor, Florida) was fined $50,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Plotkin effected or caused to be effected the purchase of shares of a common stock in the account of a public customer without the knowledge or consent of the customer.

Glendall D. Verner (Registered Representative, Brentwood, Tennessee) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined $5,000 and suspended from association with any member of the NASD in any capacity for five business days. Without admitting or denying the allegations, Verner consented to the described sanctions and to the entry of findings that he engaged in private securities transactions without providing prior written notice to his member firm.

Mark Alan Rizzie (Registered Representative, Clearwater, Florida) was fined $20,000, ordered to pay $21,237.25 in restitution to customers, directed to submit proof of restitution, and required to requalify by examination as a general securities representative. The sanctions were based on findings that Rizzie made misrepresentations to public customers and omitted material facts to induce the customers to purchase and retain shares of a common stock.

Parker Jameson, Inc. (Boca Raton, Florida) and **Mark Salvatore Creamer (Registered Principal, Delray Beach, Florida)** were fined $50,000, jointly and severally. The firm was expelled from membership in the NASD, and Creamer was barred from association with any member of the NASD in any capacity. The sanctions were based on findings that the firm, acting through Creamer, effected as principal sales of over-the-counter corporate securities to public customers at prices that were not fair. In addition, the firm, acting through Creamer, failed to record information on several customer new-account records.

Thomas Larry Martin (Registered Representative, St. Petersburg, Florida) was fined $5,000 and suspended from association with any member of the NASD in any capacity for six months. The sanctions were imposed by the NASD's Board of Governors following an appeal of a decision by the DBCC for District 7. The sanctions were based on findings that Martin induced a public customer to transfer securities and monies from the customer's account at another member firm to his current employer by means of false and misleading representations.

Franklin Lloyd Stiles (Registered Principal, Tampa, Florida), Neal Sherman Allen (Registered Principal, Tampa, Florida), David Paul Schrader (Registered Representative, New Port Richey, Florida), Charles P. Davis, Jr. (Registered Representative, Hudson, Florida), and **Peter K. Lloyd (Registered Representative, Odessa, Florida).** Stiles, Allen, and Lloyd were each fined $10,000, barred from association with any member of the NASD in a principal or supervisory capacity, and suspended from association with any member of the NASD in any capacity for 20 days. Schrader and Davis were each fined $5,000 and suspended from association with any member of the NASD in any capacity for 10 days. The sanctions were imposed by the NASD's Board of Governors following an appeal of a decision by the DBCC for District 7.

The sanctions were based on findings that Stiles, Allen, and Lloyd sold securities to public customers in private securities transactions without providing their member firm with prior written notice. In addition, Stiles, Allen, Lloyd, Schrader, and Davis made recommendations to public customers regarding the purchase of securities without having reasonable grounds for believing that such recommendations were suitable based on the customers' other securities holdings and their financial situations and needs.

Lloyd has appealed this action to the SEC, and the sanctions regarding him, other than the bar, are not in effect pending consideration of the appeal.

District 8

George H. Weitzel (Registered Principal, Dubuque, Iowa) was fined $10,000 and required to requalify by examination as a general securities principal. The sanctions were imposed by the NASD's Board of Governors following an appeal of a decision by the DBCC for District 8. The sanctions were based on findings that Weitzel engaged in a pattern of activity and/or a course of conduct and sales efforts that violated the responsibility of fair dealing with customers in that the financial and other interests of his member firm were placed ahead of the interests of the customers. Furthermore, Weitzel solicited customers to sell one security and purchase another (also referred to as investment switches) when there was no substantial difference in investment risks, investment objectives, and other factors between the security sold and purchased.

Steven M. Samblis (Registered Representative, Cocoa, Florida) and Donald G. Asquith (Registered Principal, Williamston, Michigan). Samblis was fined $10,000, suspended from association with any member of the NASD in any capacity for five business days, and required to requalify by examination as a general securities representative. Asquith was also fined $10,000 and must requalify by examination as a general securities principal and an options principal. The sanctions were imposed by the NASD's Board of Governors following an appeal of a decision by the DBCC for District 8.

The sanctions were based on findings that Samblis prepared and mailed to three public customers form letters, accompanied by a written description of an intended option investment strategy for the customers, that were incomplete and misleading as to the risks involved. Samblis also effected 11 unauthorized transactions and made unsuitable options recommendations in a customer's account. Asquith failed to supervise Samblis' activities properly and failed to establish, maintain, and enforce written supervisory procedures that addressed options activities and the review and approval of sales literature. Furthermore, Asquith failed to abide by a restrictive agreement in that he engaged in options activities without obtaining the approval of the NASD.

Richard F. Schweig (Registered Representative, Wheaton, Illinois) submitted an Offer of Settlement pursuant to which he was suspended from association with any member of the NASD in any capacity for three years. Without admitting or denying the allegations, Schweig consented to the described sanctions and to the entry of findings that he exercised discretion in the options accounts of public customers without obtaining prior written discretionary trading authority from the customers and without the approval of the appropriate principal of his member firm. According to the findings, Schweig also recommended and effected options transactions in the account of a public customer without having a reasonable basis for believing such recommendations were suitable for the customer. The findings also stated that Schweig exceeded oral authorization given him by the same customer in that he purchased, without the customer's knowledge or consent, options in excess of the limitation set by the customer.

Michael G. Dunham (Registered Representative, Lake Bluff, Illinois) was fined $4,000 and barred from association with any member of the NASD in any capacity. The sanctions were imposed by the NASD's Board of Governors following an appeal of a decision by the DBCC for District 8. The sanctions were based on findings that Dunham executed a promissory note by which he guaranteed a public customer against certain losses in the customer's securities account. He also recommended and effected securities transactions in the same customer's account without having reasonable grounds for believing such recommendations were suitable, considering the customer's financial situation and investment objectives. In addition, Dunham failed to respond to NASD requests for information.

Kevin C. Cole (Registered Representative, Dahinda, Illinois) was fined $25,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Cole accepted from public customers two checks totaling $20,000 for investment purposes and sold securities to these customers by means of deceptive and fraudulent practices. Cole failed to disclose to these customers material facts concerning the true nature of the investments and the risks involved. He also failed to disclose that the funds would be deposited in an account that he owned or had a beneficial interest in, that the funds would be used to pay interest to customers, and that the investments were not being made through his member firm. Moreover, Cole engaged in the sale of the aforementioned securities without providing prior written notice to his member firm, and he failed to respond to NASD requests for information.

Financial America Securities, Inc. (Cleveland, Ohio) and John Rukenbrod (Registered Principal, Bay Village, Ohio) submitted a Letter of Acceptance, Waiver and Consent pursuant to which the firm and Rukenbrod were fined $20,000, jointly and severally, and the firm was required to develop and submit new supervisory procedures. In addition, Rukenbrod was suspended from association with any member of the NASD as a general securities principal for five business days. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that Financial America and Rukenbrod failed to establish, maintain, and enforce written procedures that would have enabled the firm to supervise the activities of its associated persons.

Donald G. Asquith (Registered Principal, Williamston, Michigan) was fined $75,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Asquith, acting on behalf of a member firm, effected securities transactions while failing to maintain its minimum required net capital, filed inaccurate FOCUS Parts I and IIA reports, and failed to prepare and maintain accurate net capital computations. Asquith, acting on behalf of a member firm, also failed to prepare accurate books and records, to transmit promptly customer funds held in his member firm's bank account, and to abide by the terms of a restrictive agreement with the NASD. Moreover, Asquith, acting on behalf of a member firm, violated SEC Rule 15c2-4 in that he failed to deposit funds received from a contingent offering into a separate escrow account. In connection with the same offering, he failed to disclose certain contingencies in the offering memorandum. Asquith also failed to respond to NASD requests for information.

James R. Bishop (Registered Representative, Delaware, Ohio) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined $31,719.38 and barred from association with any member of the NASD in any capacity. Without admitting or denying the allegations, Bishop consented to the described sanctions and to the entry of findings that he misappropriated and converted to his own use and benefit customer funds totaling $6,719.38. In addition, the findings stated that Bishop failed to respond to NASD requests for information.

William K. Collings (Registered Representative, Georgetown, Indiana) was fined $56,000 and suspended from association with any member of the NASD in any capacity for 30 days. The sanctions were based on findings that Collings effected transactions in mutual funds, common stock, and options in the account of a public customer without having reasonable grounds for believing that such transactions were suitable for her, considering the customer's investment objectives and financial situation.

Gwen Michelle Hendershot (Registered Representative, Columbus, Ohio) was fined $25,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Hendershot recommended and induced a public customer to purchase securities by means of misrepresentation of material facts. In addition, Hendershot purchased and sold mutual funds in the accounts of public customers without the knowledge or consent of the customers. Hendershot also failed to respond to NASD requests for information.

Harold F. Miller (Registered Representative, Blacklick, Ohio) was fined $10,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Miller failed to respond to NASD requests for information concerning his termination from a member firm.

William J. Fogler (Registered Representative, Copley, Ohio) 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, Fogler consented to the described sanctions and to the entry of findings that, on two occasions, he purchased life insurance policies for public customers without the authorization of the customers. The NASD found that these purchases were paid for by means of unauthorized loans against other insurance policies owned by the same customers.

James D. Panagiotis (Registered Representative, Oak Lawn, Illinois) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined $25,000 and barred from association with any member of the NASD in any capacity. Without admitting or denying the allegations, Panagiotis consented to the described sanctions and to the entry of findings that he accepted $3,000 in cash from an insurance customer with instructions to use the funds for a premium payment. The findings stated that he failed to follow the customer's instructions and, instead, gave the funds to another person.

Bruce Alan Price (Registered Representative, Marion, Ohio) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined $20,000 and barred from association with any member of the NASD in any capacity. Without admitting or denying the allegations, Price consented to the described sanctions and to the entry of findings that he misappropriated and converted to his own use insurance premiums totaling $823.52 received from his insurance customers.

Edward R. Sikora (Registered Representative, Glendale Heights, Illinois) was fined $30,000 and barred from association with any member of the NASD in any capacity. The sanctions were imposed by the NASD's Board of Governors following an appeal of a decision by the DBCC for District 8. The sanctions were based on findings that Sikora received two checks totaling $4,791.90 from an insurance customer for payment on a life insurance policy. He failed to follow the customer's instructions and used the funds for his personal benefit. Sikora also failed to respond to NASD requests for information.

Diane L. Thorpe (Registered Representative, Lansing, Michigan) submitted an Offer of Settlement pursuant to which she was fined $10,000 and barred from association with any member of the NASD in any capacity. Without admitting or denying the allegations, Thorpe consented to the described sanctions and to the entry of findings that she engaged in private securities transactions with public customers without providing prior written notice to her member firm. Thorpe also failed to respond to NASD requests for information.

Neal Van Schouwen (Registered Principal, Schererville, Indiana) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined $2,500 and suspended from association with any member of the NASD in any capacity for six months. Without admitting or denying the allegations, Van Schouwen consented to the described sanctions and to the entry of findings that, in connection with three limited partnership offerings, a former member firm, acting through Van Schouwen, failed to comply with SEC Rule 15c2-4. The findings stated that, by releasing and using monies received from subscribers before the contingencies in the offerings were met, he failed to properly safeguard investors' funds.

William W. Whitmore (Registered Representative, Wilmette, Illinois) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined $10,000, suspended from association with any member of the NASD in any capacity for 15 business days, and required to requalify by examination as a registered representative. Without admitting or denying the allegations, Whitmore consented to the described sanctions and to the entry of findings that he purchased, or caused to be purchased, shares of stock for the accounts of 31 public customers without the knowledge or consent of the customers and in the absence of written or oral authorization from the customers to exercise discretion in the accounts. Furthermore, the findings stated that he caused shares of stock to be transferred from seven of these accounts to seven other accounts without the knowledge or consent of the customers.

District 9

Richard L. Pack (Registered Representative, Charlotte, North Carolina) was fined $25,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Pack received a check for $5,000 with instructions to deposit the funds into a customer's securities account. Pack failed to deposit the monies as instructed and, instead, converted the funds to his own use and benefit.

Kevin J. Allis (Registered Representative, Baltimore, Maryland) was fined $75,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Allis received eight checks totaling $30,300 issued by his member firm to several of its customers but diverted these funds to his own use and benefit.

Aubrey L. Childress (Registered Representative, Richmond, Virginia) was fined $25,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Childress received four checks totaling $2,599.66 from an insurance customer and used $2,399.66 of these funds for his own benefit. Childress also failed to respond to NASD requests for information.

William T. Daigle (Registered Representative, Bear Creek, North Carolina) was fined $25,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Daigle received $6,000 from a public customer for the purchase of mutual fund shares but, instead, converted the funds to his own use and benefit.

Linda L. Doviak (Registered Representative, Jonestown, Pennsylvania) submitted an Offer of Settlement pursuant to which she was fined $100,000 and barred from association with any member of the NASD in any capacity. Without admitting or denying the allegations, Doviak consented to the described sanctions and to the entry of findings that, without the prior authorization or consent of insurance customers, she forged their endorsements on checks totaling $64,291.57, negotiated the checks, and converted the funds to her own use and benefit.

William R. Heffelfinger (Registered Representative, Nesquehoning, Pennsylvania) 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, Heffelfinger consented to the described sanctions and to the entry of findings that he received a total of $1,761.30 in cash premiums from insurance customers, failed to remit these premiums to his member firm, and, instead, converted the funds to his own use and benefit.

Melissa Gale Leiner (Registered Representative, Washington, D.C.) was barred from association with any member of the NASD in any capacity. The sanction was based on findings that Leiner effected a number of unauthorized mutual fund transactions that were excessive in size in the accounts of public customers. Also, Leiner forged customer signatures on a letter to her member firm that falsely stated the customers were aware of sales charges assessed against their joint mutual fund account in connection with the unauthorized transactions.

William A. McBride, Jr. (Registered Representative, Virginia Beach, Virginia) was fined $75,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that McBride received from a public customer three checks totaling $39,220 intended to be deposited into the customer's securities account. In addition, he received a $10,500 check from his member firm issued to the same customer that was to be delivered to the customer. Instead, McBride converted all four checks, totaling $49,720, to his own use and benefit.

Warren McNeill (Registered Representative, North Wales, Pennsylvania) submitted an Offer of Settlement pursuant to which he was fined $30,000 and barred from association with any member of the NASD in any capacity. Without admitting or denying the allegations, McNeill consented to the described sanctions and to the entry of findings that he received funds totaling $2,144 from two customers in connection with applications for automobile-insurance policies. He failed to remit the funds as premium payments and, instead, deposited $1,070 into his own bank account and retained the remaining funds. McNeill also failed to respond to NASD requests for information.

Frederick A. Mitchell (Registered Representative, Johnstown, Pennsylvania) was fined $30,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Mitchell received from a public customer funds totaling $7,500 intended for investment purposes and converted the funds to his own use and benefit.

Leonard D. Neuhaus, Jr. (Registered Representative, Quakertown, Pennsylvania) was fined $10,000 and suspended from association with any member of the NASD in any capacity for three months. The sanctions were based on findings that Neuhaus executed written statements to public customers guaranteeing them against losses resulting from the purchase of common stock.

Philip Silberberg (Registered Representative, Pikesville, Maryland) and **Robert Astri (Registered Principal, Greenbelt, Maryland).** Silberberg was fined $240,000 and barred from association with any member of the NASD in any capacity. The sanctions against Silberberg were based on findings by the DBCC for District 9. Astri submitted an Offer of Settlement pursuant to which he was barred from association with any member of the NASD in any capacity. Without admitting or denying the allegations, Astri consented to the described sanctions and to the entry of findings.

The NASD found that the respondents engaged in excessive trading in the discretionary accounts of 38 public customers. In addition, the NASD determined that Silberberg and Astri recommended to customers the purchase of securities without having reasonable grounds for believing that such transactions were suitable considering the customers' financial situations and investment needs.

The findings stated that Astri failed to establish, maintain, and enforce written supervisory procedures that would have enabled him to supervise the activities of Silberberg reasonably. Astri also overstated the amount of equity in the accounts of public customers, according to the findings. Furthermore, Silberberg failed to respond to NASD requests for information.

Paul V. Anderson (Registered Representative, Pittsburgh, Pennsylvania) was barred from association with any member of the NASD as a registered principal. The sanction was imposed by the NASD's Board of Governors following an appeal of a decision by the DBCC for District 9. The sanction was based on findings that a former member firm, acting through Anderson, effected securities transactions while failing to maintain its minimum required net capital and failed to give telegraphic notice of the net capital deficiencies to the NASD or the SEC. In addition, the firm, acting through Anderson, purchased Treasury obligations totaling $8 million that reduced the firm's net capital to a deficit.

John J. Connolly (Registered Representative, Monmouth Junction, New Jersey) was fined $83,206.04 and barred from association with any member of the NASD in any capacity. The sanctions were imposed by the NASD's Board of Governors following an appeal of a decision by the DBCC for District 9. The sanctions were based on findings that, in contravention of Regulation T of the Federal Reserve Board, Connolly maintained a personal securities account with a member firm and failed to pay for securities purchased in the account on a timely basis. In addition, Connolly established a securities account under a fictitious name and effected transactions by means of "free-riding" in that he bought and sold securities without paying for them and thereby failed to conform to the payment and credit restrictions of Regulation T. Furthermore, Connolly established a securities account with a member firm for his wife without disclosing her relationship to him on the new-account form.

District 10

Gary Vernick (Registered Representative, Merion, Pennsylvania) was fined $20,000 and barred from association with any member of the NASD in any capacity. The sanctions were imposed by the NASD's Board of Governors following an appeal of a decision by the DBCC for District 10. The sanctions were based on findings that Vernick effected transactions in the account of a public customer without the knowledge or consent of the customer. He also failed to respond to NASD requests for information.

Paul Gallerani (Registered Representative, London, England) was fined $30,000, suspended from association with any member of the NASD in any capacity for 18 months (retroactive to his date of dismissal from his former member firm), and required to requalify by examination. The sanctions were imposed by the NASD's Board of Governors following an appeal of a decision by the DBCC for District 10. The sanctions were based on findings that Gallerani opened a personal securities account at a bank without notifying his member firm. In addition, Gallerani engaged in private securities transactions without providing written notice to his member firm.

Robert Francis Catoggio (Registered Representative, Staten Island, New York) submitted an Offer of Settlement pursuant to which he was fined $10,000 and suspended from association with any member of the NASD in any capacity for 30 business days. Without admitting or denying the allegations, Catoggio consented to the described sanctions and to the entry of findings that he effected 11 unauthorized transactions in the accounts of public customers. In addition, Catoggio sent a personal check for $375 to a customer to repay the customer for losses resulting from one of the unauthorized transactions.

Albert V. Celente (Registered Representative, Lake Hiawatha, New Jersey) submitted an Offer of Settlement pursuant to which he was fined $5,000 and suspended from association with any member of the NASD in any capacity for 15 business days. Without admitting or denying the allegations, Celente consented to the described sanctions and to the entry of findings that he recommended, for the joint account of public customers, certain purchase transactions without having reasonable grounds for believing these transactions were suitable for the customers considering their other securities holdings and financial situations and needs. In addition, Celente opened a securities account for the same public customers, who were residents of Delaware, and entered a Pennsylvania address for the customers on the new-account documentation, the findings stated. Neither Celente nor his member firm were approved to conduct a securities business in the state of Delaware.

Prudential-Bache Securities Inc. (New York, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which the firm was fined $30,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that, in connection with municipal and corporate underwritings, Prudential-Bache failed to effect final settlement with the syndicate within the specific period of time following the date securities were delivered to the syndicate members and/or following the syndicate settlement date.

Robert Fiorese (Registered Representative, Jersey City, New Jersey) was fined $35,500 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Fiorese executed the purchase of shares of common stock in the accounts of public customers without the authorization, knowledge, or consent of the customers. He also failed to respond to NASD requests for information.

Terry Fiorillo (Registered Representative, Hoboken, New Jersey) was fined $13,500 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Fiorillo caused securities to be purchased for the account of a public customer without the customer's consent. The NASD also found that Fiorillo refused to execute an order to sell securities for the same customer. In addition, Fiorillo failed to respond to NASD requests for information.

John Robert Herm (Registered Representative, Westtown, New York) was fined $50,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Herm received a $10,000 cashier's check from a public customer for the purchase of shares in a mutual fund. Herm failed to purchase the shares and, instead, converted the proceeds of the check to his own use and benefit. In addition, Herm failed to respond to NASD requests for information.

Peter William Janssen (Registered Representative, Flushing, New York) and **Lorraine Heinz Janssen (Registered Representative, Flushing, New York)** submitted an Offer of Settlement pursuant to which they were fined $40,000, jointly and severally. Peter Janssen was suspended from association with any member of the NASD in any capacity for 30 business days, and Lorraine Janssen was suspended from association with any member of the NASD in any capacity for 120 business days.

Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that, in contravention of the Board of Governors' Free-Riding and Withholding Interpretation, Peter Janssen sold shares of six new issues that traded at a premium in the immediate aftermarket to the restricted account of his wife, Lorraine Janssen. The NASD also found that Peter Janssen falsified information on a new account form for his wife in order to conceal such misconduct from his member firm. In addition, the NASD's findings stated that Lorraine Janssen violated the Free-Riding and Withholding Interpretation by purchasing shares of new issues in a restricted account at a member firm with which she was associated.

Steven Jenkins (Registered Representative, Brooklyn, New York) was fined $20,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Jenkins failed to respond to NASD requests for information concerning his termination from a member firm.

David L. Marion (Registered Representative, St. Paul, Minnesota) submitted an Offer of Settlement pursuant to which he was fined $2,500 and barred from association with any member of the NASD in any capacity. Without admitting or denying the allegations, Marion consented to the described sanctions and to the entry of findings that he executed transactions in the accounts of public customers without the authorization, knowledge, or consent of the customers.

Khalid Syed Wasti (Registered Representative, Rockville Centre, New York) was fined $30,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Wasti solicited a public customer to purchase securities and guaranteed the purchase against loss. Wasti also failed to respond to NASD requests for information.

Paragon Capital Corporation (New York, New York) and **George Bernard Levine (Registered Principal, North Miami Beach, Florida)** submitted a Letter of Acceptance, Waiver and Consent pursuant to which they were fined $20,000, jointly and severally. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that, in contravention of the Board of Governors' Free-Riding and Withholding Interpretation, the firm, acting through Levine, sold to restricted accounts shares of two new issues that traded at a premium in the immediate aftermarket. The findings also stated that the firm, acting through Levine, failed to make, prior to the execution of the transactions, an affirmative inquiry about the identities of the ultimate purchasers and the names and/or business connections of all persons having any beneficial interest in the accounts.

Furthermore, the NASD determined that the firm, acting through Levine, caused the filing of inaccurate Free-Riding and Withholding Questionnaires. In addition, the findings stated that Paragon, acting through Levine, failed to establish and implement supervisory procedures to ensure compliance with the Board of Governors' Free-Riding and Withholding Interpretation.

Parliament Hill Capital Corp. (New York, New York) and **Eugene Duchin (Registered Principal, Livingston, New Jersey)** submitted a Letter of Acceptance, Waiver and Consent pursuant to which they were fined $11,500, jointly and severally. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that, in contravention of the Board of Governors' Free-Riding and Withholding Interpretation, the firm, acting through Duchin, sold to restricted accounts shares of two new issues that traded at a premium in the immediate aftermarket.

The findings also stated that the firm, acting through Duchin, failed to deposit subscriber funds promptly into a separate bank account in connection with two contingent private-placement offerings. In addition, the NASD found that Parliament, acting through Duchin, in connection with another private-placement offering, failed to transmit subscriber funds totaling $175,000 to the entitled parties promptly.

Bernadette Anderson (Registered Representative, Ulster Park, New York) was fined $22,500 and barred from association with any member of the NASD in any capacity. The sanctions were imposed by the NASD's Board of Governors following an appeal of a decision by the DBCC for District 10. The sanctions were based on findings that Anderson opened an account in the name of a public customer and purchased shares of stock for the account without the prior knowledge or consent of the customer. Anderson also recommended and purchased securities for the same customer's account without having reasonable grounds for believing that such transaction was suitable for the customer based on his other securities holdings, financial situation, and needs. In addition, Anderson failed to respond to NASD requests for information.

Dennis Pedings (Registered Representative, New Stanton, Pennsylvania) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined $24,000 and barred from association with any member of the NASD in any capacity. Without admitting or denying the allegations, Pedings consented to the described sanctions and to the entry of findings that he received funds totaling $27,000 from a public customer to pay the premium on the customer's insurance policy. The findings stated that, instead, Pedings converted $4,000 of the funds to his own use without the knowledge or consent of the customer.

David Scott Sachs (Registered Representative, Fort Lee, New Jersey) was fined $30,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Sachs executed an unauthorized purchase transaction in the account of a public customer. Sachs also failed to respond to NASD requests for information.

Charles J. Sullivan (Registered Principal, Greenlawn, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined $7,500 and suspended from association with any member of the NASD in any capacity for 10 business days. Without admitting or denying the allegations, Sullivan consented to the described sanctions and to the entry of findings that, while acting on behalf of a former member firm, he conducted a securities business and failed to maintain the firm's required minimum net capital. The findings also stated that Sullivan, acting on behalf of the firm, failed to make the required monthly Reserve Formula Computation after receiving customer funds, and failed to make the required deposit and to maintain the required balance in the Special Reserve Bank Account for Exclusive Benefit of Customers.

In addition, the NASD determined that Sullivan, acting on behalf of the firm, failed to abide by the firm's restriction agreement when it exceeded the number of issues in which it could make a market. Furthermore, according to the findings, Sullivan, acting on behalf of the firm, failed to supervise properly the firm's financial and operational activities.

District 11

Anthony J. Castaldo (Registered Representative, Yardley, Pennsylvania) was barred from association with any member of the NASD in any capacity. The sanction was imposed by the NASD's Board of Governors following an appeal of a decision by the DBCC for District 9. The sanction was based on findings that, without the knowledge or consent of the customers, Castaldo endorsed, negotiated, and converted to his own use and benefit checks issued to insurance customers.

William E. Stead (Registered Representative, Syracuse, New York) was fined $10,000, suspended from association with any member of the NASD in any capacity for 30 days, and required to requalify by examination. The sanctions were imposed by the NASD's Board of Governors on review of a decision by the DBCC for District 11. The sanctions were based on findings that Stead effected purchase and sale transactions for the accounts of public customers without the authorization, knowledge, or consent of the public customers. In addition, Stead failed to respond to NASD requests for information.

Gary P. Zemanek (Registered Representative, South Windsor, Connecticut), John F. Witek (Registered Representative, Tolland, Connecticut), Donald L. Brooks (Registered Representative, South Windsor, Connecticut), and **Wayne F. Ruocco (Registered Representative, South Windsor, Connecticut)** submitted an Offer of Settlement pursuant to which Zemanek, Witek, and Ruocco were each fined $5,000 and barred from association with any member of the NASD in any capacity. Brooks was fined $25,000 and barred from association with any member of the NASD in any capacity. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that they engaged in private securities transactions outside the regular course or scope of their association with a member firm.

Charles H. Howard, III (Registered Representative, Londonderry, New Hampshire) submitted an Offer of Settlement pursuant to which he was fined $30,000 and suspended from association with any member of the NASD in any capacity for 10 days. Without admitting or denying the allegations, Howard consented to the described sanctions and to the entry of findings that, in contravention of the Board of Governors' Free-Riding and Withholding Interpretation, he sold shares of four new issues that traded at a premium in the immediate aftermarket to restricted accounts.

Dean Witter Reynolds Inc. (Boston, Massachusetts) submitted a Letter of Acceptance, Waiver and Consent pursuant to which the firm was fined $70,000. Without admitting or denying the allegations, Dean Witter consented to the described sanction and to the entry of findings that, in contravention of the Board of Governors' Free-Riding and Withholding Interpretation, the firm failed to make a bona fide public distribution of a common stock at the public offering price in that a portion of the shares allocated to the firm for distribution was placed in a branch office's error account and subsequently was sold in the secondary market.

Joseph H. King, Jr. (Registered Principal, Cazenovia, New York) was fined $2,500, jointly and severally with a member firm, and suspended from association with any member of the NASD in any capacity for six months. The sanctions were imposed by the NASD's Board of Governors following an appeal of a decision by the DBCC for District 11. The sanctions were based on findings that King and a member firm failed to respond to an NASD request for information concerning the firm's termination from membership with the NASD.

Peter David Kozlowski (Registered Representative, Dover, Massachusetts) was fined $15,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Kozlowski executed numerous transactions in municipal securities between accounts in which he had an interest and in customer accounts at prices that were unfair and unreasonable in relation to the prevailing market price for the securities.

Elizabeth Longo (Registered Representative, Bridgeport, Connecticut) was fined $25,000 and barred from association with any member of the NASD in any capacity. The sanctions were imposed by the NASD's Board of Governors following an appeal of a decision by the DBCC for District 11. The sanctions were based on findings that Longo misappropriated customer funds in that she forged the endorsements of six public customers on checks totaling $4,700 and converted the proceeds to her own use without the knowledge or consent of the customers.

Timothy J. O'Neill (Registered Representative, Buffalo, New York) submitted an Offer of Settlement pursuant to which he was fined $3,000, suspended from association with any member of the NASD in any capacity for one year, and required to requalify by examination. Without admitting or denying the allegations, O'Neill consented to the described sanctions and to the entry of findings that, while taking the Series 63 examination, he had in his possession handwritten notes pertaining to the subject matter of the examination.

Donald R. Seekins (Registered Representative, Compton, New Hampshire) was fined $20,000 and barred from association with any member of the NASD in any capacity. The sanctions were imposed by the NASD's Board of Governors following an appeal of a decision by the DBCC for District 11. The sanctions were based on findings that Seekins failed to respond to NASD requests for information concerning his termination from a member firm.

Joseph L. Varszegi (Registered Representative, Glastonbury, Connecticut) and **Timothy H. Masley (Registered Representative, Manchester, Connecticut)** submitted an Offer of Settlement pursuant to which Varszegi was fined $25,000 and suspended from association with any member of the NASD in any capacity for two years. Masley was fined $20,000 and suspended from association with any member of the NASD in any capacity for two years. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that, in contravention of the Board of Governors' Free-Riding and Withholding Interpretation, Varszegi and Masley purchased shares of new issues that traded at a premium in the immediate after-market.