

# Notice To Members

National Association of Securities Dealers, Inc.

August 1990

## Number 90 - 50

### Suggested Routing:\*

- |   |  |  |                                    |
|---|--|--|------------------------------------|
| <input checked="" type="checkbox"/> Senior Management | <input checked="" 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.

## REQUEST FOR COMMENTS

**Subject: Proposed Amendment to Article III, Section 28 of the Rules of Fair Practice Re: Associated Person Notifying and Obtaining Approval of Employer Prior to Opening Securities Account With Another Member; Last Date for Comment: September 4, 1990**

### EXECUTIVE SUMMARY

The NASD requests comments on proposed amendments to Article III, Section 28 of the NASD Rules of Fair Practice that will require an associated person to notify the executing member in writing of the employment relationship that exists with the employing member, and to notify and receive approval from the employing member prior to opening an account or transacting business with the executing member.

### BACKGROUND

Article III, Section 28(c) now requires a registered representative, prior to opening an account or executing trades at a firm other than his or her employer, to inform the executing member firm of his or her status as an associated person. This provision does not, however, require the notice to be in writing. In addition, there is no specific provision in the Association's Rules of Fair Practice that require the registered repre-

sentative to inform his/her employing member that he/she is executing trades through another firm.<sup>1</sup> The rule, as currently structured, places the burden upon the executing member to notify the employing member and to provide duplicate confirmations or such other information as the employing member may require. Currently, many, but not all, firms have internal compliance procedures requiring that notice be given to the employer. If such notification was required, the Board of Governors believes that notification may allow member firms to more directly detect the existence of possible rule violations, including potential insider trading by associated persons.

The proposed rule change provides that an associated person shall be required to (1) provide written notice to and obtain approval from his/her employer prior to opening or trading in a securities account with another member, and (2) provide notice *in writing* to the executing member of his/her association with the employing member.

<sup>1</sup>The transactions subject to Section 28 are not considered to be private securities transactions that need to be approved by the employing member pursuant to Article III, Section 40 of the Rules of Fair Practice.

The NASD Board of Governors believes the proposed rule amendments will provide additional assurances that the registered representative, the employing member firm, and the executing member firm have satisfied their respective obligations under the federal securities laws and the Rules of Fair Practice. The amendments also would, among other things, prevent instances where trades may be made on inside information because the employing member was not aware of the existence of the account with another member, the Board feels.

The Board of Governors asks all members and interested persons to comment on this proposed amendment. Comments should be directed to:

Mr. Lynn Nelliuss, Secretary  
National Association of  
Securities Dealers, Inc.  
1735 K Street, NW  
Washington, DC 20006-1506.

Questions concerning this notice may be directed to T. Grant Callery, Vice President and Deputy General Counsel, or Maureen Eisenberg, Attorney, Office of General Counsel, at (202) 728-8285 or (202) 728-8245, respectively.

Comments must be received **no later than September 4, 1990**. Changes to the NASD Rules

of Fair Practice must be approved by the Board of Governors and by a vote of the membership and filed with and approved by the SEC before becoming effective.

### PROPOSED SECTION 28 TO ARTICLE III OF THE NASD RULES OF FAIR PRACTICE

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

#### Sec. 28. Transactions for or by Associated Persons

\* \* \* \* \*

#### **Obligations of Associated Persons Concerning an Account with a Member.**

(c) A person associated with a member, prior to opening [who opens] an account or placing [places] an order for the purchase or sale of securities with another member, shall notify the employer member and obtain the approval of that member; in addition he or she shall notify the executing member, in writing, of his or her association with the employer member; provided, however, that if the account was established prior to the association of the person with the employer member, the associated person shall notify both [the executing] members and obtain the necessary approval promptly after becoming so associated.

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## Subject: SEC Approval of Amendment to Board of Governors' Interpretation on Prompt Receipt and Delivery of Securities

### EXECUTIVE SUMMARY

The Securities and Exchange Commission has approved an amendment to the Board of Governors' Interpretation on Prompt Receipt and Delivery of Securities which provides, with certain exceptions, that no member shall effect a short sale for its own account in any security unless the member makes an affirmative determination that it can borrow the securities or otherwise provide for their delivery by settlement date. This requirement will become effective September 1, 1990. The text of the new rule follows this notice.

### SUMMARY OF NEW PROVISIONS

On July 5, 1990, the Securities and Exchange Commission (SEC) approved NASD Rule Filing 89-5, which adds new Section 2(b) to the Board of Governors' Interpretation on Prompt Receipt and Delivery of Securities.

This provision will require that no NASD member effect a short sale for its own account in any security unless the member makes an affirmative determination that it can borrow the securities or otherwise provide for their delivery

by settlement date.

The rule includes exemptions for transactions: (1) in corporate debt securities, (2) for bona fide market-making transactions by a member in NASDAQ securities for which it is a registered market maker and in non-NASDAQ securities for which it publishes a two-sided quotation in an independent quotation medium, and (3) for transactions that result in fully hedged or arbitrated positions.

The rule, as originally filed with the Commission, did not include the exception for market-making transactions in non-NASDAQ securities. As a result of comments received by the Commission when it published the rule proposal, the NASD Board reconsidered the issue and added the exclusion for non-NASDAQ securities for which a member publishes two-sided quotations.

In its order approving the rule change, the SEC expressed the expectation that the NASD will develop enforcement mechanisms to ensure compliance with the rule by member firms and, in particular, the expectation that the NASD will monitor closely the use of the exemption for bona fide market-making transactions as it applies to both NASDAQ and non-NASDAQ securities.

The Commission is requiring the NASD to report back in one year on the effectiveness of the new requirements.

## TEXT OF PROPOSED RULE CHANGE

The National Association of Securities Dealers, Inc. (NASD) is amending SR-NASD-89-5 to revise the text of the proposed rule change and its statement of the purpose of, and statutory basis for, the proposed rule change. The following is the full text of the proposed amendment to the Interpretation, as revised.

(Note: New language is underlined.)

### Article III, Section 1 of the NASD Rules of Fair Practice

#### INTERPRETATION OF THE BOARD OF GOVERNORS ON PROMPT RECEIPT AND DELIVERY OF SECURITIES

\* \* \* \* \*

##### (2) "Short" Sales

(a) No member or person associated with a member shall accept a "short" sale order for any cus-

tomers in any security unless the member makes an affirmative determination that it will receive delivery of the security from the customer or that it can borrow the security on behalf of the customer for delivery by settlement date. This requirement shall not apply, however, to transactions in corporate debt securities.

(b) No member shall effect a "short" sale for its own account in any security unless the member makes an affirmative determination that it can borrow the securities or otherwise provide for delivery of the securities by the settlement date. This requirement will not apply to transactions in corporate debt securities, to bona fide market making transactions by a member in securities in which it is registered as a NASDAQ market maker, to bona fide market maker transactions in non-NASDAQ securities in which the market maker publishes a two-sided quotation to an independent quotation medium, or to transactions which result in fully hedged or arbitrated positions.

# Notice To Members

National Association of Securities Dealers, Inc.

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| <input type="checkbox"/> Institutional                | <input type="checkbox"/> Mutual Fund                   | <input type="checkbox"/> Research              | <input checked="" type="checkbox"/> Training |

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**Subject: SEC Approval of Amendments to Article III, Sections 2 and 21(c) of the Rules of Fair Practice Re: Customer Account Information**

### EXECUTIVE SUMMARY

The SEC has approved amendments to Article III, Sections 2 and 21(c) of the Rules of Fair Practice ("Rules") to require NASD members to make reasonable efforts to obtain additional information pertaining to customer accounts. In the case of noninstitutional accounts, the amendment to Section 21(c) requires NASD members to make reasonable efforts to obtain the necessary additional information prior to the settlement of the initial transaction in the account, including discretionary and corporate accounts. Existing requirements regarding institutional accounts are retained, and the new rule also requires that the names of any persons authorized to

transact business on behalf of the entities should be obtained, if the customer is a corporation, partnership, or other legal entity.

The amendment to Section 2 requires NASD members to make reasonable efforts to obtain the additional information prior to the execution of a transaction recommended to a noninstitutional customer.

Both amendments exclude transactions and accounts when the investments are limited to money market mutual funds. These new requirements will apply to accounts opened, and recommendations made, after the effective date of January 1, 1991. The text of each amendment follows this notice.

### BACKGROUND AND SUMMARY OF AMENDMENTS

On May 2, 1990, the SEC approved an NASD rule change that requires NASD members to make reasonable efforts to obtain additional information pertaining to customer accounts.<sup>1</sup>

Pursuant to existing Article III, Section 21(c) of the Rules, the accounts of all customers are required to be maintained in such form and manner

as to show name; address; age; signatures of the introducing representative and member, partner, officer, or manager accepting the account for the member; and a customer's association with or employment by another member. In discretionary accounts, the customer's occupation must be noted,

<sup>1</sup>See Release No. 34-27982 (May 2, 1990), 55 FR 19402 (May 9, 1990).

along with the signature of each person authorized to exercise discretion in such account. When recommending to a customer the purchase, sale, or exchange of any security, Article III, Section 2 currently requires that a member have reasonable grounds for believing that the recommendation is suitable for the customer on the basis of any facts disclosed by the customer about his other security holdings, financial situation, and needs.

As amended, Section 21(c) requires a member to make reasonable efforts to obtain, prior to the settlement of the initial transaction in a noninstitutional customer account, the tax identification or Social Security number of the customer and the occupation and name and address of the employer of each customer for each account, in addition to the above-listed information currently required to be obtained. Furthermore, if the customer is a corporation, partnership, or other entity, the member also must obtain the names of any persons authorized to transact business on behalf of such entity. For discretionary accounts, the member is required to obtain the signature of each person authorized to exercise discretion in the account and the date such discretion is granted.

Amended Section 2 provides that, prior to the execution of a transaction recommended to a noninstitutional customer, a member must make reasonable efforts to obtain information concerning that customer's financial status, tax status, investment objectives, and such other information used or considered to be reasonable and necessary by the member or registered representative in making recommendations to the customer.

Both amendments exclude transactions and accounts in which investments are limited to money market mutual funds.

The NASD believes the amendments to Article III, Sections 2 and 21(c) of the Rules will provide extra protection for both customers and firms since the additional information obtained will permit more informed determinations as to customer accounts and investment recommendations. The requirement of "reasonable effort" can be met by prepared questionnaires for customers to complete and return or by telephone inquiry. It is not necessary to obtain a written statement from a customer in each instance in order to be in compliance with the rule.

The NASD also believes that the requirement of Section 21(c) that information be obtained prior

to the settlement of the initial transaction, and of Section 2 that information be obtained prior to the execution of a transaction recommended to a noninstitutional customer, will allow some freedom in opening new accounts. Moreover, it may be advisable for members to keep a record of efforts they have made to obtain a customer's tax identification or Social Security number, as required by Section 103.35, Part 103 of Title 31 of the Code of Federal Regulations adopted by the Treasury Department, effective June 1972.

The new requirements will apply to accounts opened, and recommendations made, after the effective date of January 1, 1991.

### TEXT OF AMENDMENT TO ARTICLE III, SECTION 2 OF THE NASD RULES OF FAIR PRACTICE

(Note: New language is underlined.)

#### Recommendation to Customers

Sec. 2.(a) In recommending to a customer the purchase, sale or exchange of any security, a member shall have reasonable grounds for believing that the recommendation is suitable for such customer upon the basis of the facts, if any, disclosed by such customer as to his other security holdings and as to his financial situation and needs.

(b) Prior to the execution of a transaction recommended to a non-institutional customer, other than transactions with customers where investments are limited to money market mutual funds, a member shall make reasonable efforts to obtain information concerning:

- (i) the customer's financial status;
- (ii) the customer's tax status;
- (iii) the customer's investment objectives; and
- (iv) such other information used or considered to be reasonable and necessary by such member or registered representative in making recommendations to the customer.

### TEXT OF AMENDMENT TO ARTICLE III, SECTION 21(c) OF THE NASD RULES OF FAIR PRACTICE

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

#### Books and Records

Sec. 21.

\* \* \* \* \*

[Information on accounts

(c) Each member shall maintain accounts of customers in such form and manner as to show the following information: name, address, and whether the customer is legally of age; the signature of the registered representative introducing the account and the signature of the member or the partner, officer, or manager accepting the account for the member. If the customer is associated with or employed by another member, this fact must be noted. In discretionary accounts, the member shall also record the age or approximate age and occupation of the customer as well as the signature of each person authorized to exercise discretion in such account.]

Customer Account Information

(c) Each member shall maintain accounts opened after January 1, 1991 as follows:

- (1) for each account, each member shall maintain the following information:
  - (i) customer's name and residence;
  - (ii) whether customer is of legal age;
  - (iii) signature of the registered representative introducing the account and signature of the member or partner, officer, or manager who accepts the account; and
  - (iv) if the customer is a corporation, partnership, or other legal entity, the names of any persons authorized to transact business on behalf of the entity;
- (2) for each account other than an institutional account, and accounts in which in-

vestments are limited to transactions in money market funds, each member shall also make reasonable efforts to obtain, prior to the settlement of the initial transaction in the account, the following information to the extent it is applicable to the account:

- (i) customer's tax identification or Social Security number;
  - (ii) occupation of customer and name and address of employer; and
  - (iii) whether customer is an associated person of another member; and
- (3) for discretionary accounts, in addition to compliance with subsections (1) and (2) above, and Article III, Section 15(b) of these rules, the member shall:
- (i) obtain the signature of each person authorized to exercise discretion in the account; and
  - (ii) record the date such discretion is granted.
- (4) For purposes of this section and Article III, Section 2, the term "institutional account" shall mean the account of:
- (i) a bank, savings and loan association, insurance company, or registered investment company;
  - (ii) an investment adviser registered under Section 203 of the Investment Advisers Act of 1940; or
  - (iii) any other entity (whether a natural person, corporation, partnership, trust, or otherwise) with total assets of at least \$50 million.

# Notice To Members

National Association of Securities Dealers, Inc.

August 1990

## Number 90 - 53

### Suggested Routing:\*

- Senior Management
- Corporate Finance
- Government Securities
- Institutional

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

- Operations
- Options
- Registration
- Research

- Syndicate
- Systems
- Trading
- Training

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### Subject: Labor Day: Trade Date-Settlement Date Schedule

Securities markets and the NASDAQ System will be closed on Monday, September 3, 1990, in observance of Labor Day. "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*
August 24	August 31	September 5
27	September 4	6
28	5	7
29	6	10
30	7	11
31	10	12
September 3	Markets Closed	—
4	11	13

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

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

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| <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           |

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### Subject: NASDAQ National Market System (NASDAQ/NMS) Additions, Changes, and Deletions As of July 13, 1990

As of July 13, 1990, the following 19 issues joined NASDAQ/NMS, bringing the total number of issues to 2,645:

Symbol	Company	Entry Date	SOES Execution Level
CDRG	Cedar Group, Inc.	6/19/90	1000
CDRGW	Cedar Group, Inc. (Wts)	6/19/90	1000
EXCA	Excalibur Technologies Corporation	6/19/90	1000
VBMV	Viejo Bancorp	6/19/90	500
ZEOS	Zeos International, Ltd.	6/19/90	1000
SECF	Security Financial Holding Company	6/20/90	500
CFSB	CFSB Bancorp, Inc.	6/22/90	1000
AICP	AICorp, Inc.	6/26/90	1000
ACAT	Arctco, Inc.	6/26/90	1000
JSBF	JSB Financial, Inc.	6/27/90	1000
CRII	Crest Industries, Inc.	6/29/90	200
HHRD	Horsehead Resource Development Company, Inc.	6/29/90	1000
SOSI	Sundowner Offshore Services, Inc.	6/29/90	1000
SWFT	Swift Transportation Co., Inc.	6/29/90	1000
VDMK	Vidmark, Inc.	6/29/90	500
ATTWZ	Attwoods plc (Rts)	7/3/90	200
ARTG	Artistic Greetings, Incorporated	7/3/90	1000
SHRT	Shirt Shed, Inc. (The)	7/3/90	1000
WTSLA	Wet Seal, Inc. (The)(Cl A)	7/3/90	1000

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

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

<b>New/Old Symbol</b>	<b>New/Old Security</b>	<b>Date of Change</b>
FASB/FASB	First American Bancorp/First American Savings Bank, F.S.B.	7/2/90
AROW/AROW	Arrow Financial Corporation/Arrow Bank Corporation	7/3/90
HCEN/FFAM	Home Centers, Inc./First Family Group, Inc.	7/3/90

**NASDAQ/NMS Deletions**

<b>Symbol</b>	<b>Security</b>	<b>Date</b>
MOBI	Molecular Biosystems, Inc.	6/19/90
COBE	Cobe Laboratories, Inc.	6/20/90
PROFE	Professional Investors Insurance Group, Inc.	6/20/90
STRM	Sturm, Ruger & Company, Inc.	6/20/90
VAGO	Vanderbilt Gold Corporation	6/20/90
FBXCC	FBX Corporation	6/21/90
FABKO	First of America Bank Corporation (Ser D Pfd)	6/21/90
AKLMZ	Acclaim Entertainment, Inc. (Wts)	6/25/90
OMCM	Omnicom Group Inc.	6/27/90
ATEFQ	Amertek, Inc.	6/28/90
CRNR	Chronar Corp.	6/28/90
FABK	First of America Bank Corporation	6/29/90
CCPT	Concept, Inc.	7/2/90
MIHO	M/I Schottenstein Homes, Inc.	7/2/90
UVTB	United Vermont Bancorporation	7/3/90
ASIXW	Assix International Inc. (Wts)	7/5/90
INTO	Initio, Inc.	7/5/90
DAZXC	Daisy Systems Corporation	7/10/90
PMSC	Policy Management Systems Corporation	7/10/90
HFSLP	Home Owners Savings Bank, F.S.B. (Pfd)	7/11/90
TIER	Tierco Group, Inc. (The)	7/12/90

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.

# Disciplinary Actions

National Association of Securities Dealers, Inc.

August 1990

## Disciplinary Actions Reported for August

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, August 6, 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

**Habersheir Securities, Inc. (Atlanta, Georgia)** and **Raymond R. Khalif (Registered Financial and Operations Principal, Newark, New Jersey)**. The firm was fined \$15,000 and expelled from membership in the NASD, and Khalif was fined \$10,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Habersheir, n/k/a W.D. Fard Securities, Inc., acting through Khalif, effected transactions in nonexempt securities while failing to maintain required net capital and failed to maintain accurate books and records. In addition, Habersheir, acting through Khalif, filed inaccurate FOCUS Parts I and IIA reports and neglected to give telegraphic notice to the Securities and Exchange Commission and the NASD concerning the net capital deficiency and the inaccurate records.

**Hampton Securities, Inc. (West Palm Beach, Florida)** and **Delores Easthom (Registered Principal, West Palm Beach, Florida)** submitted an Offer of Settlement pursuant to which they were fined \$147,700, jointly and severally, and Easthom was barred from association with any member of the NASD as a principal and suspended from association with any member of the NASD in any capacity for two years. Hampton was expelled from membership in the NASD as a result of a prior NASD action. Without admitting or denying the allegations, the firm and Easthom consented to the described sanctions and to the entry of findings that Hampton, acting through Easthom, effected over-the-counter sales of corporate securities to public customers at

prices that were unfair.

### FIRM SUSPENDED, INDIVIDUAL SANCTIONED

**Heidtke & Company, Inc. (Nashville, Tennessee)** and **Lyman O. Heidtke (Registered Principal, Nashville, Tennessee)** submitted a Letter of Acceptance, Waiver and Consent pursuant to which they were fined \$10,000, jointly and severally, and suspended from effecting transactions in corporate securities as principal with public customers except for unsolicited customer liquidations for five business days. Without admitting or denying the allegations, the firm, acting through Lyman Heidtke, consented to the described sanctions and to the entry of findings that it effected 30 transactions with public customers in over-the-counter securities as principal at prices that were unfair and also offered and sold a new issue of common stock at a price in excess of the public offering price. In addition, the NASD determined that the firm, acting through Heidtke, failed to disclose on confirmations sent to public customers that commissions were charged on 28 transactions in over-the-counter securities in which the firm acted as principal.

In a separate matter, Heidtke & Company and Lyman Heidtke submitted an Offer of Settlement pursuant to which they were fined \$10,000, jointly and severally. Without admitting or denying the allegations, the firm, acting through Heidtke, consented to the described sanctions and to the entry of findings that it effected 40 transactions with public customers in over-the-counter securities as principal at prices that were unfair. Markups in the subject trades ranged from 9 to 82 percent above

the prevailing market prices.

#### FIRMS FINED, INDIVIDUALS SANCTIONED

**Allegiance Securities, Inc. (New York, New York) and Joseph Anthony Giordano (Registered Principal, Elmwood Park, New Jersey)** submitted a Letter of Acceptance, Waiver and Consent pursuant to which they were fined \$20,000, jointly and severally. Giordano was suspended from association with any member of the NASD in a principal capacity for one year and required to requalify by examination as a principal. Without admitting or denying the allegations, they consented to the described sanctions and to the entry of findings that, on three separate occasions, Allegiance Securities, acting through Giordano, conducted a securities business while failing to maintain required minimum net capital; allowed certain individuals to participate in the management of the firm in violation of the firm's restrictive agreement with the NASD; and maintained inadequate supervisory procedures. In addition, the NASD entered findings that Allegiance Securities, acting through Giordano, charged markups in excess of 5 percent in 27 transactions.

**Cardinal Financial Equities, Inc. (Fairfax, Virginia) and Leo Charles Loevner (Registered Principal, Burke, Virginia)** submitted an Offer of Settlement pursuant to which they were fined \$30,000, jointly and severally, and Loevner was barred from association with any member of the NASD as a general securities principal and suspended in any capacity for 30 days. Without admitting or denying the allegations, they consented to the described sanctions and to the entry of findings that, in connection with two offerings of limited partnership interests, Cardinal and Loevner made misrepresentations to investors regarding the offering contingencies, the use of investors' funds, and the concentration of partnership assets. The NASD also entered findings that the firm, acting through Loevner, failed to establish bank escrow accounts for the offerings. In addition, the findings stated that the firm, acting through Loevner, failed to maintain required minimum net capital, failed to make customer reserve computations and to establish a reserve bank account for the benefit of customers, violated the terms of its restrictive agreement, failed to maintain accurate books and records, filed inaccurate FOCUS Parts I and IIA reports, and filed an

inaccurate annual audited report.

**First Nutley Securities, Inc. (Nutley, New Jersey) and Ronald Durando (Registered Principal, Nutley, New Jersey)** submitted a Letter of Acceptance, Waiver and Consent pursuant to which the firm and Durando were fined \$15,000, jointly and severally, and Durando was suspended from association with any member of the NASD in any capacity for 60 days. Without admitting or denying the allegations, the firm and Durando consented to the described sanctions and to the entry of findings that First Nutley, acting through Durando, failed to maintain required minimum net capital, failed to make an adjustment to the firm's cash account to reverse a capital contribution, and filed inaccurate FOCUS Parts I and IIA reports.

**Heiner & Stock, Inc. (Minneapolis, Minnesota) and Randall R. Heiner (Registered Principal, Medina, Minnesota)** were fined \$15,000, jointly and severally. The firm was ordered to disgorge \$49,997.50, and Randall Heiner was suspended from association with any member of the NASD in any capacity for 10 days. The sanctions were imposed by the NASD's Board of Governors following an appeal of a decision by the District Business Conduct Committee for District 8. The sanctions were based on findings that, in order to collect an unsecured debit balance of \$45,005, Heiner & Stock, acting through Randall Heiner, sold and repurchased shares of a new issue that traded at a premium in the immediate secondary market in a customer account, violating the NASD Board of Governors' Interpretation with respect to Free-Riding and Withholding, and improperly extended credit to a customer in violation of Regulation T of the Federal Reserve Board.

**Kochcapital, Inc. (Bellevue, Washington) and Russell Gordon Koch (Registered Principal, Issaquah, Washington)** submitted an Offer of Settlement pursuant to which they were fined \$20,000, jointly and severally, and were required to provide restitution to the retail customers who purchased securities that were the subject of the complaint. Without admitting or denying the allegations, the firm and Koch consented to the described sanctions and to the entry of findings that Kochcapital, acting through Koch, effected a total of 71 corporate securities transactions of common stock in two separate securities as principal with retail customers at prices that were unfair and unreasonable. The excessive markups charged in one

security ranged from 23 to 69 percent over the prevailing market price, and in the other security from 45 to 59 percent over the prevailing market price. The findings also stated that, in connection with 60 sales of common stock to retail customers, the firm, acting through Koch, issued written confirmations to customers and failed to disclose that the firm was charging a markup as well as a commission on the trades.

**Shearson Lehman Hutton, Inc. (New York, New York)** and **T. Clark Octigan (Registered Principal, Chesterfield, Missouri)** submitted an Offer of Settlement pursuant to which they were fined \$10,000, jointly and severally. Shearson Lehman Hutton was also fined an additional \$10,000, and Octigan was required to undertake specific compliance-related duties. Without admitting or denying the allegations, Shearson and Octigan consented to the described sanctions and to the entry of findings that Shearson, acting through Octigan, failed to adequately and properly supervise a former associated person in that they failed to adopt and implement adequate written supervisory procedures to detect excessive and unsuitable trading in customer accounts. Also, the firm failed to respond to NASD requests for information in a timely manner.

**Union Planters Investment Bankers Group, Inc. (Memphis, Tennessee)**, **James Neal Augustine (Registered Principal, Memphis, Tennessee)**, **Lindsay Hill (Registered Principal, Memphis, Tennessee)**, and **Robert Joseph Finley (Registered Principal, Memphis, Tennessee)** submitted a Letter of Acceptance, Waiver and Consent pursuant to which they were fined \$75,000, jointly and severally. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that they allowed certain zero-coupon and mortgage-backed derivative securities transactions to be executed with certain institutional accounts at prices that were inconsistent with high standards of commercial honor and just and equitable principles of trade.

#### FIRM FINED

**Prudential-Bache Securities, Inc. (New Orleans, Louisiana)** submitted an Offer of Settlement pursuant to which the firm was fined \$90,000. Without admitting or denying the allegations, the firm consented to the described sanctions

and to the entry of findings that Prudential-Bache failed and neglected to establish, maintain, and/or enforce written supervisory procedures to enable it to adequately supervise certain associated persons.

#### INDIVIDUALS BARRED OR SUSPENDED

**Terry Paul Boyer (Registered Representative, McArthur, Ohio)** was fined \$15,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Boyer received a check for \$68.92 from a public customer to be applied towards an insurance premium but, instead, applied the funds to pay insurance premiums for two other customers. Boyer also received from another customer \$214.90 in cash that was to be applied as payment towards an insurance premium, but Boyer remitted half of the cash to his member firm and converted the remaining \$107.45 to his own use and benefit. In addition, Boyer failed to respond to NASD requests for information.

**James A. Brady (Registered Principal, Fairfax, Virginia)** 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, Brady consented to the described sanctions and to the entry of findings that he failed to inform customers that their funds were invested in a partnership that he formed, prepared false account information to establish a securities account for the partnership at his member firm, established the account in order to share in the profits of the account without obtaining prior written consent from his member firm, and failed to comply fully with NASD requests for information.

**Cregg B. Cannon (Registered Representative, Salt Lake City, Utah)** 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, Cannon consented to the described sanctions and to the entry of findings that he participated in 15 securities transactions outside the normal course of his employment with his member firm without providing prior written notice.

**Vince J. Castille (Registered Representative, Lake Charles, Louisiana)** 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, Castille consented to the described sanctions and to the entry of findings that he deposited two \$500 checks, which were drawn on insufficient funds, into his personal securities account at his member firm. The findings also stated that he borrowed funds totaling \$42,900 from public customers and used the monies to fund securities transactions in his personal account without disclosing the source of the funds to his member firm. In addition, Castille failed to respond to NASD requests for information.

**Clarence W. Crawford, Sr. (Registered Representative, Jefferson, Georgia)** submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$6,000 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 received checks totaling \$6,135 from public customers for the purchase of mutual fund shares. Crawford failed to follow the customers' instructions, negotiated the checks, and deposited them into his personal bank account without the customers' knowledge or consent.

**Daniel James Devaney (Registered Principal, Plandome, New York), Edward Joseph Vierling (Registered Principal, Garden City, New York), and Ronald Vincent O'Grady (Registered Principal, Merrick, New York)** submitted an Offer of Settlement pursuant to which they were each fined \$3,000. Devaney and Vierling were suspended from association with any member of the NASD as municipal securities principals for 10 business days, and O'Grady was suspended from association with any member of the NASD in any capacity for 10 business days. Without admitting or denying the allegations, they consented to the described sanctions and to the entry of findings that Devaney directed O'Grady to understate accrued commissions payable in their firm's books and records and that Vierling acquiesced in such practice. The NASD also found that the member firm, acting through the respondents, engaged in a securities business while failing to maintain its required minimum net capital.

**Richard A. Dickerson (Registered Representative, St. Louis, Missouri)** was fined \$15,000 and barred from association with any member of

the NASD in any capacity. The sanctions were based on findings that Dickerson arranged for the issuance of a surrender check against the insurance policy of a public customer for \$3,955.84 without the customer's knowledge or consent and converted the funds to his own use and benefit.

**Mark E. Frost (Registered Representative, Phoenix, Arizona)** was fined \$50,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Frost made improper use of customer funds in that he caused two checks totaling \$61,442.77 to be withdrawn from the securities accounts of two customers and forged the customers' signatures on withdrawal forms. He also caused a portion of the funds to be invested in his name, and retained \$39,000 of the funds for his own use and benefit. Frost falsified his member firm's books and records by forging a customer's initials on an annuity application and indicating on the application, without the customer's knowledge or consent, that the customer would pay premium payments. Furthermore, he forged customer signatures on two annuity surrender request forms and opened two annuities for these customers by using a false mailing address and by forging their signatures on the applications. Also, Frost offered to personally reimburse customers for withdrawal penalties on annuities and fraudulently induced a customer to purchase securities by use of false representations.

**Marvin W. Fulford (Registered Representative, Asheville, North Carolina)** was fined \$205,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Fulford caused customer securities to be transferred into accounts that he controlled. He then either sold the securities from these accounts and retained the proceeds for his own use and benefit, or caused the securities to be delivered to himself. Fulford also failed to respond to NASD requests for information.

**Anthony L. Gallo, Jr. (Registered Representative, Metairie, Louisiana)** was fined \$15,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Gallo executed two unauthorized trades in the account of a public customer and marked one of the order tickets as "unsolicited" when, in fact, it was not. In addition, Gallo induced two public customers to purchase shares of common stock when the transactions

were inconsistent with the customers' investment objectives.

**Stanley Charles Goldstein (Registered Representative, Palm Harbour, Florida)** 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 three business days. Without admitting or denying the allegations, Goldstein consented to the described sanctions and to the entry of findings that he effected an unauthorized purchase transaction in a customer account.

**Gibson Connor Gray (Registered Representative, Chula Vista, California)** was fined \$5,000 and suspended from association with any member of the NASD in any capacity for 10 business days. The sanctions were based on findings that Gray effected unauthorized transactions in the accounts of five public customers resulting in commissions totaling approximately \$1,947.

**Craig R. Grossman (Registered Representative, Boulder, Colorado)** was fined \$2,500, suspended from association with any member of the NASD in any capacity for five business days, and required to requalify by examination within 90 days from the date of the decision prior to acting in the capacity of a general securities representative. The sanctions were based on findings that Grossman failed to follow a customer's instructions to sell shares of common stock in two accounts. Grossman disseminated an inaccurate quotation to the same customer and also gave misleading information to the customer pertaining to the sale of common stock. In addition, Grossman offered to reimburse another customer for losses in order to obtain the withdrawal of a complaint filed by the customer.

**James Ross Halloran (Registered Principal, Shaker Heights, Ohio)** was fined \$5,000 and suspended from association with any member of the NASD in any capacity for one month. His financial and operations principal registration was revoked, and he is prohibited from retaking the financial and operations principal examination for two years. 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 9. The sanctions were based on findings that, during the course of a qualification examination, Halloran possessed notes relevant to the examination.

**James Ross Halloran (Registered Principal, Shaker Heights, Ohio)** and **Michael Patrick Walsh (Registered Principal, Mentor, Ohio)** submitted an Offer of Settlement pursuant to which Halloran was fined \$500 and suspended from association with any member of the NASD in any capacity for three business days, and Walsh was fined \$3,000 and suspended from association with any member of the NASD in any capacity for five business days. Without admitting or denying the allegations, Halloran and Walsh consented to the described sanctions and to the entry of findings that Walsh, acting on behalf of a member firm, failed to keep current ledgers reflecting all the liabilities of the member. The findings also stated that Walsh failed to make and keep current trial balances, and computations of aggregate indebtedness and net capital, which resulted in inaccurate financial reports. The NASD also found that this same member firm, acting through Walsh and Halloran, failed to maintain its required minimum net capital.

**Chaim Ingber (Registered Representative, Boca Raton, Florida)** was fined \$5,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Ingber failed to honor a \$52,500 arbitration award rendered against him.

**Lauren Lee Jackson (Associated Person, Little Rock, Arkansas)** was fined \$15,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Jackson misappropriated \$5,888.10 of her member firm's funds. Jackson also failed to respond to an NASD request for information.

**Cornelius J. Jacobs (Registered Representative, Huntsville, Alabama)** submitted an Offer of Settlement pursuant to which he was suspended from association with any member of the NASD in any capacity for six months. Without admitting or denying the allegations, Jacobs consented to the described sanctions and to the entry of findings that he engaged in private securities transactions without prior written notice to his member firm. The NASD also found that he failed to supervise properly certain individuals who were involved with conducting private securities transactions, neglected to caution them against such activities, and failed to notify a higher level of management of their involvement in private



securities transactions.

**Todd Nisley Kline (Registered Representative, Hastings, Nebraska)** was fined \$15,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Kline failed to disclose a prior bankruptcy and unsatisfied judgments on an application for securities industry registration filed with the NASD. Kline also falsified his educational background information in an application for employment and in an advertisement.

**James W. Lockett (Registered Representative, Seaside Park, New Jersey)** was fined \$15,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Lockett exercised discretionary power in the joint account of public customers without having written authorization from the customers and without written acceptance of the account as discretionary by his member firm. Lockett failed to follow a customer's instructions and opened a cash account rather than a retirement account on behalf of the customer. In addition, he failed to deposit a check for \$3,370 in the account and neglected to inform his member firm or the customer that the check had been lost. Lockett also failed to respond to NASD requests for information.

**Robert Timothy McMillan (Registered Representative, Greensboro, North Carolina)** was fined \$15,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that McMillan misappropriated \$9,659 from a public customer by forging the customer's signature on a check drawn on the account of his member firm, and by depositing the check in his personal bank account.

**Arthur Napoles (Registered Representative, Miami, Florida)** was fined \$10,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Napoles failed to respond to NASD requests for information concerning a customer complaint.

**Patrick Richard Neary (Registered Principal, Omaha, Nebraska)** was fined \$15,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Neary failed to respond to NASD requests for information concerning his termination from a member firm.

**John W. Ostrand (Registered Principal, Nags Head, North Carolina)** was fined \$15,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Ostrand executed unauthorized purchase and sale securities transactions in the accounts of three public customers. In addition, Ostrand made recommendations to a public customer without having reasonable grounds to believe the recommendations were suitable in light of the customer's financial situation and investment objectives.

**Robert E. Panza (Registered Representative, Washington, New Jersey)** was fined \$50,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Panza received a total of \$3,870 from public customers and converted the funds to his own use and benefit. Also, Panza failed to respond to NASD requests for information.

**Dorothea Yvonne Rivers (Registered Representative, Richmond, Virginia)** was fined \$75,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Rivers misappropriated customer funds totaling \$33,843 by causing eight checks representing the proceeds of mutual fund redemptions and the surrender of annuity contracts to be issued in the customer's name. Rivers then forged the customer's signature to the checks and converted the funds to her own use and benefit.

**Mark Allan Rodrigues (Registered Representative, Tulsa, Oklahoma)** was fined \$15,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Rodrigues maintained securities accounts at a member firm and failed to inform such firm that he was associated with another member. Also, Rodrigues failed to respond to NASD requests for information.

**Kenneth Glen Schave (Registered Representative, Aurora, Colorado)** was fined \$20,000 and suspended from association with any member of the NASD in any capacity for six months. The sanctions were based on findings that Schave executed unauthorized transactions in two customer accounts. He also provided two customers with false quotations and accepted an order to sell stocks from one of these customers but failed to



cause the order to be executed.

**Donald A. Stuver (Registered Representative, Port St. Lucie, Florida)** was fined \$15,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Stuver guaranteed a customer against loss in connection with a securities transaction. He also participated in a private securities transaction with a public customer without providing prior written notice to his member firm.

**Arthur L. Svec, Jr. (Registered Representative, Fairfax, Virginia)** was fined \$5,000 and suspended from association with any member of the NASD in any capacity for 10 days. The sanctions were based on findings that Svec effected unauthorized options trades in two customer accounts.

**Benjamin David Talley (Registered Representative, Bristol, Tennessee)** was fined \$21,700 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Talley misappropriated customers' insurance premiums, cash surrender checks, life insurance application refunds, and other items, representing a total of \$16,700 in customer funds. He also falsified and forged customer signatures to 19 life insurance applications, failed to deliver four policies to public customers, made misrepresentations to five customers concerning the cost of insurance, and failed to follow a customer's instructions regarding a loan to the customer.

**Betty Winstead Tatum (Registered Representative, Wilmington, North Carolina)** was fined \$10,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Tatum failed to respond to NASD requests for information concerning a customer complaint.

**John Terry Thacker (Registered Representative, El Paso, Texas)** was fined \$5,000 and barred from association with any member of the NASD in any capacity until the arbitration award, the subject of this action, is satisfied. 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 Thacker failed to pay an arbitration award in the amount of \$16,143.35.

**Edward William Toth (Registered Representative, Spartansburg, South Carolina)** was fined \$5,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Toth falsified information concerning his educational background on an employment application and on an application for registration in the securities industry.

**Ann C. Trenton (Registered Representative, East Brunswick, New Jersey)** was fined \$15,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Trenton failed to respond to NASD requests for information.

**Michael W. Warner, Sr. (Registered Representative, Nashville, Tennessee)** submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$30,000 and barred from association with any member of the NASD in any capacity. Without admitting or denying the allegations, Warner consented to the described sanctions and to the entry of findings that he received a total of \$268,500 from public customers intended for the purchase of "prime bank notes." He transmitted \$250,000 of those funds to various parties but retained \$18,500 for his own use and benefit.

**Mark S. Williams (Registered Representative, Seattle, Washington)** was fined \$30,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Williams executed unauthorized sales transactions in the accounts of public customers and misappropriated and converted to his own use a total of \$9,816.68 from these customers. Also, Williams failed to respond to NASD requests for information.

**Marshall Britt Wright (Associated Person, Ruther Glen, Virginia)** was fined \$6,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Wright misappropriated a total of \$918 in insurance premiums from five public customers.

**James Howard Young (Registered Representative, Boca Raton, Florida)** was fined \$10,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Young failed to respond to NASD requests for information concern-

ing his termination from a member firm.

### CORRECTION

**Bridgerock Securities, Inc., El Paso, Texas,** is current in all its NASD financial filings. In the July 1990 Disciplinary Actions section of *Notices to Members*, Bridgerock was erroneously listed among the firms suspended for failure to file financial information with the NASD.

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

**Berachah Securities Corporation, Tampa, Florida**  
**Lloyd M. Ebert & Associates, San Jose, California**  
**Institutional Asset Management, Garland, Texas**  
**Marquam Capital Corporation, Portland, Oregon**  
**Texas Coastal Securities, Inc., Plano, Texas**

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

Mark P. Augustine, Dallas, Texas  
 William Brennan Brandorff, Littleton, Colorado  
 Sanford M. Brink, Hudson, Wisconsin  
 Timothy Daly, Champaign, Illinois  
 Harry B. Doolittle, Garland, Texas  
 Delores V. Easthom, West Palm Beach, Florida  
 Norman Gershman, New York, New York  
 Brooks W. Grace, Edina, Minnesota  
 Cloyd Harold Grant, Dallas, Texas  
 Kenneth Paul Hahn, E. Palo Alto, California  
 Lawrence Ivan Kaplan, North Miami Beach, Florida  
 John William Mariotti, Jr., Fernley, Nevada  
 Frank W. Mediate, Jr., Bridgeport, Connecticut  
 Joann R. Nordstrom, Coon Rapids, Minnesota  
 Michael Edward Potter, Dallas, Texas  
 Charles O. Ray, Dallas, Texas  
 Larry W. Roznos, Blaine, Washington  
 Frank John Ruggieri, Jr., Little Neck, New York  
 Roger Allen Schwarz, Los Angeles, California  
 David D. Slaght, Hobe South, Florida

Shelton Allen Thorne, Tampa, Florida

### 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.

**American Royal Investors, Inc., Greenview, Illinois (June 8, 1990-June 27, 1990)**  
**Cameron Payne Securities, Inc., Houston, Texas (July 2, 1990)**  
**GSG Global Securities Group, Great Neck, New York (July 2, 1990)**  
**International Currency Execution, Inc., Chicago, Illinois (July 2, 1990)**  
**G.L. Leavitt Financial Group, Orem, Utah (July 2, 1990)**  
**National Capital Securities, Santa Ana, California (July 2, 1990)**  
**Windsor Capital Markets Corp., New York, New York (July 2, 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.

**Jay Securities Corporation, Dallas, Texas (June 8, 1990)**  
**Sabine Associates, Inc., Los Angeles, California (June 25, 1990)**  
**Sausley Securities, Inc., League City, Texas (June 12, 1990)**  
**Turner Medical Marketing Services, Inc., Winter Park, Florida (June 8, 1990)**

### NASD SANCTIONS J.W. GANT & ASSOCIATES, INC., A PRINCIPAL AND A TRADER, AND ORDERS DISGORGEMENT TO CUSTOMERS OF APPROXIMATELY \$200,000 FOR EXCESSIVE MARKUPS IN PENNY STOCKS

The NASD has taken disciplinary action against J.W. Gant & Associates, Inc., of

Englewood, Colorado; Salvatore A. Venezia, a Vice President and General Securities Principal; and James S. Gad, the firm's trader.

The misconduct of the firm and Gad involved fraudulently excessive markups in the trading of non-NASDAQ, over-the-counter "penny stocks" of a small food producer. Venezia's misconduct involved failing to supervise Gad to prevent his misconduct. The firm was also sanctioned for failing to qualify and register two persons who acted as branch office managers.

The NASD censured Gant, Gad, and Venezia and ordered the disgorgement of \$195,788.87 in excess markups charged to the firm's customers who purchased the food producer's securities between December 18, 1986 and January 30, 1987. Refunds to customers will be made within the next 45 days. Gant was also fined an additional \$30,000 and suspended from market making and principal transactions in non-NASDAQ securities, except in cases where a component of such security is traded on The NASDAQ Stock Market. Venezia and Gad were suspended from association with any NASD member in any capacity for 15 calendar days. Their suspensions are to run consecutively.

In addition, Gant agreed to hire an independent consultant to review the firm's current and prospective markup policies and related issues concerning low-priced securities. Gant has agreed to remedy any deficiencies found by the independent consultant and will adopt any additional measures the consultant recommends.

The NASD's decision was based on the acceptance of an Offer of Settlement submitted by the firm, Venezia, and Gad. Without admitting or denying the allegations, the respondents consented to the entry of findings that they violated various

NASD rules, including a finding that Gant and Gad violated Section 18 of the NASD's Rules of Fair Practice. Section 18 is the NASD's anti-fraud provision, which prohibits the use of any manipulative, deceptive, or other fraudulent device in the purchase or sale of any security.

Gant underwrote the subject issuer's initial public offering, selling 92 percent of the issue to its own clients. The units sold in the offering were composed of common stock and warrants. The NASD's Market Surveillance Committee, which considered the case, found that Gant, acting through Gad, dominated and controlled the after-market in the issuer's units, common stock, and warrants from the start of trading on December 18, 1986 through January 30, 1987. The committee said Gant's "domination and control were extensive and long-lasting" and resulted in Gant's marking up almost 600 unit, common stock, and warrant trades by amounts ranging from 11 to 184 percent over the firm's contemporaneous wholesale and retail cost.

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 securities industry executives from across the country. The committee is responsible for maintaining the integrity of NASDAQ and non-NASDAQ markets and for disciplining members that fail to comply with relevant NASD rules and securities laws.

The suspensions imposed on the respondents will commence on a date to be set by the President of the NASD.

# For Your Information

National Association of Securities Dealers, Inc.

August 1990

## Colorado Implements New Securities Statute, Changing Licensing, Registration

On July 1, 1990, Colorado's new securities statute became effective, changing its licensing procedures for agent and broker-dealer registration. The state went from "super automatic" to "automatic" approval for agent registrations. This mirrors the NASD's process in that agents with disciplinary records must be reviewed prior to approval, and that agent dual registration is permitted.

The state also switched from "automatic" to "manual" approval for broker-dealer initial applications. The state will now review all firm registra-

tion filings through the Central Registration Depository system prior to issuing licenses.

As part of the new statute, Colorado implemented agent registration and transfer fees of \$15 apiece and increased the agent renewal fee to \$20. However, the state broker-dealer registration fee decreased to \$145, and the broker-dealer renewal fee to \$115.

Questions regarding these changes should be directed to NASD Member and Market Data Services at (301) 590-6500.

## Delaware, Pennsylvania, South Carolina, Rhode Island Change Registration Fees

On July 1, 1990, Pennsylvania and South Carolina changed their registration fees.

Pennsylvania's agent registration, transfer, and renewal fees rose to \$50, and the broker-dealer registration and renewal fees increased to \$250.

South Carolina's agent registration, transfer, and renewal fees increased to \$50, and the broker-dealer registration and renewal fees rose to \$200.

On July 4, 1990, Delaware's agent registra-

tion, transfer, and renewal fees increased to \$30, and the broker-dealer registration and renewal fees increased to \$150.

Effective July 12, 1990, Rhode Island's agent registration, transfer, and renewal fees increased to \$50, and the broker-dealer registration and renewal fees increased to \$250.

Questions regarding these changes should be directed to NASD Member and Market Data Services at (301) 590-6500.



*Jule Greene (left), regional counsel for NASD District 7 and former regional administrator of the SEC, acknowledges a gift in honor of his forthcoming retirement, as District 7 Committee Chairman Ed Hill (center) and NASD Vice President and District Director S. Bennett Whipple look on. The presentation took place at District 7's annual membership meeting and educational seminar in Tampa, Florida, in May.*

## **Dates Change, Hawaii Site Added for Examinations**

### **Date Changes for September First Saturday Examination**

The first Saturday examination date for September has been changed to August 25, 1990, for all test centers (except Hawaii) because of the Labor Day holiday, which falls after the first weekend of the month.

Appointments will be necessary for all candidates who wish to take an examination and can be made by calling the NASD Member & Market Data Services Department at (301) 590-6500. Appointment requests must be received no later than Wednesday, August 15, 1990.

The first Saturday examination for September in Hawaii will be held on Saturday, September 8, 1990. Appointment requests must be received no later than Wednesday, August 29, 1990.

### **Honolulu Gets Site for First Saturday Test**

Effective August 4, 1990, paper-and-pencil examinations will be offered to candidates in Honolulu, Hawaii, on the first Saturday of each month. The test center is located at the University of Hawaii, Kapiolani Community College, 4303 Diamond Head Road, Honolulu, HI. Appointments will be necessary for all candidates who wish to take an examination and can be made by calling the NASD Member & Market Data Services Department at (301) 590-6500.

### **Date Changed for Tokyo Regular Foreign Session**

The date for the September 1990 regular foreign session in Tokyo, Japan, has been changed to September 22, 1990, because of a Japanese holiday on September 15, 1990.

*file*

**SPECIAL**

# Notice To Members

National Association of Securities Dealers, Inc.

August 3, 1990

## Number 90 - 55

### Suggested Routing:\*

Senior Management

Corporate Finance

Government Securities

Institutional

Internal Audit

Legal & Compliance

Municipal

Mutual Fund

Operations

Options

Registration

Research

Syndicate

Systems

Trading

Training

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

### Subject: SIPC Trustee Appointed for Blinder, Robinson & Company, Inc.

On August 1, 1990, the United States District Court for the District of Colorado appointed a SIPC trustee for:

Blinder, Robinson & Company, Inc.  
6455 South Yosemite Street  
Englewood, Colorado 80111.

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:

Glen E. Keller, Jr., Esquire  
Davis, Graham & Stubbs  
370 17th Street, Suite 4700  
Denver, Colorado 80202  
(303) 892-9400.