

Notice To Members

National Association of Securities Dealers, Inc.

March 1991

Number 91-16

Suggested Routing:*

- | | | | |
|---|--|--|------------------------------------|
| <input checked="" type="checkbox"/> Senior Management | <input type="checkbox"/> Internal Audit | <input type="checkbox"/> Operations | <input type="checkbox"/> Syndicate |
| <input type="checkbox"/> Corporate Finance | <input checked="" type="checkbox"/> Legal & Compliance | <input type="checkbox"/> Options | <input type="checkbox"/> Systems |
| <input type="checkbox"/> Government Securities | <input type="checkbox"/> Municipal | <input checked="" type="checkbox"/> Registration | <input 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: New Statutory Disqualification Categories; Notice to NASD Required No Later Than April 30, 1991

EXECUTIVE SUMMARY

Congress has recently enacted legislation that expands the number of criminal or civil offenses that are considered statutory disqualifications under the securities laws. Any felony conviction, certain foreign convictions, and certain foreign securities and commodities violations are now statutory disqualifications. The NASD is asking members to identify persons with such violations from among their associated persons and provide the NASD with a list of them.

BACKGROUND

In November 1990, President Bush signed into law HR-1396 Securities Acts Amendments of 1990. In this legislation, the definition of a "statutory disqualification" in Sections 3(a)(39) and 15(b)(4) of the Securities Exchange Act of 1934 (the "Act") was expanded to include new domestic and foreign criminal and civil offenses. Such offenses include any felony conviction that occurred in the United States within the last 10 years, certain foreign convictions, and certain foreign securities and commodities violations.

The prior statutory disqualification provisions

involving convictions did not distinguish between felony or misdemeanor convictions, but rather focused on particular types of misconduct. The new law now makes any domestic felony conviction, regardless of the underlying nature of the offense, a statutory disqualification. The enumerated crimes set forth in the prior law remain disqualifications. Such convictions are disqualifications for a 10-year period commencing on the day the conviction is entered.

It was unclear under the prior statutory disqualification provisions whether actions taken by foreign criminal or civil authorities against an entity or person would subject either of them to a statutory disqualification. The new law is designed so that, regardless of the identity of the court or regulatory authority involved, any foreign criminal or civil action that results in a conviction or sanction or finding described in Sections 3(a)(39) or 15(b)(4) of the Act, will cause such person or entity to be subject to a statutory disqualification.

REQUIREMENTS

Section 15A(g)(2) of the Act requires the NASD to make a filing with the Securities and Exchange Commission whenever it decides to approve or continue a statutorily disqualified person's association with an NASD member. The NASD therefore must conduct a proceeding to

determine whether those persons, who were not disqualified prior to November 1990 but now as a result of the new law are disqualified, will be allowed to become or remain associated with a member.

Those "newly disqualified" persons who are currently associated with an NASD member will be allowed to continue working at that member pending the outcome of the NASD's proceeding. For those "newly disqualified" persons who attempt to transfer registration to another member, the NASD may in its discretion allow such person's association with the new employer-member on a temporary basis pending the outcome of the NASD's proceeding. Newly disqualified persons seeking admission or readmission to the securities industry for the first time since their disqualification will be considered in the same manner as those existing disqualified persons who are applying for the first time. Such persons are not allowed to conduct securities activities on behalf of the sponsoring member until the proper regulatory approvals have been received.

The NASD, in discharging its responsibility under Section 15A(g)(2) of the Act, is asking each member to review its list of associated per-

sons and provide the NASD with the names, Central Registration Depository (CRD) numbers, or Social Security numbers of any of its associated persons who are subject to these new statutory disqualification provisions not later than April 30, 1991. This list should be sent to Ellen Badler, Assistant Director, Special Registration Review, NASD, 9513 Key West Avenue, Rockville, Maryland 20860. The NASD is also reviewing the registration records in the CRD system and will compare its list for each member to the lists submitted by the members.

Members should be aware that if a person has been convicted of a felony during the applicable 10-year period, the NASD requires that the member submit the indictment or information and the order of conviction and sentence as a part of the NASD review process. Members may also be required to submit these documents prior to the NASD granting registration so that the Association can determine whether a person is subject to a statutory disqualification.

Questions concerning this notice may be directed to Ellen Badler, Special Registration Review, at (301) 590-6743 or Craig L. Landauer, Office of General Counsel, at (202) 728-8291.

Notice To Members

National Association of Securities Dealers, Inc.

March 1991

Number 91-17

Suggested Routing:*

- | | | | |
|--|--|--|---|
| <input type="checkbox"/> Senior Management | <input checked="" type="checkbox"/> Internal Audit | <input checked="" type="checkbox"/> Operations | <input checked="" type="checkbox"/> Syndicate |
| <input type="checkbox"/> Corporate Finance | <input checked="" type="checkbox"/> Legal & Compliance | <input type="checkbox"/> Options | <input checked="" type="checkbox"/> Systems |
| <input type="checkbox"/> Government Securities | <input checked="" 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: Good Friday — Trade Date-Settlement Date Schedule

Securities markets and the Nasdaq system will be closed on Good Friday, March 29, 1991. "Regular way" transactions made on the preceding business days will be subject to the settlement date schedule listed below.

Trade Date	Settlement Date	Reg T Date*
March 21	March 28	April 2
22	April 1	3
25	2	4
26	3	5
27	4	8
28	5	9
29	Markets Closed	—
April 1	8	10

Brokers, dealers, and municipal securities dealers should use these settlement dates for purposes of clearing and settling transactions pursuant to the NASD Uniform Practice Code and Municipal Securities Rulemaking Board Rule G-12 on Uniform Practice.

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

*Pursuant to Sections 220.8(b)(1) and (4) of Regulation T of the Federal Reserve Board, a broker-dealer must promptly cancel or otherwise liquidate a customer purchase transaction in a cash account if full payment is not received within seven (7) business days of the date of purchase or, pursuant to Section 220.8(d)(1), make application to extend the time period specified. The date by which members must take such action is shown in the column entitled "Reg. T Date."

Notice To Members

National Association of Securities Dealers, Inc.

March 1991

Number 91-18

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 February 8, 1991

As of February 8, 1991, the following seven issues joined Nasdaq/NMS, bringing the total number of issues to 2,554:

Symbol	Company	Date	SOES Execution Level
AHSI	ALTA Health Strategies, Inc.	1/22/91	1000
GENZW	Genzyme Corporation (Wts)	1/30/91	500
NEOZ	Neozyme Corporation	1/30/91	1000
CYGN	Cygnus Therapeutic Systems	1/31/91	200
CLBD	College Bound, Inc.	2/5/91	1000
HMAIA	Health Management Associates, Inc. (CI A)	2/5/91	1000
DVICW	DVI Financial Corporation (Wts)	2/7/91	1000

Nasdaq/NMS Symbol and/or Name Changes

The following changes to the list of Nasdaq/NMS securities occurred since January 11, 1991:

New/Old Symbol	New/Old Security	Date of Change
CYTI/MSHK	Cytocare, Inc./Medstone International, Inc.	1/23/91
CFED/CFED	Charter FSB Bancorp Inc./Charter One Bancorp Inc.	2/4/91
PFDC/PFDC	Peoples Bancorp/Peoples Federal Savings Bank of DeKalb County	2/4/91

Nasdaq/NMS Deletions

Symbol	Security	Date
WONEW	Westwood One, Inc. (Wts)	1/14/91
PLZA	Plaza Commerce Bancorp	1/15/91
INSY	Interim Systems Corporation	1/23/91
MALC	Mallard Coach Company, Inc.	1/23/91
BCKY	Buckeye Financial Corporation	1/25/91

Notice to Members 91-18

Symbol	Security	Date
ITCHE	Infotechnology, Inc.	1/25/91
WYNB	Wyoming National Bancorporation	1/28/91
SEAG	Sea Gallery Stores, Inc.	1/29/91
TRBK	Trustbank Savings, F.S.B.	1/29/91
NEOZZ	Neozyme Corporation (Paired Certificates)	1/30/91
CLCMC	Cellcom Corp.	1/31/91
CKDN	Circadian, Inc.	1/31/91
DBCI	Dartmouth Bancorp, Inc.	1/31/91
IGAM	International Game Technology	1/31/91
IRIS	International Remote Imaging Systems, Inc.	1/31/91
MAIRC	Metro Airlines, Inc.	1/31/91
MFGR	Metrobank Financial Group, Inc.	1/31/91
OSBW	Olympic Savings Bank	1/31/91
PHNX	Phoenix Medical Technology, Inc.	1/31/91
SATI	Satellite Information Systems Company	1/31/91
STKLF	Stake Technology Ltd.	1/31/91
VISA	Visa Organization, Ltd. (The)	1/31/91
SMRPE	Southmark Corporation (Pfd)	2/1/91
AMRI	AmeriFirst Bank, A Federal Savings Bank	2/4/91
IMATW	Imatron Inc. (Wts)	2/4/91
WHLS	Wholesale Club, Inc. (The)	2/4/91
NMBC	Merchants Bancorp, Inc. (The)	2/5/91

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.

Board Briefs

National Association of Securities Dealers, Inc.

March 1991

Actions Taken by the NASD Board of Governors in January

■ **President's Report** — During the year ahead, the NASD and the securities industry face increasing government scrutiny as a result of legislation adopted by Congress in 1990, increasing Securities and Exchange Commission oversight activity, and proposals for new legislation in the current session of Congress. These will include efforts to restructure the financial services industry and to expand sales-practice regulation to government securities. The issue of the appropriate regulatory scheme for stock index futures, including margins on such futures, will be resurrected in this session.

A proposal to "require the disclosure of the short positions of major short position holders" under Section 13d of the Securities Exchange Act of 1934 is also likely to be reintroduced in this Congress.

In addition, a number of other issues remain on the agenda for the coming year. These include dealing with the issues of payment for order flow, unlisted trading privileges, off-board trading restrictions, a continuing assessment concept encompassing initial training and maintenance of knowledge by registered industry professionals, the need to regulate vendors of automated quotation systems, and corporate governance matters, including possibly the shareholder voting rights issue.

■ **Business Conduct Matters** — The NASD is asking members to comment on a proposal requiring them to designate persons of significant authority in their organization as "Executive Representative." The proposal would accomplish this goal by redefining the term "Executive Representative" under the NASD's By-Laws.

The broadness of the current definition often leads to designation as Executive Representative persons who have limited authority in their respective firms. Since all important NASD membership communications are directed to the Executive Representatives, who are eligible to cast votes on behalf of their firms, the NASD is concerned that

important issues may not be directed to the appropriate persons in the membership. This proposed rule change is intended to correct that shortcoming.

As a result of Board action, the membership will soon vote on an amendment that would allow the NASD to impose suspensions of either the firm's membership or an associated person's registration for indefinite periods, thereby permitting suspensions to remain effective until respondents demonstrated that they had made restitution. Current rules only authorize the imposition of suspensions for "a definite period."

Under a resolution approved by the Board, firm quotations could soon become part of the OTC Bulletin Board service. The Board approved filing with the SEC a specific rule to require that any quotation entered into the NASD's OTC Bulletin Board for nonforeign issues and American Depositary Receipts (ADRs) be a firm price.

■ **Fee Changes** — Due to the administrative costs associated with processing examination waivers, the NASD has proposed to recover such costs by no longer refunding the examination fees collected from persons who receive a waiver from the examination. This proposed change to the NASD's fee schedule will be filed shortly with the SEC for immediate effectiveness.

In another action, the Board ratified a modified fee structure for the SelectNet service. Basically, the proposal accepts the previously approved \$25 SelectNet fee applicable to each Nasdaq WorkstationSM terminal or terminal operated by a member eligible to transact business through the SelectNet service. The proposal recommends an additional fee of \$4 for each side of a transaction executed through SelectNet instead of the previously approved \$.005 per share fee.

■ **Recommendations of the Advisory Council** — Twice each year, the chairpersons of the NASD's 11 District Business Conduct Committees and its Market Surveillance Committee meet

as an Advisory Council to the Board of Governors to discuss issues of importance to the NASD and the industry. From these discussions, the group formulates a series of recommendations for the NASD to consider. Some of these recent recommendations are:

- Expand the Central Registration Depository system to provide for the central filing of Form BD and related fees, and eliminate the existing duplicate filings that must be made with each state in which a member is registered.

- Develop programs that will create more investor, issuer, and member awareness of NASD regulatory and enforcement policies, procedures, and programs.

- Support the NASD's efforts to seek the adoption of sales-practice rules for government securities. The Council views government securities sales practices as a national problem that primarily involves suitability, markup, and churning violations in connection with derivative products.

- Adopt a rule granting the NASD access to financial or other records of a parent, affiliate, or entity under common control of an NASD member under certain circumstances to facilitate an investigation of the financial status of the member.

- Increase the severity of the sanctions, to include a permanent bar, applied to individuals caught cheating on a qualifications test.

- Support the decision to issue a concept document for a short-sale rule for Nasdaq/NMS. The Council believes the time has come for the NASD to consider some type of short-sale rule for the Nasdaq market to reduce the loss of major Nasdaq issuers to exchange markets.

- Review the free-riding and withholding interpretation to ensure that the restrictions, definitions, and obligations established by the interpretation are relevant in today's market in light of the significant changes that have taken place in the securities industry in recent years.

Disciplinary Actions

National Association of Securities Dealers, Inc.

March 1991

Disciplinary Actions Reported for March

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, March 4, 1991. 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

Amerimutual Corporation (Boca Raton, Florida) and **Rosemary Grady (Registered Principal, Boca Raton, Florida)** were fined \$25,000, jointly and severally. The firm was expelled from membership in the NASD, and Grady was barred from association with any member of the NASD in any capacity. The sanctions were based on findings that the firm, acting through Grady, failed to file FOCUS Part I reports. In addition, the firm, acting through Grady, failed to respond to NASD requests for information.

Samarah & Company (Chicago, Illinois) and **Yasar Samarah (Registered Principal, Chicago, Illinois)** were fined \$50,000, jointly and severally, and the firm was expelled from membership in the NASD. In addition, Yasar Samarah was barred from association with any member of the NASD in any capacity. The sanctions were based on findings that the firm, acting through Samarah, effected securities transactions while failing to maintain required minimum net capital and maintained inaccurate books and records. In addition, the firm, acting through Samarah, filed inaccurate FOCUS Part I and Part IIA reports for certain months and failed to respond to NASD requests for information. Furthermore, the respondents effected securities transactions with customers at prices that were unfair and unreasonable.

FIRMS FINED, INDIVIDUALS SANCTIONED

Brennan Ross Securities, Inc. (Englewood, Colorado), **Barry C. Bates (Registered Principal, Aurora, Colorado)**, and **Michael D.**

Pittman (Registered Principal, Aurora, Colorado) submitted an Offer of Settlement pursuant to which they were fined \$15,000, jointly and severally, and the firm must disgorge \$75,000 to the NASD. Also, Pittman was suspended from association with any member of the NASD in any capacity for 15 days. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Pittman, engaged in securities transactions with public customers at prices that were unfair (including markups of more than 10 percent). In addition, the NASD found that the firm, acting through Pittman, manipulated the price of a common stock by arbitrarily setting the prices of the securities to customers while dominating and controlling the market in such securities. According to the findings, the firm, acting through Pittman, also failed to disclose to the customers the pricing methods used and the absence of a relationship between the pricing method and a bona fide assessment of demand for the stock. The NASD found that Bates failed to supervise the activities of Pittman properly. In addition, the findings stated that the firm, acting through Bates, failed to establish, maintain, and enforce written procedures concerning markups and markdowns on principal transactions.

The Ohio Company (Columbus, Ohio), **Gordon E. Maynard (Registered Representative, New Port Richey, Florida)**, and **Richard William Broomham (Registered Principal, Rochester Hills, Michigan)** submitted a Letter of Acceptance, Waiver and Consent pursuant to which the firm

and Broomham were fined \$15,000, jointly and severally. Maynard was fined \$25,000 and suspended from association with any member of the NASD in any capacity for 30 days. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that Maynard recommended the purchase of securities to public customers without having reasonable grounds to believe such recommendations were suitable considering the customers' financial situations and investment needs. In connection with such conduct, the NASD determined that the firm, acting through Broomham, failed to maintain and enforce written supervisory procedures to supervise Maynard's activities properly.

Pentad Securities, Inc. (Sun City, Arizona) and **B. Mills Sinclair (Financial and Operations Principal, Sun City, Arizona)** were fined \$32,500, jointly and severally. Sinclair was suspended from association with any member of the NASD in any capacity for 30 days and suspended as a financial and operations principal for two years. In addition, Sinclair must requalify by examination as a financial and operations principal and may not play any role in the management of Pentad. 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 the firm, acting through Sinclair, failed to respond to NASD requests for information and conducted a securities business while failing to maintain required minimum net capital. In addition, the firm, acting through Sinclair, filed a materially inaccurate FOCUS Part I report and failed to file FOCUS Part IIA and certain financial reports on a timely basis. The respondents also failed to discontinue the association of a statutorily disqualified person with the firm.

Shearson Lehman Brothers, Inc. (Cleveland, Ohio) and **Stephen J. Weinberg (Registered Principal, Moreland Hills, Ohio)** submitted an Offer of Settlement pursuant to which the firm was fined \$60,000, and Weinberg was fined \$10,000 and suspended from association with any member of the NASD in any capacity for 10 days. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that Shearson failed to establish, maintain, and reasonably en-

force procedures that would have enabled it to supervise the activities of the firm's associated and registered persons properly. The findings also stated that Weinberg failed to supervise the activities of another individual properly and adequately to prevent and detect unsuitable transactions.

Sun Securities, Inc. (Scottsdale, Arizona) and **Anthony John Puglisi (Registered Principal, Scottsdale, Arizona)** were fined \$20,000, jointly and severally, and Puglisi was barred from association with any member of the NASD in any principal 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 the firm, acting through Puglisi, engaged in certain transactions and made false entries in its books and records in order to hide the misuse of customer funds and to give the appearance that the firm was in compliance with its net capital requirement. Furthermore, the respondents used in the firm's own business funds received from its customers for securities purchases. In addition, the firm, acting through Puglisi, received and held customer funds without establishing a Special Reserve Bank Account, and allowed unregistered persons to conduct a securities business on behalf of the firm. The firm, acting through Puglisi, also conducted a securities business while failing to maintain required minimum net capital.

FIRMS FINED

Century Capital Corp. of South Carolina (Greenville, South Carolina) was fined \$10,000. 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 7. The sanctions were based on findings that the firm, acting through another individual, effected 18 transactions in corporate securities as principal with retail customers at prices that were not fair.

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

INDIVIDUALS BARRED OR SUSPENDED

Thomas A. Adams (Registered Representative, Canton, Ohio) submitted a Letter of Ac-

ceptance, Waiver and Consent pursuant to which he was barred from association with any member of the NASD in any capacity. Without admitting or denying the allegations, Adams consented to the described sanctions and to the entry of findings that he misstated the amount of sales charges and risks to public customers concerning the purchase of mutual funds, a single-premium variable annuity contract, and a single-premium whole life insurance policy. The NASD also found that Adams tendered personal notes to two customers as compensation for losses suffered without first advising his member firm. In addition, the findings stated that Adams recommended the liquidation of a mutual fund without having a reasonable basis to support the suitability of that recommendation. Also, the NASD found that Adams signed a customer's name to an application for a whole life insurance policy without the customer's authorization.

Uche Onyeabo Akwuba (Registered Representative, New York, 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 Akwuba permitted a statutorily disqualified individual to be associated with his member firm and allowed this individual to engage in a securities business as a registered representative without proper registration with the NASD. In addition, Akwuba failed to file an application for membership continuance with the NASD prior to permitting such association and failed to abide by his member firm's written supervisory procedures by permitting this statutorily disqualified individual to act in a capacity requiring registration.

Donald G. Asquith (Registered Principal, Williamston, Michigan) was fined \$15,000 and barred from association with any member of the NASD in any principal, supervisory, or managerial capacity. The sanctions were based on findings that a member firm, acting through Asquith, conducted a securities business while failing to maintain required minimum net capital and filed inaccurate FOCUS Parts I and IIA reports. Asquith, acting on behalf of his member firm, also failed to prepare and maintain accurate books and records and to abide by the terms of the firm's restriction agreement with the NASD. In addition, Asquith, acting on behalf of his member firm, failed to establish, maintain, and enforce written supervisory proce-

dures and to reflect adequate information on 10 option customer account files. Moreover, a member firm, acting through Asquith, effected municipal securities transactions for customers and failed to record and preserve certain information on order tickets and customer account cards.

Joseph Baldwin, Jr. (Registered Representative, Copley, Ohio) was fined \$32,566.48 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Baldwin misappropriated and converted to his own use customer funds totaling \$2,566.48 representing insurance premium payments. He also failed to respond to NASD requests for information.

Albert J. Bucci (Registered Representative, Philadelphia, Pennsylvania) was fined \$15,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Bucci failed to respond to NASD requests for information.

Angela V. Campbell (Registered Representative, Tucson, Arizona) submitted an Offer of Settlement pursuant to which she was fined \$15,000 and barred from association with any member of the NASD in any capacity. Without admitting or denying the allegations, Campbell consented to the described sanctions and to the entry of findings that she accepted a check for \$5,000 from a public customer as payment on a life insurance policy. The NASD found that Campbell failed to follow the customer's instructions and, instead, used the funds for her own benefit.

Robert Edwin Cohen (Registered Principal, Bedford, New York) was fined \$15,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Cohen failed to honor a \$12,988 arbitration award.

John M. Coulter (Registered Representative, Independence, Iowa) 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, Coulter consented to the described sanctions and to the entry of findings that he obtained funds totaling \$11,996.76 for payment of insurance premiums or to be given to insurance policyholders. The NASD determined that Coulter failed to use the funds as instructed and, instead, retained

the monies for his personal benefit.

Andrew J. Crawford (Registered Representative, Little Rock, Arkansas) 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, Crawford consented to the described sanctions and to the entry of findings that he exercised discretion in the accounts of public corporate customers without having obtained proper written authorization from the customers and without having his member firm accept the accounts as discretionary in writing. The NASD also found that Crawford sent false confirmations to a public institutional customer to induce the customer to transfer funds to his member firm. These monies were then used to fund transactions in two other customer accounts. In addition, the NASD determined that Crawford failed to disclose this scheme to the customer and to his member firm.

Samuel Eugene Cryan (Registered Representative, Corsicana, Texas) was fined \$100,000 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 his member firm, Cryan sold bonds for his member firm's account to two other member firms and failed to record such transactions on his member firm's books and records.

Donovan Herbert Cunningham (Registered Representative, Queens Village, 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 Cunningham failed to respond to NASD requests for information concerning a customer complaint.

David N. DeJulio (Registered Representative, South Dennis, Massachusetts) was fined \$50,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that DeJulio withheld and misappropriated to his own use and benefit customer funds totaling \$17,398.39 intended for investment purposes. In addition, he failed to respond to NASD requests for information.

Thomas J. Delaney (Registered Representative, Lake Forest, Illinois) was fined \$100,000 and barred from association with any member of the NASD in any capacity. The sanc-

tions were based on findings that Delaney accepted from public customers funds totaling \$84,970 intended for investment purposes and failed to follow the customers' instructions. Instead, Delaney deposited the funds in an account in which he had a beneficial interest, commingled them with his personal funds and the funds of other public customers, and used the monies for his personal benefit. In connection with such activity, Delaney engaged in a course of conduct that operated as a fraud and deceit because, among other things, he sent to customers confirmations that made false representations. He also made untrue statements to these public customers and omitted material facts. Furthermore, Delaney failed to respond to NASD requests for information.

George A. Doppke (Registered Representative, Walled Lake, Michigan) was fined \$25,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Doppke recommended to a customer the purchase and sale of securities without having reasonable grounds for believing that such recommendations were suitable considering the customer's financial situation and investment objectives. Doppke also failed to respond to NASD requests for information.

Michael Charles Ermilio (Registered Representative, Brooklyn, New York) was fined \$5,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Ermilio failed to honor a \$4,001.50 arbitration award.

John Joseph Falcetta (Registered Representative, Ridgefield, Connecticut) was fined \$20,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Falcetta failed to respond to NASD requests for information concerning a customer complaint.

Christopher Lansing Foster (Registered Representative, Centerport, New York) was fined \$42,500 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Foster executed unauthorized purchase and sale transactions in the account of a public customer. He also failed to respond to NASD requests for information.

Herbert Garrett Frey (Registered Principal, Cincinnati, Ohio) 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 as a financial and operations principal for two years and one day. Without admitting or denying the allegations, Frey consented to the described sanctions and to the entry of findings that, on behalf of a former member firm, he conducted a securities business while failing to maintain required minimum net capital. The findings also stated that Frey, acting on behalf of the same former member firm, failed to accurately compute its net capital.

Leonard W. Fruchter (Registered Representative, Springfield, New Jersey) 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, Fruchter consented to the described sanctions and to the entry of findings that he obtained a public customer's \$1,800 check that was written to pay a premium on an annuity policy. The NASD found that Fruchter converted these funds to his own use without the knowledge or consent of the customer.

Ben H. Gibbs (Registered Representative, Birmingham, Alabama) 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 year. He must requalify by examination as a general securities representative. Without admitting or denying the allegations, Gibbs consented to the described sanctions and to the entry of findings that he exercised discretion in the account of two public customers without obtaining written discretionary authorization from the customers and before his member firm accepted the account as discretionary.

Ward David Goldberg (Registered Representative, Oceanside, New York) 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 Goldberg made unsuitable recommendations to a public customer given the customer's prior investment experience, other securities holdings, and financial situation and needs. In addition, Goldberg tendered a personal \$21,300 check to a customer to compensate the customer for losses that occurred in his account.

Lawrence Charles Goldsmith (Registered

Representative, Mansfield, Ohio) was fined \$50,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Goldsmith engaged in a series of transactions for the accounts of public customers without the knowledge or consent of the customers. He also failed to respond to NASD requests for information.

Walter R. Goldsmith (Registered Representative, Milford, Connecticut) 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, Goldsmith consented to the described sanctions and to the entry of findings that he submitted fictitious health insurance claims to his member firm and received \$32,760 in reimbursements. The NASD found that Goldsmith misappropriated these funds to his own use and benefit.

Evelyn Charlene Haun (Direct Participation Programs Principal, Mission Viejo, 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 Haun failed to respond to NASD requests for information.

Gustaf H. Hendrickson (Registered Representative, Saginaw, Michigan) was fined \$25,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Hendrickson received \$5,000 in cash from a public customer with instructions to use the funds to purchase an annuity. Hendrickson failed to follow the customer's instructions and retained the funds for his own use and benefit.

Mark Eugene Hennick (Registered Representative, Anchorage, Alaska) was fined \$10,000, suspended from association with any member of the NASD in any capacity for 30 business days, and required to requalify by examination. The sanctions were based on findings that Hennick effected unauthorized transactions in the accounts of public customers.

Bernard N. Higgins (Registered Representative, Danielson, Connecticut) was fined \$25,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Higgins withheld and misappropriated to his own use and benefit cus-

tomers funds totaling \$3,700 without the knowledge or consent of the customers. He also failed to respond to NASD requests for information.

Beverley Moore Hylton (Registered Representative, San Diego, California) was fined \$5,000 and suspended from association with any member of the NASD in any capacity for 14 days. The sanctions were based on findings that Hylton recommended an options strategy to six public customers and executed options transactions in the customers' accounts pursuant to such strategy without having reasonable grounds for believing such recommendations were suitable considering the customers' experience in options contracts and their ability to evaluate the risks involved.

John Francis Janiga (Financial and Operations Principal, Woodbridge, New Jersey) was fined \$40,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Janiga executed purchase transactions in the accounts of public customers without the authorization, knowledge, or consent of the customers. He made misrepresentations to a customer that units had been sold in the customer's account when, in fact, the units had not been sold. Janiga also promised a customer that he would sell shares of stock at certain prices that were not reasonably related to their market prices. Therefore, the orders were not executed at those prices. In addition, Janiga presented an \$8,000 personal check to a public customer to cover losses in the customer's account without the knowledge or consent of his member firm, but the check was returned for insufficient funds. Furthermore, Janiga failed to respond to NASD requests for information.

Ronald M. Janus (Registered Representative, Cincinnati, Ohio) was fined \$25,589.53 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Janus misappropriated and converted to his own use customer funds totaling \$589.03. In addition, he failed to respond to NASD requests for information.

Donna D. Jeffrey (Registered Representative, Clarks Summit, Pennsylvania) submitted an Offer of Settlement pursuant to which she was fined \$5,000 and barred from association with any member of the NASD in any capacity. Without admitting or denying the allegations, Jeffrey consented to the described sanctions and to

the entry of findings that she received from a public customer \$500 in cash as advance premium payments on a life insurance policy. According to the findings, Jeffrey failed to remit the funds as instructed and instead paid 11 monthly premiums of \$9.95 each, followed by a \$440 payment covering both overdue and advance premiums on the then-lapsed policy.

George R. Johnston, Jr. (Financial and Operations Principal, Denver, Colorado) was fined \$3,000 and suspended from association with any member of the NASD as a financial and operations principal for 30 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 3. The sanctions were based on findings that Johnston caused his member firm to conduct a securities business while failing to maintain required minimum net capital. In addition, he caused the firm to file inaccurate FOCUS reports.

Patrick G. Keel (Registered Representative, New Orleans, Louisiana) and **Lawrence A. Grolemond (Registered Principal, Tampa, Florida)**. Keel was fined \$25,000 and barred from association with any member of the NASD in any capacity, and Grolemond was fined \$4,000 and suspended from association with any member of the NASD in any principal capacity for seven days. In addition, Grolemond was 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 5. The sanctions were based on findings that Keel executed unauthorized options transactions in the joint account of two customers. These options transactions were unsuitable for the customers considering their financial situations and investment needs. He also made unsuitable recommendations to other public customers. In addition, Keel exercised discretion in a customer's account without obtaining prior written authorization from the customer and without prior written approval from his member firm. Furthermore, Keel submitted active account information reports to his member firm regarding two public customers. These reports indicated that each account had a net profit when, in fact, the customers had sustained losses in their accounts. Grolemond, acting on behalf of his member firm, also failed to establish, maintain, and en-

force written supervisory procedures and failed to supervise Keel's activities properly.

Keel has appealed this action to the Securities and Exchange Commission, and his sanctions, other than the bar, are not in effect pending consideration of the appeal.

John D. Kittle (Registered Representative, Dunbar, West Virginia) was fined \$15,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Kittle failed to respond to an NASD request for information.

Robert M. Kolaczynski (Registered Representative, McDonald, Pennsylvania) was fined \$25,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Kolaczynski engaged in the offer and sale of limited partnership interests to public customers without providing prior written notice to his member firm. He also failed to respond to NASD requests for information.

James S. Lesniak (Registered Representative, Edina, Minnesota) was fined \$25,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Lesniak received funds totaling \$4,794.56 from four public customers and retained the funds for his personal use and benefit. These funds were obtained by causing dividend withdrawals and loans to be made against insurance policies owned by the customers without their knowledge or consent. In addition, Lesniak failed to respond to NASD requests for information.

John R. Lewis (Registered Representative, Bay Head, New Jersey) was fined \$25,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Lewis purchased shares of common stock in his securities account and failed to pay a debit balance of \$22,190.57 resulting from the purchase. Furthermore, Lewis issued a \$40,000 personal check to his member firm to pay for the transactions, but the check was returned because of insufficient funds.

Anthony F. Markey (Registered Principal, Thornwood, 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 Markey failed to respond to NASD

requests for information concerning a customer complaint.

Ralph McNamara (Registered Principal, Clearwater, Florida) and **Stanley Goldaber (Registered Representative, Valley Stream, New York)** submitted an Offer of Settlement pursuant to which McNamara and Goldaber were each fined \$25,000. Goldaber was suspended from association with any member of the NASD in any capacity for 90 days, suspended from acting in any trading capacity for one year, and he has agreed to inform his present member firm and all future firms of this matter. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that Goldaber executed certain transactions that resulted in no change of beneficial ownership (wash sales) or that were matched with other trades. Also, the NASD found that, on seven occasions, Goldaber wrongfully affected prices reported to the Nasdaq National Market System by executing transactions, at or near the close of the market, in order to increase the closing last-sale price of the security. In connection with these transactions, the NASD found that Goldaber reported or caused to be reported to the Nasdaq system purchase and sale transactions that were not bona fide. Furthermore, the NASD determined that McNamara failed to establish, maintain, and enforce written supervisory procedures.

Daniel Jay McNeff (Registered Representative, Escondido, 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 McNeff failed to respond to NASD requests for information concerning his termination from a member firm.

Sean F. McSorley (Registered Representative, West Chester, Pennsylvania) was fined \$15,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that McSorley failed to respond to NASD requests for information.

Vincent J. Mezza (Registered Representative, New Castle, 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, Mezza consented to the described sanctions and to the entry of findings that he failed to respond to NASD requests for information.

Michael J. Moesch (Registered Representative, Flint, Michigan) was fined \$25,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Moesch accepted funds totaling \$7,500 from two public customers with instructions to pay for an annuity and to pay a loan on an insurance policy. Moesch failed to follow the customers' instructions and used the funds for his personal benefit. In addition, Moesch failed to respond to NASD requests for information.

Wilbur Gerard Montgomery (Registered Representative, West Palm Beach, 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 Montgomery received a \$6,000 check from a public customer for investment purposes. Montgomery misused \$5,000 of the customer's funds by allowing the monies to remain in his personal checking account. In addition, Montgomery prepared and sent to the customer a statement that falsely reflected a \$5,000 investment.

William R. Nice (Registered Representative, Levittown, Pennsylvania) submitted an Offer of Settlement 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, Nice consented to the described sanctions and to the entry of findings that, on several occasions, he forged customer signatures on insurance applications, cash surrender requests, and checks totaling \$7,732.69 issued as a result of such requests. According to the findings, Nice used portions of the proceeds as payment for premiums on unauthorized insurance policies and on policies of other customers, and portions as deposits in his own bank account.

Michael F. Nolan (Registered Representative, Rochester, New York) was fined \$35,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Nolan withheld and misappropriated to his own use and benefit customer funds totaling \$7,434 intended for investment in a profit-sharing plan. Also, he failed to respond to NASD requests for information.

Douglas Wayne Norsten (Registered Representative, Henderson, Nevada) 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, Norsten consented to the described sanctions and to the entry of findings that he sold shares of common stock to public customers without providing prior written notice of such sales to his member firm. The NASD found that, in connection with such activity, Norsten guaranteed a customer against loss and issued a promissory note to this customer in support of the guarantee without the knowledge or consent of his member firm.

Thomas M. Owens (Registered Principal, McMurray, Pennsylvania) was fined \$75,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that, on two separate occasions, Owens engaged in the offer and sale of limited partnership interests to public customers without providing prior written notice to his member firm. In connection with such activity, Owens made improper and fraudulent use of a customer's funds by inducing the customer to draw a subscription check to the order of an investment firm and by negotiating such check on behalf of, and for the benefit of, the firm. Owens also failed to respond to NASD requests for information.

George Jan Paukert (Registered Representative, Los Angeles, California) 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 any capacity for 30 days. Without admitting or denying the allegations, Paukert consented to the described sanctions and to the entry of findings that he engaged in the sale of securities to a public customer without providing prior written notice to his member firm.

John H. Price (Registered Representative, Youngstown, Ohio) 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, Price consented to the described sanctions and to the entry of findings that, without regard for the financial situations and needs of customers and solely for the purpose of generating commissions, he made recommendations to public customers to redeem and purchase mutual funds.

Patrick Michael Riley (Registered Representative, Manhattan 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 Riley failed to respond to NASD requests for information regarding customer complaints.

Paul Eugene Roberts (Registered Representative, Riverside, 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 Roberts received \$3,000 in cash from a public customer for the purchase of securities, failed to purchase any securities, and gave the money to a friend. Thereafter, Roberts confessed his actions to the customer when the customer requested that the securities be sold. Roberts agreed to repay the customer \$3,000 plus \$500 in interest. He paid \$3,000 of the amount but failed to pay the remaining balance of \$500. In addition, Roberts failed to respond to NASD requests for information.

Brian Francis Ross (Registered Representative, Huntington, New York) was fined \$25,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Ross failed to honor a \$2,058 arbitration award. In addition, Ross failed to respond to NASD requests for information.

James Elias Ryan (Registered Representative, Bellevue, Washington) 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 10 days. Without admitting or denying the allegations, Ryan consented to the described sanctions and to the entry of findings that, in order to induce customers to purchase securities, he made misleading and unwarranted statements to public customers regarding the performance of the securities and the risk involved. The NASD also found that Ryan recommended to a customer the purchase of securities without having reasonable grounds for believing such recommendations were suitable considering the customer's financial situation and investment needs.

Robert Joseph Scelso (Registered Principal, Harriman, New York) and **Louis Anthony Sebbio (Registered Principal, Hoboken, New Jersey)** 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

Scelso and Sebbio failed to respond to NASD requests for information.

Jeffrey A. See (Registered Representative, Willoughby, Ohio) was fined \$25,217 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that See misappropriated and converted to his own use insurance premiums totaling \$217 belonging to a public customer. In addition, See failed to respond to NASD requests for information.

Sewak Surjit Singh (Registered Representative, Parsippany, New Jersey) was fined \$36,170 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Singh received a \$1,201 check from a public customer to be used to pay premiums on health insurance policies. Without the knowledge or consent of the customer, Singh used the funds to purchase life insurance policies for which he received a prepaid commission. In addition, Singh failed to respond to NASD requests for information.

Richard Blain Stair (Associated Person, Del Mar, 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, in connection with two contingent offerings of limited partnership interests, Stair failed to promptly transmit customer funds to a separate escrow account. Furthermore, the investors' funds were distributed to the general partner before the contingencies in the offerings were met. In addition, Stair functioned as a principal of a member firm without proper registration with the NASD.

Daniel T. Veza, Jr. (Registered Representative, Indialantic, Florida) was fined \$25,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Veza withheld and misappropriated to his own use and benefit customer funds totaling \$1,308. Veza also failed to respond to NASD requests for information.

Kieth Eric Vineyard (Registered Representative, Encino, California) was fined \$5,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Vineyard failed to honor a \$19,832 New York Stock Exchange arbitration award.

Trent M. Ward (Registered Representative,

Clarendon Hills, Illinois) submitted an Offer of Settlement pursuant to which he was fined \$35,000 and barred from association with any member of the NASD in any capacity. Without admitting or denying the allegations, Ward consented to the described sanctions and to the entry of findings that he received a \$29,595 check from a public customer with instructions to invest the money in mutual funds and to purchase an insurance policy. Ward, according to the findings, gave the proceeds to an associate who deposited the funds in an account of another company. This company's checks were subsequently deposited in Ward's member firm's account, but the findings stated that the checks were returned for insufficient funds.

Keith D. Weyer (Registered Representative, Huron, 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, Weyer consented to the described sanctions and to the entry of findings that he misappropriated customer funds totaling \$3,500. Weyer also failed to respond to NASD requests for information.

Edward O'Dea White, II (Registered Representative, Portland, Oregon) was fined \$36,062 and suspended from association with any member of the NASD in any capacity for three years. The sanctions were based on findings that White signed or caused to be signed to a margin agreement the signatures of two public customers and submitted the agreement to his member firm. White thereby redesignated their account as a margin account without the customers' knowledge or consent. In addition, White executed the unauthorized purchase of securities for the accounts of three customers. In connection with an unauthorized purchase of common stock in a customer's account, White guaranteed the customer against loss.

Mark W. Widdows (Registered Representative, Loveland, Colorado) 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 District Business Conduct Committee for District 3. The sanctions were based on findings that Widdows made improper use of customer funds in that he obtained 10 checks totaling \$24,435.15 that were made payable to a public customer and

caused these checks to be cashed by forging endorsements. In addition, Widdows falsified his firm's books and records by changing a customer's address to reflect his own home address without the customer's authorization.

Donald Julius Zamacona (Registered Representative, Menlo Park, California) was fined \$413,227.93 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Zamacona received funds totaling \$313,227.93 from public customers and misappropriated the funds to his own use. Also, Zamacona failed to respond to NASD requests for information.

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

Allison, Rosenblum & Hannahs Inc., Little Rock, Arkansas

Apple Securities, Incorporated, Conway, Arkansas

Madison Avenue Securities Corporation, Covington, Kentucky

The Oxford Group, Incorporated, Colorado Springs, Colorado

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

Donald G. Asquith, Williamston, Michigan

Jeffrey A. Bander, Sr., Indialantic, Florida

Earl S. Foster, Covington, Kentucky

Barry J. Herron, Pass Christian, Mississippi

Patrick J. Keaveny, Brooklyn, New York

Neil J. Koranda, Beaverton, Oregon

Leonard G. Nauman, Golden Valley, Minnesota

Ralph F. Parsons, Sandy, Utah

James H. Ragar, Little Rock, Arkansas

John R. Ryan, Liberty Lake, Washington

William P. Tarkenton, Cuming, Georgia

John M. Warwick, Aurora, Colorado

William E. Zilys, Spokane, Washington

NASD SANCTIONS PENNY STOCK FIRM, ITS PRINCIPALS, AND TRADER FOR FRAUDULENT MARKUPS

The NASD has taken disciplinary action against Sprung & Wise Securities, Inc. of Denver, Colorado; Timothy D. Wise, its Chairman;

Disciplinary Actions

Nicholas J. Sprung, its President; and Timothy J. Moore, the firm's trader. The misconduct involved fraudulently excessive markups in Firma, Inc. units, a non-Nasdaq over-the-counter "penny stock," and a failure to supervise with respect to those markups.

The NASD imposed \$200,000 in fines as well as substantial suspensions. Specifically, the NASD censured Sprung & Wise, fined the firm \$140,000, and suspended it for six months from engaging in any principal transactions. Wise was censured, fined \$30,000, and suspended for two years from associating with any member in any capacity. Sprung was censured, fined \$25,000, and suspended for one year from associating with any member in any capacity. Moore was censured, fined \$5,000, and suspended for 30 days from associating with any member in any capacity.

The NASD's decision followed disciplinary hearings before the Market Surveillance Committee and the NASD's Board of Governors. The NASD found that all the respondents violated various NASD rules. In addition, the firm, Wise, and Sprung were found to have violated Article III, Section 18 of the Rules of Fair Practice. The section prohibits the use of any manipulative, deceptive, or other fraudulent device in the purchase or sale of any security.

Firma, Inc. was a blind pool whose initial public offering (IPO) was underwritten by Sprung & Wise. The firm placed 77 percent of the IPO

with its own customers. The NASD found that, from the beginning of aftermarket trading and continuing for four months, while dominating and controlling the market for Firma, respondents charged their customers fraudulently excessive markups ranging from 11 percent to more than 114 percent above the prevailing market price. The NASD found that, in light of the firm's overwhelming share of aftermarket trading and the virtual absence of competition among market makers, Sprung & Wise was the only real market in Firma, Inc. units. Calling the markups "grossly excessive," the NASD stated that the sanctions imposed on the firm, Wise, and Sprung reflected the serious nature of the violations found.

The investigation was carried out by the NASD's Anti-Fraud Department and is another in a series of enforcement actions taken by the NASD to address, on a nationwide basis, sales and trading abuses in the securities markets, particularly with respect to over-the-counter penny stocks that trade outside of the NASD's highly regulated Nasdaq marketplace. The matter was initially heard 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 that fail to comply with relevant NASD rules and federal securities laws.

The suspensions imposed on the respondents began January 28, 1991.

For Your Information

National Association of Securities Dealers, Inc.

March 1991

Arkansas, Arizona Begin Participation in CRD Phase II Program

Effective March 1, 1991, Arkansas and Arizona began participation in the Central Registration Depository (CRD) Phase II program for receipt and review of broker-dealer filings. While the Arkansas broker-dealer registration fee of \$300 will be collected through CRD, Arizona will continue to receive the initial Form BD as well

as the fee associated with a request for broker-dealer registration in that state.

Questions regarding filing requirements for these two states should be directed to the Arizona Corporation Commission at (602) 542-4242 and the Arkansas Securities Department at (501) 324-9260.

May Paper and Pencil Examination Date Changes in Montana

The May paper and pencil administration of qualifications examinations at The College of Great Falls, Great Falls, Montana, will be held

May 11 instead of May 4 because of commencement exercises.

Two PLATO Testing Centers Slate Permanent Closing March 31

Effective with the close of business March 31, 1991, the following two PLATO Testing Centers will close permanently as a result of low testing volume: Toledo, Ohio, and Erie, Pennsylvania.

Questions regarding this action should be directed to the Member Services Phone Center at (301) 590-6500.

Tap Into Our Resources

NASD and Nasdaq Publications for Sale

The NASD publishes many valuable educational and informational materials. These comprehensive references and newsletters contain handy, concise, and up-to-date information about matters directly affecting your day-to-day business activities. Here are some of the publications currently available.

July 1990 Nasdaq Company Directory. This book lists all Nasdaq stock market companies, their securities' symbols, industry codes, addresses, media and investor relations contacts, and telephone numbers. (Approx. 150 pages) **\$15.**

NASD Guide to Rule Interpretations (Net Capital Customer Protection Rules). This guide contains NASD interpretations of the SEC's Net Capital Rule (15c3-1) and Customer Protection Rule (15c3-3). Each interpretation has been distilled from one or more of the following sources: letters from the SEC Division of Market Regulation to the NASD; letters from the SEC to other self-regulatory organizations; letters from the SEC to attorneys, accountants, NASD members, and other parties; and discussions between self-regulatory organizations and the SEC. (1989. 85 pages) **\$25.**

NASD Subscription Service. Members and others interested in the NASD and The Nasdaq Stock Market can take advantage of belonging to our Subscription Service. Subscribers receive the *NASD Annual Report*, *NASD Notices to Members*, *Nasdaq Fact Book*, *NASD Regulatory and Compliance Alert*, and *Nasdaq Subscriber Bulletin*. **\$350 annually.**

The Nasdaq Handbook. In this hardcover book, corporate executives, scholars, consultants, journalists, and investment professionals explore the uses, efficacy, implications, and opportunities of The Nasdaq Stock Market. The handbook profiles Nasdaq market investors, provides an overview of Nasdaq companies, and analyzes trends in liquidity, economic efficiency, trading characteristics, and market technology. (1987. 577 pages). **\$24.95.**

NEWSLETTERS

NASD Notices to Members.* A monthly compendium informing members about regulatory and other NASD developments, including actions taken at bi-monthly Board of Governors meetings. Requests for member votes and comments are disseminated through *Notices to Members*. **\$200 annually.**

NASD Regulatory & Compliance Alert.* Quarterly newsletter dealing with NASD, federal, and state compliance developments and updates on NASD regulatory policy. **\$80 annually.**

Nasdaq Subscriber Bulletin.* Bi-monthly newsletter covering developments in the Nasdaq market with emphasis on new trading technologies and regulations and enhancements to the Nasdaq system. **\$80 annually.**

ECONOMIC STUDIES — Research Reports

A series of monographs written by leading academic researchers. **\$15 per monograph.** Some of the titles featured in this series are:

The Economic Impact of Initial Public Offerings. (December 1989)

Exchange Listing and the Cost of Equity Capital. (March 1982)

Liquidity, Exchange Listing and Common Stock Performance. (August 1983)

Listing and the Liquidity of Bank Stocks. (August 1983)

Nasdaq/NMS Qualifications Standards, Ohio Registration Experience, and the Price Performance of Initial Public Offerings. (April 1987)

*These publications also are available through the NASD Subscription Service, which consists of several publications and costs \$350 per year.

To order, complete and mail this form with a check or money order, payable to the National Association of Securities Dealers, Inc., to **NASD, Book Order Department, P.O. Box 9403, Galtersburg, MD 20898-9403.** **NO REFUNDS**

Please send me the item(s) checked above. I have enclosed a check or money order for \$ _____.

Name _____

Firm Name _____

Address _____

City _____ State _____ ZIP _____

Phone (____) _____