NASD

Notice To Members

National Association of Securities Dealers, Inc. July 1989

Number 89 - 52

Suggested Routing:*

__Senior Management	__Internal Audit	__Operations	__Syndicate
__Corporate Finance	✓Legal & Compliance	__Options	__Systems
__Government Securities	__Municipal	✓Registration	__Trading
__Institutional	__Mutual Fund	__Research	✓Training

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

Subject: SEC Approval of Amendment to Schedule C of By-Laws to Establish Waiting Periods Between Attempts to Pass Qualification Examinations — Effective July 17, 1989

EXECUTIVE SUMMARY

The Securities and Exchange Commission recently approved an amendment to Schedule C of the By-Laws that establishes waiting periods between attempts to pass qualification examinations.

BACKGROUND AND SUMMARY

In response to certain recommendations of the NASD Regulatory Review Task Force, the Qualifications Committee of the NASD Board of Governors has reviewed the NASD qualification system to consider additional means to maintain an appropriate level of knowledge and professionalism for persons associated with NASD members. This review not only addressed the adequacy of existing NASD qualifications standards, but also considered issues relating to the need to provide the investing public that registered persons remain knowledgeable about products and services available to investors, as well as applicable rules, regulations, and policies governing the investment banking and securities business.

The Securities and Exchange Commission has approved an amendment to Part VI of Schedule C to the NASD By-Laws to establish waiting periods between attempts to pass NASD qualification examinations. Waiting periods were in effect in the NASD qualification program until 1979 and now are used in connection with the qualification examinations of the Municipal Securities Rulemaking Board (MSRB). The extensive automation of the registration and qualification process has made it possible for applicants to make multiple attempts to pass examinations in rapid succession, often within very brief periods.

The NASD believes this practice promotes "test learning" rather than a proper understanding of the substantive material covered in the various qualification examinations. The waiting periods are intended to encourage a more professional approach to the examination process and to training applicants, as well as to protect the integrity of the qualification examinations.

In the interest of uniformity, the waiting periods, except for the Series 7 examination, are the same as those prescribed by the MSRB — 30 days between the first and second attempts, 30 days between the second and third attempts, and six months after the third and all subsequent attempts. For the Series 7 examination, the waiting period is based on the monthly administration of that examination.

Questions concerning this notice can be directed to Craig L. Landauer, Senior Attorney, Office of General Counsel, at (202) 728-8291.

AMENDMENT TO PART VI, SCHEDULE C OF THE NASD BY-LAWS

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

VI

QUALIFICATION OF EXAMINATIONS AND WAIVER OF REQUIREMENTS

(6) Any person associated with a member who fails to pass a qualification examination prescribed by the Corporation shall be permitted to take the examination again after either a period of 30 calendar days has elapsed from the date of the prior examination or the next administration of an examination administered on a monthly basis, except that any person who fails to pass an examination three or more times in succession shall be prohibited from again taking such examination either until a period of 180 calendar days has elapsed from the date of such person's last attempt to pass the examination or until the sixth subsequent administration of an examination administered on a monthly basis.

NASD
Notice To Members

National Association of Securities Dealers, Inc. July 1989

Number 89 - 53

Suggested Routing:*

__Senior Management	✓Internal Audit	✓Operations	__Syndicate
__Corporate Finance	__Legal & Compliance	__Options	✓Systems
__Government Securities	__Municipal	__Registration	✓Trading
__Institutional	__Mutual Fund	__Research	__Training

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

Subject: NASDAQ National Market Additions, Changes, and Deletions as of June 14, 1989

As of June 14, 1989, the following 18 issues joined the NASDAQ National Market, bringing the total number of issues in the NASDAQ National Market to 2,778:

Symbol	Company	Entry Date	SOES Execution Level
JLMC	James Madison Limited	5/16/89	200
KYMDA	Kentucky Medical Insurance Company (CRA)	5/16/89	1000
CMPX	Comptronix Corporation	5/18/89	1000
UTOG	Unitog Company	5/18/89	1000
TCMRV	Tele-Communications, Inc. (Rts)(WI)	5/26/89	1000
UAEAV	United Artists Entertainment Company (Cl A) (WI)	5/26/89	1000
UAEBV	United Artists Entertainment Company (Cl B) (WI)	5/26/89	1000
UNRIW	UNR Industries Inc. (5/31/95 Wts)	6/5/89	1000
ALBC	Alameda Bancorporation	6/6/89	200
AFFFZ	America First Financial Fund 1987 - A Limited Partnership	6/6/89	500
BIGO	Big O Tires, Inc.	6/6/89	1000
CSIM	Consilium, Inc.	6/6/89	1000
DFII	Duty Free International, Inc.	6/6/89	1000
FOOT	Foothill Independent Bancorp	6/6/89	200
NCEL	Nationwide Cellular Service, Inc.	6/6/89	1000
NCELW	Nationwide Cellular Service, Inc. (5/4/92 Wts)	6/6/89	1000
CRUS	Cirrus Logic, Inc.	6/9/89	1000
COKR	Cooker Restaurant Corporation	6/13/89	1000

NASDAQ National Market Pending Additions

The following issues have filed for inclusion in the NASDAQ National Market on effectiveness of their registration statements with the SEC or other appropriate regulatory authority. Their inclusion may commence prior to the next regularly scheduled phase-in date.

Symbol	Company	Location	SOES Execution Level
BGENP	Biogen, Inc. (Pfd)	Cambridge, MA	500
PMBS	Prime Bancshares, Inc.	Decatur, GA	1000
SYMC	Symantec Corporation	Cupertino, CA	200
YESS	Yankee Energy System, Inc.	Rocky Hill, CT	1000

NASDAQ National Market Symbol and/or Name Changes

The following changes to the list of NASDAQ National Market securities occurred since May 15, 1989.

New/Old Symbol	New/Old Security	Date of Change
CFIXW/CFIXW	Chemfix Technologies, Inc. (12/15/89 Wts)/Chemfix Technologies, Inc. (6/15/89 Wts)	5/16/89
SHBS/BLII	ShareBase Corporation/Britton Lee, Inc.	5/16/89
DETA/TVLA	Del Taco Restaurants, Inc./ Taco Villa, Inc.	5/26/89
PATL/PNRE	Pan Atlantic, Inc./Pan Atlantic Re, Inc.	5/26/89
CNBA/CSBA	County Bank, F.S.B./CountySavings Bank	6/1/89
UNSL/UNSL	UNSL Financial Corporation/ United Savings and Loan Association	6/6/89
MESA/MESL	Mesa Airlines, Inc./Mesa Airlines, Inc.	6/13/89
CLRXW/CLRXW	Colorocs Corporation (Cl C)(8/18/89 Wts)/ Colorocs Corporation (Cl C) (6/30/89 Wts)	6/14/89

NASDAQ National Market Deletions

Symbol	Security	Date
MAYF	Mayfair Industries, Inc.	5/15/89
CAKE	Charlotte Charles, Inc.	5/16/89
GSFB	Great Southern Federal Savings Bank	5/16/89
APCI	Apollo Computer, Inc.	5/19/89
KEMC	Kemper Corporation	5/23/89
NUCOZ	Nucorp, Inc. (10/31/89 Matched Wts)	5/23/89
ASCI	Associated Companies, Inc.	5/24/89
VITR	Vitronics Corporation	5/24/89
AMCCQ	American Continental Corporation	5/25/89
BRIK	Brinkmann Instruments, Inc.	5/25/89
DESTQ	DEST Corporation	5/25/89
TCFC	TCF Financial Corporation	5/26/89
UACI	United Artists Communications, Inc.	5/26/89
SALN	Sahlen & Associates, Inc.	5/30/89
UFURF	Universal Furniture, Ltd.	5/30/89
CHMXW	Chemex Pharmaceuticals, Inc.(6/16/89 Wts)	5/31/89
CVSNF	Conversion Industries, Inc.	5/31/89
ROWE	Rowe Furniture Corporation	5/31/89
CADX	Cadnetix Corporation	6/1/89

Symbol	Security	Date
CLZR	Candella Laser Corporation	6/2/89
DTOMC	DeTomaso Industries, Inc.	6/2/89
EMSIF	EMS Systems, Inc.	6/2/89
ENVR	Envirodyne Industries, Inc.	6/2/89
KENSE	Kenilworth Systems Corporation	6/2/89
MRGXQ	Margaux, Inc.	6/2/89
NWVI	New Visions Entertainment Corporation	6/2/89
NWVIP	New Visions Entertainment Corporation (Pfd)	6/2/89
OCGT	OCG Technology, Inc.	6/2/89
SSIX	Scribe Systems, Inc.	6/2/89
UBSCQ	United Building Services Corporation	6/2/89
USAC	United States Antimony Corporation	6/2/89
VFOX	Vicon Fiber Optics Corp.	6/2/89
NCCO	Enseco Incorporated	6/5/89
NBSFC	National Business Systems, Inc.	6/7/89
TSYS	Total System Services, Inc.	6/7/89
STOT	Stotler Group, Inc.	6/9/89
LUNDW	Lund Enterprises, Inc. (Wts)	6/12/89
BOFR	Bank of Redlands	6/12/89
NETX	Network Equipment Technologies, Inc.	6/12/89
RWPI	Ridgewood Properties, Inc.	6/12/89

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

NASD

Disciplinary Actions

National Association of Securities Dealers, Inc. July 1989

Disciplinary Actions Reported for July

The National Association of Securities Dealers, Inc. (NASD), is taking disciplinary actions against the following firms and individuals for violations of the NASD Rules of Fair Practice and/or the rules of the Municipal Securities Rulemaking Board. Unless otherwise indicated, suspensions began with the opening of business on Monday, July 3, 1989.

FIRMS FINED

D.H. Blair & Co., Inc. (New York, New York) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which the firm was fined $25,000. Without admitting or denying the allegations, D. H. Blair consented to the described sanctions and findings that the firm effected sixteen (16) principal purchases of common stock from customers at prices that were not fair and reasonable and executed 121 principal transactions with customers, incorrectly confirmed such transactions as dual agent, and charged a commission.

FIRMS EXPELLED, INDIVIDUALS FINED AND BARRED

First Securities Group of California (Beverly Hills, California) and Louis F. Vargas (Registered Principal, Beverly Hills, California) — The firm was expelled from membership in the Association, and Vargas was fined $47,500 and barred from association with any member of the Association in any capacity. The sanctions were imposed by the Board of Governors after hearing an appeal of a decision of the District Business Conduct Committee for District 2S. The sanctions were based on findings that the firm acting through Vargas induced the purchase of limited partnership interests by public customers by means of false and misleading representations; failed to make, keep current, and preserve accurately certain books and records related to two limited partnerships; and engaged in a general securities business while failing to maintain sufficient net capital.

FIRMS FINED, INDIVIDUALS FINED AND BARRED

Mount Vernon Equity Sales (Alexandria, Virginia) and Stephen R. Hanmer (Registered Principal, Alexandria, Virginia) were fined $15,000, jointly and severally, and Hanmer is barred from association with any member of the Association in any principal capacity and fined an additional $5,000 individually. The sanctions were based on findings that the member, acting through Hanmer, participated in the distribution of a best-efforts, contingency offering and failed to return investor funds when the required minimum number of units were not sold by the termination date; continued to solicit investors and sold an additional two units without disclosing the prior failure to sell the minimum portion of the offering in a timely manner; used a memorandum to solicit investors that reflected that the offering was a best-efforts, all-or-none offering and did not disclose the prior failure to sell the minimum portion of the offering; failed to deposit funds received into an escrow account, instead depositing them directly to the firm's operating account; extended the offering twice and, prior to the extensions, did not make a written reconfirmation offer to the subscribers; failed to return investor funds despite the fact that the all-or-none contingency was not met; effected transactions in securities while failing to maintain minimum required net capital; failed to make monthly net capital computations for certain months and failed to correctly compute its net capital for the month of September 1986; filed inaccurate FOCUS Reports for certain periods; failed to file timely telegraphic notice of the net capital deficiencies and to thereafter file monthly FOCUS IIA reports as required; failed to provide written approval of the private securities transactions of a person associated with the member and failed to record such activities on its books and records; permitted individuals to maintain registration with the association as Registered Representatives of the member even though such individuals were not engaged directly, or indirectly, in the investment banking or securities business of the member; and failed to endorse in writing certain customer transactions.

FIRMS FINED, INDIVIDUALS FINED AND SUSPENDED

Mikal & Co., Inc. (New York, New York), Michael Terrance Hines (Registered Representative, Great Neck, New York), and Alfred F. Gerriets, II, (Registered Representative, Manhasset, New York) were fined $25,000 jointly and severally, and Hines and Gerriets were suspended from association with any member of the NASD in all capacities for ten (10) days. The sanctions were imposed by the NASD's Board of Governors following the appeal of a decision rendered by the District Business Conduct Committee for District 12. The sanctions were based on findings that the respondents failed to execute customer market orders to sell shares of common stock on five separate occasions, executed a sale of 4,500 shares of common stock from the firm's trading account while in possession of unexecuted customer market sell orders in the same security, and failed to maintain order tickets for the unexecuted orders.

Shearson Lehman Hutton (New York, New York) was fined $30,000 and William S. Doolittle (Registered Representative, Key Largo, Florida) was fined $5,000 and suspended from association with any member of the NASD in any capacity for one (1) year. These sanctions were imposed by the NASD's Board of Governors following an appeal by Doolittle and a call for review with respect to Shearson of a decision rendered by the District Business Conduct Committee for District 2S. The sanctions were based on findings that Shearson, acting through Doolittle, violated Regulation T on two occasions by arranging for the extension of credit to a customer on terms and conditions not specified under Regulation T. Specifically, it was found that Shearson, through Doolittle, assisted a customer in obtaining loans secured by real estate, the proceeds of which were deposited in the customer's securities account for the purpose of carrying securities. The firm also was cited for failure to supervise Doolittle's activities to ensure compliance with NASD rules and Regulation T.

Swink and Company, Inc. (Little Rock, Arkansas), James D. Swink (Registered Principal, Little Rock, Arkansas), and Louis Pagillo (Registered Financial and Operations Principal, Little Rock, Arkansas) submitted a Letter of Acceptance, Waiver and Consent pursuant to which Swink and Company and James Swink are fined $50,000, jointly and severally, and Pagillo is fined $5,000 and suspended from association with any member of the NASD in any principal capacity for ten (10) business days. Without admitting or denying the allegations, they consented to the described sanctions and findings that the firm, acting through Swink and Pagillo, failed to make an accurate net capital computation; engaged in a securities business while failing to maintain minimum required net capital; inaccurately reported its net capital on FOCUS Reports Part I and II; and failed to send telegraphic notice to the NASD of its capital deficiencies as required. Pagillo's suspension will commence on August 7, 1989.

FIRMS AND INDIVIDUALS FINED

Thomas P. Reynolds Securities, Ltd. (New York, New York) and Milton Nechter (Registered Principal, New York, New York) were fined $15,000, jointly and severally. These sanctions were imposed by the NASD's Board of Governors following the appeal from the decision rendered by the District Business Conduct Committee for District 12. The sanctions were based on findings that the firm failed to carry a blanket fidelity bond, filed an Annual Audited Report that was not reviewed by an independent accountant, and prepared an inaccurate general ledger, an inaccurate trial balance, and an inadequate net capital computation for the period ending on or about January 31, 1988.

This action has been appealed to the Securities and Exchange Commission, and the fine imposed is not effective pending consideration of the appeal.

INDIVIDUALS FINED AND BARRED

Wali Abdul-Haqq (Registered Representative, North Brunswick, New Jersey) was fined $25,000 and barred from association with any member of the Association in any capacity. The sanctions were based on findings that Abdul-Haqq received from public customers $4,244 for the purchase of a whole life insurance policy and converted $3,639 of that sum to his own use and benefit. He also failed to respond to the Association's three requests for information made pursuant to Article IV, Section 5 of the Rules of Fair Practice.

Rina Alberga (Registered Representative, Niles, Illinois) was fined $10,000 and barred from association with any member of the Association in any capacity. The sanctions were based on findings that Alberga drafted checks totaling approximately $11,860 on her employer-member's account, made use of these funds for her own benefit, and charged approximately $642 to the firm's credit card. She also failed to respond to the Association's four requests for information made pursuant to Article IV, Section 5 of the Rules of Fair Practice.

Joseph M. Binczak (Registered Representative, Pottstown, Pennsylvania) was fined $11,000 and barred from association with any member of the Association in any capacity. The sanctions were imposed by the NASD's Board of Governors following an appeal of a decision rendered by the District Business Conduct Committee for District 2N. The sanctions were based on findings that Binczak received a total of $6,000 from a public customer for the purchase of insurance and converted those funds to his own use and benefit.

Kevin L. Connolly (Registered Representative, Scottsdale, Arizona) was fined $2,500 and barred from association with any member of the Association in any capacity. The sanctions were based on findings that Connolly participated in the sale of an options contract to a customer outside the normal course of his employment with a member without providing prior written notice to his employer and made improper use of a customer's funds by depositing a check received from a customer for the purchase of securities into his personal bank account.

Joel M. Dalenberg (Registered Representative, Port Huron, Michigan) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined $10,000 and barred from association with any member of the NASD in any capacity. Without admitting or denying the allegations, Dalenberg consented to the described sanctions and findings that he obtained a check in the amount of $1,224.53 made payable to a public customer that represented a payout of dividends from this customer's insurance policy and without the knowledge or consent of the customer, signed the customer's name to the check and deposited the funds in a bank account in which he had a beneficial interest.

Judith L. Daniels (Registered Representative, Mobile, Alabama) was fined $15,000 and barred from association with any member of the Association in any capacity. The sanctions were based on findings that Daniels purchased mutual fund shares for a public customer without the customer's knowledge or consent, inaccurately completed the order ticket for the trade, and recorded a false address for the customer. She also failed and neglected to disclose to her employer-member that, in connection with two accounts, she had made $50 and $100 contributions of her own funds to the accounts, and she recorded inaccurate Social Security numbers on both accounts and an inaccurate address on one account. Daniels deposited bank drafts and personal checks into two accounts under her control that were returned for "insufficient funds," and she failed to respond to the Association's two written requests for information made pursuant to Article IV, Section 5 of the Rules of Fair Practice.

Stephen Einig (Registered Representative, Massapequa Park, New York) was fined $75,000 and barred from association with any member of the Association in any capacity. The sanctions were based on findings that Einig recommended transactions in a customer's account without having reasonable grounds for believing that the transactions, because of their short-term nature, were suitable given the customer's financial situation and investment objectives. Einig also executed three unauthorized transactions in a customer's joint account.

Kenneth L. Fey (Registered Representative, Emmaus, Pennsylvania) was fined $40,000 and barred from association with any member of the Association in any capacity. The sanctions were based on findings that Fey forged the endorsement on checks totaling $22,411 drawn to public customers and converted the proceeds to his own use and benefit.

Daniel L. Fulop (Registered Representative, Scottsdale, Arizona) was fined $50,000 and barred from association with any member of the Association in any capacity. The sanctions were based on findings that Fulop received funds intended for investment totaling $30,000 from two customers and failed to follow the customers' instructions, instead retaining the funds for his own personal use and benefit. He also failed to respond to the Association's three requests for information made pursuant to Article IV, Section 5 of the Rules of Fair Practice.

Bryon J. Jensen (Registered Representative, St. Cloud, Minnesota) was fined $35,000 and barred from association with any member of the Association in any capacity. The sanction was imposed by the NASD's Board of Governors upon review of a decision rendered by the District Business Conduct Committee for District 8. The sanctions were based on findings that Jensen failed to deposit funds totaling $16,000 received from customers to their accounts but retained the funds for his own personal use and benefit. He also shared in profits in a customer's account without written approval from his employer-member and failed to respond to the Association's three requests for information made pursuant to Article IV, Section 5 of the Rules of Fair Practice.

Bruce E. Kitzis (Registered Representative, Greeley, Colorado) was fined $15,000 and barred from association with any member of the Association in any capacity. The sanctions were based on findings that Kitzis failed to respond to the Association's official requests for information made pursuant to Article IV, Section 5 of the Rules of Fair Practice concerning the circumstances surrounding the termination of his employment.

Benjamin S. Liu (Registered Representative, Chicago, Illinois) was fined $10,000 and barred from association with any member of the Association in any capacity. The sanctions were based on findings that Liu caused checks totaling $5,184 to be drawn on the account of two customers without the customers' knowledge or consent, signed his wife's name to the checks, and caused the funds to be deposited in his wife's bank account. He also effected two unauthorized transactions in the accounts of a public customer.

Frederick J. Lutot (Registered Representative, Newton, New Jersey) was fined $120,000 and barred from association with any member of the Association in any capacity. The sanctions were based on findings that Lutot received from policy holders annuity premiums which he converted to his own use and benefit.

Juan A. Martinez (Registered Representative, Coronado, California) was fined $20,000 and barred from association with any member of the Association in any capacity. The sanctions were based on findings that Martinez exercised discretion in the account of a public customer in effecting 18 transactions on margin without receiving either prior written authorization or written acceptance of the account as discretionary from his employer-member and failed to respond to the Association's requests for information made pursuant to Article IV, Section 5 of the Rules of Fair Practice.

Michael E. McGrew (Registered Representative, Baton Rouge, Louisiana) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined $10,000 and barred from association with any member of the NASD in any capacity. Without admitting or denying the allegations, McGrew consented to the described sanctions and findings that he signed the name of a policy holder to a dividend withdrawal form and then signed the customer's name to the $2,000 dividend check and converted these monies to his own use, all without the customer's knowledge or consent.

John M. Reynolds (Registered Representative, Gaithersburg, Maryland) was fined $60,771 and barred from association with any member of the Association in any capacity. These sanctions were imposed by the NASD's Board of Governors following an appeal of a decision of the District Business Conduct Committee for District 10. The sanctions were based on findings that Reynolds caused a customer to engage in purchase and sale transactions with a frequency and volume of trading (more than $1 million in purchases) that was inconsistent with the financial situation and need and, further, recommended and purchased securities that were primarily nondividend-paying growth stocks whereas the customer's objectives and needs were for regular income and preservation of capital.

This action has been appealed to the Securities and Exchange Commission, and the fine imposed is not effective pending consideration of the appeal. However, the bar imposed on the Respondent is effective.

Andrea R. Ricks (Registered Representative, Philadelphia, Pennsylvania) was fined $11,000 and barred from association with any member of the Association in any capacity. The sanctions were based on findings that she received $2,903.50 from a public customer for the purchase of securities and converted $1,000 of that sum to her own use and benefit. In addition, Ricks failed to respond to the Association's requests for information.

William S. Rufenacht (Registered Representative, San Diego, California) was fined $75,000 and barred from association with any member of the Association in any capacity and ordered to disgorge $7,575.84. The sanctions were based on findings that Rufenacht caused the issuance of 12 checks totaling $10,464.89 drawn against the cash value or dividends of insurance policies owned by six public customers on 11 of the checks, and deposited these checks into a bank account under his control and benefit. Rufenacht also failed to respond to the Association's two requests for information made pursuant to Article IV, Section 5 of the Rules of Fair Practice.

Daniel K. Tam (Registered Representative, Ontario, California) was fined $135,000, barred from association with any member of the Association in any capacity, and ordered to disgorge $71,698.89. The sanctions were based on findings that Tam received a check from a public customer for the purchase of a multi-funded single premium deferred annuity and failed to purchase the annuity, but instead he cashed the check and converted the proceeds to his own use and benefit. Tam also failed to respond to the Association's request for information made pursuant to Article IV, Section 5 of the Rules of Fair Practice.

Kenneth Wong (Registered Representative, Holland, Pennsylvania) submitted an Offer of Settlement pursuant to which he was fined $6,000 and barred from association with any member of the NASD in any capacity. Without admitting or denying the allegations, Wong consented to the described sanctions and findings that he forged the endorsement on 15 compensation checks totaling $9,031.23 drawn to another insurance agent and then second-endorsed these checks and converted the proceeds to his own use and benefit.

FIRMS FINED, INDIVIDUALS FINED AND SUSPENDED

Trevor S. Bailey (Registered Principal, New Orleans, Louisiana) was fined $25,000, suspended from association with any member of the Association in any capacity for six (6) months, and barred from association with any member of the NASD in a principal capacity. The sanctions were based on findings that Bailey failed to make and keep current an accurate record of the receipt of investor funds and engaged in a securities business when his firm's net capital was below the required minimum. Bailey also permitted a registered representative of another member firm to open an account with the firm and failed to notify the individual's employer of the firm's intent to open and maintain the account. In addition, he caused his firm to purchase units in two offerings as nominees in an effort to close the offerings before the termination date, and such units were then resold to public customers. The offerings were, therefore, closed on the basis of non-bona fide sales. The firm, acting through Bailey, also failed to establish escrow accounts for two offerings in a timely manner. In connection with one offering involving the acquisition and operation of a shopping center, the firm, acting through Bailey, failed to disclose in an offering Memorandum that the partnership property would be used to collateralize loans to those investors electing to finance their purchases through a certain savings and loan association. In one limited partnership, they permitted two customers to purchase less than the minimum amount contained in the offering Memorandum. Bailey also failed to maintain fingerprint records for certain employees, and failed to give written notice to the Association of the termination of an individual within 30 days after his termination from the firm.

Andre J. Charitat (Registered Representative, New Orleans, Louisiana) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which Charitat was fined $3,500 and suspended from association with any member of the NASD in any capacity for one (1) business week. Without admitting or denying the allegations, Charitat consented to the described sanctions and findings that he recommended to a customer the purchase of interests in two direct participation programs without having reasonable grounds to believe that the transactions were suitable based on the information obtained from the customer.

Charles Christo (Registered Representative, Brooklyn, New York) was fined $1,000 and suspended from association with any member of the NASD in any capacity for two (2) years. These sanctions were imposed by the NASD's Board of Governors following an appeal of a decision rendered by the District Business Conduct Committee for District 12. The sanctions were based on findings that Cristo failed to respond to the Association's requests for information made pursuant to Article IV, Section 5 of the Rules of Fair Practice.

Joseph E. Fadell (Registered Representative, Louisville, Kentucky) is fined $12,500 and suspended from association with any member of the NASD in any capacity for five business days. Furthermore, Fadell must requalify by examination as a general securities registered representative prior to acting in that capacity. The sanctions were based on findings that Fadell made unsuitable recommendations to public customers concerning the purchase and sale of general securities and options.

Edward E. Gould (Registered Representative, Singer Island, Florida) was fined $2,500 and suspended from association with any member of the NASD in any capacity for four (4) months. The sanctions were based on findings that Gould failed to provide his employer-member with prior written notice of his participation in a private securities transaction.

Stuart Kobrovsky (Registered Principal, Allentown, Pennsylvania) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined $5,000 and suspended from association with any member of the NASD in the capacity of a Financial Principal for one year. In addition, upon conclusion of his suspension, Kobrovsky is required to requalify as a Financial Principal and shall be limited to acting in that capacity only for firms operating pursuant to SEC Rule 15c3-1(a)(2). Without admitting or denying the allegations, Kobrousky consented to the described sanctions and findings that he permitted his firm to effect securities transactions while failing to maintain the required minimum net capital.

Glenn E. Jackel (Registered Representative, Bridgeport, Connecticut) submitted an Offer of Settlement pursuant to which Jackel was fined $5,000 and suspended from association with any member of the NASD in any capacity for ten (10) business days. Without admitting or denying the allegations, Jackel consented to the described sanctions and findings that he issued a personal bank check to his employer-member to satisfy an unsecured debit balance in his securities account at his employer-member that was returned on two occasions for insufficient funds.

Bradley Kanode (Registered Representative, Montezuma, New Mexico) was fined $15,000 and suspended from association with any member of the NASD in any capacity for six months. These sanctions were affirmed by the SEC following a review of disciplinary action taken by the NASD. The sanctions were based on findings that Kanode effected several unauthorized transactions in accounts of three customers.

Ross Raymond, II (Registered Representative, Kary, Texas) was fined $10,000 and suspended from association with any member of the NASD in any capacity for two (2) years. These sanctions were imposed by the NASD's Board of Governors following an appeal of a decision rendered by the District Business Conduct Committee for District 6. The sanctions were based on findings that Raymond submitted falsified production records and a W-2 form from a prior employer and, as of a result of these falsified records, received a bonus as an inducement to join another member firm.

R. William Riemenschneider, III (Registered Representative, Ardsley, Pennsylvania) was fined $5,000 and suspended from association with any member of the NASD in any capacity for sixty (60) days. These sanctions were imposed by the NASD's Board of Governors following an appeal of a decision rendered by the District Business Conduct Committee for District 11. The sanctions were based on findings that, without authorization or permission, Riemenschneider forged the signatures of two policy holders on insurance policy loan request forms, which he submitted to his employer with directions that the checks be sent to his own post office box.

Stephen J. Rozinski (Registered Representative, Denver, Colorado) was fined $5,000, suspended from association with any member of the NASD in any capacity for thirty (30) days, and required to requalify by examination as a general securities registered representative. These sanctions were imposed by the NASD's Board of

Governors following an appeal of a decision by the District Business Conduct Committee for District 3. These sanctions were based on findings that Rozinski effected five purchases of securities in his own account and sold these securities without paying for them. On another occasion, Rozinski failed to pay for the purchase of securities in his personal account, causing his employer to sell out the securities at a loss. He also effected the unauthorized purchase and subsequent sale of securities in the account of a public customer, and entered into an agreement with said customer to personally reimburse him for the loss due to the unauthorized transactions, but failed to honor this agreement. Rozinski also failed to respond to the Association's requests for information made pursuant to Article IV, Section 5 of the Rules of Fair Practice.

Kenneth G. Schave (Registered Representative, Aurora, Colorado) was fined $2,000 and suspended from association with any member of the NASD in any capacity for thirty (30) calendar days. The sanctions were based on findings that Schave provided false and misleading information to his employer-member by causing two customer account records to reflect his home address for customers who resided in states in which Schave was not registered or otherwise able to sell securities.

Frank S. Smith (General Principal, Lake Oswego, Oregon) and George W. Lanning (Registered Representative, Solano Beach, California) — Smith was fined $5,000, suspended from association with any member of the NASD as a general securities principal for thirty (30) days, and required to requalify as a general securities principal by examination within 90 days. Lanning was fined $10,000 and suspended from association with any member of the NASD in any capacity for six (6) months. The sanctions were imposed by the NASD's Board of Governors upon review of a decision rendered by the District Business Conduct Committee for District 1. The sanctions were based on findings that Smith permitted and approved the payment of Lanning's commissions to an unregistered person to conceal income earned by Lanning from the IRS. Smith also committed various books and records violations in contravention of SEC Rules 17a-3 and 17a-4; failed to implement a program to supervise options trading as evidenced by the fact that 13 new option account forms and seven discretionary options accounts lacked approval by a Registered Options Principal; and failed to file an Annual Audit Report on a timely basis.

Farrel A. Weil (Registered Representative, New Orleans, Louisiana) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined $3,000 and suspended from association with any member of the NASD in any capacity for one (1) business day. Without admitting or denying the allegations, Weil consented to the described sanctions and findings that he exercised discretionary power and made purchases and sales of securities in the account of a public customer without prior written authorization, and, in another account, without the customer's prior knowledge and explicit consent, signed the name of the customer to a margin agreement that authorized purchases on margin for this account.

INDIVIDUALS FINED

Mitchell R. Addis (Registered Representative, Tucson, Arizona) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was fined $10,000. Without admitting or denying the allegations, Addis consented to the described sanctions and findings that he effected unauthorized transactions in three customer accounts.

Joseph C. Dawson (Registered Representative, Rumford, Rhode Island) was fined $10,000 and ordered to requalify by examination prior to serving with any member firm in any capacity. These sanctions were imposed by the NASD's Board of Governors following an appeal of a decision of the District Business Conduct Committee for District 6. The sanctions were based on findings that Dawson deposited a check in the amount of $75,000 from a public customer into his personal business checking account and did not return the funds to the customer until approximately three months later. In addition, Dawson received a check in the amount of $3,000 from a customer and deposited the check into his personal business account and retained the funds for nearly one year.

Donald G. Fitzpatrick (Registered Principal, Valencia, California) was fined $15,000 and ordered to disgorge $2,480. The sanctions were based on findings that Fitzpatrick sold limited partnership interests to at least four public customers and failed to provide written notification of such transactions to his employer-member.

Alvey J. Jeanfreau, III (Registered Representative, Oswego, Oregon) was fined $10,000 based on findings he recommended to customers the purchase of securities without having reasonable grounds for believing that such recommendations were suitable for them in view of the size, frequency, and number of transactions and the customers' financial situation and needs.

Brian Prendergast (Registered Representative, Greenwood Village, Colorado) was fined $10,600. This was imposed by the NASD's Board of Governors following an appeal of a decision of the District Business Conduct Committee for District 3. The sanctions were based on findings that Prendergast participated in private securities transactions outside the regular course of his employment without prior notice to his employer-member. He also established securities accounts for two customers and effected transactions in these accounts on instructions from a third party but did not verify that the third party had authority to act for these customers.

Michael L. Seat (Registered Representa tive, Thornton, Colorado) was fined $15,000 and ordered to disgorge $17,160. The sanctions were based on findings that Seat participated in seven (7) transactions involving the sale of securities outside the normal course or scope of his employment with a member without providing prior written notice to his employer.

INDIVIDUALS SUSPENDED

Melisa R. Alsbrook (Registered Financial and Operations Principal, Memphis, Tennessee) submitted an Offer of Settlement pursuant to which she was suspended from association with any member of the NASD in the capacity of a Financial and Operations Principal for a period of three weeks. Furthermore, Alsbrook must requalify as a Financial and Operations Principal by taking and passing the appropriate examination before again serving in that capacity. Without admitting or denying the allegations, Alsbrook consented to the described sanctions and findings that she failed, and neglected, to make, keep current, and preserve accurate ledger accounts and securities position records; failed to conduct an accurate securities position verification; on two separate occasions failed to prepare an accurate trial balance, record of aggregate indebtedness, and net capital computation; and, on several occasions, neglected to compute accurately and deposit the amount prescribed by SEC Rule 15c3-3 into the "Special Reserve Bank Account for the Exclusive Benefit of Customers." In addition, Alsbrook failed to give telegraphic notice to the SEC and the NASD of the failure to make required deposits in the Special Account. Finally, Alsbrook failed to take prompt steps to obtain physical possession or control of certain fully paid customer securities and improperly delivered other fully paid customer securities to another firm.

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 action was based on the provisions of Article IV, Section 5 of the NASD Rules of Fair Practice and Article VII, Section 2 of the NASD By-Laws. The date the suspension commenced is listed after each entry. If the firm has complied with the request for information, the listing also includes the date that the suspension concluded.

Amerimutual Corporation, Boca Raton, FL (May 31, 1989)

Atlantean Securities Corporation, Agoura Hills, CA (May 31, 1989)

Bentsen Investment Company, Houston, TX (May 31, 1989)

Capital Protectors, Inc., Brooklyn, NY (May 31, 1989)

DPI Securities Corporation, Laguna Hills, CA (May 31, 1989)

Julius Donner, Manhasset, NY (May 31, 1989)

Faherty, Aliaga & Company, Inc., New York, NY (May 31, 1989)

First United Equity Ventures, Inc., Santa Fe, NM (May 31, 1989)

Individual's Securities, Ltd., Melville, NY (May 31, 1989)

Investment Advisory Brokerage Services, Inc., Perryville, MO (May 31, 1989)

Litchfield Financial Corporation, Shady, NY (May 31, 1989)

C.G. Loop Securities, Inc., New York, NY (May 31, 1989)

Monmouth Investments, Inc., Englishtown, NJ (May 31, 1989)

Mutual Funds Investment Services, Syracuse, NY (May 31, 1989)

Oberweis Securities, Inc., Naperville, IL (May 31, 1989)

Packard Group, Inc., New York, NY (May 31, 1989)

Power Securities Corporation, Las Vegas, NV (May 31, 1989)

Preferred Capital Securities, Inc., Mt. Prospect, IL (May 31, 1989)

Profile Investments Corporation, Ft. Lauderdale, FL (May 31, 1989)

Puget Sound Securities, Inc., Tampa, FL (May 31, 1989)

F.D. Roberts Securities, Inc., Paramus, NJ (May 31, 1989)

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

Columbine Securities, Inc., Denver, CO

Creative Asset Management, Inc., Brookfield, WI

First Alliance Financial Services, Inc., San Diego, CA

Heritage Financial Corporation, Brooklandville, MD

Hickey, Kober, Inc., New York, NY

T. J. Sullivan & Company, Inc., New York, NY

West Wind Trading Company, Allentown, PA

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

Larry K. Bolden, Dothan, AL
Craig A. Broadhead, Murray, UT
Ronald O. Campbell, Jersey City, NJ
Wilton L. Davidson, El Toro, CA
Kip D. Eardley, Salt Lake City, UT
Steven W. Fabry, San Diego, CA
Roger A. Faulk, Dothan, AL
Jefferson B. Gatewood, Newbury Park, CA
James D. Guy, Mobile, AL
Leonard D. Hall, Salt Lake City, UT
Steven V. Harrison, Salt Lake City, UT
W. Kyle Klinger, Sandy, UT
Ronald J. Koeppler, Oconomowoc, WI
Roberta G. Krashin, Denver, CO
Cornell Long, Fort Washington, MD
David C. Merrell, Sandy, UT
MacKenzie Parker, Bellevue, WA
Charles E. Paul, Jr., Delray Beach, FL
William E. Potter, Bradenton, FL
David L. Robinson, Farmingham Hills, MI
Clifford E. Romain, Bronx, NY
Francis C. Schulte, Houston, TX
Thomas Sullivan, Jr., Greenwich, CT
Daniel J. Tackett, La Mesa, CA
Richard S. Van Eerden, Milwaukee, WI
Vada P. Ward, Wheatridge, CO
Earle W. Washington, Bryans Road, MD
John H. Watson, Waldorf, MD
Edward A. Wood, Morrison, CO

NASD EXPELS BUCHANAN & CO., INC., FOR "DECEPTIVE, DISHONEST" PRACTICES IN HIGH-YIELD REVENUE BONDS

The NASD has expelled Buchanan & Co., Inc., of Jackson, Mississippi, from membership and taken disciplinary actions against two senior officers, five branch managers, and six salesmen of the firm.

In their Offers of Settlement, without admitting or denying the allegations of the NASD Complaints, the firm and the individuals consented to findings that they engaged in deceptive, dishonest, or unfair practices in connection with the underwriting and/or retail placement of high-yield, nonrated nursing home and retirement center revenue bonds, and thereby violated rules of the Municipal Securities Rulemaking Board (MSRB).

In announcing its action, the NASD acknowledged the substantial assistance of Peyton D. Prospere, Commissioner of Securities of the State of Mississippi, and the staff of the state's Securities Division. "The development of this case has been a fine example of the continuing cooperation between state authorities and the NASD in detecting and penalizing violations of the rules governing the securities markets," said John E. Pinto, NASD Executive Vice President for Compliance.

Under the Securities Acts Amendments of 1975, the NASD is the self-regulatory organization authorized to enforce MSRB rules relating to registered broker-dealers and their associated persons.

The NASD District 5 Business Conduct Committee found that Robert M. Buchanan, Jr., the Chairman and sole stockholder of the firm, and Robert C. Fairly, Jr., the President, were responsible for the dissemination of material misrepresentations and for omissions of facts in connection with the sale to the public of 10 municipal bond issues, with a total face amount of $74,470,000, that were underwritten by Buchanan & Co. Among the matters misrepresented or undisclosed were the lack of occupancy and financial difficulties besetting a number of other retirement centers/nursing homes whose securities were underwritten by the firm, the failure to obtain the necessary regulatory approval for certain of the projects, the failure independently to verify the financial ability of the general partners to comply with promised financial commitments, and the unreliability of the financial feasibility studies. Buchanan and Fairly also failed to disclose an adverse evaluation of one of the proposed retirement centers by a national accounting firm, and proceeded with another project even though two of its developers had been indicted for fraud, and one of them had already been convicted of a similar charge. All 10 of the municipal bond issues ultimately went into default.

The NASD also found that the firm, acting through Buchanan and Fairly, orchestrated a high-pressure, misleading retail sales campaign for these bonds, as well as for other high-yield, nonrated bonds. These bonds were sold at complimentary breakfast, luncheon, and dinner seminars held in retirement areas such as Tucson, Arizona, and Tampa, Florida, to investors, most of whom lived on fixed incomes. Buchanan and Fairly caused their salesmen to misrepresent the nature and risks of these nonrated bonds and the firm's past record in these issues.

Buchanan was censured, fined $200,000, and suspended for two years in all capacities. Furthermore, he was prohibited, with certain exceptions, from maintaining any proprietary interest in any member of the Association, and was barred from holding any securities licenses other than those governing investment company products, variable contracts, and direct participation programs. Fairly was censured, fined $20,000, suspended in all capacities for one year, and suspended in all principal capacities for five years. Both Buchanan and Fairly must requalify by passing the appropriate examinations, before serving in any limited capacity.

Jonathan D. Ulrich, a salesman in the Tucson, Arizona, branch office and subsequently the branch manager of the Jackson, Mississippi, office, was censured, fined $10,000, and barred in all capacities. Russell W. Clark, a salesman in the Tucson, Arizona, branch office was censured, fined $7,500, and barred in all capacities. Ulrich and Clark may, within one year, apply to remove the bars, if they can demonstrate that certain arbitration awards rendered against them have been paid. Murl D. Calton, the branch manager of the Tucson, Arizona, office, was censured and suspended for one month in all principal capacities. Jeffrey D. Rhodes, the Houston, Texas, branch office manager, was censured, fined $1,000, and suspended for two weeks in all principal capacities. Kenneth C. Weber, a salesman in the Tucson, Arizona, branch office and at one time the Houston, Texas, branch office manager, was censured, fined $1,000, suspended for one week in all capacities, and ordered to requalify by passing the appropriate examination. Mary S. Nelson, the manager of the Boca Raton, Florida, branch office and subsequently a saleswoman in the Tampa, Florida, branch office, was censured, fined $1,000, and suspended for one business day in all capacities.

Kenneth E. Crowl, a salesman and the assistant manager of the Phoenix, Arizona, branch office, was censured, fined $1,000, and suspended for one month in all capacities. Randall J. Whyte, a salesman in the Tucson, Arizona, branch office, was censured, fined $2,500, and suspended for one week in all capacities. Lorin W. Surpless, a salesman in the Tucson, Arizona, branch office, was censured, fined $1,000, and suspended for one week in all capacities. Gerard P. Musto, a salesman in the Tampa, Florida, branch office, was censured, fined $1,000, and suspended for one business day in all capacities. William B. Nelson, a salesman in the Boca Raton, Florida, branch office, was censured, fined $1,000, and suspended for one business day in all capacities.

The bars became effective June 7, 1989. The suspensions commenced with the opening of business on June 23, 1989.

NASD BARS AND SUSPENDS FORMER PRINCIPAL OFFICERS AND EMPLOYEES OF F.D. ROBERTS SECURITIES, INC., FOR MANIPULATION AND OTHER MISCONDUCT INVOLVING PENNY STOCKS AND IMPOSES FINES OF $500,000

The NASD has announced disciplinary actions against Sheldon D. Kanoff, former President of F. D. Roberts Securities; Alan Lieb, former Vice President; Frederick Galiardo, former Chairman of the Board; Robert Humphrey, former national sales manager, and Brett A. Bernstein, a former registered representative. The disciplinary action is based on an investigation into the price manipulation and fraudulent markups in sales to customers of a penny stock, Frankel Capital Management, Inc.

F.D. Roberts Securities, Inc., was a Paramus, New Jersey-based broker-dealer that specialized in low-priced speculative securities, primarily penny stocks. On February 16, 1989, F. D. Roberts Securities, Inc., ceased conducting a securities business and subsequently filed for bankruptcy.

Pursuant to their Offer of Settlement, without admitting or denying the allegations of the Complaint filed against them, these officers and employees of Roberts consented to certain findings and agreed to the following sanctions:

Alan Lieb - former Vice President, Director, and shareholder of F. D. Roberts Securities, Inc.; a bar from association with any NASD member in any capacity with the proviso that he may make application to become associated with an NASD member after a period of five years, a $150,000 fine, and censure.

Sheldon D. Kanoff - former President, Director, and shareholder of F. D. Roberts Securities, Inc.; a bar from association with any NASD member in any capacity with the proviso that he may make application to become associated with an NASD member after a period of five years, a $125,000 fine, and censure.

Frederick Galiardo - former Chairman of the Board and shareholder of F. D. Roberts Securities, Inc.; a bar from association with any NASD member in any capacity with the proviso that he may make application to become associated with an NASD member after a period of five years, a $100,000 fine, and censure.

Robert Humphrey - former national sales manager of F. D. Roberts Securities, Inc.; censure, a suspension for three years from association in all capacities with any NASD member, a $50,000 fine, and a requirement to submit proof of restitution in an amount not less than $125,000 before becoming associated with an NASD member.

Brett A. Bernstein - former registered representative of F. D. Roberts Securities, Inc.; censure, a suspension for three years from association in all capacities with any NASD member, and a $75,000 fine.

Lieb, Humphrey, and Bernstein consented to findings that they violated Article III, Sections 1 and 18 of the NASD's Rules of Fair Practice. Section 18 is the NASD's Anti-Fraud rule, which prohibits the use of any manipulative, deceptive, or other fraudulent device in the purchase or sale of any security. Lieb was also found to have violated the NASD's markup policy.

Kanoff and Galiardo consented to findings that they failed to properly supervise, and Kanoff consented to recordkeeping violations.

F. D. Roberts Securities, Inc., was the sole underwriter for the initial public offering of Frankel Capital Management, Inc., in January 1987, at a price of three cents a unit. Following the public offering, the securities of Frankel were traded in the non-NASDAQ over-the-counter market.

The Association's investigation determined that Lieb and others, aided and abetted by Bernstein, Humphrey, and others, effected transactions in Frankel and induced the purchase and sale of such securities by means of manipulative, deceptive, and other fraudulent devices and contrivances. As part of such fraudulent conduct, the NASD found that these individuals through Roberts had dominated and controlled the trading in Frankel and initiated trading in Frankel by selling units to customers at 15 cents per unit, which represented an arbitrary increase of 400 percent over the public offering price. Lieb and others were also found to have engaged in a course of conduct that operated as a fraud upon purchasers of Frankel in that they charged fraudulently excessive markups in principal sales to customers. In the 1,507 transactions in Frankel included in the NASD's disciplinary action, customers who bought stock from Roberts' inventory were charged fraudulent markups ranging from 25 percent to 107 percent over the prevailing market price, resulting in excess profits to Roberts of at least $500,000.

The action also contained findings that Humphrey, Bernstein, and others failed to make a bona fide public distribution of the Frankel offering by selling to restricted accounts, in contravention of NASD rules. In addition, Kanoff failed to properly maintain required books and records relating to the Frankel underwriting and certain of these restricted accounts.

During the period of the NASD's investigation, Kanoff and Galiardo, were found to have failed to properly supervise the activities of Lieb, Humphrey, Bernstein, and others, which activities contributed to the price manipulation of Frankel, the fraudulent markups, and other misconduct.

The NASD's investigation, which was conducted by its District 12 office in New York, is part of a concerted effort by the Association to eliminate sales practice abuses, fraud, and manipulation in the penny-stock market. In addition to conducting its own investigations, the NASD routinely cooperates with other self-regulatory organizations, the SEC, and governmental law enforcement agencies. In this regard, the NASD cooperated with the Office of the U.S. Attorney for the District of New Jersey in its investigation, which resulted in criminal action relating to Roberts. Additionally, the NASD worked in cooperation with the Bureau of Securities of the State of New Jersey.

The NASD intends to continue cooperating with, and providing assistance to, federal and state securities authorities as part of its efforts to vigorously enforce the securities laws, particularly with regard to fraud and other serious sales practice abuses in penny stocks.

NASD EXPELS FLORIDA FIRM AND BARS PRINCIPAL FOR FRAUDULENT MARKUPS IN PENNY STOCKS

The NASD has announced a disciplinary action against Brownstone-Smith Securities Corp., based in Coral Springs, Florida, and Michael Lewis Donnelly, its President and CEO, for charging fraudulent markups in principal sales to customers of the penny stocks of Ortech Industries, Inc., New Age Industries, Inc., and Leading Edge Industries, Inc., and for other serious misconduct.

Pursuant to their Offer of Settlement, which neither admitted nor denied the allegations of the Complaint filed against them, Brownstone-Smith Securities Corp. was expelled from membership in the Association and Donnelly was barred from association with any NASD member, with the right to re-apply after three years, and both were censured and fined $15,000, jointly and severally.

The firm and Donnelly consented to findings that they violated the Association's markup policy and anti-fraud rule by selling the three securities to customers at markups ranging from 50 percent to 140 percent above the firm's contemporaneous cost.

The firm and Donnelly further consented to Association findings that in connection with an underwriting of the common stock of Thoroughbred Investments, Inc., on a contingency basis, the firm failed to return customers' monies as required by SEC Rule 15c2-4 when the contingency was not met. They also consented to the findings that the firm contravened the SEC disclosure rule relating to contingent offerings (Rule 10b-9) and the anti-manipulation rule (Rule 10b-6).

In an action filed by the SEC, the firm and Donnelly were permanently enjoined by the United States District Court for the Southern District of Florida, from violating the anti-fraud provisions of the federal securities laws and ordered to disgorge $100,000 of the fraudulent markups charged customers. The firm and Donnelly consented to the court's action. Additionally, they agreed that the SEC may revoke the firm's registration as a broker-dealer and bar Donnelly from the securities industry, with the right to apply for re-entry after three years.

The NASD investigation that led to this action is part of a concerted effort by the Association to eliminate sales practice abuses in penny stocks on a nationwide basis. It was conducted by the NASD District 7 office, which is located in Atlanta and is responsible for the monitoring of member firms in Florida, Georgia, South Carolina, eastern and middle Tennessee, Puerto Rico, and the Virgin Islands. The investigation and disciplinary action were coordinated with the actions by the SEC's Miami branch office, as part of an aggressive enforcement program by securities industry regulators to stop fraud in the penny-stock market.

NASD

For Your Information

National Association of Securities Dealers, Inc. July 1989

Nebraska Begins Participation in CRD Phase II Program

Effective July 1, 1989, the State of Nebraska began participation in CRD Phase II, receipt and review of broker-dealer filings. Nebraska will continue to collect the initial Form BD as well as the fee associated with a request for BD registration in the state. Questions regarding Nebraska's filing requirements should be directed to the State Securities Commission at (402) 471-3445.

Series 7 Test Site Changed Temporarily in Atlanta, Permanently in Phoenix and Portland

Series 7 Test Site — Atlanta

The July 15, 1989, and August 19, 1989, Series 7 exam in Atlanta will be held at:

Sheraton Century Hotel
2000 Century Boulevard
Atlanta, GA.

Permanent Site Changes

The Series 7 test site in Phoenix has been permanently relocated to:

Phoenix College
Public Service Building
11th Ave. & Flower
Phoenix, AZ.

The Portland Series 7 test site is now located at:

University of Portland
5000 North Willamette Blvd.
Engineering Building, Room 216
Portland, OR.

Nevada Imposes Agent Transfer Fee; North Dakota Boosts Fees

Effective June 1, 1989, the Nevada Securities Commission imposed an agent transfer fee in the amount of $50.

Effective July 1, 1989, the North Dakota Securities Commission increased all agent and broker-dealer fees. As of that date, the fees for initial registration, transfer, and renewal of agents became $35. The fees for broker-dealer registration and renewal rose to $175.

If you have any questions regarding these changes, please contact NASD Information Services at (301) 590-6500.

NASD

Notice To Members

National Association of Securities Dealers, Inc. July 7, 1989 — Supplement

Number 89 - 54

Suggested Routing:*

✓Senior Management	✓Internal Audit	✓Operations	__Syndicate
__Corporate Finance	✓Legal & Compliance	__Options	✓Systems
__Government Securities	__Municipal	__Registration	✓Trading
__Institutional	__Mutual Fund	__Research	__Training

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

Subject: Correction to Notice to Members 89-48 — All Non-NASDAQ OTC Securities Are Subject to Price and Volume Reporting Effective August 1, 1989

The correct effective date for the requirement for daily price and volume reporting on all non-NASDAQ OTC equity securities is August 1, 1989. The cover page on the recently mailed NASD Notices to Members *and the headline on* Notice to Members *89-48 erroneously gave the wrong effective date. The complete notice appears below.*

EXECUTIVE SUMMARY

Effective August 1, 1989, the requirement to report daily price and volume in non-NASDAQ OTC equity securities (NNOTC) pursuant to Schedule H to the NASD's By-Laws is extended to the entire universe of non-NASDAQ issues. This expands the group of securities subject to the electronic reporting requirement from the list of 5,700 National Securities Clearing Corporation cleared NNOTC securities that was established on September 1, 1988 to approximately 47,000 securities.

BACKGROUND

Notice to Members 88-54 announced the adoption of Schedule H to the NASD By-Laws, requiring the reporting of price and volume in non-NASDAQ over-the-counter equity securities. Specifically, all members executing principal transactions in NNOTC equity securities must electronically report if their aggregate daily volume of purchases or sales exceeds either a minimum of 50,000 shares or $10,000. Members that are NASDAQ subscribers must use their NASDAQ/ Harris terminals, NASDAQ Workstations, or authorized foreign terminal emulations to report, while other firms must use the NASD's Automated Regulatory Reporting System (ARRS) to meet the electronic reporting mandate of Schedule H.

Schedule H is being implemented in two phases. Phase I, which began September 1, 1988, and is still in effect, requires the reporting of price and volume for the group of securities that were being cleared through the National Securities Clearing Corporation (NSCC) at the time Schedule H became effective.

PHASE II IMPLEMENTATION

The second and final implementation phase of Schedule H reporting becomes effective August 1,

1989. In Phase II, *all* NNOTC equity securities are subject to daily price and volume reporting pursuant to the requirements of Schedule H. Refer to the text of Schedule H and *Notice to Members* 88-54, herein incorporated, for more details as to the requirements and mechanics of NNOTC daily price and volume reporting.

It should be emphasized that all non-NASDAQ equity securities are now subject to the requirements of Schedule H, including foreign securities and preferreds.

Symbols for all NNOTC securities can be obtained through the automated symbol directory located on NASDAQ Level 2 and 3 terminals using the XDN.0 command. For those firms using the NASD's ARRS system, symbols are available in a look-up table. Consult the *NNOTC User Guide* for help in use of either the NASDAQ or ARRS reporting vehicles.

For a security that meets the minimum threshold reporting criteria under Schedule H but for which you cannot locate a symbol in the automated directory, call Dottie Kennedy at (212) 858-4340 to obtain symbol information. Members are not relieved of this reporting requirement because of the apparent absence of a symbol in the directory. Similarly, for issue name changes, symbol conflicts, or any matter related to symbols, contact Ms. Kennedy.

For copies of the *User Guide*, assistance in reporting, or to ask any general questions, call the NNOTC hotline at (800) 321-NASD.

ENFORCEMENT ACTIONS

The price and volume reporting requirements under Schedule H were adopted to enhance the NASD's regulatory capabilities to routinely surveil for trading abuses in the NNOTC market. In this regard, an automated surveillance system has been implemented, thereby creating a centralized data base of price and transactions information that is subject to computerized analysis to detect violative practices and abuses such as manipulation, fraudulent pricing and markups, and other serious sales/trading practices.

Recently, the NASD has taken a number of enforcement actions as part of its increased efforts to eliminate fraud in the NNOTC securities market. In addition to carrying out its own investigations, the NASD routinely cooperates with other self-regulatory organizations, the SEC, and governmental law enforcement agencies. Several of these cooperative efforts have resulted in filing criminal charges relating to securities fraud. The NASD intends to continue cooperating with federal and state authorities as part of its efforts to vigorously enforce the securities law, particularly with regard to fraud and other serious sales practice abuses.