

INFORMATIONAL

District Elections

NASD Announces Election Results For District Committees And District Nominating Committees

SUGGESTED ROUTING

The Suggested Routing function is meant to aid the reader of this document. Each NASD member firm should consider the appropriate distribution in the context of its own organizational structure.

- Legal & Compliance
- Operations
- Registration
- Senior Management

KEY TOPICS

- District Elections

Executive Summary

Through this *Notice*, the National Association of Securities Dealers, Inc. (NASD[®]) announces the election results for the District Committees and the District Nominating Committees. The newly elected District Committee members will serve until 2004.

The members of the District Committees and the District Nominating Committees are included in Attachment A.

Questions/Further Information

Questions concerning this *Notice* may be directed to the District Director noted or to Joan Conley, Senior Vice President and Corporate Secretary, NASD, at (202) 728-8381 or via e-mail at: joan.conley@nasd.com.

Attachment A

District Committee And District Nominating Committee Members

District 1

Elisabeth P. Owens, District Director
525 Market Street, Suite 300
San Francisco, CA 94105
(415) 882-1200

District 1 Committee

Committee Members

To Serve Until January 2001

Steven R. Aaron	Chase Securities Inc., San Francisco, CA
Janet W. Campbell	Protected Investors of America, Walnut Creek, CA
Douglas C. Heske	U.S. Bancorp Piper Jaffray, Inc., San Francisco, CA

To Serve Until January 2002

John H. Chung	First Security Van Kasper, San Francisco, CA
Steven D. Piper	Epoch Securities, Inc., San Francisco, CA

To Serve Until January 2003

Sally G. Aelion	Emmett A. Larkin Co., Inc., San Francisco, CA
David A. Baylor	Thomas Weisel Partners LLC, San Francisco, CA
Henry W. Carter	E*Trade Securities, Inc., Menlo Park, CA

To Serve Until January 2004 (newly elected members)

Carol Van Bruggen	Securities Service Network, Inc., Sacramento, CA
Susan K. Campbell	Protected Investors of America, San Francisco, CA
William C. Pack	Salomon Smith Barney Inc., San Francisco, CA

District 1 Nominating Committee

Committee Members

Steven R. Aaron	Chase Securities Inc., San Francisco, CA
Stephen R. Adams	First Security Van Kasper, San Francisco, CA
Nicholas C. Cochran	American Investors Company, Dublin, CA
John C. Helmer	Caldwell Securities, Inc., Danville, CA
William A. Svoboda	Morgan Stanley Dean Witter Reynolds, San Jose, CA

NASD Notice to Members 00-74

District Committee And District Nominating Committee Members

District 2

Lani M. Sen Woltmann, District Director
300 South Grand Avenue, Suite 1600
Los Angeles, CA 90071
(213) 627-2122

District 2 Committee

Committee Members

To Serve Until January 2001

James B. Guillou, Sr.	Sutro & Co., Incorporated, La Jolla, CA
Andrew E. Haas	Bear Stearns & Co., Inc., Los Angeles, CA
Richard E. Wiseley	CIBC Oppenheimer & Co., Inc., Los Angeles, CA
Richard P. Woltman	Spelman & Co., Inc., San Diego, CA

To Serve Until January 2002

Margaret M. Black	Morgan Stanley Dean Witter, Beverly Hills, CA
Diane P. Blakeslee	Blakeslee and Blakeslee, Inc., San Luis Obispo, CA
Jack R. Handy, Jr.	Financial Network Investment Corporation, Torrance, CA
Dean A. Holmes	American General Financial Group, Anaheim, CA

To Serve Until January 2003

Kellen M. Flanigan	Dabney Flanigan, LLC, Los Angeles, CA
William H. Howard, Jr.	Hagerty, Stewart & Associates, Irvine, CA
James R. Kruger	Dreyfus Brokerage Services, Inc., Beverly Hills, CA
Stephen P. Maguire	Maguire Investments, Inc., Santa Maria, CA

To Serve Until January 2004 (newly elected members)

James E. Biddle	The Securities Center Incorporated, Chula Vista, CA
Chris M. Kanoff	Jefferies & Company, Inc., Los Angeles, CA
Steven K. McGinnis	National Planning Corporation, Santa Monica, CA
Neal E. Nakagiri	Associated Securities Corporation, Los Angeles, CA

District 2 Nominating Committee

Committee Members

Murray L. Finebaum	Trading Edge, Inc., Santa Monica, CA
Jerry M. Gluck	Jefferies & Company, Inc., Los Angeles, CA
James B. Guillou	Sutro & Co., Incorporated, La Jolla, CA
Joan B. Seidel	Morton Seidel & Company, Inc., Beverly Hills, CA
Kaye M. Woltman	Girard Securities, Inc., San Diego, CA

NASD Notice to Members 00-74

District Committee And District Nominating Committee Members

District 3

Frank J. Birgfeld, District Director
Republic Plaza Building
370 17th Street, Suite 2900
Denver, CO 80202-5629
(303) 446-3100

James G. Dawson, District Director
Two Union Square
601 Union Street, Suite 1616
Seattle, WA 98101-2327
(206) 624-0790

District 3 Committee

Committee Members

To Serve Until January 2001

Thomas R. Hislop	Peacock, Hislop, Staley & Given, Inc., Phoenix, AZ
Gerald Meyer	D. A. Davidson & Co., Great Falls, MT
John Morton	Morton Clarke Fu & Metcalf, Inc., Seattle, WA
Terry Lee Richards	PaineWebber, Inc., Salt Lake City, UT

To Serve Until January 2002

James Barnyak	Salomon Smith Barney Inc., Seattle, WA
David Griswold	Frank Russell Securities, Inc., Tacoma, WA
James E. Stark	Charles Schwab & Co., Phoenix, AZ

To Serve Until January 2003

J. Pamela Dawson	WM Financial Services, Inc., Seattle, WA
Steven M. Fishbein	American Fronteer Financial Corporation, Denver, CO
Bruce Kramer	Prudential Securities Incorporated, Seattle, WA

To Serve Until January 2004 (newly elected members)

Richard B. Bequette	CUE, Phoenix, AZ
George Diachok	Multi-Financial Securities Corp., Denver, CO
John M. Rose	Seattle-Northwest Securities Corp., Seattle, WA
Kathryn A. Supko	Robert W. Baird & Co., Inc., Boise, ID

District 3 Nominating Committee

Committee Members

J. Wendell Garrett	J.W. Garrett & Company, Phoenix, AZ
Thomas R. Hislop	Peacock, Hislop, Staley & Given, Inc., Phoenix, AZ
John Morton	Morton Clarke Fu & Metcalf, Inc., Seattle, WA
Thomas Petrie	Petrie Parkman & Co., Inc., Denver, CO
Douglas Strand	Strand, Atkinson, Williams & York, Inc., Portland, OR

NASD Notice to Members 00-74

District Committee And District Nominating Committee Members

District 4

Thomas D. Clough, District Director
120 W. 12th Street, Suite 900
Kansas City, MO 64105
(816) 421-5700

District 4 Committee

Committee Members

To Serve Until January 2001

Antonio J. Cecin	U.S. Bancorp Piper Jaffray, Inc., Minneapolis, MN
Cheryl Cook-Schneider	Edward Jones, St. Louis, MO
Brent M. Weisenborn	Security Investment Company of Kansas City, Kansas City, MO
Vacancy	

To Serve Until January 2002

Robert M. Chambers	Robert W. Baird & Co. Incorporated, Des Moines, IA
John R. Lepley	Princor Financial Services Corporation, Des Moines, IA
William M. Lyons	American Century Investment Services, Inc., Kansas City, MO

To Serve Until January 2003

E. John Moloney	Moloney Securities Co., Inc., St. Louis, MO
Rodger O. Riney	Scottsdale Securities, Inc., St. Louis, MO
Jeffrey A. Schuh	Marquette Financial Group, Inc., Minneapolis, MN
Gail Werner-Robertson	GWR Investments, Inc., Omaha, NE

To Serve Until January 2004 (newly elected members)

Gene M. Diedrich	A.G. Edwards & Sons, Inc., Overland Park, KS
Jonathan M. Harris	Dain Rauscher, Inc., Minneapolis, MN
Timothy J. Lyle	Trusted Securities Advisors Corp., Minnetonka, MN
Pamela Kay Reinitz Ziermann	Dougherty & Company, Minneapolis, MN

District 4 Nominating Committee

Committee Members

Antonio J. Cecin	U.S. Bancorp Piper Jaffray Inc., Minneapolis, MN
John D. Cleland	Security Distributors, Inc., Topeka, KS
Cheryl Cook-Schneider	Edward Jones, St. Louis, MO
Wayne H. Peterson	Cap Pro Brokerage Services, Inc., Minneapolis, MN
Brent Weisenborn	Security Investment Company of Kansas City, Kansas City, MO

NASD Notice to Members 00-74

District Committee And District Nominating Committee Members

District 5

Warren A. Butler, Jr., District Director
1100 Poydras Street
Energy Centre, Suite 850
New Orleans, LA 70163-0802
(504) 522-6527

District 5 Committee

Committee Members

To Serve Until January 2001

Benjamin D. Capshaw, III	Morgan Stanley Dean Witter, New Orleans, LA
James S. Jones	Crews & Associates, Inc., Little Rock, AR
Dene R. Shipp	SunTrust Equitable Securities, Nashville, TN
John C. West	First Union Securities, Inc., Memphis, TN

To Serve Until January 2002

James D. Hudgins	SouthTrust Securities, Inc., Birmingham, AL
LeRoy H. Paris, II	Invest Linc Securities, Inc., Jackson, MS
Duncan F. Williams	Duncan-Williams, Inc., Memphis, TN

To Serve Until January 2003

David A. Daugherty	James Baker & Associates, A Limited Partnership, Oklahoma City, OK
James M. Rogers	J.J.B. Hilliard, W.L. Lyons, Inc., Louisville, KY
W. Lucas Simons	PaineWebber Incorporated, Nashville, TN

To Serve Until January 2004 (newly elected members)

Norman Frager	Capital West Securities, Inc., Oklahoma City, OK
David A. Knight	Stephens Inc., Little Rock, AR
Lawrence J. Sisung	Sisung Securities Corporation, New Orleans, LA
David W. Wiley, III	Wiley Bros., Aintree Capital, LLC, Nashville, TN

District 5 Nominating Committee

Committee Members

Benjamin D. Capshaw, III	Morgan Stanley Dean Witter, New Orleans, LA
V. Hugo Marx, III	Hugo Marx & Co., Inc., Birmingham, AL
Colin A. P. McNease	PaineWebber Incorporated, Jackson, MS
Jerry Roberts	Sterne, Agee & Leach, Inc., Little Rock, AR
Dene R. Shipp	SunTrust Equitable Securities, Inc., Nashville, TN

NASD Notice to Members 00-74

District Committee And District Nominating Committee Members

District 6

Bernerd Young, District Director
12801 N. Central Expressway, Suite 1050
Dallas, TX 75243
(972) 701-8554

District 6 Committee

Committee Members

To Serve Until January 2001

Daniel C. Dooley	Maplewood Investment Advisors, Inc., Dallas, TX
Ronald J. Gard	Salomon Smith Barney, Inc., Dallas, TX
Jim G. Rhodes	Rhodes Securities, Inc., Ft. Worth, TX

To Serve Until January 2002

Frederick W. McGinnis	PaineWebber Inc., Houston, TX
Sue H. Peden	SWS Financial Services, Inc., Dallas, TX
Joseph H. Storthz	Transamerica Financial Resources, Houston, TX

To Serve Until January 2003

G. Clyde Buck	Sanders Morris Harris, Inc., Houston, TX
Bryan T. Forman	First Financial Investment Securities, Inc., Austin, TX
Richard L. Sandow	Southlake Capital, L.L.C., Southlake, TX

To Serve Until January 2004 (newly elected members)

Christopher R. Allison	M.E. Allison & Co., Inc., San Antonio, TX
David W. Turner	First Union Securities Inc., Fort Worth, TX
R. Dwayne Whitehead	Coastal Securities, L.P., Houston, TX

District 6 Nominating Committee

Committee Members

Jane E. Bates	The Variable Annuity Marketing Company, Houston, TX
William D. Connally	Greenman Parker Connally Greenman, Inc., Fort Worth, TX
Malcolm L. Cooper	Dain Rauscher, Inc., Austin, TX
Daniel C. Dooley	Maplewood Investment Advisors, Inc., Dallas, TX
William H. Lowell	Lowell & Company, Inc., Lubbock, TX

NASD Notice to Members 00-74

District Committee And District Nominating Committee Members

District 7

Alan M. Wolper, District Director
One Securities Centre, Suite 500
3490 Piedmont Road, NE
Atlanta, GA 30305
(404) 239-6100

District 7 Committee

Committee Members

To Serve Until January 2001

Robert M. Balentine	Balentine & Company, Atlanta, GA
James J. Buddle	Capital Brokerage Corporation, Richmond, VA
M. Anthony Greene	Raymond James Financial Services, Inc., Atlanta, GA
J. Lee Keiger, III	Davenport & Company, LLC, Richmond, VA
Raymond W. Snow	Deutsch Banc Alex. Brown, Palm Beach, FL

To Serve Until January 2002

James W. Hamilton, Jr.	Morgan Keegan & Co., Atlanta, GA
Edward R. Hipp, III	Centura Securities, Inc., Rocky Mount, NC
Roark A. Young	Young, Stovall and Company, Miami, FL

To Serve Until January 2003

Michael D. Hearn, Esq.	Wachovia Securities, Inc., Charlotte, NC
Collie W. Lehn	A. G. Edwards & Sons, Inc., Laurens, SC
Charles E. Scarlett, Esq.	J. W. Genesis Securities, Inc., Boca Raton, FL
John W. Waechter	William R. Hough & Co., St. Petersburg, FL

To Serve Until January 2004 (newly elected members)

Kenneth W. McGrath	Popular Securities, Inc., Hato Rey, PR
Sharon K. Milligan	Morgan Stanley Dean Witter, Tampa, FL
C. John O'Bryant, III	Legg Mason Wood Walker, Inc., Raleigh, NC
Charles R. Roberts	Branch, Cabell & Co., Inc., Richmond, VA

District 7 Nominating Committee

Committee Members

Robert M. Balentine	Balentine & Co., Atlanta, GA
Robert J. Brietz	Marion Bass Securities Corp., Charlotte, NC
M. Anthony Greene	Raymond James Financial Services, Inc., Atlanta, GA
R. Charles Shufeldt	SunTrust Banks, Inc., Atlanta, GA
Raymond W. Snow	Merrill Lynch, Palm Beach, FL

NASD Notice to Members 00-74

District Committee And District Nominating Committee Members

District 8

Carlotta A. Romano, District Director
10 South LaSalle, 20th Floor
Chicago, IL 60603-1002
(312) 899-4400

William H. Jackson, Jr., District Director
Renaissance on Playhouse Square
1350 Euclid Avenue, Suite 650
Cleveland, OH 44115
(216) 694-4545

District 8 Committee

Committee Members

To Serve Until January 2001

William C. Alsover	Centennial Securities Company, Inc., Grand Rapids, MI
Wallen L. Crane	Salomon Smith Barney, Inc., Ann Arbor, MI
Alan H. Newman	J.J.B. Hilliard, W.L. Lyons, Inc., Evansville, IN
Bruce J. Young	Mesirow Financial, Inc., Chicago, IL

To Serve Until January 2002

R. Jack Conley	VESTAX Securities Corporation, Hudson, OH
Mary D. Esser	Cressman Esser Securities, Inc., Naperville, IL
Glen Hackmann	Robert W. Baird & Co., Inc., Milwaukee, WI
Robert A. Perrier	Butler, Wick & Co., Inc., Cleveland, OH
Kathleen A. Wieland	William Blair & Company, LLC, Chicago, IL

To Serve Until January 2003

Carol Podesta Foley	Podesta & Company, Chicago, IL
Renee M. Rombaut	Sage, Ruddy & Co., Inc., Rochester, NY

To Serve Until January 2004 (newly elected members)

George E. Bates	Bates Securities, Inc., Rockford, IL
Gregory W. Goelzer	Goelzer Investment Management, Inc., Indianapolis, IN
John A. Hawke	Howe Barnes Investments, Inc., Chicago, IL
Jay B. MacKenzie	Prudential Securities Incorporated, Kalamazoo, MI

District 8 Nominating Committee

Committee Members

Leonard L. Anderson	Stifel Nicolaus & Company, Incorporated, Grand Haven, MI
David L. Baker	Baker & Company, Inc., Cleveland, OH
Thomas Harenburg	Carl M. Hennig, Inc., Oshkosh, WI
David Slavik	Pershing Division of Donaldson, Lufkin & Jenrette Securities Corporation, Oak Brook, IL
G. Donald Steel	Planned Investment Co., Inc., Indianapolis, IN

NASD Notice to Members 00-74

District Committee And District Nominating Committee Members

District 9

John P. Nocella, District Director
11 Penn Center
1835 Market Street, Suite 1900
Philadelphia, PA 19103
(215) 665-1180

Gary K. Liebowitz, District Director
581 Main Street, 7th floor
Woodbridge, NJ 07095
(732) 596-2000

District 9 Committee

Committee Members

To Serve Until January 2001

Victor M. Frye	Calvert Distributors, Inc., Bethesda, MD
Jerome J. Murphy	Janney Montgomery Scott LLC, Philadelphia, PA
Vacancy	
Vacancy	

To Serve Until January 2002

A. Louis Denton	Philadelphia Corporation for Investment Services, Philadelphia, PA
Thomas W. Neumann	Sherwood Securities Corp., Jersey City, NJ
Joseph S. Rizzello	Vanguard Marketing Corporation, Valley Forge, PA
Gregory R. Zappala	RRZ Public Markets, Inc., Cranberry Township, PA

To Serve Until January 2003

James D. Lamke	Spear, Leeds & Kellogg Capital Markets, Inc., Jersey City, NJ
John P. Meegan	Parker/Hunter Incorporated, Pittsburgh, PA
Lance A. Reihl	1717 Capital Management Co., Newark, DE
Lenda P. Washington	GRW Capital Corporation, Washington, DC

To Serve Until January 2004 (newly elected members)

Jerry V. Duhovic	Datek Online Brokerage Services LLC, Iselin, NJ
Kimberly Tillotson Fleming	Hefren-Tillotson, Inc., Pittsburgh, PA
Howard B. Scherer	Janney Montgomery Scott LLC, Philadelphia, PA
Mark Thomas Whaley	Gibraltar Securities Co., a division of Tucker Anthony Incorporated, Florham Park, NJ

District 9 Nominating Committee

Committee Members

Philip S. Cottone	Rutherford, Brown & Catherwood, LLC, Philadelphia, PA
Victor M. Frye	Calvert Distributors, Inc., Bethesda, MD
Allen S. Jacobson	Gibraltar Securities Co., a division of Tucker Anthony Incorporated, Florham Park, NJ
James J. Malespina	Herzog, Heine, Geduld, Inc., Jersey City, NJ
Jerome J. Murphy	Janney Montgomery Scott LLC, Philadelphia, PA

NASD Notice to Members 00-74

District Committee And District Nominating Committee Members

District 10

David A. Leibowitz, District Director
NASD Financial Center
33 Whitehall Street
New York, NY 10004
(212) 858-4000

David A. Leibowitz, District Director
Two Jericho Plaza
Jericho, NY 11753
(516) 949-4200

District 10 Committee

Committee Members

To Serve Until January 2001

Arthur S. Ainsberg	Brahman Securities Inc., New York, NY
William P. Behrens	Investec Ernst & Co., New York, NY
Laurence H. Bertan	Sanford C. Bernstein & Co. Inc., New York, NY
Mark D. Madoff	Bernard L. Madoff Investment Securities, New York, NY
Stuart L. Sindell	Datek On-Line Brokerage Services Corp., New York, NY

To Serve Until January 2002

John Iachello	ING Baring Furman Selz, New York, NY
Philip V. Oppenheimer	Oppenheimer & Close Inc., New York, NY
Gary Salamone	Schroder & Co. Inc., New York, NY
Eugene A. Schlanger	Nomura Securities International Inc., New York, NY
Tom M. Wirtshafter	Nathan & Lewis Securities Inc., New York, NY

To Serve Until January 2003

Kevin J. Browne	Banc of America Securities, New York, NY
Judith R. MacDonald	Rothschild, Inc., New York, NY
Stephen C. Strombelline	Barclays Capital Inc., New York, NY

To Serve Until January 2004 (newly elected members)

Constantine Gus Economos	Sandler O'Neill & Partners LP, New York, NY
Ruth S. Goodstein	Paine Webber Inc., New York, NY
Patrick Remmert	Credit Suisse First Boston Corporation, New York, NY
Charles V. Senatore	Merrill Lynch Pierce Fenner & Smith Inc., New York, NY
Jeffrey Zuckerman	Salomon Smith Barney Inc., New York, NY

District 10 Nominating Committee

Committee Members

Arthur S. Ainsberg	Brahman Securities, Inc., New York, NY
Laurence H. Bertan	Sanford C. Bernstein & Co. Inc., New York, NY
Frank F. DiGregorio	Credit Suisse First Boston Corporation, New York, NY
Vicki Z. Holleman	Loeb Partners Corporation, New York, NY
Harold G. Ognelodh	Salomon Smith Barney Inc., New York, NY

NASD Notice to Members 00-74

District Committee And District Nominating Committee Members

District 11

Fred McDonald, District Director
260 Franklin Street, 16th Floor
Boston, MA 02110
(617) 261-0800

District 11 Committee

Committee Members

To Serve Until January 2001

Michael J. Dell'Olio	Investment Management and Research, Inc., South Portland, ME
Frank V. Knox, Jr.	Fidelity Distributors Corporation, Boston, MA
Laurie Lennox	SunLife of Canada (U.S.) Distributors, Inc., Boston, MA
Kenneth Unger	Boston Capital Services, Inc., Boston, MA

To Serve Until January 2002

Stephen O. Buff	Fleetboston Robertson Stephens Inc., Boston, MA
Dennis R. Surprenant	Cantella & Co., Inc., Boston, MA

To Serve Until January 2003

Elena Dasaro	H.C. Wainwright & Co., Inc., Boston, MA
John D. Lane	Mercer Partners Incorporated, Westport, CT
Deborah G. Ullman	American Skandia Marketing, Inc., Shelton, CT
Peter T. Wheeler	Commonwealth Financial Network, Waltham, MA

To Serve Until January 2004 (newly elected members)

Stephen Anikewich, Jr.	Warburg Dillon Read LLC, Stamford, CT
John I. Fitzgerald	American General Funds Distributors, Inc., Boston, MA
Robert V. Rodia	People's Securities, Inc., Bridgeport, CT
Gregory D. Teese	Equity Services Inc., Montpelier, VT

District 11 Nominating Committee

Committee Members

Harry H. Branning	Advest, Inc., Hartford, CT
Stephanie Brown	Linsco/Private Ledger Corp., Boston, MA
Sheldon Fechter	Fechter, Detwiler & Co., Inc., Boston, MA
Arthur F. Grant	Cadaret, Grant & Co., Inc., Syracuse, NY
Frank V. Knox, Jr.	Fidelity Distributors Corporation, Boston, MA

INFORMATIONAL

Continuing Education

Industry/Regulatory Council On Continuing Education Issues *Firm Element Advisory*

SUGGESTED ROUTING

The Suggested Routing function is meant to aid the reader of this document. Each NASD member firm should consider the appropriate distribution in the context of its own organizational structure.

- Continuing Education Testing/Qualifications
- Legal & Compliance
- Senior Management

KEY TOPICS

- Continuing Education
- Firm Element

Executive Summary

The Securities Industry/Regulatory Council on Continuing Education (Council) has issued a *Firm Element Advisory*, a guide for firms to use when developing their Continuing Education Firm Element training plans. The attached *Firm Element Advisory* lists topics that the Council considers to be particularly relevant to the industry at this time. The list is based on a review of recent regulatory events, as well as advisories issued by industry self-regulatory organizations (SROs) since the last *Firm Element Advisory* of September 1999.

Firms should review the training topics listed in the *Firm Element Advisory* in conjunction with their annual Firm Element Needs Analysis in which firms identify training issues to be addressed by their written Firm Element Training Plan(s). The Council is providing this advisory so that Firm Element Continuing Education may be as pertinent and enriching as possible to financial professionals in the securities industry.

Questions/Further Information

Questions about this *Notice* may be directed to John Linnehan, Director, Continuing Education, NASD Regulation, Inc. (NASD RegulationSM), at (240) 386-4684; or Daniel Sibears, Senior Vice President, Member Regulation, NASD Regulation, at (202) 728-6911.

Background

The Council includes 13 members representing a cross-section of securities firms and six SROs.¹ Both the Securities and Exchange Commission (SEC) and the North American Securities Administrators Association (NASAA) have appointed liaisons to the Council.

The Council facilitates industry/regulatory coordination of the administration and future development of the Continuing Education Program. Council duties include recommending and helping to develop specific content and questions for the Regulatory Element programs and minimum core curricula for the Firm Element. One responsibility of the Council is to identify and recommend pertinent regulation and sales practice issues for inclusion in Firm Element training plans.

Endnote

¹The American Stock Exchange, Inc., the Chicago Board Options Exchange, Inc., the Municipal Securities Rulemaking Board, the National Association of Securities Dealers, Inc., the New York Stock Exchange, Inc., and the Philadelphia Stock Exchange, Inc.

© 2000, National Association of Securities Dealers, Inc. (NASD). All rights reserved.



The Securities Industry Continuing Education Program

The Securities Industry Continuing Education Program *Firm Element Advisory*

Each year the Securities Industry/Regulatory Council on Continuing Education (Council) identifies and recommends to firms pertinent regulation and sales practice issues for possible inclusion in Firm Element training plans. Included in this *Firm Element Advisory* are topics which the Council considers to be particularly relevant to the industry at this time. The list is based on a review of recent regulatory events, as well as advisories issued by industry self-regulatory organizations (SROs) since the last *Firm Element Advisory* of September 1999.

The Council recommends using the *Firm Element Advisory* when

undertaking your annual Firm Element Needs Analysis to identify training topics. Select the training topics from the *Firm Element Advisory* that are relevant to your firm's business and use the related training point and reference material (available on the SRO Web Sites) as part of the training specified in your written Firm Element training plan. Other training topics may be prompted by a review of previous issues of the *Firm Element Advisory*, new rules, customer complaints, regulatory examination findings, or new products or services your firm plans to offer to investors. Remember that the topics included in your written training plan should be relevant to your firm's unique

situation including any supervisory needs you identify. Training programs should be appropriate to your firm's size and structure.

The Council will periodically highlight additional relevant regulatory areas to assist the industry and it invites your assistance. Please direct your comments, suggestions or questions about this and future issues of the *Firm Element Advisory* to either Roni Meikle, Continuing Education Manager, the New York Stock Exchange (NYSE), at (212) 656-2156; or John Linnehan, Director, Continuing Education, NASD Regulation, Inc. (NASD RegulationSM), at (240) 386-4684.

Training Topic**Relevant Training Point(s) and Reference(s)****Decimalization**

The securities industry is preparing to convert to decimal pricing. The industry began conversion on a pilot basis in August 2000, consistent with the timetable set by Securities and Exchange Commission (SEC) order.

Decimal trading will ultimately increase the number of possible trading increments within a dollar from 16 to 100.

Decimal pricing should make prices more easily understood by individual investors. Spreads in highly liquid stocks may tighten, thereby providing potential savings for investors, particularly if the minimum price variation is reduced to a penny. Decimalization may also improve the competitiveness of U.S. markets on a global basis.

See SEC Release No. 34-42914, "Order Directing the Exchanges and the National Association of Securities Dealers, Inc. to Submit a Phase-In Plan to Implement Decimal Pricing in Equity Securities and Options Pursuant to Section 11 (a)(3)(B) of the Securities Exchange Act of 1934," dated June 8, 2000.

Also see these Web Sites: NASD Regulation (www.nasdr.com); New York Stock Exchange (www.nyse.com/decimalization); Securities Industry Association (www.sia.com/decimalization)

Foreign Jurisdictions

Sales Practices

It has come to the attention of the SROs that persons associated with broker/dealers may be soliciting business in the regulators' jurisdictions in violation of local foreign laws. Members considering soliciting business in foreign jurisdictions should ensure that such activities comply with all applicable laws. The consequences of breaching applicable foreign laws can be far-reaching, and broker/dealers in violation of particular foreign laws may be committing a criminal offense and be liable to prosecution.

See NASD Notice to Members 00-02, NASD Alerts Members To Their Obligations Concerning Soliciting Business In Foreign Jurisdictions, January 2000.

Investment Banking

Securities Offerings Under SEC Rule 504
And Intra-State Offerings

SEC Rule 504 provides an exemption from registration under Section 5 of the Securities Act of 1933 (Securities Act) for offerings of up to \$1 million of securities. The SEC amended Rule 504 in early 1992 to provide that securities sold under Rule 504 will be deemed "restricted securities" under SEC Rule 144, and general solicitation and advertising will be prohibited unless the offering is:

- 1) registered in at least one state that requires public filing and delivery of a disclosure document before sale; or
- 2) offered exclusively in states that provide exemptions from registration and permit general solicitation and advertising, but that require that sales be made only to "accredited investors."

Securities deemed to be "restricted securities" under SEC Rule 144 may only be sold into the public market in compliance with the holding period, manner of sale, and volume restrictions of that rule.

The NASD has amended its rules to clarify that Rule 504 offerings that are public offerings of unrestricted securities are required to be filed with NASD Regulation for review of underwriting terms and arrangements under NASD Rules 2710 and 2810, and compliance with the requirements of NASD Rule 2720.

See NASD Notice to Members 00-12, Amendments Adopted To Clarify The Application Of NASD Rules To Offerings Under SEC Rule 504 And Intra-State-Only Offerings, February 2000.

Margin

Options

Changes to Option Margin Rules – Effective January 20, 2000, the SEC approved changes to the margin rules of the Chicago Board Options Exchange (CBOE) and NYSE. Some of the changes include, but are not limited to, loan value on long-term options (LEAPS); reduced maintenance requirements for stock hedged with options; certain spreads, if comprised of European style index options, can be carried in a cash account.

Training Topic**Relevant Training Point(s) and Reference(s)****Margin**Options (*continued*)

The significant changes are summarized below:

- The types of option strategies eligible for cash accounts have been expanded;
- The amendments establish reduced maintenance margin requirements for certain hedged option strategies;
- The amendments also allow for loan value on certain LEAPS;
- The minimum margin requirement on short, uncovered puts is now based on the exercise price of the option; and
- New definitions of butterfly spreads and box spreads have been added.

See CBOE Regulatory Circular RG00-22, Option Margin Rule Changes, and NYSE Information Memo No. 99-59, "Amendments to Rule 431 ("Margin Requirements") Regarding Options", December 31, 1999.

Municipal Securities

Consultants

Municipal Securities Rulemaking Board (MSRB) Rule G-38 defines a consultant as any person used by a dealer to obtain or retain municipal securities business through direct or indirect communication by such person with an issuer on the dealer's behalf where the communication is undertaken by such person in exchange for, or with the understanding of receiving, payment from the dealer or any other person. Dealers must disclose to issuers certain information about their consultants and report certain information about their consultants to the MSRB on Form G-37/G-38, including certain of their consultants' political contributions to issuer officials and payments to state and local political parties.

See MSRB Rule G-38: Consultants, MSRB Rule Book.

Training Topic**Relevant Training Point(s) and Reference(s)****Municipal Securities**

Delivery Of Official Statements And Advance Refunding Documents To The MSRB

Managing underwriters are required to deliver to the MSRB, among other things, copies of final official statements for most primary offerings of municipal securities, if such documents are prepared by or on behalf of the municipal securities issuer. For refunding issues, dealers must send to the MSRB two copies of the refunding escrow agreement, or its equivalent, if prepared by or on behalf of the municipal securities issuer. Dealers must send these documents to the MSRB using the appropriate form—Form G-36(OS) to be sent with official statements and Form G-36(ARD) to be sent with advance refunding documents.

See MSRB Rule G-36: Delivery of Official Statements, Advance Refunding Documents and Forms G-36(OS) and G-36(ARD) to Board or its Designee, *MSRB Rule Book*. See also *Form G-36 Manual* published by the MSRB.

Municipal Securities

Delivery Of Official Statements To Customers And Other Dealers

During the underwriting period, a dealer is prohibited from selling new issue municipal securities (other than commercial paper) to a customer unless the dealer delivers to the customer by settlement of the transaction a copy of the final official statement if one is prepared by or on behalf of the issuer. If a municipal securities issuer will prepare only a preliminary official statement and not a final official statement, a dealer must deliver the preliminary version along with a written notice to customers that no final official statement will be prepared.

See MSRB Rule G-32: Disclosures in Connection with New Issues, *MSRB Rule Book*.

Municipal Securities

Political Contributions And Prohibitions On Municipal Securities Business

Dealers are prohibited from engaging in municipal securities business with a municipal securities issuer within two years after any contribution to an official of such issuer made by the dealer, any municipal finance professional associated with such dealer, or any political action committee controlled by the dealer or any municipal finance professional. The only exception to this absolute prohibition on municipal securities business is for certain contributions made to issuer officials by municipal finance professionals, but only if the municipal finance professional is entitled to

Training Topic**Relevant Training Point(s) and Reference(s)****Municipal Securities**

Political Contributions And Prohibitions On Municipal Securities Business (*continued*)

vote for such official and provided any contributions by such municipal finance professional do not exceed, in total, \$250 to each official, per election. Dealers must report certain information about political contributions, political party payments, municipal securities business, and consultants to the MSRB on Form G-37/G-38 or, if appropriate, dealers may file a Form G-37x with the MSRB.

See MSRB Rule G-37: Political Contributions and Prohibitions on Municipal Securities Business, MSRB Rule Book.

Mutual Funds

Advertising Recent Performance

Broker/dealers have a responsibility to present fund performance information in a fair and balanced manner and not to create unrealistic investor expectations with regard to future fund performance. Recent unusually strong equity market performance helped some mutual funds, particularly those that are heavily invested in technology stocks, to achieve extraordinary total return figures during the last year (or shorter period). Some members are using advertisements that promote this total return information to attract new investors. Broker/dealers have a responsibility to base their communications on principles of fair dealing and good faith and to avoid statements that are exaggerated, unwarranted, or misleading.

See NASD Notice to Members 00-21, NASD Regulation Reminds Members Of Their Responsibilities When Advertising Recent Mutual Fund Performance, April 2000. [This Notice cautions NASD members that if they choose to present extraordinary recent fund performance information, they should do so in a manner designed to lessen the possibility that investors will have unreasonable expectations concerning the future performance of these mutual funds.]

Training Topic**Relevant Training Point(s) and Reference(s)****Mutual Funds**

Bond Fund Volatility Ratings

Bond mutual fund volatility ratings describe the sensitivity of bond mutual fund portfolios to changing market conditions. Previously, NASD Regulation interpreted its rules to prohibit members from using bond mutual fund volatility ratings in supplemental sales literature. New NASD Rule IM-2210-5 permits members and associated persons to include bond mutual fund volatility ratings in supplemental sales literature for an 18-month pilot period. The pilot program expires August 31, 2001, unless extended or permanently approved by the NASD at or before such date.

See NASD Notice to Members 00-23, SEC Approves New Rules Relating To Bond Mutual Fund Volatility Ratings, April 2000.

Mutual Funds

Sales Charges Of Investment Companies And Variable Contracts

On October 20, 1999, the SEC approved amendments to NASD Rules 2820 (Variable Contracts Rule) and 2830 (Investment Company Rule) that regulate the sales charges imposed by investment companies and variable annuity contracts sold by broker/dealers. Generally, the amendments revise the Investment Company Rule to:

- provide maximum aggregate sales charge limits for fund-of-funds arrangements;
- permit mutual funds to charge installment loads;
- prohibit loads on reinvested dividends;
- impose redemption order requirements for shares subject to contingent deferred sales loads (CDSLs); and
- eliminate duplicate prospectus disclosure.

The amendments revise the Variable Contracts Rule to eliminate the specific sales charge limitations in the rule and a filing requirement relating to changes in sales charges.

See NASD Notice to Members 99-103, SEC Approves Rule Change Relating To Sales Charges For Investment Companies And Variable Contracts; Effective Date: April 1, 2000. December 1999.

Training Topic**Relevant Training Point(s) and Reference(s)****Options**

Communications With The Public

Options Worksheets – On February 1, 2000, the SEC approved a rule change permitting the use of worksheets that are not standardized throughout a member organization provided such worksheets meet the requirements applicable to sale literature. This change gives broker/dealers or their associated persons the ability to tailor worksheets to specific prospective or existing clients, to utilize worksheets that may be commercially available, or to use industry developed worksheets.

See *CBOE Regulatory Circular RG00-43* "Communications to Customers."

Options

Order Entry

Access to Retail Automatic Execution System (RAES)

It is a violation of CBOE rules to enter, at or about the same time and for the same account (or for accounts with any common ownership), multiple RAES orders in the same or similar options series for the purpose of circumventing the limitation on RAES order size. It is also a violation of CBOE rules to enter a limit order for placement on the Exchange's limit order book, or on the book of a competing exchange, for the purpose of effecting the execution price of a RAES transaction. If a member grants a non-member direct access to the Exchange's limit order book or to RAES through the member's order routing systems, it is a violation for such member either to knowingly facilitate the non-member's violation of Exchange rules through such systems and/or to fail to establish procedures reasonably designed to prevent the non-member's access to such systems from being used to effect such violations.

See *CBOE Regulatory Circular RG00-27* "Access to Retail Automatic Execution System (RAES)."

Options

Sales Practices

Day Trades Exceeding Account Approval Level — The CBOE has issued guidelines that its member organizations are required to follow with respect to proper identification of options day trades that exceed an account's approved strategy level. As part of a member organization's supervisory program, member organizations are required to establish and maintain reasonable procedures to identify, on at least a post-trade date basis, options day trades in customer accounts that exceed an account's approved strategy level.

Training Topic	Relevant Training Point(s) and Reference(s)
<p>Options</p> <p>Sales Practices <i>(continued)</i></p>	<p><i>See CBOE Regulatory Circular RG00-08 "Options Day Trades Exceeding Account Approval Level."</i></p>
<p>Short Selling</p>	<p>A long-standing position of NASD Regulation and Nasdaq® states that broker/dealers must comply with the rules concerning short sales regardless of how a short-sale order is received, <i>e.g.</i>, through the telephone, an electronic transmission, the Internet, or otherwise. Accordingly, firms must comply with the bid test, make affirmative determinations, and identify short sales in the Automated Confirmation Transaction ServiceSM (ACTSM) for all proprietary and customer short-sale orders that are received electronically through proprietary electronic order routing systems, the Internet, or otherwise.</p> <p><i>See NASD Notice to Members 99-98, NASD Regulation Reiterates That Members Must Comply With All Short Sale Rules When Receiving Orders Through Electronic Order Systems Or The Internet And Reiterates The Operation Of The Affirmative Determination Rule, December 1999.</i></p>
<p>Suitability & Disclosure Of Risk</p> <p>Callable Common Stock</p>	<p>Suitability and disclosure of risk are relevant topics for all Firm Element training plans. Applicable SRO rules are NASD Conduct Rule 2310 — Recommendations to Customers (Suitability) and NYSE 405 — Diligence as to Accounts. The specific training topics listed in this <i>Firm Element Advisory</i> should also be considered.</p> <p>An investor purchasing callable common stock is subject to unique risks not typically associated with ownership of common stock, even when such stock is called away at a premium. Moreover, the ability of an issuer's common stock to be called away from a shareholder generally will be a material fact to an investor. Accordingly, high standards of commercial honor and just and equitable principles of trade require that any member that provides a written confirmation for a transaction involving callable common stock must disclose on the confirmation that the security is callable and that the customer may contact the member for more information.</p> <p>Interpretive Material (IM-2110-6) states that a member that provides a confirmation pursuant to SEC Rule 10b-10 in connection with any transaction in callable common stock shall disclose on such confirmation</p>

Training Topic	Relevant Training Point(s) and Reference(s)
----------------	---

<p>Suitability & Disclosure Of Risk</p> <p>Callable Common Stock (<i>continued</i>)</p>	<p>that the security is callable and that the customer may wish to contact the member for more information regarding the security. Disclosure of the call feature on the confirmation in no way relieves a member of its obligation to consider the callable nature of the security when complying with any applicable suitability obligations.</p> <p><i>See NASD Notice to Members 00-33, NASD Regulation Adopts New Rule Interpretation To Require Confirmation Disclosure Of Callable Common Stock, May 2000.</i></p>
<p>Suitability & Disclosure Of Risk</p> <p>Certificates Of Deposit</p>	<p>Broker/dealers that offer brokered certificates of deposit to investors have an obligation to disclose all relevant features of these investments, such as variable rates, call features, early withdrawal penalties, liquidity, etc.</p> <p><i>See "Certificates of Deposit: Tips for Investors," SEC Web Site at www.sec.gov/consumer/certific.htm, and NASD Regulation Regulatory & Compliance Alert, "Regulatory Short Takes — Investment Instruments Offered By CD Brokers," Summer 2000.</i></p>
<p>Suitability & Disclosure Of Risk</p> <p>Extended Hours Disclosures</p>	<p>Broker/dealers have an obligation under just and equitable principles of trade and the advertising rule to disclose to customers the material risks of extended hours trading.</p> <p><i>See NASD Notice to Members 00-07, Disclosure To Customers Engaging In Extended Hours Trading, January 2000. [A model disclosure statement is included with this Notice.]</i></p>
<p>Suitability & Disclosure Of Risk</p> <p>Joint Regulatory Advisory On Margin Debt</p>	<p>The NYSE and NASD issued a Joint Statement concerning the continuing growth of investor margin debt. The Joint Statement asked NYSE and NASD members to review their maintenance margin policies for any necessary changes and to take the following steps relative to the extension of margin credit:</p> <ul style="list-style-type: none"> • Continue to advise individual investors about the risk of investing on margin.

Training Topic**Relevant Training Point(s) and Reference(s)****Suitability & Disclosure Of Risk**

Joint Regulatory Advisory On Margin Debt (*continued*)

- Advise sales managers and account executives of the appropriate steps to be taken when and if individual investors significantly change their levels of margin borrowings.
- Carefully review and curtail any account executive incentive programs that would promote the solicitation of margin accounts, if appropriate.

See NYSE Information Memo No. 00-5, "Joint Statement by NYSE and NASD on the Continuing Growth in Investor Margin Debt," dated February 28, 2000.

Supervision

Municipal Securities

Review And Retention Of Correspondence With The Public

Each dealer is required to develop written policies and procedures for review of correspondence with the public relating to its municipal securities activities, and tailored to its structure and the nature and size of its business and customers.

See MSRB Rule G-27: Supervision, and related recordkeeping requirements in rules G-8(a)(xx) and G-9(b)(xiv), *MSRB Rule Book*.

Supervision

Research Reports That Are Independently Prepared

Many independent research firms publish reports that analyze and provide information about a wide variety of investment companies, including their performance, fees, and expenses, and a description and narrative analysis of their investment strategies and portfolio management style.

Broker/dealers use these independently prepared research reports in a number of ways. For example, a member may make an independent research firm's entire research service available to customers at a branch office. A member may also distribute or make available an independently prepared research report concerning a particular investment company as part of its selling process.

Amendments to NASD Rule 2210, which governs member communications with the public, exempt from Rule 2210's filing requirements certain types of

Training Topic**Relevant Training Point(s) and Reference(s)****Supervision**

Research Reports That Are Independently Prepared
(continued)

independently prepared research reports concerning investment companies.

See NASD Notice to Members 00-15, SEC Approves Rule Change Relating To Filing Requirements For Independently Prepared Research Reports, March 2000.

Supervision

Risk Management Practices

The SEC, NASD Regulation, and the NYSE issued a joint statement regarding broker/dealer risk management practices. Risk management is the identification, management, measurement, and oversight of various business risks and is part of a firm's internal control structure. These risks typically arise in such areas as proprietary trading, credit, liquidity, and new products.

The examination staffs from these organizations formed a task force several years ago to assess risk management practices. Among the goals of the task force was to assess the industry's awareness of the need for stringent risk management supervisory systems, and compile a compendium of sound practices and weaknesses noted during task force members' review of risk management systems.

The task force's statement emphasizes the importance of maintaining an appropriate risk management system. The statement also provides examples of weaknesses and strengths in various broker/dealers' risk management policies and practices.

See NASD Notice to Members 99-92, and NYSE Information Memo 99-42, SEC, NASD Regulation, And NYSE Issue Joint Statement On Broker/Dealer Risk Management Practices, November 1999.

Training Topic**Relevant Training Point(s) and Reference(s)****Trade Reporting**

Municipal Securities

Reports Of Sales Or Purchases

MSRB Rule G-14 requires dealers to report all transactions in municipal securities to the MSRB by midnight of trade date. The dealer must obtain and use an NASD-assigned symbol to identify itself in reporting its transactions. Dealers report their transactions with other dealers as a consequence of their submission of trade information to the automated comparison system operated by National Securities Clearing Corporation (NSCC). Dealers report their transactions with customers to the MSRB using file formats designed solely for customer trade data. While dealers may employ an agent or use a clearing/introducing broker arrangement to report transactions, the primary responsibility for timely and accurate submission of data remains with the dealer that effected the transaction.

See MSRB Rule G-14: Reports of Sales or Purchases, and associated procedures, *MSRB Rule Book; User's Manual for Customer Transaction Reporting* and various notices on the MSRB Web Site (www.msrb.org) and *NASD Notice to Members 00-08, NASD Reminds Members Of Their Obligations Regarding Municipal Securities Transaction Reporting, January 2000.*

Trade ReportingOrder Audit Trail (OATSSM) Information

When recording and reporting information on certain customer orders, members must indicate whether the customer provided instructions concerning the display or non-display of limit orders. It has come to the attention of NASD Regulation staff that several broker/dealers consistently misreport this information to the NASD's OATS.

See *NASD Notice to Members 00-26, NASD Regulation Reiterates Requirement That Members Correctly Report Order Audit Trail Information, May 2000.*

Trade Reporting

Riskless Principal Transactions

On March 24, 1999, the SEC approved amendments to NASD rules regarding trade reporting of riskless principal transactions by market makers. The rule change permits market makers in Nasdaq and other over-the-counter securities to report trades under the current riskless principal rules that exist for non-market makers. The effect of the change is that

Training Topic**Relevant Training Point(s) and Reference(s)****Trade Reporting**Riskless Principal Transactions (*continued*)

instead of reporting both “legs” of a riskless principal transaction, market makers (like non-market makers currently) now will only report one portion of the transaction if it meets the definition of riskless principal. The rule defines riskless principal as a trade in which a member, after having received an order to buy (sell) a security, buys (sells) the security at the same price, as principal, in order to satisfy the order to buy (sell).

See NASD Notice to Members 99-65, SEC Approves Rule Changes To NASD Trade-Reporting Rules For Riskless Principal Transactions In Nasdaq And OTC Securities, August 1999.

Trading

Trading Collars And Circuit Breakers

NYSE Rule 80A (Index Arbitrage Trading Restrictions) addresses the change in the Dow Jones Industrial Average (DJIA) that triggers the Rule’s tick restrictions.

NYSE Rule 80B (Trading Halts Due to Extraordinary Market Volatility) addresses halt provisions and circuit breakers levels.

The NYSE changes the trading collars and circuit breaker levels on a quarterly basis.

See NYSE Information Memo Nos. 00-1, 00-7, and 00-17, “New Rule 80A collars and Rule 80B Circuit Breaker Levels,” dated January 3, 2000, April 3, 2000, and July 3, 2000.

Trading/Markets

Blank Check Companies

In most, if not all, cases, the resale of securities of blank check companies¹ is restricted and such securities can only be resold through registration under the Securities Act. In addition, Rule 144 is not available to promoters or affiliates of blank check companies or to their transferees either before or after a business combination with an operating company or other person.

¹A blank check company is a development stage company that has no specific business plan or purpose or has indicated its business plan is to engage in a merger acquisition with an unidentified company or companies, or other entity or person.

Training Topic**Relevant Training Point(s) and Reference(s)****Trading/Markets**Blank Check Companies (*continued*)

NASD Regulation staff requires a market maker, when seeking NASD Regulation clearance pursuant to NASD Rule 6740 to initiate or resume quotation of a security of a blank check company, to provide an independent opinion from its own counsel detailing why the sale of such securities would not violate the registration requirements of the Securities Act. NASD Regulation staff will continue to scrutinize closely such filings and will vigorously pursue disciplinary action and/or refer the staff's findings to the SEC for further action.

See NASD Notice to Members 00-49, SEC Issues Staff Interpretation On The "Free Trading" Status Of Blank Check Company Securities Under Certain Scenarios, July 2000.

Trading/Markets

Limit Order Display Obligations

The NASD, after consultation with the staff of the SEC, is reiterating the limit order display obligations imposed on members under SEC Rule 11Ac1-4 (Display Rule). One of the primary purposes of this *Notice* is to reiterate that the 30-second requirement to display limit orders does not operate as a safe harbor.

See NASD Notice to Members 99-99, NASD Reiterates Obligations To Display Customer Limit Orders Pursuant To SEC Rule 11Ac1-4, December 1999.

Trading/Markets

Locked And Crossed Markets

On February 7, 2000, the SEC approved changes to NASD Rule 4613(e), which relates to the entering of locking and crossing quotes by Nasdaq market participants (market makers and electronic communications networks (ECNs)). The rule change alters market participants' obligations regarding the entry of locking/crossing quotes prior to the opening of the Nasdaq market at 9:30 a.m. Eastern Time (ET), and sets out specific obligations for parties to a lock/cross, which are determined based on the time the locked/crossed market occurs.

See NASD Notice to Members 00-29, SEC Approves Changes To Nasdaq Locked/Crossed Markets Rule; Effective Date: June 5, 2000, May 2000, and Special NASD Notice to Members 00-42, NASD Regulation, Inc. Reiterates The Obligation Of Member Firms To Comply With Trading Rules, Particularly Immediately Prior To The Close On Expiration Fridays And Index Rebalancing Days, June 2000.

Training Topic	Relevant Training Point(s) and Reference(s)
----------------	---

<p>Trading/Markets</p> <p>Records Of Orders</p>	<p>NYSE Rule 410 requires that, before an order is executed on the Floor, the name or designation of the account for which the order is to be executed must be placed upon the record of the order. Similarly, SEC Rule 17a-3(a)(6) requires a record of each order to be prepared at the time of the transaction and that it include the account name.</p> <p>It has come to the SROs' attention that member organization employees are, in some instances, delaying entry of account designation on order tickets. Broker/dealers must ensure that each order is documented prior to, or simultaneous with, the order's entry. Records must include account designations as well as the number of shares to be allocated per account.</p> <p><i>See NYSE Information Memo No. 00-19, Timely Designation and Allocation of Account Information – Record of Orders, dated July 21, 2000.</i></p>
<p>Variable Contracts</p> <p>Sales Of Variable Life Insurance</p>	<p>Variable life insurance and variable annuity contracts (Variable Contracts) are securities, and accordingly, their distribution is subject to NASD rules. Of particular importance are:</p> <ul style="list-style-type: none"> • Rule 3010 (Supervision), which requires each member to establish and maintain systems to supervise the activities of each registered representative and associated person in order to achieve compliance with the securities laws, regulations, and NASD rules; and • Rule 2310 (Suitability), which requires that a member, when recommending the purchase, sale, or exchange of any security to a customer, have reasonable grounds for believing that the recommendation is suitable for the customer upon the basis of the facts disclosed by the customer. <p><i>See NASD Notice to Members 00-44, The NASD Reminds Members Of Their Responsibilities Regarding The Sale Of Variable Life Insurance, July 2000. [This Notice focuses on retail sales of variable life insurance, including both scheduled premium and flexible premium products, and provides a set of guidelines to assist members in developing sales-related supervisory procedures.]</i></p>

Variable Contracts

Variable Annuities

Guidelines intended to assist broker/dealers in developing appropriate procedures relating to variable annuity sales to customers. The guidelines identify areas of concern such as customer information, product information, liquidity and earnings accrual, customer's income and net worth, contract size thresholds, investments in tax-qualified accounts, and variable annuity replacements expected to be addressed in the procedures of broker/dealers that offer and sell variable annuities.

See NASD Notice to Members 99-35, The NASD Reminds Members Of Their Responsibilities Regarding The Sales Of Variable Annuities, May 1999.

*See also "Variable Annuities: What You Should Know," SEC Web Site at:
www.sec.gov/consumer/varannty.htm*

To Obtain More Information

For more information about publications, contact the SROs at these addresses:

American Stock Exchange

NASD MediaSource
P.O. Box 9403
Gaithersburg, MD 20898-9403
(301) 590-6142
www.nasd.com

Chicago Board Options Exchange

Investor Services
Chicago Board Options Exchange
400 S. LaSalle Street
Chicago, IL 60605
(800) OPTIONS
www.cboe.com

Municipal Securities Rulemaking Board

Publications Department
1640 King Street
Suite 300
Alexandria, VA 22314
(202) 223-9503
www.msrb.org

National Association of Securities Dealers

NASD MediaSource
P.O. Box 9403
Gaithersburg, MD 20898-9403
(301) 590-6142
www.nasd.com

New York Stock Exchange

Publications Department
11 Wall Street
18th Floor
New York, NY 10005
(212) 656-5273, or (212) 656-2089
www.nyse.com

Philadelphia Stock Exchange

Marketing Department
1900 Market Street
Philadelphia, PA 19103
(800) THE PHLX, or (215) 496-5158
www.phlx.com
or info@phlx.com

NASD Notice to Members 00-76

INFORMATIONAL

FIPS Changes

Fixed Income Pricing
System Additions,
Deletions, And Changes
As Of September 22,
2000

SUGGESTED ROUTING

The Suggested Routing function is meant to aid the reader of this document. Each NASD member firm should consider the appropriate distribution in the context of its own organizational structure.

- Corporate Finance
- Legal & Compliance
- Municipal/Government Securities
- Operations
- Senior Management
- Trading & Market Making

KEY TOPIC

- FIPS

As of September 22, 2000, the following bonds were added to the Fixed Income Pricing SystemSM (FIPS[®]).

Symbol	Name	Coupon	Maturity
ADLA.GQ	Adelphia Communications Corp.	10.875	10/01/10
ADLT.GA	Advanced Lighting Tech	8.000	03/15/08
AESO.GA	AES Corp.	9.375	09/15/10
BRWI.GA	Broadwing Communications Inc.	12.500	08/15/09
BYOP.GA	Bradley Oper Ltd Partnership	7.000	11/15/04
BYOP.GB	Bradley Oper Ltd Partnership	7.200	01/15/08
BYOP.GC	Bradley Oper Ltd Partnership	8.875	03/15/06
CKE.GA	Carmike Cinemas Inc.	9.375	02/01/09
DHI.GE	D.R. Horton Inc.	9.750	09/15/10
EHWT.GA	Earthwatch Inc.	13.000	07/15/07
GAP.GC	Great Atlantic & Pac Tea Inc.	7.700	01/15/04
HCA.GA	The Healthcare Co.	8.750	09/10/10
HVDM.GA	Hvide Marine Inc.	12.500	06/30/07
IPCS.GA	IPCS Inc.	14.00	07/15/10
LEVI.GA	Levi Strauss & Co.	6.800	11/01/03
MVRM.GA	Madison River Cap LLC/ Mad River Finl	13.250	03/01/10
NXTP.GB	Nextel Partners Inc.	11.000	03/15/10
PPE.GC	Park Place Entertainment Corp.	8.875	09/15/08
RYL.GE	Ryland Group Inc.	9.750	09/01/10
SPF.GE	Standard Pacific Corp.	9.500	09/15/10
TKPX.GC	Tekni-Plex Inc.	12.750	06/15/10
TNPE.GA	TNP Enterprises Inc.	10.250	04/10/10
TTE.GB	Autotote Corp.	12.500	08/15/10
WCG.GC	Williams Communications Group Inc.	11.700	08/01/08
WCG.GD	Williams Communications Group Inc.	11.875	08/01/10

NASD Notice to Members 00-76

As of September 22, 2000, the following bonds were deleted from FIPS.

Symbol	Name	Coupon	Maturity
CALA.GA	Contl Airlines Inc.	9.500	12/15/01
CKE.GA	Carmike Cinemas Inc.	9.375	02/01/09
CNDS.GA	Cellnet Data Systems Inc.	13.000	06/15/05
CNDS.GB	Cellnet Data Systems Inc.	14.000	10/01/07
CUIA.GA	Casino Magic Louisiana Corp.	13.000	08/15/03
DEEP.GA	Deeptech Intl	12.000	12/15/00
GBCH.GA	Global Crossing Hldg Ltd	9.625	05/15/08
GPTK.GA	Geotek Communications Inc.	15.000	07/15/05
IRUC.GA	Intramericas Comm Corp.	14.000	10/27/07
MDM.GB	Med Partners Inc.	6.875	09/06/00
OLYM.GC	Olympic Finl Ltd	10.125	03/15/01
PENN.GA	Penn National Gaming Inc.	10.625	12/15/04
PSRI.GA	Phase Metrics Inc.	10.750	02/01/05
QWST.GA	Quest Communications Intl Inc.	9.470	10/15/07
QWST.GB	Quest Communications Intl Inc.	10.875	04/01/07
QWST.GC	Quest Communications Intl Inc.	8.290	02/01/08
QWST.GD	Quest Communications Intl Inc.	7.500	11/01/08
QWST.GF	Quest Communications Intl Inc.	7.250	11/01/08
RGRO.GD	Ralphs Grocery Co New	11.000	06/15/05
SVRN.GB	Sovereign Bancorp Inc.	6.750	09/01/00
SWEC.GB	Sweetheart Cup Inc.	9.625	09/01/00
TCOM.GB	Tele-Commun Inc Ser E	10.250	09/30/00
TEXN.GG	Texas New Mexico Power Co.	10.750	09/15/03

As of September 22, 2000, changes were made to the symbols of the following FIPS bonds.

New Symbol	Old Symbol	Name	Coupon	Maturity
BBX.GA	BANC.GA	Bankatlantic Bancorp Inc.	9.000	10/01/05
CALA.GB	CAI.GB	Contl Airlines Inc.	8.000	12/15/05
CBH.GA	COBA.GA	Commerce Bancorp Inc. NJ	8.375	07/15/03
FCEA.GA	FRCE.GA	Forest City Enterprises Inc.	8.500	03/15/08
HDR.GA	HPSC.GA	HPSC Inc.	11.000	04/01/07
ICY.GA	ICED.GA	Packaged Ice Inc.	9.750	02/01/05
MPWR.GA	MGCN.GA	MGC Communications Inc.	13.000	10/01/04
NXTP.GA	NXPS.GA	Nextel Partners Inc.	14.000	02/01/09
PACW.GA	PWCM.GA	Pac-West Telecomm Inc.	13.500	02/01/09
UNWR.GA	USUW.GA	US Unwired Inc.	13.375	11/01/09

All bonds listed above are subject to trade-reporting requirements. Questions pertaining to FIPS trade-reporting rules should be directed to Patricia Casimates, Market Regulation, NASD RegulationSM, at (301) 590-6447.

Any questions regarding the FIPS master file should be directed to Cheryl Glowacki, Nasdaq[®] Market Operations, at (203) 385-6310.

© 2000, National Association of Securities Dealers, Inc. (NASD). All rights reserved.

NASD Notice to Members 00-77

INFORMATIONAL

Trade Date— Settlement Date

Thanksgiving Day: Trade Date—Settlement Date Schedule

SUGGESTED ROUTING

The Suggested Routing function is meant to aid the reader of this document. Each NASD member firm should consider the appropriate distribution in the context of its own organizational structure.

- Internal Audit
- Legal & Compliance
- Municipal/Government Securities
- Operations
- Trading & Market Making

KEY TOPIC

- Holiday Trade Date—Settlement Date Schedule

Thanksgiving Day: Trade Date—Settlement Date Schedule

The Nasdaq Stock Market® and the securities exchanges will be closed on Thursday, November 23, 2000, in observance of Thanksgiving Day. "Regular way" transactions made on the business days noted below will be subject to the following schedule:

<u>Trade Date</u>	<u>Settlement Date</u>	<u>Reg. T Date*</u>
Nov. 17	Nov. 22	Nov. 27
20	24	28
21	27	29
22	28	30
23	Markets Closed	—
24	29	Dec. 1

*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 five 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 titled "Reg. T Date."

© 2000, National Association of Securities Dealers, Inc. (NASD). All rights reserved.

Disciplinary Actions

Disciplinary Actions Reported For October

NASD Regulation, Inc. (NASD RegulationSM) has taken disciplinary actions against the following firms and individuals for violations of National Association of Securities Dealers, Inc. (NASD[®]) rules; federal securities laws, rules, and regulations; and the rules of the Municipal Securities Rulemaking Board (MSRB). The information relating to matters contained in this *Notice* is current as of the end of September 25, 2000.

Firms Fined, Individuals Sanctioned

Capital Alliance Investments, Inc., n.k.a. JRL Capital Corporation (CRD #10225, Irvine, California), Dennis Raymond Konczal (CRD #1045392, Registered Principal, Mill Valley, California) and Larry Richard Law (CRD #1273118, Registered Principal, Newport Beach, California) submitted a Letter of Acceptance, Waiver, and Consent in which they were censured and fined \$50,000, jointly and severally, and the firm was ordered to offer rescission to investors. In addition, Konczal was suspended from association with any NASD member in any principal or supervisory capacity for one year. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Konczal and Law, participated in contingency offerings of securities and failed to transmit investor funds raised in the offerings to a proper escrow account. Furthermore, the NASD found that the firm, acting through Konczal and Law, withdrew investor funds from the bank account into which they were deposited before the minimum offering amount was raised and failed to reimburse investor funds

when the minimum contingency amount for the offerings was not raised.

Konczal's suspension began September 5, 2000, and will conclude at the close of business on September 4, 2001. **(NASD Case #C02000045)**

Network Capital Corporation (CRD #1389, Salt Lake City, Utah), David Leland Sagers (CRD #1013621, Registered Principal, Sandy, Utah) and Richard Leroy Parker (CRD #356740, Registered Principal, Salt Lake City, Utah) submitted a Letter of Acceptance, Waiver, and Consent in which they were censured and fined \$10,000, jointly and severally. In addition, the firm and Sagers were fined \$5,000, jointly and severally, and Sagers was suspended from association with any NASD member in the capacity of a financial and operations principal for five business days. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Sagers and Parker, conducted a securities business while failing to maintain the required minimum net capital. The findings also stated that the firm, acting through Sagers, filed FOCUS Part II Reports with the NASD that materially misstated the firm's net capital.

Sagers' suspension began September 18, 2000, and concluded at the close of business on September 22, 2000. **(NASD Case #C3A000029)**

Firms And Individuals Fined

American Investment Services, Inc. (CRD #21111, East Peoria, Illinois) and Jeffrey Joseph Hiser (CRD #2750883, Registered

Principal, Perkin, Illinois) submitted a Letter of Acceptance, Waiver, and Consent in which they were censured and fined \$10,000, jointly and severally; the firm was fined an additional \$7,500, jointly and severally, with an individual. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Hiser, effected transactions in securities when it failed to maintain its minimum required net capital. The findings also stated that the firm, acting through Hiser, prepared inaccurate trial balances and net capital computations, and filed an inaccurate FOCUS Part IIA Report with the NASD. Furthermore, the NASD found that the firm failed to report statistical and summary information relating to customer complaints to the NASD. **(NASD Case #C8A000043)**

J.P.R. Capital Corporation (CRD #38056, Roslyn, New York) and Paul Jeffrey Umansky (CRD #1615489, Registered Principal, Rockville Centre, New York) submitted a Letter of Acceptance, Waiver, and Consent in which they were censured and fined \$10,000, jointly and severally. The firm was also required to disgorge \$3,826.50 to the NASD. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Umansky, failed to file statistical and summary information regarding customer complaints with the NASD in a timely manner. The findings also stated that the firm, acting through Umansky, permitted an individual associated with the firm to act in a capacity that required registration while his registration was inactive due to his failure to complete the Regulatory Element of the NASD's Continuing

Education Requirement. In addition, the NASD found that the firm, acting through Umansky, failed to conduct a training needs analysis and to prepare a written training plan as required by the Firm Element of the NASD's Continuing Education Requirement. **(NASD Case #C10000150)**

M G Securities Group, Inc. (CRD #42991, Dallas, Texas) and Michael Paul Anderson (CRD #1625289, Registered Principal, Richardson, Texas) submitted a Letter of Acceptance, Waiver, and Consent in which they were censured and fined \$13,000, jointly and severally, including a disgorgement of \$9,000 in commissions. The firm was fined an additional \$1,000. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Anderson, permitted an unregistered individual to serve as a general securities representative and thereby engage in the investment banking or securities business of the firm. The findings also stated that the firm failed to establish, maintain, and enforce written supervisory procedures that were reasonably designed to achieve compliance with applicable securities laws, regulations, and NASD rules, in that the firm's procedures failed to adequately address NASD rules governing registration of personnel. **(NASD Case #C06000016)**

Ryan, Beck & Co., Inc. (CRD #3248, Livingston, New Jersey) and Leonard J. Stanley (CRD #2564540, Registered Principal, Pompton Lakes, New Jersey) submitted a Letter of Acceptance, Waiver, and Consent in which they were censured and fined \$12,500, jointly and severally. The firm was fined an additional \$14,500. Without

admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Stanley, maintained an insufficient balance in its special reserve bank account for the exclusive benefit of customers and made withdrawals from the account without making concurrent calculations to determine that necessary funds were on deposit as required by the SEC. The findings also stated that the firm, acting through Stanley, failed to make and keep current a ledger reflecting funds it owed to customers in connection with municipal bond coupons; the firm also failed to make and keep current ledger accounts itemizing separately for each customer account, receipts and deliveries of municipal bond coupons as well as credits to such customer accounts. In addition, the NASD found that the firm, acting through Stanley, failed to maintain sufficient net capital while conducting a securities business. Moreover, the firm failed to execute customer limit orders in Nasdaq[®] securities contemporaneously after it traded each subject security for its own market-making account at a price that would have satisfied each customer's limit order. The NASD also found that the firm failed to display customer limit orders in Nasdaq securities in its public quotation when each order was at a price that would have improved the firm's bid or offer in each security and failed to update the size of a limit order in a Nasdaq security that represented the firm's best offer for that security. Further, the findings stated that the firm failed to exclude either the markup or markdown from the reported price for principal transactions in The Nasdaq SmallCap MarketSM securities reported to Automated Confirmation Transaction ServiceSM (ACTSM). In

addition, the firm, while acting as principal, failed to disclose the markup/markdown and/or reported trade price on customer confirmations and failed to accept or decline trades within 20 minutes of execution in its capacity as an ACT order entry firm. **(NASD Case #C10000154)**

Firms Fined

Carlin Equities Corp. (CRD #31295, New York, New York) submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured and fined \$10,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it executed customer short-sale orders in securities and failed to annotate an affirmative determination for each of these orders. The findings also stated that the firm failed to establish, maintain, and enforce written supervisory procedures reasonable designed to achieve compliance with the applicable short-sale rules of the NASD. **(NASD Case #CMS000180)**

Centex Securities, Incorporated (CRD #18493, La Jolla, California) submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured, fined \$10,000, and required to revise its written supervisory procedures. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it failed to execute orders and thereby failed to honor its published quotation when presented to the firm at its published bid or published offer in an amount up to its published quotation size. The findings also stated that the firm's supervisory system failed to provide for supervision reasonably designed to achieve compliance with respect to

the applicable securities laws and regulations concerning the SEC and NASD firm quote rules. **(NASD Case #CMS000171)**

CIBC World Markets Corp. (CRD #630, New York, New York) submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured, fined \$26,000, and ordered to pay \$4,259.25, plus interest, in restitution to investors. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it failed to contemporaneously or partially execute customer limit orders in Nasdaq securities after the firm traded each security for its own market-making account at a price that would have satisfied each customer's limit order. The NASD also found that the firm failed to use reasonable diligence to ascertain the best inter-dealer market, and failed to buy or sell in such markets so that the resultant price to its customer was as favorable as possible under prevailing market conditions. The findings also stated that the firm executed short-sale orders in certain securities, failed to make an affirmative determination prior to executing transactions, and improperly reported transactions to ACT that it was not required to report. Furthermore, the findings stated that the firm failed to immediately display customer limit orders in Nasdaq securities in its public quotation when each order was at a price that would have improved the firm's bid or offer or when the order was priced equal to its bid or offer and the national bid or offer for each security, and the size of the order represented more than a *de minimis* change in relation to the size associated with the firm's bid or offer in each security. **(NASD Case #CMS000183)**

Comprehensive Capital Corp. (CRD #6215, Westbury, New York) submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured and fined \$10,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it engaged in a pattern or practice of late transaction reporting without exceptional circumstances by failing to report last sale reports and transactions in ACT-eligible OTC equity, Nasdaq National Market® (NNM), and Nasdaq SmallCap securities to ACT within 90 seconds after execution, and failed to designate such transactions to ACT as late. **(NASD Case #CMS000156)**

Fleet Securities, Inc. (CRD #13071, Jersey City, New Jersey) submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured, fined \$41,000, and required to revise its written supervisory procedures within 60 days. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it failed to contemporaneously or partially execute customer limit orders in Nasdaq securities after it traded each security for its own market-making account at a price that would have satisfied each customer's limit order. The findings also stated that the firm failed to use reasonable diligence to ascertain the best inter-dealer market, and failed to buy or sell in such market so that the resultant price to its customers was as favorable as possible under prevailing market conditions. Furthermore, the NASD found that the firm failed to immediately display customer limit orders in Nasdaq securities in its public quotation when each order was at a price that would have improved the

firm's bid or offer in each security or when each order was priced equal to the firm's bid or offer and the national best bid or offer for each security, and the size of the order represented more than a *de minimis* change in relation to the size associated with the firm's bid or offer in each security. In addition, the NASD determined that the firm failed to establish, maintain, and enforce written supervisory procedures reasonably designed to achieve compliance with applicable NASD rules regarding best execution, ACT compliance, limit order protection, SEC order execution rules, trade reporting, Small Order Execution SystemSM (SOESSM), locked and crossed markets, books and records, and anti-competitive practices. **(NASD Case #CMS000189)**

Herzog, Heine and Geduld (CRD #2186, Jersey City, New Jersey) submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured and fined \$20,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it improperly designated transactions in an NNM security as late to ACT and failed to preserve the memorandum of brokerage orders. **(NASD Case #CMS000191)**

JW Genesis Clearing Corp. (CRD #6631, Boca Raton, Florida) submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured and fined \$12,500. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it failed to report trades in Fixed Income Pricing SystemSM (FIPS[®]) listed securities to the NASD. The findings also stated that the firm failed to update its quotes

or send a SelectNetSM message within 30 seconds of the receipt of limit orders. The NASD also found that the firm failed to establish, maintain, and enforce adequate written supervisory procedures that were reasonably designed to achieve compliance with trade reporting obligations; ACT reporting requirements; FIPS reporting obligations; and SEC order handling rules, including the limit order display and quote rule. **(NASD Case #C07000057)**

Lehman Brothers, Inc. (CRD #7506, New York, New York) submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured, fined \$37,000, required to revise its written supervisory procedures, and ordered to pay \$2,131.25, plus interest, in restitution to public customers. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it failed to contemporaneously, or partially, execute customer limit orders in Nasdaq securities after it traded each security for its own market-making account at a price that would have satisfied each customer's limit order. The findings also stated that the firm failed to use reasonable diligence to ascertain the best inter-dealer market and failed to buy or sell in such market so that the resultant price to its customer was as favorable as possible under prevailing market conditions. In addition, the NASD determined that the firm failed to execute market orders fully and promptly, and failed to immediately display customer limit orders in Nasdaq securities in its public quotation when each order was at a price that would have improved the firm's bid or offer in each security or when the order was priced equal to the firm's bid or

offer and the national best bid or offer for each security and the size of the order represented more than a *de minimis* change in relation to the size associated with the firm's bid or offer in each security. Furthermore, the NASD determined that the firm executed short-sale orders in certain securities and failed to make an affirmative determination prior to executing such transactions, and the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations. **(NASD Case #CMS000158)**

Miller, Tabak, Hirsch & Company (CRD #10384, New York, New York) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which the firm was censured and fined \$15,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it engaged in a pattern or practice of late transaction reporting without exceptional circumstances in that it failed to report transactions in FIPS within five minutes after execution. **(NASD Case #CMS000169)**

Paragon Capital Corporation (CRD #18555, New York, New York) submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured, fined \$52,500, and ordered to pay \$93.75, plus interest, in restitution to investors. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it failed to contemporaneously execute customer limit orders in Nasdaq securities after it traded each of the securities related to those orders for its own market-making account at a price that would have satisfied each

of those orders. The findings also stated that the firm failed to use reasonable diligence to ascertain the best prevailing inter-dealer market and failed to buy or sell in such market so that the resultant price to its customers was as favorable as possible under prevailing market conditions. Furthermore, the findings stated that the firm failed to immediately display customer limit orders in Nasdaq securities in its public quotation when the orders were at a price that would have improved its bid or offer in each security related to those orders, or when the full size of the orders was priced equal to the firm's bid or offer and the national best bid or offer and the orders represented more than a *de minimis* change in relation to the size associated with the firm's bid or offer in each security. In addition, the findings stated that the firm failed to establish, maintain, and enforce adequate written supervisory procedures reasonably designed to achieve compliance with applicable securities laws, regulations, and NASD rules regarding ACT compliance, annual review/internal audit, best execution, limit order handling—display and quote rules, registration of traders and supervisors, trade reporting, SOES (proprietary trading) and 21(a) Report issues. **(NASD Case #CMS000192)**

Prudential Securities Incorporated (CRD #7471, New York, New York) submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured and fined \$10,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it failed to immediately display customer limit orders in Nasdaq securities in its public quotation when each order was at a price that would have

improved its bid or offer in each security, or when each order was priced equal to the firm's bid or offer and the national best bid or offer for each security, and the size of the order represented more than a *de minimis* change in relation to the size associated with its bid or offer in each security. The findings also stated that the firm failed to transmit transactions in NNM, Nasdaq SmallCap, and OTC equity securities through ACT within 90 seconds after execution, and failed to designate such last sale reports as late to ACT. **(NASD Case #CMS000194)**

Royal Alliance Associates, Inc. (CRD #23131, New York, New York) submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured, fined \$20,000, and ordered to disgorge \$31,035.92 in commissions. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it allowed individuals associated with the firm to act in the capacity of registered persons while their registrations with the NASD were inactive due to their failure to complete the Regulatory Element of NASD's Continuing Education Requirement. **(NASD Case #C10000146)**

Sand Brothers & Co., Ltd. (CRD #26816, New York, New York) submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured and fined \$10,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it reported short-sale transactions to ACT without properly designating them as short sales by using the ".S" modifier. The findings also stated that the firm failed to reflect the customers'

limit price in the firm's quotations subject to the SEC order handling rules. **(NASD Case #C10000162)**

Scott & Stringfellow, Inc. (CRD #6255, Richmond, Virginia) submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured, fined \$11,000, required to revise its written supervisory procedures relating to best execution within 60 days, and ordered to pay \$2,910.63, plus interest, in restitution to public customers. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it failed to use reasonable diligence to ascertain the best inter-dealer market and failed to buy or sell in such market so that the resultant price to its customer was as favorable as possible under prevailing market conditions. The findings also stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations concerning best execution. **(NASD Case #CMS000181)**

Wheat First Union (CRD #6124, Richmond, Virginia) submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured, fined \$19,500, and required to revise its written supervisory procedures relating to order handling within 60 days. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it failed to contemporaneously execute protected customer limit orders after it traded each security for its own market-making account at a price that was equal to, or better than, each such customer limit order. The NASD also found that, in

connection with customer orders, the firm failed to use reasonable diligence to ascertain the best inter-dealer market so that the resultant price to its customers was as favorable as possible under prevailing market conditions. The findings also stated that the firm failed to immediately display customer limit orders when the orders were at a price that would have improved its bid or offer in each security related to those orders, or when the full size of the orders were priced equal to its bid or offer and the national best bid or offer and the orders represented more than a *de minimis* change in relation to the size associated with the firm's bid or offer in each security. Furthermore, the NASD found that the firm failed to establish, maintain, and enforce written supervisory procedures reasonably designed to achieve compliance with applicable securities laws, regulations, and applicable NASD rules concerning the SEC order handling rules. (NASD Case #CMS000184)

Individuals Barred Or Suspended

For individuals who have been both barred and suspended, only the date that the bar became effective is included.

Richard Allen Adams (CRD #2733333, Registered Representative, Fort Worth, Texas) submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Adams consented to the described sanction and to the entry of findings that he signed the names of public customers to Shareowner Services Reports without their authorization, knowledge, or consent, thereby

becoming the agent of record for the customers. Adams also failed to respond to NASD requests for information. (NASD Case #C06000019)

Jose Ayala (CRD #3041101, Associated Person, Copiague, New York) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$15,000 and suspended from association with any NASD member in any capacity for six months. Payment of the fine shall be a prerequisite for any application for reentry into the securities industry. Without admitting or denying the allegations, Ayala consented to the described sanctions and to the entry of findings that he willfully failed to disclose his criminal history on a Form U-4.

Ayala's suspension began September 18, 2000, and will conclude at the close of business on March 16, 2001. (NASD Case #C10000153)

Jonathan Wan Bae (CRD #1796368, Registered Representative, Bellerose Terrace, New York) submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Bae consented to the described sanction and to the entry of findings that he made improper use of customer checks totaling \$110,000. (NASD Case #C10000155)

Matthew I. Balk (CRD #1302167, Registered Principal, New York, New York) submitted an Offer of Settlement in which he was fined \$65,000, suspended from association with any NASD member in any capacity for 45 days, and suspended from

association with any NASD member as a general securities principal for 120 days. Without admitting or denying the allegations, Balk consented to the described sanctions and to the entry of findings that he engaged in a course of conduct that constituted, and which he knew or should have known would constitute, unfair dealings with customers. The NASD found that Balk induced customer purchases of a security for the benefit of his member firm when he knew that the transactions were unlikely to benefit the customers and were not in the customers' best interest. The findings also stated that Balk failed to disclose: (1) the special sales credits to the customers even though he knew, or should have known, that special sales credit was intended encourage the solicitations and that a reasonable investor would consider knowledge of the incentive compensation to be material; (2) the entire firm was engaged in a massive retail sales effort of the security; and (3) the recent poor performance of the stock and the company.

Balk's suspension in any capacity began October 2, 2000, and will conclude at the close of business on November 15, 2000. His suspension as a general securities principal also began on October 2, 2000, and will conclude on January 28, 2001. (NASD Case #C3A990071)

James Smith Bancroft (CRD #1123153, Registered Principal, Los Angeles, California) submitted an Offer of Settlement in which he was fined \$50,000 and suspended from association with any NASD member in any principal capacity for one year. The payment of the fine shall be a prerequisite for reentry into the securities industry. Without admitting or denying the

allegations, Bancroft consented to the described sanctions and to the entry of findings that, on behalf of a member firm, he participated as sole placement agent in a private offering of limited partnership interests, and that he either directly caused, was responsible for, or failed to prevent violations by his member firm of Section 15(c) of the Exchange Act and Rule 15c2-4. The findings also stated that a member firm, acting through Bancroft, participated in an all-or-none contingency offering, continued to receive investor funds, and failed to return investor funds when the terms of the contingency were not met.

Bancroft's suspension began October 2, 2000, and will conclude at the close of business on October 1, 2001. **(NASD Case #C02000004)**

Darren Scott Bankston (CRD #2083711, Registered Representative, Boca Raton, Florida) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$5,000 and suspended from association with any NASD member in any capacity for five business days. Without admitting or denying the allegations, Bankston consented to the described sanctions and to the entry of findings that he recommended to a public customer securities that were not suitable in view of the customer's age, financial situation, and investment objectives.

Bankston's suspension began August 28, 2000, and concluded at the close of business on September 1, 2000. **(NASD Case #C07000054)**

Brenda Joyce Bell (CRD #3082032, Associated Person,

San Francisco, California) submitted an Offer of Settlement in which she was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Bell consented to the described sanction and to the entry of findings that she submitted a Form U-4 in which she willfully misrepresented her background and failed to disclose material facts by falsely answering some questions. **(NASD Case #C01000007)**

Erdem Bessim (CRD #2746643, Registered Representative, Thiells, New York) submitted an Offer of Settlement in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Bessim consented to the described sanction and to the entry of findings that he converted customer cashier's checks totaling \$23,921.30 for his own use or benefit. The findings also stated that Bessim failed to respond to NASD requests for information. **(NASD Case #C10000105)**

Michael Samuel Bifalco (CRD #1613705, Registered Principal, Middle Island, New York) submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity and ordered to pay \$106,012.42 in restitution. Without admitting or denying the allegations, Bifalco consented to the described sanctions and to the entry of findings that he received cash and checks totaling \$106,012.42 from public customers and used the money for his personal benefit without the customers' authorization and contrary to their instructions. **(NASD Case #C10000157)**

Gerard Arthur Boucher (CRD #1236064, Registered Principal, Corona Del Mar, California) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$5,000 and suspended from association with any NASD member in any principal capacity for 30 business days. Without admitting or denying the allegations, Boucher consented to the described sanctions and to the entry of findings that he failed to establish and maintain a supervisory system that was reasonably designed to achieve compliance with certain NASD rules regarding unauthorized trading.

Boucher's suspension began September 18, 2000, and will conclude at the close of business on October 27, 2000. **(NASD Case #C02000054)**

Tiffany Nicole Bratton (CRD #3203225, Associated Person, Greensboro, North Carolina) was barred from association with any NASD member in any capacity. The sanction was based on findings that Bratton falsified copies of her test results for the Series 7, 63, and 65 exams. Bratton also failed to respond to an NASD request for information. **(NASD Case #C07000012)**

Philip Miles Bresnahan (CRD #2741609, Registered Principal, Tampa, Florida) submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Bresnahan consented to the described sanction and to the entry of findings that he engaged in outside business activities without prior written notice to, or approval from, his member firm. The findings also stated that Bresnahan failed to

respond to NASD requests for information. **(NASD Case #C05000038)**

Joe Burgio a.k.a Joseph Burgio (CRD #2746971, Registered Representative, Brooklyn, New York) was barred from association with any NASD member in any capacity. The sanction was based on findings that Burgio failed to respond to NASD requests to appear for an on-the-record interview. **(NASD Case #C10000035)**

Eric David Carson (CRD #2507789, Registered Representative, Chicago, Illinois) was barred from association with any NASD member in any capacity. The sanction was based on findings that Carson failed to respond to NASD requests for information. **(NASD Case #C8A000020)**

James Marion Cates, Jr. (CRD #2010633, Registered Representative, Charlotte, North Carolina) was barred from association with any NASD member in any capacity. The sanction was based on findings that Cates failed to respond to NASD requests for information. **(NASD Case #C07000014)**

Anthony Jorge Choquehuanca (CRD #1437629, Registered Representative, Laguna Niguel, California) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$10,000 and suspended from association with any NASD member in any capacity for two years. The fine must be paid before reassociating with a member firm following the suspension or before requesting relief from any statutory disqualification. Without admitting or denying the allegations, Choquehuanca consented to the described sanctions and to the entry of findings that he effected

unauthorized transactions on behalf of individual pension plan participants by placing them in a variable annuity product that was not authorized by a pension plan agreement between a member firm and the employer of the participants.

Choquehuanca's suspension began October 2, 2000, and will conclude at the close of business on October 1, 2002. **(NASD Case #C02000053)**

Michael Jason Constantinou (CRD #1140607, Registered Representative, Syosset, New York) was barred from association with any NASD member in any capacity. The sanction was based on findings that Constantinou filed a false Form U-4 with the NASD when he became employed with a member firm. **(NASD Case #C10000040)**

Damiano Salvatore Coraci (CRD #2289946, Registered Principal, Brooklyn, New York) submitted an Offer of Settlement in which he was barred from association with any NASD member in any capacity. In light of Coraci's financial status, no monetary sanctions have been imposed. Without admitting or denying the allegations, Coraci consented to the described sanction and to the entry of findings that, in connection with its underwriting activities, a member firm, acting through Coraci, employed a device, scheme, contrivance, and/or artifice to defraud; made untrue statements of material facts and/or omitted to state material facts necessary to make statements not misleading; and engaged in acts, practices, or courses of business that operated as a fraud or deceit upon public investors.

The NASD found that Coraci, on behalf of a firm, engaged the firm's

registered representatives in a concentrated sales drive through the operation of a boiler room. The findings also stated that the firm, acting through Coraci, encouraged the firm's associated persons to utilize baseless price and performance predictions and other misleading statements in connection with solicitations of interest in an initial public offering (IPO). In addition, a member firm, acting through Coraci, reopened the IPO distribution while the firm acted as a market maker, entered bids in The Nasdaq Stock Market, Inc. on a continuous basis, and caused the purchase of warrants in the account of a customer while the securities were a "hot issue." The NASD also found that Coraci engaged in activities that required registration as a principal with the NASD even though he was not registered as such and permitted an associated person to act in a capacity that required registration even though the associated person was not registered as a representative. Moreover, the NASD found that Coraci failed to respond truthfully during an on-the-record interview and falsified information on new account forms prepared for a customer at member firms. **(NASD Case #C10000029)**

Carl Cunzio (CRD #2664090, Registered Principal, Boca Raton, Florida) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$10,000 and suspended from association with any NASD member in any capacity for 45 days. Without admitting or denying the allegations, Cunzio consented to the described sanctions and to the entry of findings that he recommended and effected excessive and unsuitable transactions in the account of a public customer.

Cunzio's suspension began September 5, 2000, and will conclude at the close of business on October 19, 2000. **(NASD Case #C07000051)**

Dominick Joseph Dawson (CRD #2474364, Registered Representative, W. Babylon, New York) was barred from association with any NASD member in any capacity. The sanction was based on findings that Dawson failed to respond to NASD requests for information. **(NASD Case #C9B000003)**

Barry Michael Donald (CRD #2534882, Registered Representative, Morton, Illinois) and **Mary Jane Johnson (CRD #1147428, Registered Principal, Groveland, Illinois)** submitted Offers of Settlement in which Donald was fined \$5,000 and suspended from association with any NASD member in any capacity for 90 days. Johnson was fined \$5,000 and suspended from association with any NASD member in any capacity for 15 business days. Without admitting or denying the allegations, Donald and Johnson consented to the described sanctions and to the entry of findings that they engaged in private securities transactions and failed to provide prior written notice to, or receive prior written authorization from, their member firm of their participation in such transactions.

Donald's suspension will begin on November 6, 2000, and will conclude at the close of business on February 2, 2001. Johnson's suspension will begin on October 16, 2000, and will conclude at the close of business on November 3, 2000. **(NASD Case #C8A000019)**

Michael Patrick Dreitlein (CRD #1525680, Registered

Representative, Dix Hills, New York) submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Dreitlein consented to the described sanction and to the entry of findings that he failed to respond to NASD requests for information. **(NASD Case #C10000149)**

Michael James Dzurko (CRD #2340848, Registered Representative, Howard Beach, New York) was barred from association with any NASD member in any capacity. The sanction was based on findings that Dzurko arranged for an impostor to take the Series 7 exam on his behalf. The findings also stated that Dzurko failed to respond to NASD requests to appear for an on-the-record interview. **(NASD Case #C10000063)**

Valentin Fernandez (CRD #1965809, Registered Principal, Palm Beach Gardens, Florida) was barred from association with any NASD member in any capacity. The sanction was based on findings that Fernandez failed to respond to an NASD request for information. **(NASD Case #C07000019)**

Philip James Flynn (CRD #1370914, Registered Principal, Plymouth, Minnesota) submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity and required to demonstrate that he has paid \$24,640 to the trustee in bankruptcy of a company prior to any request for relief from the bar. Without admitting or denying the allegations, Flynn consented to the described sanction and to the entry of findings that he engaged in

private securities transactions without prior written notification to, or approval from, his member firm. The findings also stated that Flynn effected securities transactions for the accounts of others without him, or the firm he operated, being registered as a broker/dealer. **(NASD Case #C3A000034)**

Matthew Scott Freed (CRD #2788276, Registered Representative, Forest Hills, New York) was fined \$10,000 and suspended from association with any NASD member in any capacity for one year for settling a customer complaint. Freed was also barred from association with any NASD member in any capacity for failure to respond. The fine is due and payable prior to reentry into the securities industry. The sanctions are based on findings that Freed paid a public customer \$850 to settle the customer's complaint against him without his member firm's knowledge and consent. Freed also failed to respond to NASD requests for information.

Freed's bar became effective August 16, 2000. **(NASD Case #C10000030)**

Alan Lawrence Goldstein (CRD #2852203, Registered Representative, Huntington, New York) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$17,500 and suspended from association with any NASD member in any capacity for three months. In addition, Goldstein must pay \$12,817.25, plus interest, in restitution to member firms. Without admitting or denying the allegations, Goldstein consented to the described sanctions and to the entry of findings that prior to his association with a member firm, he exercised discretionary trading authority over customer accounts and maintained

a securities account at a member firm and failed to notify, in writing, the executing firms of his association with a member firm, and failed to notify the member firm of the existence of such accounts. The findings also stated that Goldstein exercised discretionary trading authority over customer accounts without written authorization from the customers. Furthermore, the findings stated that Goldstein entered orders at prices that he knew would improve the national best bid or offer in such securities in that the full price and size of the orders would be reflected in the public quotation stream as the best prices and sizes at which a market participant was willing to buy or sell the securities. Moreover, the findings stated that after having entered such orders, Goldstein knowingly and intentionally entered, over the Internet and via the executing firms' touch-tone telephone systems, orders to buy and sell shares of securities on behalf of customers when he knew they would be routed to market makers whose execution systems were programmed to buy or sell securities on an automated basis at prices equal to the national best bid or offer. By knowing and intentionally engaging in this course of conduct, the NASD found that Goldstein bought and sold shares of securities at prices that were lower or higher than he would otherwise have been able to buy or sell shares of these securities, and within seconds after receiving the executions of the orders he had entered on behalf of these accounts, Goldstein canceled the priced limit orders that he had placed, thereby securing profits of approximately \$12,817.25.

Goldstein's suspension began October 2, 2000, and will conclude at the close of business on

December 29, 2000. **(NASD Case #CMS000131)**

Vincent Grieco (CRD #1568462, Registered Principal, W. Islip, New York) was fined \$500,000, barred from association with any NASD member in any capacity, and ordered to pay \$589,466.88, plus interest, in restitution to public customers. The sanctions were based on findings that Grieco directed a boiler room operation at the branch which he co-owned and enforced fraudulent sales practices, unauthorized transactions, and a refusal policy to effect customer sell orders. **(NASD Case #CAF990008)**

Mark Lund Griffis (CRD #2767069, Registered Representative, West Palm Beach, Florida) was fined \$7,500, barred from association with any NASD member in any capacity, and ordered to pay \$5,190, plus interest, in restitution to a public customer. The fine must be paid before any application for reentry into the securities industry will be considered. The sanctions were based on findings that Griffis effected unauthorized transactions in the account of a public customer and exercised discretion in the account of a public customer without written authority and without having the account approved as a discretionary account by his member firm. Griffis also failed to respond to an NASD request for information. **(NASD Case #C07000004)**

Ann Aykanush Grigoryan (CRD #4029336, Associated Person, Glendale, California) submitted a Letter of Acceptance, Waiver, and Consent in which she was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Grigoryan consented to the described sanction and to the

entry of findings that she submitted a Form U-4 to her member firm in which she falsely responded "no" to questions asking whether she had ever been charged with, or convicted of, a misdemeanor involving wrongful taking of property. **(NASD Case #C02000050)**

William James Guy (CRD #2504429, Registered Representative, Columbia, Maryland) submitted an Offer of Settlement in which he was suspended from association with any NASD member in any capacity for six months. In light of the financial status of the respondent, no monetary sanction has been imposed. Without admitting or denying the allegations, Guy consented to the described sanction and to the entry of findings that he engaged in securities transactions for compensation outside of the normal course or scope of his association with his member firm and failed to provide prior written notice of the transactions to his firm.

Guy's suspension began October 2, 2000, and will conclude April 1, 2001. **(NASD Case #C9A000019)**

Ronald Victor Hatfield (CRD #1504641, Registered Representative, Philadelphia, Pennsylvania) was barred from association with any NASD member in any capacity. The sanction was based on findings that Hatfield failed to respond to NASD requests for information. **(NASD Case #C9A000010)**

Clarence James Henderson (CRD #1001119, Registered Representative, Boone, North Carolina) submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD

member in any capacity. Without admitting or denying the allegations, Henderson consented to the described sanction and to the entry of findings that he made improper use of funds belonging to a public customer. The findings also stated that Henderson failed to respond to an NASD request to provide documents and information. **(NASD Case #C07000060)**

Alex Holloman, III (CRD #2910051, Registered Representative, Charlotte, North Carolina) submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Holloman consented to the described sanction and to the entry of findings that he submitted check redemption request forms to his member firm on behalf of a public customer to withdraw funds from the customer's mutual fund account without the customer's authorization. The findings also stated that Holloman caused \$13,000 to be withdrawn from the customer's account and converted these funds to his own use and benefit without the customer's knowledge or consent. **(NASD Case #C05000047)**

Lucas Allen Hutzell (CRD #2841394, Registered Representative, Greensburg, Pennsylvania) submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Hutzell consented to the described sanction and to the entry of findings that he failed to respond to NASD requests for information. **(NASD Case #C9A000030)**

Douglass Keigley (CRD #1437162, Registered Representative, Adel, Iowa) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$25,000, which includes disgorgement of \$18,550 in commissions, and suspended from association with any NASD member in any capacity for one year. The fine and disgorgement must be paid before reassociating with a member firm following the suspension or before requesting relief from statutory disqualification. Without admitting or denying the allegations, Keigley consented to the described sanctions and to the entry of findings that he engaged in an outside business activity, and received compensation for his activity, without providing prompt written notice to his member firm.

Keigley's suspension began October 2, 2000, and will conclude at the close of business on October 1, 2001. **(NASD Case #C04000031)**

Dennis Raphael Keruly (CRD #1027090, Registered Principal, Reistertown, Maryland) submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Keruly consented to the described sanction and to the entry of findings that he failed to respond to an NASD request for information. **(NASD Case #C9A000032)**

Richard Marvin Koch (CRD #1126316, Registered Representative, Fair Oaks Ranch, Texas) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$5,000 and suspended from association with any NASD member in any capacity for six months. Without admitting or denying the allegations, Koch

consented to the described sanctions and to the entry of findings that he signed a public customer's name on insurance policy takeover request forms and submitted the forms to his member firm without the authorization of the customer.

Koch's suspension began October 2, 2000, and will conclude at the close of business on March 30, 2001. **(NASD Case #C06000018)**

Charles Nicholas Letizia, Jr. (CRD #1902063, Registered Representative, Charlotte, North Carolina) submitted an Offer of Settlement in which he was barred from association with any NASD member in any capacity and order to pay \$10,000, plus interest, in restitution to a public customer. Proof of restitution, with interest, shall be a prerequisite to any application or request for relief from any statutory disqualification. Without admitting or denying the allegations, Letizia consented to the described sanctions and to the entry of findings that he participated in private securities transactions without providing notice to, or obtaining permission from, his member firm. Letizia also failed to respond to NASD requests for information. **(NASD Case #C07000005)**

Dwight Alexander Longest (CRD #1913096, Registered Representative, New Albany, Indiana) submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Longest consented to the described sanction and to the entry of findings that he participated in private securities transactions and failed to provide prior written notice to, or obtain permission from,

his member firm to engage in private securities transactions. **(NASD Case #C8A000052)**

Frank Joseph Maggio (CRD #2238463, Registered Representative, Lake Ronkonkoma, New York) was barred from association with any NASD member in any capacity. The sanction was based on findings that Maggio persuaded a public customer to invest \$8,973 with him by representing that he would invest and manage her funds through his investment advisory business. Maggio misrepresented to the customer that his business was affiliated with a member firm; provided the customer with a false account number; sent the customer periodic statements showing the purported current market value of the stocks, when in fact, the stock was sold; and failed to transfer the customer's stock to an account the customer established at a member firm. Furthermore, despite his assurances to the customer that he would purchase the blue-chip stocks for the customer's benefit, Maggio purchased the shares in his name and held them for just a few months before selling them for \$8,700, without the customer's consent, and retained the proceeds of the sale for his own use. Maggio also failed to respond to NASD requests for information. **(NASD Case #C9B990034)**

Martin Eugene Mangarelli, Jr. (CRD #318597, Registered Representative, Phoenix, Arizona) submitted a Letter of Acceptance, Waiver, and Consent in which he was censured, fined \$6,000, suspended from association with any NASD member in any capacity for 18 months, and required to disgorge \$18,885. The fine must be paid and proof of disgorgement must be provided to the NASD prior to

reassociation with a member firm following the suspension or prior to any request for relief from statutory disqualification. Without admitting or denying the allegations, Mangarelli consented to the described sanctions and to the entry of findings that he participated in private securities transactions without providing prior written notice to his member firm of his intention to participate in the transactions.

Mangarelli's suspension began September 18, 2000, and will conclude March 17, 2002. **(NASD Case #C3A000031)**

Calvin Walter Mathis (CRD #2997937, Registered Representative, Far Rockaway, New York) submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Mathis consented to the described sanction and to the entry of findings that he failed to disclose on his Form U-4 that he had been charged and convicted under a general court martial order. The findings also stated that Mathis failed to respond to NASD requests for documents and a written statement regarding his failure to disclose on a Form U-4 his general court martial charge and conviction. **(NASD Case #C10000148)**

Guy Ashley Neau (CRD #2232933, Registered Representative, Mauston, Wisconsin) submitted an Offer of Settlement in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Neau consented to the described sanction and to the entry of findings that he participated in private securities transactions and

failed to provide written notice to, or obtain written authorization from, his member firm prior to engaging in such transactions. **(NASD Case #C8A000038)**

Salvatore Joseph Pollina (CRD #2478289, Registered Representative, Brooklyn, New York) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$5,000 and suspended from association with any NASD member in any capacity for 30 days. Without admitting or denying the allegations, Pollina consented to the described sanctions and to the entry of findings that he participated in a securities transaction away from his member firm and failed to provide prior written notice to, or receive written approval from, his firm.

Pollina's suspension began September 18, 2000, and will conclude at the close of business on October 17, 2000. **(NASD Case #C10000156)**

Raymond John Reifenrath, III (CRD #2751309, Registered Representative, South Sioux City, Nebraska) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$5,000 and suspended from association with any NASD member in any capacity for 60 days. The fine must be paid before any application for reentry into the securities industry will be considered. Without admitting or denying the allegations, Reifenrath consented to the described sanctions and to the entry of findings that he affixed the signatures of public customers on a health care waiver application without the customers' knowledge and consent.

Reifenrath's suspension began September 18, 2000, and will

conclude at the close of business on November 16, 2000. (NASD Case #C04000030)

Benjamin Dennis Roberts (CRD #2013405, Registered Principal, Columbus, Georgia) submitted an Offer of Settlement in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Roberts consented to the described sanction and to the entry of findings that he forged the initials of public customers on new account forms and submitted them to a member firm. Roberts also failed to respond to NASD requests for information. (NASD Case #C07000042)

Joao Pedro Santos (CRD #2894841, Registered Representative, Philadelphia, Pennsylvania) submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Santos consented to the described sanction and to the entry of findings that he defrauded public customers by making unauthorized transfers of funds and securities from their accounts at his member firm to an account that he controlled and then converting the funds and securities for his own purposes. (NASD Case #C9A000031)

Craig Patrick Scanlon (CRD #2201128, Registered Representative, Bratenahl, Ohio) was barred from association with any NASD member in any capacity. The sanction was based on findings that Scanlon failed to respond to NASD requests for information. (NASD Case #C8B000004)

Timothy Martin Scannell (CRD #1552763, Registered Principal,

Valparaiso, Indiana) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$10,000 and suspended from association with any NASD member in any principal or supervisory capacity for 30 days. Without admitting or denying the allegations, Scannell consented to the described sanctions and to the entry of findings that he caused a member firm's clearing firm to bulk transfer customer accounts from the member firm to a firm he owned and at which he was soon to become registered without authorization from the member firm or the account holders and contrary to the interests of the member firm.

Scannell's suspension began September 18, 2000, and will conclude at the close of business on October 17, 2000. (NASD Case #C8A000048)

Karl Duane Scheumann (CRD #1582505, Registered Representative, Fort Wayne, Indiana) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$5,000 and suspended from association with any NASD member in any capacity for six months. The fine must be paid before any application for reentry into the securities industry will be considered. Without admitting or denying the allegations, Scheumann consented to the described sanctions and to the entry of findings that he altered life insurance forms to indicate that policy premiums should be increased resulting in additional commissions to him totaling \$100.

Scheumann's suspension began October 2, 2000, and will conclude at the close of business on April 1, 2001. (NASD Case #C8A000051)

Michael Robert Schiller (CRD #1531515, Registered

Representative, New York, New York) was barred from association with any NASD member in any capacity. The sanction was based on findings that Schiller received an \$8,109.34 check from a public customer to purchase a variable annuity, failed to purchase the annuity, and converted the funds to his own use and benefit without the customer's knowledge or consent. (NASD Case #C10000039)

Thomas Walter Schlenk (CRD #3090571, Registered Representative, Florissant, Missouri) was barred from association with any NASD member in any capacity. The sanction was based on findings that Schlenk failed to respond to NASD requests for information. (NASD Case #C04000018)

Ivan Darnell Self (CRD #1982527, Registered Representative, Dallas, Texas) was barred from association with any NASD member in any capacity. The sanction was based on findings that Self failed to appear for on-the-record interviews. (NASD Case #C06000007)

John Michael Thole (CRD #3176605, Registered Representative, Davenport, Iowa) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$5,000 and suspended from association with any NASD member in any capacity for six months. The fine must be paid before any application for reentry into the securities industry will be considered. Without admitting or denying the allegations, Thole consented to the described sanctions and to the entry of findings that he affixed the signature of a public customer on a variable life insurance application without the customer's knowledge or consent.

Thole's suspension began October 2, 2000, and will conclude at the close of business on April 1, 2001. **(NASD Case #C8A000049)**

David Dean Townsend (CRD #2163643, Registered Representative, Kent, Washington) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$29,443.84, which includes the disgorgement of commissions earned in the amount of \$14,443.84, and suspended from association with any NASD member in any capacity for two years. The fine must be paid before reassociating with a member firm following the suspension or before requesting relief from statutory disqualification. Without admitting or denying the allegations, Townsend consented to the described sanctions and to the entry of findings that he engaged in outside business transactions and failed to provide prior written notice to his member firm describing the proposed transactions, his proposed role, and his selling compensation.

Townsend's suspension began September 18, 2000, and will conclude at the close of business on September 17, 2002. **(NASD Case #C3B000014)**

Scott Lynn Vanderbeek (CRD #2069603, Registered Representative, O'Neill, Nebraska) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$90,000, which includes disgorgement of commissions earned of \$86,000, and suspended from association with any NASD member in any capacity for one year. The fine and disgorgement must be paid either before reassociating with a member firm following the suspension or

before requesting relief from any statutory disqualification. Without admitting or denying the allegations, Vanderbeek consented to the described sanctions and to the entry of findings that he engaged in an outside business activity without providing prompt written notice to his member firm.

Vanderbeek's suspension began September 18, 2000, and will conclude at the close of business on September 18, 2001. **(NASD Case #C04000029)**

Alessandro Zaramella (CRD #1265864, Registered Representative, Balerna, Switzerland) was barred from association with any NASD member in any capacity. The sanction was based on findings that Zaramella falsified monthly customer account statements issued for a public customer. **(NASD Case #C05000009)**

Decisions Issued

The following decisions have been issued by the District Business Conduct Committee (DBCC) or the Office of Hearing Officers and have been called for review by the National Adjudicatory Council (NAC) as of September 8, 2000. The findings and sanctions imposed in the decisions may be increased, decreased, modified, or reversed by the NAC. Initial decisions whose time for appeal has not yet expired will be reported in the next *Notices to Members*.

Freedom Investors Corp. (CRD #23714, Pewaukee, Wisconsin) and **James Russell Fay (CRD #1003069, Registered Principal, Oconomowoc, Wisconsin)** were censured and fined \$30,000, jointly and severally. Fay was also

suspended from association with any NASD member in any principal capacity for 90 days and required to requalify by exam before serving in any principal capacity. The sanctions were based on findings that the firm, acting through Fay, conducted a securities business while failing to maintain the minimum required net capital, prepared inaccurate books and records, and prepared and filed inaccurate FOCUS Part IIA Reports. Also, the firm and Fay failed to submit timely responses to NASD requests for information.

The firm and Fay have appealed this action to the NAC and the sanctions are not in effect pending consideration of the appeal. **(NASD Case #C8A990071)**

Protective Group Securities Corporation (CRD #6757, Minneapolis, Minnesota) and **Michael Frederick Flannigan (CRD #1135700, Registered Principal, Excelsior, Minnesota)** were fined \$25,000, jointly and severally, and Flannigan was barred from association with any NASD member in any supervisory capacity. The sanctions were based on findings that the firm, acting through Flannigan, allowed unregistered individuals to engage in the firm's securities business, exercised discretionary authority for customer accounts in the aftermarket, and relied on information from a former member firm to execute transactions without obtaining written customer approval for such reliance.

The firm and Flannigan have appealed this action to the NAC and the sanctions are not in effect pending consideration of the appeal. **(NASD Case #C8A980097)**

Complaints Filed

The following complaints were issued by the NASD. Issuance of a disciplinary complaint represents the initiation of a formal proceeding by the NASD in which findings as to the allegations in the complaint have not been made, and does not represent a decision as to any of the allegations contained in the complaint. Because these complaints are unadjudicated, you may wish to contact the respondents before drawing any conclusions regarding the allegations in the complaint.

Ricardo Brown (CRD #845315, Registered Representative, Newport News, Virginia) was named as a respondent in an NASD complaint alleging that he received insurance disbursement checks totaling \$8,510.82 sent by his member firm for delivery to insurance customers, forged the endorsements on the checks, and deposited them into his personal bank account. The complaint further alleges Brown completed and submitted to his member firm an unauthorized application for a \$12,000 withdrawal on behalf of a public customer, received a \$12,000 disbursement check from his member firm, forged the customer's endorsement on the check, and deposited it into his personal bank account. The complaint also alleges that Brown submitted loan applications on behalf of public customers without their authorization, received checks totaling \$10,500, forged the endorsements of the customers on the disbursement checks, and deposited them into his personal bank account. Furthermore, the complaint alleges that Brown failed to respond to NASD requests for information. **(NASD Case #C07000064)**

Lawrence Dean Burke, Jr. (CRD #2255621, Registered Representative, Fresh Meadow, New York) was named as a respondent in an NASD complaint alleging that he received \$3,000 from a public customer to arrange the sale of the customer's investment without providing prior written notice to, or receiving approval from, his member firm. The complaint also alleges that Burke failed to execute the sale of the customer's investment and deposited the customer's payment into his personal checking account, thereby converting and/or improperly using the funds. The complaint further alleges that Burke failed to respond to NASD requests for information. **(NASD Case #C10000160)**

Joseph Carmello Cernera, Jr. (CRD #2652602, Registered Representative, Manalapan, New Jersey) was named as a respondent in an NASD complaint alleging that he engaged in excessive and unauthorized trading in the accounts of public customers. The complaint also alleges that Cernera exercised discretion in the account of a public customer without prior written authorization from the customer or prior written approval from his member firm. In addition, the complaint alleges that Cernera willfully failed to disclose bankruptcy information on a Form U-4. **(NASD Case #C3A000033)**

Marcial Fernando Chiong, Jr. (CRD #1548382, Registered Principal, New York, New York) was named as a respondent in an NASD complaint alleging that he effected transactions in the accounts of public customers without their prior knowledge, authorization, or consent. The complaint also alleges that Chiong failed to execute customer sell orders. **(NASD Case #C10000159)**

Michael Ying Deng (CRD #2338954, Registered Representative, Flushing, New York) was named as a respondent in an NASD complaint alleging that he converted, misappropriated, or improperly used a public customer's monies by depositing a \$1,000 insurance refund check into his personal bank account without the customer's knowledge, authorization, or consent. **(NASD Case #C10000152)**

Michael DiFrancesca (CRD #2315616, Registered Representative, East Northport, New York) was named as a respondent in an NASD complaint alleging that he engaged in, and/or induced others to engage in, fraudulent conduct that included unauthorized trading in public customer accounts; failed to disclose material facts that a prudent customer would have wanted disclosed and that DiFrancesca had a duty to disclose; and made specific price predictions about speculative securities without an adequate, accurate, or reasonable basis in fact. The complaint also alleges that DiFrancesca effected transactions in, or effected the purchase or sale of, securities by means of manipulative, deceptive, or other fraudulent devices and contrivances. **(NASD Case #CAF000038)**

Nicholas John Kirk (CRD #2004783, Registered Representative, Rocklin, California) was named as a respondent in an NASD complaint alleging that he made improper use of a public customer's funds by using the funds purportedly for start-up costs for a business totaling \$78,500 and, instead, used the funds for his personal use and benefit. Furthermore, the complaint alleges that Kirk failed to provide

the customer with any instrument documenting the duration and the terms of the loans, including the principal borrowed from the customer or the interest, if any, she would earn on that principal and Kirk knew or should have known that in taking the loans, he subjected the customer to the total loss of her principal. The complaint also alleges that Kirk failed to accurately and truthfully provide requested information to the NASD concerning his handling of loan proceeds, and amended a Form U-4 through which he made false and misleading representations. **(NASD Case #C02000055)**

Kenneth Thomas Lambright (CRD #1124567, Registered Representative, Baltimore, Maryland) was named as a respondent in an NASD complaint alleging that he guaranteed a public customer against loss and that he failed to respond to NASD requests for information and documentation. **(NASD Case #C9A000033)**

Susan Jennifer Loetell (CRD #1372725, Registered Principal, Cockeysville, Maryland) was named as a respondent in an NASD complaint alleging that she withdrew approximately \$41,000 from various proprietary accounts belonging to her member firm and converted these funds to her own use and benefit without the firm's knowledge or consent. The complaint also alleges that Loetell failed to respond to NASD requests for information and documentation and failed to appear for an NASD on-the-record interview. **(NASD Case #C9A000034)**

Gregory Vincent Morgan (CRD #2334270, Registered Representative, Baldwin, New York) was named as a respondent in an NASD complaint alleging that Morgan, while exercising control

over a customer's account, recommended, or implicitly recommended, numerous purchases and sale transactions in various securities without having reasonable grounds for believing that such transactions were suitable for the customer in view of the size and frequency of the transactions, the nature of the account, and the customer's financial situation and needs. The complaint further alleges that Morgan executed unauthorized transactions in a public customer's account without the customer's prior knowledge, authorization, or consent, and failed to respond to NASD requests for information. **(NASD Case #C9B000024)**

Mark S. Pacelli (CRD #2344494, Registered Representative, Trenton, New Jersey) was named as a respondent in an NASD complaint alleging that he solicited a public customer to invest approximately \$40,000 in bearer bonds and failed to invest the funds as instructed and, instead, used the funds for his own use. The complaint further alleges that Pacelli failed to respond to NASD requests for information. **(NASD Case #C07000063)**

Vito Gerard Padulo (CRD #2370645, Registered Representative, Englishtown, New Jersey) was named as a respondent in an NASD complaint alleging that he effected transactions in the account of a public customer without the customer's prior knowledge, authorization, or consent. The complaint also alleges that Padulo failed to respond to NASD requests for information. **(NASD Case #C10000166)**

Cery Bradley Perle (CRD #2306492, Registered Principal, Corona Del Mar, California) and

Joseph Gaetano Gerace (CRD #1060223, Registered Principal, South Laguna, California) were named as respondents in an NASD complaint alleging that a member firm, acting through Perle, received funds from public customers to purchase common stock when the registration statement for its IPO became effective in contravention of Section 5 of the Securities Act of 1933. In addition, the complaint alleges that Perle, acting on behalf of a member firm, participated as underwriter in an IPO of common stock that traded at a premium in the secondary market and failed to make a bona fide distribution of the stock at the public offering price when the secondary market began. The complaint also alleges that a member firm, acting through Gerace, effected transactions in securities while failing to maintain its minimum net capital. **(NASD Case #C01000020)**

Ridgewood Associates, Inc. (CRD #16727, Paramus, New Jersey), Lewis Nathan Howard (CRD #251275, Registered Principal, Hawthorne, New Jersey) and Philip Patrick Marino (CRD #319926, Registered Principal, Paramus, New Jersey) were named as respondents in an NASD complaint alleging that Howard, while exercising effective control over public customers' accounts, used discretion and recommended to the customers numerous purchases and sale transactions in various securities without having reasonable grounds for believing that such transactions were suitable for the customers in view of the size and frequency of the transactions, the nature of the accounts, and their financial situation and needs. The complaint also alleges that the firm, acting through Marino, failed to exercise its supervisory responsibilities and failed to supervise adequately and

properly Howard's trading activities in customers' accounts to ensure compliance with the securities laws and applicable NASD rules. The complaint further alleges that the firm, acting through Marino, failed to prevent transactions in the customers' accounts that were excessive in size or frequency in light of the financial resources and character of these accounts. **(NASD Case #C9B000018)**

Robert Jay Voges (CRD #2565539, Registered Representative, Ormond Beach, Florida) was named as a respondent in an NASD complaint alleging that he received \$5,000 in cash from a public customer to be deposited into her checking account, failed to deposit the cash, and converted it to his own use and benefit. The complaint also alleges that Voges transferred \$5,000 from the customer's account at the firm to her checking account to conceal his actions and later transferred \$5,065 from his personal checking account to the customer's firm account to repay the funds he had converted. In addition, the complaint alleges that Voges failed to respond to NASD requests for information. **(NASD Case #C07000053)**

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 NASD Rule 8210 and Article VII, Section 2 of the NASD By-Laws. The date the suspension commenced is listed after the entry. If the firm has complied with the requests for information, the listing also includes the date the suspension concluded.

Century Capital Corp. of South Carolina, Greenville, South Carolina (September 6, 2000)

Phoenix Financial Services Corp., New York, New York (September 6, 2000)

United Property Investments Corp., Phoenix, Arizona (August 14, 2000)

Suspensions Lifted

The NASD has lifted the suspensions from membership on the date shown for the following firms because they have complied with formal written requests to submit financial information.

American Investment Bankers, Inc., San Diego, California (August 24, 2000)

Intra Network Securities, Inc., Rancho Santa Fe, California (August 17, 2000)

NASD Regulation Hearing Panel Expels Premier Capital Management and Fines and Suspends Firm President and Broker for Stock Touting and Fraudulent Advertising

NASD Regulation announced that an NASD Regulation Hearing Panel expelled Premier Capital Management, Inc., Dallas, TX, for placing materially misleading advertisements in national publications to tout Continental Investment Corporation (OTCBB:CICGQ), failing to disclose compensation received from Continental, and other violations. The firm's president and owner, Bryan James O'Leary, was suspended for 325 days and fined \$62,500, while Ryan Mark Reynolds, a former registered representative, was suspended for 720 days and fined \$155,000. In addition, O'Leary and Reynolds were ordered to buy back shares from, or to make restitution to, customers who purchased Continental stock based on one of Premier's advertisements. O'Leary and Reynolds were also ordered to requalify and prove payment was made to customers prior to associating with a member firm. If they seek to reenter the industry, they will be subject to pre-use filing requirements for future proposed advertisements and other communications with the public.

The Hearing Panel found that O'Leary and Reynolds had placed a materially misleading eight-page insert advertisement touting Continental in the September 1997 issue of *Mutual Funds Magazine*. The advertisement, which purported to be a research report, was distributed to more than 625,000 individuals. In addition, single-page advertisements, which described Continental as "A Stock Whose Time Has Come," and

invited readers to contact Premier for a copy of “our research report,” appeared in issues of *Town & Country*, *Individual Investor*, *Estates Internationale*, and *Leading Estates of the World*. Continental is a Dallas, TX corporation, which owned a large parcel of land near Atlanta, GA, which it believed had a possible future as a waste management facility.

The Hearing Panel found that the advertisement contained in *Mutual Funds Magazine* failed to provide an accurate and balanced picture of the risks and benefits of the investment, projected returns without a reasonable basis, and contained exaggerated claims. The following were among the fraudulent statements contained in the advertisement:

- “[U]nless Bill Gates or the Japanese dig a Grand Canyonesque hole 9 miles from downtown Atlanta, the value of [Continental’s] property has no place to go but up.”
- “Even if 99% of all stocks are dragged down with the overall

market, in our opinion, [Continental] will be an extremely profitable exception.”

- “[W]e expect to see a tremendous upside ‘run’ in [Continental’s] stock price all the way up to, at least, the mid-fifties.”
- “Continental presents a ‘textbook case’ ... wherein a small company holding an insurmountable strategic advantage can potentially achieve complete predominance over significantly larger competitors.”

In addition, the Hearing Panel found that Premier, O’Leary, and Reynolds failed to disclose the compensation they received from Continental for touting its stock. Premier received more than \$200,000 to cover the costs it incurred for printing and publishing the research report and the single-page advertisements. The Panel also found that Reynolds received 10,000 shares of Continental stock, then worth over \$200,000, as compensation for Reynolds’s

services on behalf of Continental. Premier and O’Leary also failed to file the report with the NASD Regulation Advertising Regulation Department.

The NASD Regulation Enforcement Department wishes to acknowledge the assistance provided in this matter by the Securities and Exchange Commission’s Fort Worth District Office, NASD Dallas District Office, and NASD Regulation Advertising Regulation.

Unless the matter is appealed to the NAC, or called for review by the NAC, the hearing panel’s decision becomes final after 45 days. The sanctions imposed by the hearing panel are not effective during this period. If the decision is appealed or called for review, the sanctions may be increased, decreased, modified, or reversed. Each individual may choose to appeal the decision.

© 2000, National Association of Securities Dealers, Inc. (NASD). All rights reserved.