

# Notice To Members

National Association of Securities Dealers, Inc.

July 1990

**Number 90 - 48**

**Suggested Routing:\***

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

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

**Subject: NASDAQ National Market System (NASDAQ/NMS) Additions, Changes, and Deletions As of June 14, 1990**

As of June 14, 1990, the following 30 issues joined NASDAQ/NMS, bringing the total number of issues to 2,647:

Symbol	Company	Entry Date	SOES Execution Level
IWSI	Integrated Waste Services, Inc.	5/14/90	1000
BART	Barton Industries, Inc.	5/15/90	1000
CYNR	Canyon Resources Corporation	5/15/90	1000
LWNGF	Loewen Group Inc. (The)	5/15/90	500
MAMS	Mid Atlantic Medical Services, Inc.	5/15/90	1000
MFRI	Midwesco Filter Resources, Inc.	5/15/90	1000
CHOS	Columbia Hospital Corporation	5/17/90	1000
GBSI	Gwinnett Bancshares, Inc.	5/17/90	500
MAWS	Mid-American Waste Systems, Inc.	5/18/90	1000
PENV	Pinnacle Environmental, Inc.	5/18/90	1000
HINF	HealthInfusion, Inc.	5/23/90	1000
JAVA	Mr. Coffee, inc.	5/31/90	1000
PFBC	Pioneer Fed BanCorp, Inc.	6/4/90	1000
BRINV	Broadcast International, Inc. (WI)	6/5/90	1000
DRRC	Doctors Rehabilitation Corporation of America	6/5/90	1000
FBTC	FB&T Corporation	6/5/90	200
FLCP	Falcon Products, Inc.	6/5/90	500
FLER	Fleer Corporation	6/5/90	1000
GNSA	Gensia Pharmaceuticals, Inc.	6/5/90	1000
KSWS	K-Swiss Inc. (CI A)	6/5/90	500
KOIL	Kelley Oil Corporation	6/5/90	500
SHOE	Millfeld Trading Co., Inc.	6/5/90	1000
SECD	Second Bancorp, Incorporated	6/5/90	200

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<b>Symbol</b>	<b>Company</b>	<b>Entry Date</b>	<b>SOES Execution Level</b>
BEAM	Summit Technology, Inc.	6/5/90	1000
TWIN	Twin Star Productions, Inc.	6/5/90	1000
WCHI	Workingmens Capital Holdings, Inc.	6/7/90	500
DGTL	Digital Systems International, Inc.	6/8/90	500
NSCC	NSC Corporation	6/12/90	1000
XLNX	Xilinx, Inc.	6/12/90	1000
ECCB	Ellwood Federal Savings Bank	6/13/90	500

**NASDAQ/NMS Symbol and/or Name Changes**

The following changes to the list of NASDAQ/NMS securities occurred since May 14, 1990.

<b>New/Old Symbol</b>	<b>New/Old Security</b>	<b>Date of Change</b>
BRCP/CRNS	Business Records Corporation Holding Company/Cronus Industries, Inc.	5/16/90
CVAL/FIRF	Chester Valley Bancorp/First Financial Savings Association	5/21/90
AEGSY/WCRSY	Aegis Group PLC/WCRS Group PLC (The)	5/21/90
HICI/KDNY	Home Intensive Care, Inc./Home Intensive Care, Inc.	5/21/90
BIRD/BIRD	Bird Corporation/Bird Inc.	5/25/90
MOGN/MOGN	MGI PHARMA, Inc./Molecular Genetics, Inc.	5/29/90
CEBC/VWBN	Centennial Bancorp/Valley West Bancorp	5/30/90
NCCB/ALBC	Northern California Community Bancorporation, Inc./Alameda Bancorporation, Inc.	6/1/90
PULS/PULS	Pulse Bancorp, Inc./Pulawski Savings & Loan Association	6/1/90
PORT/CRAB	Bayport Restaurant Group Inc./Capt. Crab, Inc.	6/4/90
FFKY/FFKY	First Federal Financial Corporation of Kentucky/First Federal Savings Bank of Elizabethtown	6/4/90
FCOB/FCOB	First Commercial Bancorp, Inc./First Commercial Bancorp	6/11/90
DOMZ/DOMZ	Dominguez Services Corp./Dominguez Water Corp.	6/14/90

**NASDAQ/NMS Deletions**

<b>Symbol</b>	<b>Security</b>	<b>Date</b>
PFSI	Pioneer Financial Services, Inc.	5/16/90
PFSIP	Pioneer Financial Services, Inc. (Pfd)	5/16/90
CTWLE	Chartwell Group Ltd.	5/17/90
CTYN	City National Corporation	5/17/90
FEXCZ	First Executive Corporation (10-9-92 Wts)	5/17/90
SHCO	Schult Homes Corporation	5/17/90
SMLB	Smith Laboratories, Inc.	5/17/90
DEAL	Dial REIT, Inc.	5/18/90
JERR	Jerrico, Inc.	5/21/90
ALLPW	Alliance Pharmaceutical Corp. (Wts)	5/22/90
NEEC	NEECO, Inc.	5/23/90
CTYFE	CityFed Financial Corp.	5/29/90
CTYOE	CityFed Financial Corp. (Ser. B Pfd)	5/29/90
CSYSC	Central Banking System, Inc.	5/30/90
POWR	Environmental Power Corporation	5/30/90
HOMEQ	International American Homes, Inc.	5/30/90

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Symbol	Security	Date
LLOG	Lincoln Logs, Ltd.	5/30/90
MCBKA	Merchants Capital Corp. (CI A)	5/30/90
NTLQE	National Lumber & Supply, Inc.	5/30/90
SSOA	Software Services of America, Inc.	5/30/90
SEQP	Supreme Equipment & Systems Corp.	5/30/90
CNBT	Community National Bancorp, Inc.	5/31/90
APIOE	American Pioneer, Inc.	6/1/90
SYST	Systematics, Inc.	6/1/90
CLRXR	Colorocs Corporation (Rts)	6/4/90
UNFI	Unifi, Inc.	6/6/90
TOOL	Easco Hand Tools, Inc.	6/8/90
GAMA	Gamma Biologicals, Inc.	6/8/90
SUMA	Summa Medical Corporation	6/13/90
ALCCC	ALC Communications Corporation	6/14/90
ALTS	Altus Bank, A Federal Savings Bank	6/14/90
AMCO	American Midland Corporation	6/14/90
ACOM	Astrocom Corporation	6/14/90
BNBGA	Bull & Bear Group, Inc. (CI A)	6/14/90
CMLQE	Casual Male Corporation (The)	6/14/90
FINX	Fingermatrix, Inc.	6/14/90
JHSN	Johnson Electronics, Inc.	6/14/90
RHCC	Rocking Horse Child Care Centers of America, Inc. (The)	6/14/90
SHBS	ShareBase Corporation	6/14/90

Questions regarding this notice should be directed to Kit Milholland, Senior Analyst, Market Listing Qualifications, at (202) 728-8281. Questions pertaining to trade reporting rules should be directed to Leon Bastien, Assistant Director, NASD Market Surveillance, at (301) 590-6429.

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**Subject: SIPC Trustee Appointed for First Ohio Securities Company**

On June 22, 1990, the United States District Court for the Northern District of Ohio appointed a SIPC trustee for:

First Ohio Securities Company  
Two Park Plaza  
1111 Chester Avenue  
Cleveland, OH 44114.

Members may use the "immediate close-out" procedures as provided in Section 59(i) of the NASD's Uniform Practice Code to close out open

over-the-counter contracts. Also, Municipal Securities Rulemaking Board Rule G-12(h) provides that members may use the above procedures to close out transactions in municipal securities.

Questions regarding the firm should be directed to the SIPC trustee:

Joseph Patchan, Esquire  
Baker & Hostetler  
3200 National City Center  
Cleveland, OH 44114  
(216) 621-0200.

# Disciplinary Actions

National Association of Securities Dealers, Inc.

July 1990

## Disciplinary Actions Reported for July

The NASD is taking disciplinary actions against the following firms and individuals for violations of the NASD Rules of Fair Practice, securities laws, rules, and regulations, and the rules of the Municipal Securities Rulemaking Board. Unless otherwise indicated, suspensions began with the opening of business on Monday, July 2, 1990. The information relating to matters contained in this notice is current as of the 20th of the month preceding the date of the notice. Information received subsequent to the 20th is not reflected in this publication.

### FIRMS EXPELLED, INDIVIDUALS SANCTIONED

**Brandon Securities & Investments, Inc.** (North Providence, Rhode Island) and **Ernest E. Michaud (Registered Principal, Kingston, Rhode Island)** submitted a Letter of Acceptance, Waiver and Consent pursuant to which the firm was expelled from membership in the NASD, and Michaud was fined \$1.5 million and barred from association with any member of the NASD in any capacity. Without admitting or denying the allegations, they consented to the described sanctions and to the entry of findings that Michaud, acting individually and/or through Brandon Securities, engaged in a fraudulent scheme, involving the promotion, solicitation, and sale of an investment pool to 20 investors, by which more than \$1.5 million was raised and later misapplied and/or misappropriated by Michaud. In furtherance of this scheme, the NASD also found that Michaud supplied customers with fictitious statements that contained false representations concerning their investments. Michaud also failed to respond to NASD requests for information.

This action was taken by the NASD's District 13 Committee (Boston) in cooperation with the Securities Division of the state of Rhode Island, the office of the United States Attorney in Rhode Island, the Federal Bureau of Investigation, and the Boston office of the Securities and Exchange Commission.

**Baldwin Capital Partners (Tiburon, California)** and **George Horace Baldwin (Registered Principal, Tiburon, California)**. The firm was expelled from membership in the NASD, and Baldwin was fined \$5,000, suspended from as-

sociation with any member of the NASD in any principal or supervisory capacity for two years, and required to requalify as a principal. The sanctions were imposed by the NASD's Board of Governors following an appeal of a decision by the District Business Conduct Committee for District 2. The sanctions were based on findings that Baldwin Capital Partners, acting through Baldwin, failed to respond to NASD requests for information.

**D'Martine Financial Services, Inc. (Rolling Meadows, Illinois)** and **Peter J. Rumsavich (Registered Principal, Rolling Meadows, Illinois)** were fined \$50,000, jointly and severally. The firm was expelled from membership in the NASD, and Rumsavich was barred from association with any member of the NASD in any capacity. The sanctions were based on findings that the firm, acting through Rumsavich, effected transactions in securities while failing to maintain required minimum net capital and filed inaccurate FOCUS Part I reports. In connection with an offering of limited partnership interests, the firm, acting through Rumsavich, failed to deposit or transmit funds received from subscribers to an escrow or trust account. Instead, the funds were deposited in an account in the name of the partnership's general partner and under the control of Rumsavich. In addition, Rumsavich caused funds received in the offering to be transferred from the general partner's account to the firm's operating account where they were commingled with firm funds and used for the benefit of the firm and Rumsavich. Also, D'Martine, acting through Rumsavich, offered and sold interests in this same limited partnership using

a private offering memorandum that was materially false and misleading.

### FIRMS FINED, INDIVIDUALS SANCTIONED

**American Wallstreet Securities, Inc.** (Tampa, Florida), **Eric J. Walloga** (Registered Principal, Brandon, Florida), and **Kevin D. Ward** (Registered Principal, Brandon, Florida) submitted an Offer of Settlement pursuant to which they were fined \$14,000, jointly and severally. Without admitting or denying the allegations, they consented to the described sanctions and to the entry of findings that the firm, acting through Walloga and Ward, effected principal transactions in over-the-counter corporate securities with public customers at prices that were unfair. The excessive markups charged in these transactions ranged from 20 to 88 percent above prevailing market prices. In addition, the NASD determined that the firm, acting through Ward, failed to record on order tickets the time of entry and time of order execution for the purchase and sale of securities.

**Meridian Associates, Inc.** (Sarasota, Florida) and **Jack R. Wolff** (Registered Principal, Sarasota, Florida) submitted an Offer of Settlement pursuant to which they were fined \$10,000, jointly and severally. Wolff was suspended from association with any member of the NASD in any capacity for three business days. Without admitting or denying the allegations, they consented to the described sanctions and to the entry of findings that the firm, acting through Wolff, violated its restrictive agreement with the NASD in that the firm had three branch offices and 34 registered representatives, when it was limited to one branch office and six registered representatives.

**U.S. Advisors, Inc.** (Novato, California) and **Paul M. Misch** (Associated Person, Chicago, Illinois) were fined \$35,000, jointly and severally, and Misch was barred from association with any member of the NASD in any capacity. The sanctions were based on findings that the firm, acting through Misch, failed to file FOCUS Parts I and IIA reports. They also failed to respond to NASD requests for information.

### INDIVIDUALS BARRED OR SUSPENDED

**Gary Tom Austin** (Associated Person, Sayreville, New Jersey) and **Thomas Earl Frantz, Jr.** (Registered Representative,

**Bellfonte, Pennsylvania**) submitted an Offer of Settlement pursuant to which Austin was fined \$150,000 and Frantz was fined \$200,000. They were each barred from association with any member of the NASD in any capacity. Without admitting or denying the allegations, Austin and Frantz consented to the described sanctions and to the entry of findings that they fraudulently reactivated nine inactive customer accounts and falsified the addresses of those accounts so that statements would be sent to themselves and not the customers. The NASD also found that Austin and Frantz effected unauthorized options transactions in eight of these accounts, generating profits of at least \$255,000. In order to pay for the transactions, they misappropriated funds from their member firm through a check-writing scheme involving several bank accounts and active customer accounts of their member firm. In addition, Frantz, aided and abetted by Austin, traded options in two personal accounts and misappropriated his member firm's funds in a similar check-writing scheme to pay for such transactions. The findings also stated that Austin failed to attend a mandatory investigatory interview to discuss the aforementioned activity.

**Bonni Lee Barron** (Registered Representative, Louisville, Kentucky) was fined \$15,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Barron received a check for \$130 from a public customer with instructions to apply the funds to pay insurance premiums. Instead, Barron failed to apply all the funds as instructed and retained \$30 of the funds. Barron also received \$282 from another public customer with instructions to pay insurance premiums. She failed to follow the customer's instructions, however, and converted the funds to her own use and benefit. In addition, Barron failed to respond to NASD requests for information.

**William Herbert Bazinett II** (Registered Representative, Danville, California) was suspended from association with any member of the NASD in any capacity for six months and required to requalify by examination. The sanctions were based on findings that Bazinett recommended and effected a series of unsuitable purchases and sales of mutual funds and other securities for the account of a public customer.

**John W. Bennett** (Registered Representative, La Jolla, California) was fined \$10,000 and

barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Bennett effected an unauthorized transaction in each of three customer accounts. He also failed to respond to an NASD request for information.

**Alvin W. Blumenberg (Registered Representative, Denver, Colorado)** was fined \$27,500 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 District Business Conduct Committee for District 3. The sanctions were based on findings that Blumenberg effected an unauthorized transaction in the account of a customer. He instructed another customer to deliver a stock certificate to his member firm for safekeeping. However, after the certificate was delivered, Blumenberg caused it to be margined in order to cover the debit balance created in the customer's account without the customer's knowledge. In addition, Blumenberg induced two customers to purchase securities by making oral guarantees to sell the securities at a prearranged price. Also, Blumenberg falsified the books and records of his member firm by causing an order ticket for the purchase of units in a public offering to reflect an incorrect address in order to conceal the fact that the offering was not registered in the state where the customer resided.

**Edward Joseph Castellana (Registered Representative, Corning, New York)** 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 District Business Conduct Committee for District 13. The sanctions were based on findings that Castellana withheld and misappropriated funds of four public customers totaling \$1,658.73 that were received as insurance premiums. Castellana also failed to respond to NASD requests for information.

**Robert I. Cohne (Registered Representative, Salt Lake City, Utah)** was fined \$30,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Cohne participated in a private securities transaction outside the regular scope of his employment by accepting 12 checks from three customers totaling \$101,300 for the purchase of se-

curities without providing prior written notice to his member firm. Cohne also held such funds for periods up to 13 months prior to delivering securities to these customers. Furthermore, these funds were not deposited with a broker-dealer or protected by the Securities Investor Protection Corporation.

**Ronald Au Conching (Registered Representative, Honolulu, Hawaii)** was fined \$124,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Conching submitted change of address requests for three customers to his member firm and then effected unauthorized sales of shares of stock in these customers' accounts. Conching misappropriated and converted to his own use customer funds resulting from these transactions by forging signatures to checks totaling \$64,695.39. Also, he failed to respond to NASD requests for information.

**Maryanne G. Conley (Registered Representative, South Weymouth, Massachusetts)** was fined \$75,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Conley misappropriated customer funds. Specifically, Conley forged a customer's signature on a disbursement request form to initiate a \$20,000 loan against a customer's insurance policy, negotiated the checks representing the loan, and converted the proceeds to her own use and benefit. She also falsely represented that the customer requested a withdrawal of \$8,500 from her securities account by submitting fictitious letters of authorization confirming such a request. Conley received two checks totaling \$3,408.82 representing the proceeds from the liquidation of another customer's account, negotiated the checks, and converted the funds to her own use. In addition, Conley failed to respond to NASD requests for information.

**John J. Connolly (Registered Representative, Staten Island, New York)** was fined \$100,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Connolly maintained a personal securities account with his member firm and failed to pay for securities purchased in the account on a timely basis, in contravention of Regulation T of the Federal Reserve Board. In addition, Connolly established another

securities account at his member firm under a fictitious name and effected transactions in the account without paying for them. Also, Connolly established a securities account for his wife and submitted a new account form that failed to disclose her relationship to him.

**Ted Alexander Cruchon (Registered Representative, Tulsa, Oklahoma)** was fined \$50,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that, in order to generate commissions, Cruchon fraudulently recommended transactions in U.S. Treasury bonds to a public customer that were excessive in size and number.

**Thomas Frederic Davise, Jr. a/k/a Thomas Frederick Davi, Jr. (Registered Representative, San Rafael, California)** was fined \$30,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Davise was employed as a salesman with three member firms after he had been barred from associating with any NASD member in any capacity. He also made false statements on employment applications and applications for registration in the securities industry.

**Richard Edward Donahue (Registered Representative, Clearwater, Florida)** submitted an Offer of Settlement 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, Donahue consented to the described sanctions and to entry of findings that he received two checks totaling \$13,638 from a public customer to be used as payment on a life insurance policy. Donahue deposited the checks in his agency's bank account, applied \$1,624 to the first year's premium on the policy, and converted the remainder of the funds to his own use and benefit.

**Manuel Jesus Dortha (Registered Representative, Cudahy, California)** was fined \$16,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Dortha received funds totaling \$1,000 from two public customers for investment in securities. He failed to purchase the securities and instead converted the funds to his own use and benefit.

**Warren Lee Edmundson (Registered Representative, Houston, Texas)** submitted an

Offer of Settlement pursuant to which he was fined \$2,000 and suspended from association with any member of the NASD in any capacity for two months. Without admitting or denying the allegations, Edmundson consented to the described sanctions and to the entry of findings that he failed to respond to NASD requests for information concerning his termination from a member firm.

**A. Godfrey Egbuchulam (Registered Representative, Santa Clara, California)** was fined \$25,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Egbuchulam made improper use of customer funds. He forged the signature of a customer to a disbursement request form, submitted the form to his member firm, received a check for \$507.35 payable to the customer, and converted the proceeds to his own use and benefit. On a separate occasion, Egbuchulam forged the signature of another customer to a disbursement request form and submitted it to his member firm.

**William Earl Elsbree, III (Registered Representative, Arlington, Texas)** 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 District Business Conduct Committee for District 6. The sanctions were based on findings that Elsbree failed to respond to NASD requests for information concerning his termination from a member firm.

**Daniel R. Errico (Associated Person, Alsip, Illinois)** submitted an Offer of Settlement pursuant to which he was fined \$1,000 and barred from association with any member of the NASD in any capacity. Without admitting or denying the allegations, Errico consented to the described sanctions and to the entry of findings that, while taking the Series 6 qualification examination, he had in his possession and used notes that contained material relevant to the examination.

**Mark A. Fentress (Registered Representative, Blue Bell, Pennsylvania)** submitted an Offer of Settlement pursuant to which he was fined \$7,500 and barred from association with any member of the NASD in any capacity. Without admitting or denying the allegations, Fentress consented to the described sanctions and to the entry of findings that he forged the signature of a policyholder



to a check for \$2,800, deposited the check in his personal bank account, and converted the funds to his own use and benefit. Fentress also falsely answered questions on his application for registration in the securities industry.

**Bradley John Fitch, Sr. (Registered Representative, Sparks, Nevada)** was fined \$17,500 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Fitch received \$47,900 from a public customer for the purchase of mutual fund shares and \$6,000 to open a cash account. Fitch delayed effecting the purchase of the shares for approximately two months and deposited the \$6,000 into his personal account. He issued checks to the customer on a monthly basis representing payments on the customer's purported investment. When the funds in Fitch's account were depleted, he forged the customer's signature on an application for a systematic withdrawal plan from the customer's mutual fund investment and submitted the application to his member firm. He also engaged in the sale of the mutual fund shares prior to his registration as a representative of a member firm.

**Gene Nils Flannes (Registered Principal, Hot Springs, Arkansas)** was fined \$30,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Flannes fraudulently obtained a total of \$3,900,716.07 from 119 customers by representing that he would purchase mutual fund shares on their behalf. He did not apply the funds as he represented, and instead converted them to his own use and benefit. Flannes also failed to respond to NASD requests for information.

**Frank Mathew Furio (Registered Representative, Niles, Illinois)** was fined \$10,000 and suspended from association with any member of the NASD in any capacity for 20 days. The sanctions were based on findings that Furio executed four unauthorized transactions in the account of a customer.

**Charles R. Gentry (Registered Representative, Norwalk, Connecticut)** was fined \$2,500 and suspended from association with any member of the NASD in any capacity for 10 business days. The sanctions were imposed by the NASD's Board of Governors following an appeal of a decision by the District Business Conduct Committee for District 13. The sanctions were based on findings that

Gentry executed unauthorized transactions in nine customer accounts.

**David Neal Gliksman (Registered Representative, Santa Ana, 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 Gliksman failed to respond to NASD requests for information concerning his termination from a member firm.

**David James Gorsage (Registered Representative, Indianapolis, Indiana)** was fined \$30,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Gorsage received a \$5,000 check from two public customers for the purchase of securities. He failed to purchase the securities or to otherwise return the customers' funds. Instead, Gorsage deposited the check into his personal account and converted the funds to his own use and benefit. Gorsage also received a \$10,000 check from the same customers for the purchase of mutual funds. He failed to purchase any mutual funds and failed to deposit the funds into the customers' securities accounts or to otherwise return the funds. Instead, Gorsage altered the check and delivered it to his member firm with a representation that the check was a loan to the firm by the customers. Thereafter, the firm used the funds to pay expenses incurred in the conduct of the firm's business.

**Margaret Ann Green (Registered Representative, Albuquerque, New Mexico)** was fined \$22,500 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Green accepted a check for \$7,500 from a public customer for the purchase of a limited partnership interest. Green misused the customer's funds by failing to purchase the security and by instead negotiating the check. Also, Green failed to give her member firm written notification of her intention to engage in a private securities transaction.

**Kenneth Lyle Hatfield, Jr. (Registered Representative, Springfield, Missouri)** 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 District Business Conduct Committee for District 4. The sanctions were based on findings that Hatfield submitted five fictitious applications for life

insurance using names of persons he had contacted but who had declined to buy the policies.

**Steven Blane Highfill (Registered Representative, Jacksonville, Florida)** 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 one year. Without admitting or denying the allegations, Highfill consented to the described sanctions and to the entry of findings that he opened, or caused to be opened with his member firm, five fictitious securities accounts.

**Ronald R. Johnson (Registered Representative, Davison, Michigan)** submitted an Offer of Settlement pursuant to which he was fined \$150,000 and barred from association with any member of the NASD in any capacity. Without admitting or denying the allegations, Johnson consented to the described sanctions and to the entry of findings that he received funds totaling \$54,200 from seven public customers with instructions to purchase securities. However, Johnson retained the funds for his personal use and benefit. The NASD also found that he failed to respond in a timely manner to NASD requests for information.

**Wade W. Kao (Registered Representative, Walnut Creek, California)** was fined \$102,130 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Kao received \$32,130 from public customers for the purchase of certificates of deposit, and misappropriated and converted the funds to his own use and benefit. Also, Kao failed to respond to an NASD request for information.

**Roger J. Lange (Registered Principal, Brocton, Illinois)** submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$3,000, jointly and severally with his member firm, suspended from association with any member of the NASD in any capacity for 30 days, and required to requalify as a financial and operations principal within 60 days. Without admitting or denying the allegations, he consented to the described sanctions and to the entry of findings that Lange, acting on behalf of his member firm, failed to accurately compute the firm's aggregate indebtedness and net capital for four month-end periods and prepared inaccurate FOCUS Parts I and II reports. The firm, acting through Lange, failed to maintain required minimum net capital and failed to receive written approval from the

NASD prior to its prepayment of three subordinated loans.

**Roland Romain Levi (Registered Principal, Dana Point, 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 Levi failed to respond to NASD requests for information concerning his termination from a member firm.

**Dennis C. Mazur (Registered Principal, Short Hills, New Jersey)** was fined \$4,000, jointly and severally with a member firm, suspended from association with any member of the NASD in any capacity for 30 days, and required to requalify by examination as a principal. The sanctions were based on findings that a member firm, acting through Mazur, conducted a securities business while failing to maintain minimum required net capital and failed to maintain accurate books and records. Also, Mazur permitted an individual to conduct a securities business without proper registration with the NASD as a principal.

Mazur's registration was revoked for failure to pay the fine in this matter.

**Larry E. Means (Registered Representative, Greeley, Colorado)** was fined \$50,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Means made improper use of a customer's funds by forging the customer's signature to 18 checks totaling \$18,851.44 and converting the proceeds to his own use and benefit. Means falsified the records of his member firm by causing a new account form to be completed for the same customer and causing the address on the account to reflect his own address, all without the customer's knowledge or consent. Also, Means effected five unauthorized transactions in this customer's account.

**Ronald Eugene Miller (Registered Principal, Sacramento, California)** was fined \$15,000, suspended from association with any member of the NASD in any capacity for one year, and required to requalify by examination as a principal. The sanctions were imposed by the NASD's Board of Governors following an appeal of a decision by the District Business Conduct Committee for District 2. The sanctions were based on findings that Miller sold six units in a limited partnership, which was being offered only to key personnel or affiliates of his member firm, to three

public customers. In connection with the sale of these units, Miller executed and provided to his member firm a subscription agreement in his own name when the beneficial owners were the aforementioned public customers.

**David A. Nahmias (Registered Representative, Memphis, Tennessee)** 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 two weeks. Without admitting or denying the allegations, Nahmias consented to the described sanctions and to the entry of findings that he misused customer securities by depositing bonds borrowed from one customer into the account of another customer without the knowledge or consent of either customer.

**Lawrence Paul Nemeika (Registered Principal, Irvine, California)** was fined \$9,000, jointly and severally with a member firm, suspended from association with any member of the NASD in any capacity for 60 days, and required to requalify by examination as a principal. The sanctions were imposed by the NASD's Board of Governors following an appeal of a decision by the District Business Conduct Committee for District 2. The sanctions were based on findings that, on behalf of his member firm, Nemeika distributed a private placement memorandum to investors that omitted material information. In connection with another private placement offering of limited partnership units, Nemeika and his member firm failed to return investors' funds after the minimum number of units were not sold by the offering's termination date. In each of three additional contingent offerings of limited partnership units, Nemeika, acting on behalf of his member firm, failed to deposit investors' funds in a separate bank escrow or trust account. In two of the offerings, funds were mailed directly to the respective issuer. Investor funds in the third offering were deposited in a separate bank account instead of a separate escrow account as required since Nemeika's member firm was associated with the issuer of the units.

**Livio Passeretti (Registered Representative, Rome, Italy)** was fined \$15,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Passeretti received \$4,029 from a public customer in payment for insurance premiums and failed to remit the funds as instructed.

**Mario John Petri (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 Petri failed to respond to NASD requests for information concerning his termination from a member firm.

**Ronald James Phillips (Registered Representative, Maineville, Ohio)** was fined \$30,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Phillips received \$1,070 from a public customer with instructions to purchase shares of stock in the account of another customer. He failed to follow the customer's instructions and converted the funds to his own use and benefit. Phillips also converted to his own use and benefit funds totaling \$55,322.53 of six customers, that were to be used for the payment of insurance premiums. Also, Phillips failed to respond to NASD requests for information.

**Kenneth R. Porritt (Registered Representative, Bear River City, Utah)** was fined \$15,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Porritt received from a customer a check for \$2,485.99 made payable to his member firm. He deposited the check into his personal checking account and failed to remit \$795.79 of the funds to his member firm.

**Michael Blue Poule (Registered Representative, Madera, California)** was fined \$155,350 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Poule forged the signatures of insurance customers to 15 checks totaling \$100,350 and converted the proceeds to his own use and benefit. Also, Poule failed to respond to NASD requests for information.

**Niles A. Prestage, Jr. (Registered Representative, Huntsville, Alabama)** submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$15,000 and suspended from association with any member of the NASD in any capacity for one year. Without admitting or denying the allegations, Prestage consented to the described sanctions and to the entry of findings that he participated in the sale of unregistered securities, failed to exercise due diligence in the sale of unregistered securities, and engaged in private securities transactions without providing written

notice to his member firm. Prestage has made restitution in excess of \$30,000 to his customers.

**William Clark Reese (Registered Representative, Fontana, California)** was fined \$66,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Reese failed to follow a customer's instructions to purchase securities and misappropriated the customer's funds by signing his own name as payee to a \$6,000 check written by the customer. He then deposited the check into an account in which he had beneficial interest and converted the funds to his own use and benefit. Reese participated in a private securities transaction without providing prior written notification to his member firm. Also, he engaged in the securities business of a member firm without proper registration with the firm and failed to respond to NASD requests for information.

**Thomas Glen Renois (Registered Representative, Santa Clara, California)** was fined \$30,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Renois effected an unauthorized transaction in each of six customer accounts. He also failed to respond to NASD requests for information.

**Jeffrey Heath Rosa (Registered Representative, Cooper City, Florida)** submitted an Offer of Settlement pursuant to which he was fined \$2,500 and suspended from association with any member of the NASD in any capacity for three business days. Without admitting or denying the allegations, Rosa consented to the described sanctions and to the entry of findings that he effected unauthorized purchase and sale transactions in the accounts of five public customers.

**Arnold Stephen Royalty (Registered Representative, Owenboro, Kentucky)** submitted a Letter of Acceptance, Waiver and Consent 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, Royalty consented to the described sanctions and to the entry of findings that, without the knowledge or consent of customers, he prepared loan requests against two customers' life insurance policies totaling \$11,613, forged the customers' signatures to the request forms, and converted the funds to his personal use and benefit.

**Charles Lyons Shaw, III (Registered**

**Representative, Carrollton, Texas)** was fined \$10,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Shaw received a check for \$4,080 from a public customer for the purchase of mutual fund shares, deposited the funds into his personal bank account, and converted the funds to his own use and benefit. Shaw also failed to respond in a timely manner to NASD requests for information.

**John R. Shoup (Registered Principal, Harrison, Maine)** submitted an Offer of Settlement pursuant to which he was fined \$18,500, suspended from association with any member of the NASD in any capacity for 10 days, and required to requalify by examination as a registered representative. Without admitting or denying the allegations, Shoup consented to the described sanctions and to the entry of findings that he purchased option contracts in his securities account and created an unsecured debit balance of \$13,532.51 by failing to pay for the purchases. Shoup also failed to respond to NASD requests for information.

**George J. Sikich (Registered Representative, Grosse Pointe, Michigan)** was fined \$15,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Sikich failed to respond to NASD requests for information concerning his termination from a member firm.

**Alan Eugene Stark (Registered Representative, Boca Raton, Florida)** 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 20 business days. Without admitting or denying the allegations, Stark consented to the described sanctions and to the entry of findings that he exercised discretionary authority in the securities account of two public customers without prior written authorization from the customers and without written acceptance of the account as discretionary by his member firm, and guaranteed the same customers against loss and effected unauthorized transactions in the securities account of two other public customers.

**Louis M. Thacker, Jr. (Registered Representative, Riverside, Rhode Island)** was fined \$2,500 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 District Business Conduct Committee for District 13. The sanctions were based on findings that Thacker misappropriated to his own use \$1,300 in customer funds that were to be invested in a mutual fund. He also forged a customer's signature to a \$4,000 check and misappropriated the proceeds to his own use.

**Jeffrey James Thompson (Registered Representative, Tampa, Florida)** 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 five business days. Without admitting or denying the allegations, Thompson consented to the described sanctions and to the entry of findings that he guaranteed a public customer against loss in a securities transaction.

**Randall Scott Thornton (Registered Representative, Littleton, Colorado)** and **Jay Edward Carlile (Registered Representative, Denver, Colorado)** were each fined \$5,000 and suspended from association with any member of the NASD in any capacity for six months. The sanctions were based on findings that Thornton and Carlile engaged in a private securities transaction without providing prior written notice to their member firm.

**Elmer Dean Turner (Registered Representative, Cushing, Oklahoma)** 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 District Business Conduct Committee for District 4. The sanctions were based on findings that Turner induced two customers by fraudulent means to endorse proceeds checks from the liquidation of shares in one mutual fund to purchase shares in another fund. The proceeds from the sale were not reinvested as instructed but deposited by Turner into a bank account that he controlled. He then made an unauthorized purchase of part of a royalty interest in an oil and gas lease. Turner obtained no documents reflecting the purported transfer of the lease, and the seller of the lease later absconded with the customers' funds.

**Verne K. Van Ornum (Registered Representative, Lakewood, 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 Van Ornum made improper use of a customer's funds by obtaining a \$5,000 check made payable to a public customer and depositing the check into his wife's bank account.

**Willard Raymond Walls, Jr. (Registered Representative, Huntington Beach, 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 Walls failed to respond to NASD requests for information concerning his termination from a member firm.

**Stephen Wayne Watts (Registered Representative, St. Charles, Missouri)** 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, Watts consented to the described sanctions and to the entry of findings that he failed to respond to NASD requests for information concerning his termination from a member firm.

**Daniel S. Weiland (Registered Representative, Cherry Hill, New Jersey)** was fined \$50,000 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 District Business Conduct Committee for District 11. The sanctions were based on findings that Weiland misled customers concerning the value of their securities accounts, thereby concealing the extent of trading losses. He also exercised discretionary power over the securities accounts of public customers without first having the discretionary powers put in writing and accepted in writing by his member firm.

**Thomas A. Wenger (Registered Representative, Fairport, New York)** 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, Wenger consented to the described sanctions and to the entry of findings that he forged fictitious applications for annuity policies and submitted them to his member firm.

**Robert Mason Willett (Registered Representative, Cleves, Ohio)** was fined \$5,000 and barred from association with any member of the NASD in any capacity. The sanctions were

based on findings that Willett failed to respond to NASD requests for information regarding his termination from a member firm.

**H. Homer Wilson (Registered Principal, Los Angeles, California)** and **James Carl Spearman (Associated Person, Culver City, California)** were each fined \$15,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Spearman submitted an application for securities industry registration to the NASD that contained false and misleading information. Wilson, acting on behalf of a member firm, permitted Spearman to associate with the firm and to engage in the securities business when Spearman was subject to a disqualification following a permanent injunction issued against him concerning securities fraud and attempted grand larceny.

**Ronald K. Zur (Registered Representative, Park Ridge, Illinois)** was fined \$30,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Zur received a check for \$5,125 from a public customer with instructions to purchase shares of common stock. He failed to purchase the shares and retained the funds for his personal use and benefit. Zur also failed to respond to NASD requests for information.

**INDIVIDUAL FINED**

**Louis Ryniec (Registered Representative, Champaign, Illinois)** submitted an Offer of Settlement pursuant to which he was fined \$23,500. Without admitting or denying the allegations, Ryniec consented to the described sanctions and to the entry of findings that he participated in the sale of securities to public customers in private securities transactions and failed to give his member firm written notice of this activity.

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

- Dunhill Investments, Ltd., Englewood, Colorado**
- Lloyd Securities, Inc., Cheltenham, Pennsylvania**
- Placement Management Services, Inc., Oakton, Virginia**
- Turcan Financial Group, Inc., Rye, New York**

**FIRMS SUSPENDED**

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

- Brandon Securities & Investments, Inc., North Providence, Rhode Island (June 5, 1990)**
- Bridgerock Securities, Inc., El Paso, Texas (June 5, 1990)**
- Broadway Securities, Inc., Irvine, California (June 5, 1990)**
- Crown Securities Corporation, San Rafael, California (June 5, 1990)**
- Curtis, Patrick & Company, Inc., Boca Raton, Florida (May 11, 1990)**
- Dania Securities, Inc., Irvine, California (June 5, 1990)**
- GSG Global Securities Group, Great Neck, New York (June 5, 1990)**
- M.J. Held Securities Corp., Mill Valley, California (May 11, 1990)**
- Martin Manco Securities, Inc., Bala Cynwyd, Pennsylvania (June 5, 1990)**
- McKinley Allsopp, Inc., New York, New York (June 5, 1990)**
- J.D. Michael and Co., La Jolla, California (June 1, 1990)**
- National Capital Securities Corporation, Santa Ana, California (June 5, 1990)**
- Prince Capital Corporation, Los Angeles, California (May 11, 1990)**
- Quadrex Securities Corporation, Chicago, Illinois (June 1, 1990)**
- Samarah and Company, Chicago, Illinois (June 1, 1990)**
- Burton Whipple Securities, Inc., Tampa, Florida (June 5, 1990)**
- Wilshire Clearing Corporation, Riverside, California (June 1, 1990)**

**SUSPENSIONS LIFTED**

The NASD has lifted suspensions from membership for the following firms since they have

complied with formal written requests to submit financial information. Each listing also includes the date the suspension was lifted.

**Brokers First Financial Corporation**, La Jolla, California (May 8, 1990)

**Dinerstein Securities, Inc.**, Houston, Texas (May 15, 1990)

**LMC Corporation**, South Hadley, Massachusetts (May 18, 1990)

**Landed Securities**, Larkspur, California (May 22, 1990)

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

- Gayle Angelson, Bayside, New York
- Scott F. Casaccio, Plainview, New York
- Serge Cohen, Bayside, New York
- William Gangemi, Rumson, New Jersey
- Joseph R. Goydish, Gainesville, Georgia
- Robert R. Grudzinski, Laflin, Pennsylvania
- Jim Guglielmo, Elmwood Park, New Jersey
- Randall S. Jenkins, Oakton, Virginia
- Larry A. Johnson, Grand Rapids, Michigan
- Dennis J. Kirkman, Denver, Colorado
- Michael W. Lloyd, Cheltenham, Pennsylvania
- George R. McCabe, Troy, Michigan
- Michael Porter Meservy, Salt Lake City, Utah
- Michael C. Morck, San Rafael, California
- Thomas O. Mulkey, Denver, Colorado
- David L. Newell, Mobile, Alabama
- Thomas J. Page, Northridge, California
- Paul A. Pereira, Boca Raton, Florida
- William K. Schroff, Palm Springs, California
- Jerry Turcan, Rye, New York

**NASD EXPELS FIRM, SUSPENDS THREE PRINCIPALS AND ONE TRADER, AND IMPOSES FINES FOR MISCONDUCT IN PENNY STOCK**

The NASD has taken disciplinary action against Hampton Securities, Inc., Delores V. Easthom, David D. Slaght, Barry R. Topal, and William B. Brandorff.

Their misconduct concerned fraudulent markups and a fraudulent scheme to distribute the initial public offering of Reef Capital Corporation securities, a non-NASDAQ, over-the-counter "penny stock." Easthom, Slaght, and Topal were the principals and Brandorff was the trader for Hampton, a former NASD member firm located in

West Palm Beach, Florida.

The NASD censured and expelled Hampton and fined it \$99,500, jointly and severally, with Easthom and Slaght. The NASD also censured and barred Easthom from association with any member in a principal capacity and suspended her in all capacities for six months. The Association censured and suspended Slaght from association with any member in a principal capacity for two years and suspended him in all capacities for three months.

Topal was censured and suspended from association with any member in a principal capacity for one year and suspended in all capacities for 60 days. He was also fined \$20,000. Brandorff was censured, fined \$7,500, and suspended for 30 days.

The NASD's decision was based on the acceptance of Offers of Settlement submitted by Hampton, Easthom, Slaght, Topal, and Brandorff. Without admitting or denying the allegations, the Respondents consented to findings that they violated various NASD rules, including Section 18 of the NASD's Rules of Fair Practice. Section 18 is the NASD's anti-fraud provision that prohibits the use of any manipulative, deceptive, or other fraudulent device in the purchase or sale of any security.

Hampton underwrote Reef's initial public offering, selling 100 percent of the issue to its own clients. The NASD's Market Surveillance Committee, which considered the case, found that Hampton, acting through the named individuals, dominated and controlled the aftermarket for Reef from the start of trading on November 17, 1987, through December 1, 1987. The Committee said Hampton "used its dominant position to control the flow of stock among its customers, to regulate its inventory position and to guarantee itself large and unwarranted profits from essentially riskless trading."

The profits obtained by Hampton were the result of fraudulently excessive markups of approximately \$69,500 charged to its customers in 108 retail sales, ranging from 26 percent to 89 percent over Hampton's cost to purchase the securities.

The other significant misconduct in the case related to Hampton's, Easthom's and Slaght's scheme to fraudulently distribute and then repurchase some of the Reef securities distributed in the IPO. The Committee found that Easthom and Slaght distributed a substantial number of Reef units during the IPO to their own customers in ex-

change for promises from those customers that they would sell the securities back to Hampton on the first day of the aftermarket. These promises were made in exchange for Hampton's guarantee of profits to these customers. In some cases, the Committee said, Easthom and Slaght exercised oral discretionary authority over some customer accounts and used that discretion to buy Reef from those accounts on the first day of the aftermarket. Hampton then resold the Reef it acquired to other retail customers with excessive markups, without disclosing the scheme.

The Committee found that Hampton, Easthom, and Slaght not only defrauded their customers by failing to disclose the scheme, but that the firm also violated SEC Rule 10b-6 by

failing to make a bona fide public distribution of Reef.

The NASD investigation was carried out by its Anti-Fraud Department and is part of a continuing nationwide effort by the NASD to eliminate sales practice abuses in penny stocks. The disciplinary action was taken by the NASD's Market Surveillance Committee, which consists of 12 executives from securities firms across the country. The Committee is responsible for maintaining the integrity of the NASDAQ and non-NASDAQ markets, and for disciplining members who fail to comply with relevant NASD rules and securities laws.

The suspensions imposed on the respondents began on June 18, 1990.



# For Your Information

National Association of Securities Dealers, Inc.

July 1990

## **California Implements Series 63 Requirement; Florida Becomes CRD Phase II Participant**

California, on May 23, began requiring the Series 63 Uniform Securities Agent State Law Examination (USASLE) as a prerequisite for agent registration in California. Questions should be directed to NASD Member and Market Data Services at (301) 590-6500.

Also, effective July 1, 1990, Florida began

participation in CRD Phase II, receipt and review of broker-dealer filings. Florida will continue to collect the initial Form BD as well as the fee associated with a request for BD registration in the state. Questions regarding Florida's filing requirements should be directed to the State Securities Division at (904) 488-9530.