

Notice To Members

National Association of Securities Dealers, Inc.

January 1990

Number 90 - 1**Suggested Routing:***

Senior Management
 Corporate Finance
 Government Securities
 Institutional

Internal Audit
 Legal & Compliance
 Municipal
 Mutual Fund

Operations
 Options
 Registration
 Research

Syndicate
 Systems
 Trading
 Training

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

REQUEST FOR COMMENTS

Subject: Proposed Amendment to Schedule C to the NASD By-Laws Re: Fees Charged by Members to Applicants for Registration

EXECUTIVE SUMMARY

The NASD requests comments on proposed amendments to Schedule C to the NASD By-Laws that will require members to disclose to applicants for registration the specific purpose of any fees collected from such applicants for registration or licensing purposes and that will require members to refund the unused portion of such fees in the event the applicant withdraws from the registration process.

BACKGROUND

Many member firms require applicants to pay, in advance, a portion or the entire cost of the qualification, training, and registration process. The NASD Board of Governors is concerned that, although this practice may serve a motivational purpose, there is a potential for abuse by member firms. The NASD has received a number of complaints from persons who were required to pay to member firms substantial amounts in advance of the initiation of the registration process and, when such persons withdrew from the process prior to registration, none of the fees collected were returned.

PROPOSED AMENDMENT

The Board of Governors believes that the decision on whether the applicant or the member pays training and registration costs should be left to each member firm. The Board feels, however, that an amendment to Schedule C of the By-Laws should be adopted that would require a member firm, which requires applicants for registration to pay some or all of such fees, to provide the applicant with an itemized accounting of the costs incurred. In addition, the amendment would require the member firm to refund any unused portion of the fees collected if the applicant withdraws from the registration process for any reason.

An example of the application of this proposal would be a situation in which a member firm collects monies from an applicant to cover an examination training course, NASD registration and examination fees, a testing fee for the Series 63 Uniform Securities Agent State Law Examination, and licensing fees for three states. Under the proposed amendment, the member must give the applicant an itemized accounting of these expected costs at the time the applicant pays. If the applicant completes the training courses after the firm applies for the NASD examination and registration but withdraws from registration before the member commits the state registration fees, the applicant

must receive an itemized refund of anticipated but unspent state fees.

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

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

Questions concerning this notice may be directed to Craig Landauer, Senior Attorney, at (202) 728-8291, or to David Uthe, Senior Qualifications Analyst, at (301) 590-6695.

Comments must be received no later than **February 20, 1990**. Changes to Schedule C to the NASD By-Laws must be approved by the Board of Governors and filed with and approved by the SEC before becoming effective.

**PROPOSED NEW PART
IN SCHEDULE C
TO THE BY-LAWS**

(Note: New text is underlined.)

VIII

Fees Collected From Applicants

(1) No member may require its applicants for registration to pay any portion of the costs of registration or licensure with the NASD, other securities industry self-regulatory organizations, or state securities administrators unless such applicants are provided with an itemized accounting of the costs to be incurred and the member makes provision for the refund to the applicant of any unspent portion of the amounts collected in the event the applicant withdraws for any reason from the registration process.

(2) For purposes of this rule, the term "costs of registration or licensure" shall mean such amounts required to meet the registration, testing, and licensing fees of the NASD, other securities industry self-regulatory organizations or state securities administrators; the costs of training applicants for registration to meet all applicable regulatory qualification requirements and any member training requirements; and overhead costs incurred by the member in the recruitment, hiring, and training of applicants for registration.

Subsequent parts to be renumbered consecutively.

Notice To Members

National Association of Securities Dealers, Inc.

January 1990

Number 90 - 2

Suggested Routing:*

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

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Subject: Supervisory Obligations for Members That Employ or Intend to Employ Statutorily Disqualified Persons

EXECUTIVE SUMMARY

The NASD reminds members that have employed a statutorily disqualified person of the seriousness with which the NASD views these members' obligation to adequately discharge their supervisory responsibilities with respect to such disqualified persons. In addition, the NASD reminds members that intend to employ a statutorily disqualified person that such person may not conduct any activities on behalf of the member until the member has received the proper regulatory approvals. Furthermore, a member's failure to abide completely by any supervisory undertakings with respect to statutorily disqualified persons may result in disciplinary action against the member and its supervisory personnel.

BACKGROUND

The NASD Board of Governors has become concerned about a number of recent disciplinary actions against members and supervisory personnel who have failed to discharge their supervisory obligations for statutorily disqualified¹ persons employed by the member and against members that allowed disqualified persons to act as associated

persons of the member prior to the member receiving the proper regulatory approvals. Several of these actions have resulted in bars, suspensions, and substantial monetary sanctions being assessed against the members and individuals involved.

Members that seek to employ statutorily disqualified persons are required to file Form MC-400, which outlines the proposed supervisory program for such person, at the time the member requests such person's registration. One section of Form MC-400 is titled "Applicant's Certification" and, in this section, the member must certify that it will diligently supervise the activities of the disqualified person. Prior to the individual becoming registered with the member, the MC-400, other documents, and, in many cases, representations made at a hearing will be reviewed by the NASD Board of Governors. The specific representations regarding supervision will become conditions on which the association will be approved by the NASD and, in many cases, the Securities and Exchange Commission. The member is, thereafter, required to supervise the individual precisely in

¹"Statutory disqualifications" are defined in Sections 3(a)(39) and 15(b)(4) of the Securities Exchange Act of 1934 and Article II, Sections 3 and 4 of the NASD By-Laws.

accordance with its representations unless it reappears to the NASD to modify the manner of supervision.

The NASD district office examination staff routinely examines members that employ disqualified persons to determine if the member is discharging its supervisory obligation with respect to such disqualified person in the manner described in its application. Two of the most common problems that the NASD has encountered regarding these supervisory programs is that members either change supervisors for or the work location of the disqualified person without obtaining NASD approval in advance of such change. Another problem observed is that some members apparently believe that, over time, special supervisory undertakings may be relaxed or ignored without NASD approval.

The Board wishes to reiterate that its policy with respect to changes in the supervisory program for disqualified persons is that *any* change in supervision, the method of supervision, or position or

duties of the disqualified person at any time after the association is approved must receive prior approval of the NASD before such change is implemented. Failure to obtain NASD approval, in advance, may result in formal disciplinary action being taken against the member and the principals designated as those responsible for monitoring the supervisory program for the disqualified person.

The Board also reminds members that intend to make application to employ a statutorily disqualified person that, during the period of NASD and, in many cases, SEC consideration of such application, the disqualified person may not conduct any activities on behalf of the member. If the member allows any disqualified person or persons to conduct such activities, the NASD has the authority under Articles VI and VIII of the Code of Procedure to suspend or cancel the broker-dealer's membership in the NASD.

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

Notice To Members

National Association of Securities Dealers, Inc.

January 1990

Number 90 - 3**Suggested Routing:*** Senior Management Corporate Finance Government Securities Institutional Internal Audit Legal & Compliance Municipal Mutual Fund Operations Options Registration Research Syndicate Systems Trading Training

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

Subject: 1990 Registration Renewal Rosters and Final Adjusted Invoices**EXECUTIVE SUMMARY**

The 1989-90 NASD broker-dealer and agent registration renewal cycle begins its second phase this month. Information in this notice is published to assist members in reviewing, reconciling, and responding to the final adjusted invoice packages that the NASD will mail to all firms in mid-January.

FINAL ADJUSTED INVOICE PACKAGES

On or about January 12, 1990, the NASD will mail final adjusted invoices and renewal rosters to all NASD member firms. The invoice will reflect the year-end 1989 total of fees for NASD personnel assessments, NASD branch-office fees, New York Stock Exchange (NYSE) and American Stock Exchange (ASE) maintenance fees, state agent renewal fees, and state broker-dealer renewal fees. It also will reflect payment submitted by an NASD member in response to the initial renewal invoice mailed in November 1989. The final invoice will include a renewal roster that lists each firm's NASD and, if applicable, NYSE- and ASE-registered personnel as of year-end 1989. In addition, the roster will list alphabetically all firm agents whose registrations were renewed in states. Firms with active NASD branch offices as of October 1, 1989, will receive a branch-office roster in

addition to the agent roster.

A member's final invoice will show an "amount due," a "credit due," or a "zero balance due." If a firm's year-end 1989 total of NASD, NYSE, ASE, and state renewal fees exceeded the firm's payment submitted in response to the initial renewal invoice, the NASD paid the additional renewal fees due at year-end on behalf of the member and will mail an "amount due" invoice to collect that sum. If the invoice shows an amount due, submit a check, along with the top portion of the invoice, and mail it in the return envelope provided. Payments should be received by the NASD no later than March 2, 1990.

If a firm's payment submitted in response to the initial renewal invoice exceeded its year-end 1989 total of NASD, NYSE, ASE, and state renewal fees, a "credit due" invoice will be issued. If your firm's invoice shows a credit due and you would like it paid to your firm, please detach and sign the top portion of the invoice and send it to: Kelly O. Palmer, Special Registration Review, NASD, Inc., 9513 Key West Avenue, Rockville, Maryland 20850. If the NASD does not receive a request for a refund check by March 2, 1990, the credit amount will be applied to your firm's Central Registration Depository account.

Final adjusted invoices showing a zero balance due require no further action on the part of the member.

REVIEWING THE RENEWAL ROSTER

Member renewal rosters include all agent registrations renewed for 1990. Since registrations that were pending approval or were deficient at year-end 1989 were not assessed renewal fees, those registrations will not be reported on the renewal roster. Members should examine their rosters carefully to ensure that all registration approvals and terminations are properly reflected.

If discrepancies exist, they should be reported in writing along with supporting documentation, such as Notices of Approval/Termination, Forms U-4 or U-5, or Schedule E amendments. Report the discrepancy directly to the NASD, NYSE, ASE, or the applicable state. All renewal-roster discrepan-

cies should be reported by March 16, 1990.

The inside cover of the renewal roster contains detailed instructions to assist members in completing the renewal process. Questions regarding this notice may be directed to NASD Information Services at (301) 590-6500.

Note: The Colorado Securities Commission moved to new quarters effective December 18, 1989. The address that appears on your roster cover is the old address. The new address is:

1580 Lincoln Street
Suite 420
Denver, Colorado 80203.

Notice To Members

National Association of Securities Dealers, Inc.

January 1990

Number 90 - 4

Suggested Routing:*

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

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Subject: Trade Date-Settlement Date Schedule for 1990

Martin Luther King, Jr., Day: Trade Date-Settlement Date Schedule

The schedule of trade dates-settlement dates below reflects the observance by the financial community of Martin Luther King, Jr., Day, Monday, January 15, 1990. On January 15, the NASDAQ System and the exchange markets will be open for trading. However, it will not be a settlement date because many of the nation's banking institutions will be closed.

Trade Date	Settlement Date	Reg. T Date*
January 4	11	15
5	12	16
8	16	17
9	17	18
10	18	19
11	19	22
12	22	23
15	22	24
16	23	25

buy-ins and sell-outs, as provided in the Uniform Practice Code, will not be made and/or exercised on January 15.

Presidents' Day: Trade Date-Settlement Date Schedule

Securities markets and the NASDAQ System will be closed on Monday, February 19, 1990, in observance of Presidents' Day. "Regular way" transactions made on the preceding business days will be subject to the settlement date schedule listed below.

Trade Date	Settlement Date	Reg. T Date*
February 9	16	21
12	20	22
13	21	23
14	22	26
15	23	27
16	26	28
19	Markets Closed	—
20	27	March 1

Note: January 15, 1990, is considered a business day for receiving customers' payments under Regulation T of the Federal Reserve Board.

Transactions made on January 15 will be combined with transactions made on the previous business day, January 12, for settlement on January 22. Securities will not be quoted ex-dividend, and settlements, marks to the market, reclamations, and

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

**Good Friday: Trade
Date-Settlement Date Schedule**

Securities markets and the NASDAQ System will be closed on Good Friday, April 13, 1990.

"Regular way" transactions made on the business days immediately preceding that day will be subject to the following schedule:

Trade Date	Settlement Date	Reg. T Date*
April 5	12	17
6	16	18
9	17	19
10	18	20
11	19	23
12	20	24
13	Markets Closed	—
16	23	25

**Memorial Day: Trade
Date-Settlement Date Schedule**

Securities markets and the NASDAQ System will be closed on Monday, May 28, 1990, in observance of Memorial Day. "Regular way" transactions made on the business days noted below will be subject to the following schedule:

Trade Date	Settlement Date	Reg. T Date*
May 18	May 25	May 30
21	29	31
22	30	June 1
23	31	4
24	June 1	5
25	4	6
28	Markets Closed	—
29	5	7

**Independence Day: Trade
Date-Settlement Date Schedule**

Securities markets and the NASDAQ System will be closed on Wednesday, July 4, 1990, in observance of Independence Day. "Regular way" transactions made on the business days noted below will be subject to the following schedule:

Trade Date	Settlement Date	Reg. T Date*
June 26	July 3	July 6
27	5	9
28	6	10
29	9	11
July 2	10	12

Trade Date	Settlement Date	Reg. T Date*
3	11	13
4	Markets Closed	—
5	12	16

**Labor Day: Trade
Date-Settlement Date Schedule**

Securities markets and the NASDAQ System will be closed on Monday, September 3, 1990, in observance of Labor Day. "Regular way" transactions made on the business days noted below will be subject to the following schedule:

Trade Date	Settlement Date	Reg. T Date*
August 24	August 31	September 5
27	September 4	6
28	5	7
29	6	10
30	7	11
31	10	12
September 3	Markets Closed	—
4	11	13

**Columbus Day: Trade
Date-Settlement Date Schedule**

The schedule of trade dates-settlement dates below reflects the observance by the financial community of Columbus Day, Monday, October 8, 1990. On this day, the NASDAQ System and the exchange markets will be open for trading. However, it will not be a settlement date since many of the nation's banking institutions will be closed in observance of Columbus Day.

Trade Date	Settlement Date	Reg. T Date*
September 27	October 4	October 8
28	5	9
October 1	9	10
2	10	11
3	11	12
4	12	15
5	15	16
8	15	17
9	16	18

Note: October 8, 1990, is considered a business day for receiving customers' payments under Regulation T of the Federal Reserve Board.

Transactions made on Monday, October 8,

will be combined with transactions made on the previous business day, October 5, for settlement on October 15. Securities will not be quoted ex-dividend, and settlements, marks to the market, reclamations, and buy-ins and sell-outs, as provided in the Uniform Practice Code, will not be made and/or exercised on October 8.

**Veteran's Day and Thanksgiving Day:
Trade Date-Settlement Date Schedule**

The schedule of trade dates-settlement dates below reflects the observance by the financial community of Veteran's Day, Monday, November 12, 1990, and Thanksgiving Day, Thursday, November 22, 1990. On Monday, November 12 the NASDAQ System and the exchange markets will be open for trading. However, it will not be a settlement date since many of the nation's banking institutions will be closed in observance of Veteran's Day. All securities markets will be closed on Thursday, November 22, in observance of Thanksgiving Day.

Trade Date	Settlement Date	Reg. T Date*
November 1	8	12
2	9	13
5	13	14
6	14	15
7	15	16
8	16	19
9	19	20
12	19	21
13	20	23
14	21	26
15	23	27
16	26	28
19	27	29
20	28	30
21	29	December 3
22	Markets Closed	—
23	30	4

Note: November 12, 1990 is considered a business day for receiving customers' payments under Regulation T of the Federal Reserve Board.

Transactions made on November 12 will be combined with transactions made on the previous day, November 9, for settlement on November 19. Securities will not be quoted ex-dividend, and settlements, marks to the market, reclamations, buy-ins, and sell-outs, as provided in the Uniform Practice Code, will not be made and/or exercised on November 12.

**Christmas Day and New Year's Day:
Trade Date-Settlement Date Schedule**

Securities markets and the NASDAQ System will be closed on Tuesday, December 25, 1990, Christmas Day, and Tuesday, January 1, 1991, New Year's Day. "Regular way" transactions made on the preceding business days will be subject to the settlement date schedule listed below.

Trade Date	Settlement Date	Reg. T Date*
Dec. 17, 1990	24	27
18	26	28
19	27	31
20	28	Jan. 2, 1991
21	31	3
24	Jan. 2, 1991	4
25	Markets Closed	—
26	3	7
27	4	8
28	7	9
31	8	10
Jan. 1, 1991	Markets Closed	—
2	9	11

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

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

Notice To Members

National Association of Securities Dealers, Inc.

January 1990

Number 90 - 5

Suggested Routing:*

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

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Subject: NASDAQ National Market Additions, Changes, and Deletions As of December 12, 1989

As of December 12, 1989, the following 33 issues joined the NASDAQ National Market, bringing the total number of issues to 2,713:

Symbol	Company	Entry Date	SOES Execution Level
PBCI	Pamrapo Bancorp, Inc.	11/14/89	500
FAMRB	First American Financial Corporation (The) (CI B)	11/15/89	1000
SLTN	Solectron Corporation	11/15/89	1000
CARS	URCARCO, INC.	11/15/89	1000
PRCY	ProCyle Corporation	11/16/89	1000
IMGN	ImmunoGen, Inc.	11/17/89	500
RECPZ	Receptech Corporation	11/17/89	500
BKLA	BKLA Bancorp	11/21/89	200
CAER	Caere Corporation	11/21/89	1000
GEHL	Gehl Company	11/21/89	1000
HTRFZ	Hollywood Park Enterprises, Inc.	11/21/89	1000
ILIO	Ilio, Inc.	11/21/89	1000
ILIOW	Ilio, Inc. (Wts)	11/21/89	1000
PLAY	Players International, Inc.	11/21/89	1000
VIST	Vista Resources, Inc.	11/21/89	1000
YSCO	Yes Clothing Co.	11/21/89	1000
CHMXM	Chemex Pharmaceuticals, Inc. (10/31/94 Wts)	11/27/89	500
BTBTY	BT Shipping Limited	11/28/89	200
RENL	REN Corporation-USA	11/28/89	1000
LSCP	Laserscope	11/30/89	1000
BKNGD	Banknorth Group, Inc.	12/1/89	500
VIFS	Village Financial Services, Inc.	12/4/89	1000
BSTN	Boston Technology, Inc.	12/5/89	1000

Symbol	Company	Entry Date	SOES Execution Level
CLZR	Candela Laser Corporation	12/5/89	1000
CUNB	Cupertino National Bancorp	12/5/89	200
PTEL	People's Telephone Company, Inc.	12/5/89	1000
ROBC	Robec, Inc.	12/5/89	1000
CYTOP	Cytogen Corporation (Pfd)	12/6/89	1000
SSPW	Sun Sportswear, Inc.	12/6/89	1000
TWFS	TW Holdings, Inc.	12/6/89	1000
CALLA	Cellular Information Systems, Inc. (CI A)	12/8/89	1000
IFDCA	Industrial Funding Corp. (CI A)	12/8/89	1000
PMTC	Parametric Technology Corporation	12/8/89	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
AVRX	Aerovox Incorporated	New Bedford, MA	500
AZTR	Aztar Corporation	Phoenix, AZ	1000
BORL	Borland International, Inc.	Scotts Valley, CA	1000
XUPS	Exide Electronics Group, Inc.	Raleigh, NC	1000
FBCI	Financial Bancorp, Inc.	Long Island City, NY	500
HENG	The Henley Group, Inc.	Hampton, NH	1000
KMCI	Keegan Management Company	San Jose, CA	200
MAFB	MAF Bancorp, Inc.	Clarendon Hills, IL	1000
MIPS	MIPS Computer Systems, Inc.	Sunnyvale, CA	1000
MMDI	Momentum Distribution, Inc.	Bellevue, WA	1000
ODEC	Odeco, Inc.	New Orleans, LA	1000

NASDAQ National Market Symbol and/or Name Changes

The following changes to the list of NASDAQ National Market securities occurred since November 13, 1989.

New/Old Symbol	New/Old Security	Date of Change
ENSO/NOAX	Envirosource, Inc./NEOAX, Inc.	11/15/89
LYTS/LYTS	LSI Industries, Inc./LSI Lighting Systems, Inc.	11/20/89
MFSL/MFSL	Maryland Federal Bancorp, Inc./Maryland Federal Savings & Loan Association	11/20/89
FFUT/FFUT	First Federal Savings Bank/First Federal Savings & Loan Association of Salt Lake City	11/22/89
ALTA/SILV	Alta Gold Co./Silver King Mines, Inc.	11/27/89
CFIXW/CFIXW	Chemfix Technologies, Inc. (12/15/90 Wts)/Chemfix Technologies, Inc. (12/15/89 Wts)	11/27/89
FFTN/FFTN	Fidelity Bancshares, Inc./Fidelity Federal Savings and Loan Association of Tennessee	12/1/89
VALY/WCCC	Vallicorp Holdings, Inc./Western Commercial, Inc.	12/1/89
INTL/INTLA	Inter-Tel, Incorporated/Inter-Tel, Incorporated (CI A)	12/5/89

New/Old Symbol	New/Old Security	Date of Change
CJFC/CJSB	Central Jersey Financial Corporation/Central Jersey Savings Bank, S.L.A.	12/12/89

NASDAQ National Market Deletions

Symbol	Security	Date
IGEI	International Genetic Engineering, Inc.	11/14/89
DILO	Digilog, Inc.	11/15/89
HASRQ	Hauserman, Inc.	11/15/89
HIPC	High Plains Corporation	11/15/89
PRXS	Praxis Biologics, Inc.	11/15/89
QNTXQ	Qintex Entertainment, Inc.	11/15/89
RSIC	RSI Corporation	11/16/89
MTLI	Marine Transport Lines, Inc.	11/17/89
CNVX	Convex Computer Corporation	11/20/89
PSBX	Peoples Savings Bank, F.S.B.	11/20/89
EILI	E.I.L. Instruments, Inc.	11/21/89
INCRF	Inca Resources, Inc.	11/21/89
FONRE	Fonar Corporation	11/24/89
HVDKE	Harvard Knitwear, Inc.	11/24/89
SAFE	Security American Financial Enterprises, Inc.	11/24/89
PASI	Pacific Silver Corporation	11/27/89
MSTI	Medical Sterilization, Inc.	11/28/89
NGAS	Associated Natural Gas Corporation	11/29/89
BKNG	Banknorth Group, Inc.	12/1/89
FIRO	First Ohio Bancshares, Inc.	12/1/89
HOBC	Howard Bancorp	12/1/89
NOXLB	Noxell Corporation (CI B)	12/1/89
SGHB	Sag Harbor Savings Bank	12/1/89
SKIP	Skipper's, Inc.	12/1/89
AMSB	American Savings Financial Corporation	12/4/89
PFFS	Pacific First Financial Corporation	12/4/89
STPT	Starpointe Savings Bank	12/4/89
CCCI	3CI Incorporated	12/6/89
ACMS	CMS Enhancements, Inc.	12/6/89
PMWI	PACE Membership Warehouse, Inc.	12/7/89
ALFL	Alliance Financial Corporation	12/8/89
ETRC	Entree Corporation	12/8/89

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.

Notice To Members

National Association of Securities Dealers, Inc.

January 1990

Number 90 - 6

Suggested Routing:*

- Senior Management
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- Government Securities
- Institutional

- Internal Audit
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Subject: Annual Check List of NASD Notices to Members

The NASD published the following *Notices to Members* during 1989. Duplicate copies are available at \$15 per monthly issue. Requests, accompanied by a self-addressed mailing label and a check payable to the National Association of Securities Dealers, Inc., should be sent to NASD Book Order Department, P.O. Box 9403, Gaithersburg, MD 20898-9403.

Notice	Date	Topic	Notice	Date	Topic
					Schedule for 1989
			89-10	1/89	NASDAQ National Market Additions, Deletions, and Changes as of December 13, 1988
			89-11	2/89	SEC Approval of Rule Amendment Requiring Filing of Advertising and Sales Literature for Investment Company Securities
89-1	1/89	Proposed By-Laws Amendment on Filling Vacancies on District Committees	89-12	2/89	Reporting Suspicious Currency and Other Questionable Transactions to the IRS/Customs Hotline
89-2	1/89	Proposed New Rule Re: Business Conduct of Members	89-13	2/89	Access to Disciplinary Information on Prospective Employees
89-3	1/89	Proposed Rule to Restrict Payment of Referral Fees by NASD Members	89-14	2/89	SEC Approves Amendments to Rule 17f-1, Lost and Stolen Securities Program
89-4	1/89	Proposed Mandatory Participation by Clearing Members in Reconfirmation and Pricing Services	89-15	2/89	Adoption of Rule Amendment to Permit Withdrawal of Quotations from NASDAQ for Market-Maker Vacations
89-5	1/89	Insider Trading and Securities Fraud Enforcement Act of 1988	89-16	2/89	Amendment to Appendix F Permitting Indeterminate Compensation in Public Direct Participation Programs
89-6	1/89	State Participation in CRD Form BD and BDW Processing	89-17	2/89	Adoption of Rule Amendments Mandating the Automated Submission of Trading Data
89-7	1/89	1989 Renewal Rosters and Final Adjusted Invoices			
89-8	1/89	NASD 1989 Holiday Schedule			
89-9	1/89	Trade Date-Settlement Date			

Notice to Members 90-6

Notice	Date	Topic	Notice	Date	Topic
89-18	2/89	Technical Specifications Presidents' Day: Trade Date- Settlement Date Schedule	89-33	4/89	Proposed Amendments to Article III, NASD Code of Procedure Re: Board of Governors' Re- views of Disciplinary Actions
89-19	2/89	NASDAQ National Market Additions, Deletions, and Changes as of January 12, 1989	89-34	4/89	Guidelines for Compliance With Article III, Section 27 of the NASD Rules of Fair Prac- tice Re: Supervisory Practices and Procedures
89-20	2/17/89	Proposed Amendments to Article III, Sections 1-28 of the NASD Rules of Fair Practice	89-35	4/89	Misuse of "No Load" Termi- nology in the Offer of Mutual Funds That Have Contingent Deferred Sales Loads
89-21	3/89	Proposed Amendment Re: Predispute Arbitration Clauses in Customer Agreements	89-36	4/89	SIPC Trustee Appointed for Investors Center, Inc.
89-22	3/89	Proposed Amendment Re: Use and Disclosure of Member Names	89-37	4/89	NASDAQ National Market Additions, Changes, and Deletions as of March 13, 1989
89-23	3/89	Proposed Amendment Re: Pro- viding Terminated Employees With Form U-5 and Obtaining Prior Form U-5 for Potential Employees	89-38	4/89	Quarterly Check List of Notices to Members
89-24	3/89	Proposed Amendment to Schedule C to the NASD By-Laws to Amend the Defini- tion of a Direct Participation Program	89-39	5/89	Proposed New Rule Re: Hand- ling Customer Limit Orders
89-25	3/89	SIPC Reimposes Assessments Based on Percentage of Gross Revenue	89-40	5/89	Proposed Amendment to Code of Procedure Re: Summary Remedial Proceedings
89-26	3/89	Securities and Exchange Com- mission's Proposed Rule 15c2-6 Re: Sales Practices in Pink Sheet Stocks	89-41	5/89	SEC Approval of By-Laws Amendment on Filling Vacan- cies on District Committees
89-27	3/89	Treasury Finalizes Two Amend- ments Re: Currency Transac- tions; Reissues Current Cur- rency Transaction Report Form	89-42	5/89	Memorial Day Trade Date- Settlement Date Schedule
89-28	3/89	Approval and Immediate Effec- tiveness of Amendment to Defi- nition of "Bona Fide Research" Under Article III, Section 24 of NASD Rules of Fair Practice	89-43	5/89	NASDAQ National Market Additions, Changes, and Deletions as of April 13, 1989
89-29	3/89	SOES Tier Levels to Change for 575 Issues on March 17, 1989	89-44	6/89	Amendment to Uniform Prac- tice Code Re: Mandatory Buy- Ins for Cash or Guaranteed De- livery, Effective June 1, 1989
89-30	3/89	Good Friday Trade Date- Settlement Date Schedule	89-45	6/89	Independence Day Trade Date- Settlement Date Schedule
89-31	3/89	NASDAQ National Market Additions, Deletions, and Changes as of February 10, 1989	89-46	6/89	NASDAQ National Market Additions, Changes, and Deletions as of May 15, 1989
89-32	3/89	Temporary Receiver Appointed for Investors Center, Inc.	89-47	7/89	Notice to Membership of Disci- plinary Actions; Publication of Sanctions; Availability of NASD Manual
			89-48	7/89	All Non-NASDAQ OTC Secur- ities Are Subject to Price and Volume Reporting Effective September 1, 1989

Notice to Members 90-6

Notice	Date	Topic	Notice	Date	Topic
89-49	7/89	SEC Approval of Amendment to Schedule C of NASD By-Laws to Require Members to Submit Applications for and Maintain Registration of Only Such Persons Who Intend to Engage or Are Engaged in the Investment Banking or Securities Business for the Member	89-58	8/89	Potential Employees — Effective September 1, 1989 Amendment Re: Predispute Arbitration Clauses in Customer Agreements
89-50	7/89	NASD Initiates Computerized Extension Request Service for Regulation T and SEC Rule 15c3-3; New Form Required	89-59	8/89	Report on Group of Thirty Recommendations Regarding Clearance and Settlement and Request for Comments
89-51	7/89	Proposed Amendments to Article III, Section 26, of the NASD Rules of Fair Practice Re: Cash and Noncash Concessions in Connection with the Retail Sale of Investment-Company Securities	89-60	8/89	Labor Day Trade Date-Settlement Date Schedule
89-52	7/89	SEC Approval of Amendment to Schedule C of By-Laws to Establish Waiting Periods Between Attempts to Pass Qualification Examinations	89-61	8/89	NASDAQ National Market Additions, Changes, and Deletions as of July 12, 1989
89-53	7/89	NASDAQ National Market Additions, Changes, and Deletions as of June 14, 1989	89-62	9/89	Columbus Day Trade Date-Settlement Date Schedule
89-54	7/7/89	Correction to Notice to Members 89-48 — All Non-NASDAQ OTC Securities Are Subject to Price and Volume Reporting Effective August 1, 1989	89-63	9/89	NASDAQ National Market Additions, Changes, and Deletions as of August 11, 1989
89-55	8/89	Proposed Amendments to the NASD Uniform Practice Code Re: Clearly Erroneous Trades; and Proposed Amendments to Article IX of the NASD Code of Procedure Re: Non-NASDAQ Grievances	89-64	10/89	SEC Approval of Fair Practice Amendment Re: The Conduct of Accounts Engaged in Uncovered Short Option Transactions
89-56	8/89	Proposed Amendments to NASD Uniform Practice Code Re: Mandatory Buy-In for Short Sales	89-65	10/89	SEC Adoption of Rule 15c2-6 Re: Sales Practice and Suitability Requirements for Certain Low-Priced Securities
89-57	8/89	SEC Approval of By-Law and Rule of Fair Practice Amendments on Providing Terminated Employees With Form U-5 and Obtaining Prior Form U-5 for	89-66	10/89	Size of "Normal" Unit of Trading for NASDAQ-Listed Debentures
			89-67	10/89	SOES Tier Levels to Change for 521 Issues on October 9, 1989
			89-68	10/89	NASDAQ National Market Additions, Changes, and Deletions as of September 14, 1989
			89-69	10/11/89	SEC Proposes Significant Amendments to the Net Capital Rule
			89-70	11/89	Automated Submission of Trading Data
			89-71	11/89	SEC Approval of Amendments to Article IV, Section 1, and Article VI of the Rules of Fair Practice on Notice to Membership of Disciplinary Actions, Publication of Sanctions, and Availability of <i>NASD Manual</i>
			89-72	11/89	Broker-Dealer and Agent Renewals for 1989-90
			89-73	11/89	Revisions to Certain NASD

Notice to Members 90-6

Notice	Date	Topic	Notice	Date	Topic
		Qualification Examinations			Re: Disclosure on Confirmations When Investment Companies Impose a Deferred Sales Charge on Redemption
89-74	11/89	Thanksgiving Day: Trade Date-Settlement Date Schedule			
89-75	11/89	NASDAQ National Market Additions, Changes, and Deletions as of October 12, 1989	89-78	12/89	Availability of Two New NASD Categories of Registration and Qualification Examinations
89-76	12/89	Mandatory Participation by Self-Clearing Firms in the Automated Confirmation Transaction (ACT) Service Set for First Quarter 1990	89-79	12/89	NASD 1990 Holiday Schedule
			89-80	12/89	Christmas Day and New Year's Day: Trade Date-Settlement Date Schedule
89-77	12/89	Proposed Amendments to Article III, Section 12 of the NASD Rules of Fair Practice	89-81	12/89	NASDAQ National Market Additions, Changes, and Deletions as of November 13, 1989

Disciplinary Actions

National Association of Securities Dealers, Inc.

January 1990

Disciplinary Actions Reported for January

The 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 Tuesday, January 2, 1990. The information relating to matters contained in this notice is current as of the 20th of the month preceding the date of the notice. Information received subsequent to the 20th is not reflected in this publication.

FIRMS SUSPENDED, INDIVIDUALS SANCTIONED

R.L. Smith & Associates, Inc. n/k/a R.A. Johnson & Company, Inc. (Salt Lake City, Utah), Robert L. Smith (Registered Principal, Sacramento, California), Claire A. Singleton (Registered Principal, Salt Lake City, Utah), Kelly N. Trimble (Registered Representative, Salt Lake City, Utah), and James A. Willis (Registered Representative, Sandy, Utah). The firm was fined \$2,000, suspended from membership in the NASD for one day, and prohibited from executing principal transactions for retail customers for 30 days. Robert Smith and Singleton were each fined \$2,000, suspended from association with any member of the NASD in any capacity for 30 days, and suspended from association with any NASD member in a principal capacity for two years. Trimble and Willis were each fined \$2,000 and suspended from association with any member of the NASD in any capacity for 60 days. The sanctions and findings concerning the firm and Singleton were affirmed by the Securities and Exchange Commission, and those concerning Smith, Trimble, and Willis were imposed by the NASD's Board of Governors following an appeal of a decision rendered by the District Business Conduct Committee for District 3.

The sanctions were based on findings that the firm, acting through Smith and Singleton, conducted a securities business while failing to maintain the required minimum net capital; failed to prepare and maintain a current and detailed description of procedures concerning possession and control requirements; delivered customer fully paid securities to satisfy open contracts with other broker-dealers; neglected to take prompt steps to

obtain possession and control of customer securities that were in a deficit position; and, at various times, failed to comply with Regulation T, promulgated by the Federal Reserve Board. The firm, acting through Singleton, Trimble, and Willis, executed and had knowledge of numerous sham transactions in 14 interrelated customer and nominee accounts for the purpose of creating tax losses; intentionally allowed these customer accounts to continue to transact a securities business with the full knowledge that the accounts were all nominees for one individual; and failed to maintain names of the accurate owner of such customer accounts on the firm's new account records. The firm, acting through Singleton, failed to supervise its representatives regarding these transactions. R.L. Smith failed to maintain sufficient customer funds in the special reserve account. The firm, acting through Smith and Singleton, failed to maintain accurate books and records; failed to properly conduct quarterly box counts; failed to comply with the NASD's voluntary restrictive agreement; failed to prefile its advertisements with the Association; and failed to display the Securities Investor Protection Corp. logo.

FIRMS FINED, INDIVIDUALS SANCTIONED

The Cambridge Group, Inc. (Los Angeles, California), Lawrence Jay Hold (Registered Representative, Santa Monica, California), Donald Patrick Hateley (Registered Principal, Los Angeles, California), and Wendy Joy Seretan (Registered Principal, Los Angeles, California). The firm, Hateley, and Seretan were fined \$55,000, jointly and severally. Hold was fined \$64,000 and suspended from association with

any member of the NASD in any capacity for three months. 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 2. The sanctions were based on findings that the firm, acting through Hateley and Seretan, paid or caused the payment of referral fees totalling \$49,437.50 for transactions in direct participation programs to Hold, who was associated but not registered with the firm. Hold engaged in private securities transactions without providing prior written notification to his member firm.

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

Cornwall, Abbott & Gray, Inc. (Newport Beach, California) and Graham R. Jones (Registered Principal, Irvine, California) were fined \$15,000, jointly and severally. 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 2. The sanctions were based on findings that the firm, acting through Jones, charged unfair and unreasonable commissions on 32 transactions in foreign currency options executed on behalf of public customers.

Jones has appealed this decision to the Securities and Exchange Commission, and the sanctions against him are not effective pending consideration of the appeal.

DeRand Investment Corporation of America n/k/a DeRand/Pennington/Bass, Inc. (Arlington, Virginia) and W. David Powell (Registered Representative, Springfield, Virginia) submitted an Offer of Settlement pursuant to which they were fined \$35,000, jointly and severally. Without admitting or denying the allegation, the firm and Powell consented to the described sanctions and findings that the firm, acting through Powell, sold various municipal bonds to customers at prices that were unfair and unreasonable in relation to the prevailing market.

Lloyd M. Ebert & Associates (San Jose, California), Lloyd Martin Ebert (Registered Principal, San Jose, California), and James Edward Lewis (Registered Representative, San Jose, California). The firm was fined \$25,000; Ebert was fined \$25,000 and barred from associa-

tion with any member of the NASD in a principal or supervisory capacity; and Lewis was fined \$52,393 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Ebert & Associates, acting through Ebert and Lewis, participated in the offer and sale of limited-partnership interests on a best-efforts basis and received investor funds without depositing those funds into an escrow account, and offered and sold interests to 12 investors without making certain required disclosures. The firm, acting through Ebert, failed to establish and maintain written supervisory procedures that would have enabled it to properly supervise Lewis. Also, Lewis misappropriated and converted \$17,393 of partnership funds to his own use and benefit.

Nicholas, Lawrence & Co., Inc. (Red Bank, New Jersey) and Nicholas J. Guiliano (Registered Principal, Seaside Heights, New Jersey) submitted an Offer of Settlement pursuant to which they were fined \$10,000, jointly and severally. Guiliano was suspended from association with any member of the NASD as a financial and operations principal for three years. Without admitting or denying the allegations, the firm and Guiliano consented to the described sanctions and findings that the firm, acting through Guiliano, failed to accurately prepare or maintain certain books and records; filed inaccurate FOCUS Part I reports, failed to give telegraphic notice of its inaccurate books and records and net capital deficiencies on a timely basis; prepared inaccurate customer confirmations and failed to send certain confirmations to customers; effected sales of equity securities to public customers at prices that were unfair in relation to the market prices of the securities; failed to prepare and maintain accurate supervisory procedures; and failed to demonstrate in writing the supervision of certain transactions and registered representatives' correspondence. Also, the firm, acting through Guiliano, failed to promptly forward subscriber checks, in connection with two underwritings of securities, to a bank escrow agent; effected securities transactions while failing to maintain the required minimum net capital; failed to file its annual audit for a certain period on a timely basis and to have an independent public accountant prepare the audit report; failed to file its annual assessment report; and failed to register with the Securities Information Center. The firm

failed to have a registered options principal demonstrate in writing the supervision of options transactions, permitted certain accounts to trade options prior to approval, and effected options transactions in customer accounts without obtaining the required background information.

Prudential-Bache Securities, Inc. (Seattle, Washington) and Paul Francis Wickswat (Registered Representative, Issaquah, Washington). Prudential-Bache was fined \$10,000 and Wickswat was fined \$15,000 and suspended from association with any member of the NASD in any capacity for 15 days. 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 1. The sanctions were based on findings that Wickswat exercised discretionary power in a customer's account without receiving prior written discretionary authorization from the customer or approval from his member firm. Wickswat made unsuitable recommendations to a customer concerning sales of uncovered put options. The firm was cited for failure to supervise the options trading in the customer's account.

The Seaboard Planning Corporation (Green Village, New Jersey) and Joseph G. Dasti (Registered Principal, Madison, New Jersey) submitted an Offer of Settlement pursuant to which they were fined \$12,500, jointly and severally. Dasti was suspended from association with any member of the NASD in any capacity for five business days. Without admitting or denying the allegations, the firm and Dasti consented to the described sanctions and findings that they effected securities transactions with public customers at prices that were unfair in relation to the prevailing market prices of the securities.

Texas Coastal Securities, Inc. (Plano, Texas), Michael Edward Potter (Registered Principal, Dallas, Texas), and Cloyd Harold Grant (Registered Principal, Dallas, Texas) submitted an Offer of Settlement pursuant to which the firm and Potter were fined \$10,000, jointly and severally. Potter was suspended from association with any member of the NASD in any capacity for six months. Grant was fined \$3,000 and suspended from association with any member of the NASD in any capacity for two months. Without admitting or denying the allegations, Texas Coastal, Potter, and Grant consented to the described sanctions and

findings that the firm, acting through Potter, permitted an individual to sell securities without being registered with the NASD. The firm, acting through Potter, effected transactions in securities prior to the effective date of its membership in the NASD. Grant and Potter caused another member firm to file an inaccurate NASD Assessment Report, and in another instance, failed to file such report. Also, Grant caused this same member firm to file inaccurate FOCUS reports, to maintain inaccurate books and records, and to fail to file FOCUS Part IIA reports for certain months.

FIRMS FINED

Homestead Securities, Inc. (Shrewsbury, New Jersey) was fined \$10,000. The sanctions were based on findings that Homestead effected securities transactions while failing to maintain the required net capital; inaccurately computed its net capital and aggregate indebtedness; failed to fully comply with its exemption from SEC Rule 15c3-3, the customer protection rule; filed an inaccurate FOCUS Part I report; and failed to have its audit performed by an independent accountant. The firm effected sales to public customers of equity securities at unfair prices; failed to comply with Regulation T promulgated by the Federal Reserve Board; failed to demonstrate in writing, by a principal, the review of certain securities transactions and correspondence; and failed to maintain written supervisory procedures and to supervise mutual fund activity. Also, Homestead did not register an individual who was an officer, director, and major shareholder of the firm, nor did it qualify its acting president as a general securities principal. With respect to principal trades in NASDAQ National Market securities, the firm failed to disclose the trade price reported and the markup or markdown on customer confirmations. In connection with the distribution of partnership units, the firm failed to deposit subscriber checks into an escrow account and permitted the funds to be transferred to the general partner's operating account before the contingency was met. And in contravention of the offering memorandum, Homestead accepted subscription agreements and subscribers' checks after the offering was terminated and failed to advise subscribers that the general partner had resigned on the date of the initial offering. Homestead violated various aspects of the NASD rules regarding options, and failed to comply with cer-

tain obligations concerning breakpoints, rights of accumulation, and letters of intent for mutual fund transactions. Also, the firm failed to comply with the NASD's requests for information, made pursuant to Article IV, Section 5 of the Rules of Fair Practice.

INDIVIDUALS BARRED OR SUSPENDED

David W. Arthur (Registered Representative, Albuquerque, New Mexico) was fined \$1,000, suspended from association with any member of the NASD in any capacity for six months, and required to requalify by examination before acting in the capacity of an investment company products/variable contract limited representative. The sanctions were based on findings that, while taking the Series 6 examination, Arthur was found to have in his possession 12 pages of notes containing information related to the examination.

William Theodore Banning (Registered Representative, El Toro, California) was fined \$15,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Banning executed purchase and sale transactions in a customer's account without having reasonable grounds for believing that the transactions were suitable based on the customer's other securities holdings, financial situation, and needs. In connection with the execution of these transactions, Banning failed to disclose to the customer that there would be a charge for redemption fees. Also, he failed to respond to the NASD's requests for information, made pursuant to Article IV, Section 5 of the Rules of Fair Practice.

Donald Sherman Becker (Registered Representative, Dallas, Texas) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$4,000 and suspended from association with any member of the NASD in any capacity for seven days. Without admitting or denying the allegations, Becker consented to the described sanctions and findings that he signed the names of 19 customers to subscription agreements for the purchase of limited-partnership interests without the customers' knowledge or consent.

Robert Pierce Beeson (Registered Representative, Seattle, Washington) was fined \$10,000 and suspended from association with any member of the NASD in any capacity for 10 days. The sanctions were based on findings that Beeson pur-

chased and sold shares of stock for the accounts of customers without their knowledge or consent.

John Bowles (Registered Representative, Denver, Colorado) was fined \$7,500 and suspended from association with any member of the NASD in any capacity for 10 days. The sanctions were based on findings that Bowles tendered five personal checks totalling \$8,156.25 to his member firm, in payment for transactions in his personal securities account, that were returned due to insufficient funds.

David William Boyovich (Registered Representative, Renton, Washington) was fined \$50,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Boyovich effected a total of 19 securities transactions for 12 customers without providing prior written notice to his member firm. These transactions involved purported certificates of deposit or promissory notes that, when sold, generated \$258,159.63 for a private corporation.

Edward D. Braverman (Registered Representative, Lawrenceville, New Jersey) was fined \$25,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Braverman effected the purchase of stock for the accounts of two public customers without the customers' authorization and without having discretionary power over the accounts.

Troy Lane Cave (Registered Representative, Irving, Texas) was fined \$15,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Cave purchased and sold shares of stock in four customers' accounts without the knowledge or consent of the customers.

Troy Steven Daul (Registered Principal, Grand Terrace, California) was fined \$16,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Daul failed to properly supervise the activities of an associated person. Daul also failed to respond to the NASD's requests for information, made pursuant to Article IV, Section 5 of the Rules of Fair Practice.

Mark L. Dourlain (Registered Representative, Addison, Illinois) was fined \$15,000 and barred from association with any member of the NASD in any capacity. The sanctions were based

on findings that Dourlain guaranteed a customer against loss, in a letter purportedly signed by an officer of his member firm, regarding the customer's investment in mutual funds. Also, Dourlain failed to respond to the NASD's requests for information, made pursuant to Article IV, Section 5 of the Rules of Fair Practice.

Donald Martin Foley (Registered Representative, Alpine, California) was fined \$25,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Foley deposited a customer's bearer bonds into his personal securities account and received coupon payments from such bonds, but failed to deliver the payments to the customer. He then sold the bonds and failed to transmit the proceeds to the customer. Foley intentionally misled the NASD staff about the disposition of the bonds and failed to inform the staff of the existence of a securities account he maintained at a member firm. Foley also failed to notify his member firm of the execution of transactions and opening of securities accounts at other member firms.

Leo Fornelli (Registered Representative, Elk Grove, Illinois) was fined \$135,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Fornelli received \$540,559.59 from six public customers to purchase annuities, pay premiums on life insurance policies, or to deposit in customer accounts. He failed to follow the customers' instructions, and, instead, retained the funds for his personal use and benefit. Fornelli also failed to respond to the NASD's request for information, made pursuant to Article IV, Section 5 of the Rules of Fair Practice.

Carey Charles Gasper (Registered Representative, Snohomish, Washington) was fined \$87,312 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Gasper accepted a check in the amount of \$5,000 from a customer to be applied to an existing annuity policy, endorsed the check, caused the funds to be deposited into his personal checking account, and converted the funds to his own use and benefit. He obtained a check in the amount of \$2,000 from another customer to be applied to that customer's Individual Retirement Account. Instead of applying the funds as instructed, Gasper submitted the check along with a falsified annuity application to a life

insurance company, which later paid him \$140 in commissions. He also submitted an unauthorized cash surrender request on an insurance policy of a third customer to a life insurance company. Gasper obtained a check for \$62,312.01 made payable to that customer, endorsed the check with his own signature, and obtained the proceeds for his own use and benefit.

Ronald Charles Gilchrist (Registered Representative, Thousand Oaks, California) was fined \$15,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Gilchrist failed to respond to the NASD's requests for information, made pursuant to Article IV, Section 5 of the Rules of Fair Practice, concerning his termination from a member firm.

Eugene Woodrow Hall, Jr. (Registered Representative, Fort Worth, Texas) was fined \$10,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Hall received two checks totalling \$4,260 from two customers with instructions to purchase life insurance with one check and health insurance with the other check. Instead, Hall deposited the checks into his own bank account for his own use and benefit without the knowledge or consent of the customers.

Nader Hamzei (Registered Representative, Torrance, California) was fined \$15,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Hamzei failed to respond to the NASD's requests for information, made pursuant to Article IV, Section 5 of the Rules of Fair Practice, concerning his termination from a member firm.

Vincent C. Haydock (Registered Principal, Birmingham, Alabama) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$5,000, jointly and severally with his member firm, and suspended from association with any member of the NASD in any capacity for two weeks. Without admitting or denying the allegations, Haydock consented to the described sanctions and findings that, in connection with an all-or-none direct participation contingent offering, a member firm, acting through Haydock, inaccurately represented in an offering memorandum that if a certain number of units were not received by a particular date, the offering would terminate

and subscriber funds would be returned. Haydock failed to return all investor monies, closed the offering, and disbursed the escrow funds to the partnership, even though the contingent number of units had not been sold in bona fide transactions. In addition, Haydock failed to transmit investor funds to a bank that had agreed in writing to hold such funds in escrow; the escrow agreement improperly stated that all escrowed funds would be returned to the general partner, not the investors, if the contingency was not satisfied; and investors' checks were improperly deposited in the partnership account before being transmitted to the escrow account. A member firm, acting through Haydock, purchased units of an offering but failed to pay for such units. It also failed to disclose to the investors that Haydock would be reimbursed for certain expenses from the offering proceeds and would purchase units, not with cash, but with commissions and expense reimbursements.

Larry Z. Hubbard (Registered Representative, Reading, Pennsylvania) was fined \$5,000 and suspended from association with any member of the NASD in any capacity for six months. The sanctions were based on findings that Hubbard failed to disclose certain criminal convictions in his applications for registration.

Richard Roy Hubbell (Registered Representative, Las Vegas, Nevada) was fined \$15,000 and barred from association with any member of the NASD in any capacity. The sanctions were imposed by the NASD's Board of Governors following an appeal of a decision rendered by the District Business Conduct Committee for District 2. The sanctions were based on findings that Hubbell transferred \$4,466 from one customer account to another customer account without permission by means of a forged transfer authorization form.

Jonathan Owen Jensen (Registered Principal, Overland Park, Kansas) was fined \$15,000 and suspended from association with any member of the NASD in any capacity for 20 calendar days. The sanctions were based on findings that Jensen purchased and sold securities for the accounts of eight customers without their knowledge or consent.

Ira Samuel King, Sr. (Registered Representative, Oregon, Wisconsin) was fined \$16,500 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that King received a total of \$1,550

from two customers, who instructed King to invest the money in mutual funds, but instead, King retained the funds for his personal use and benefit. Also, King failed to respond to the NASD's requests for information, made pursuant to Article IV, Section 5 of the Rules of Fair Practice.

Luis E. Kinlecheene (Registered Representative, Albuquerque, New Mexico) was fined \$10,000 and suspended from association with any member of the NASD in any capacity for 20 days. The sanctions were based on findings that Kinlecheene effected seven purchases each in the accounts of six customers without the customers' prior authorization or consent.

Barrett R. Kobrin (Registered Principal, Marlboro, New Jersey) and Armand DeAngelis (Registered Representative, Ridge, New Jersey) each were fined \$50,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that, by making simultaneous contradictory recommendations, Kobrin and DeAngelis "swapped" shares of stock between two groups of customers, (i.e., the first group of customers sold stock A and purchased stock B while the second group purchased stock A and sold stock B) for the purpose of generating unfair profits for Kobrin and DeAngelis. Also, Kobrin and DeAngelis failed to respond to the NASD's requests for information, made pursuant to Article IV, Section 5 of the Rules of Fair Practice.

Johnnie Charles Linberg, Jr. (Registered Representative, Austin, Texas) 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, Linberg consented to the described sanctions and findings that he sent false account-performance information to a customer to conceal losses in the customer's account.

Ralph J. McIntyre (Registered Representative, Martinsburg, Pennsylvania) was fined \$25,000 and suspended from association with any member of the NASD in any capacity for one week. The sanctions were based on findings that McIntyre offered and sold limited-partnership interests to public customers without providing prior written notification to his member firm, in contravention of the Interpretation of the Board of Governors with respect to Private Securities

Transactions.

Ernest S. Mejia (Registered Representative, Shakopee, Minnesota) was fined \$50,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Mejia misappropriated a net total of \$198,020.89, intended for investment purposes, from seven public customers and converted the funds to his own use and benefit. Mejia also failed to respond to the NASD's request for information, made pursuant to Article IV, Section 5 of the Rules of Fair Practice.

Barbara Lynne Mellon (Registered Representative, West Los Angeles, California) and **Benjamin Laurence Skilling (Registered Representative, Pasadena, California)** were fined \$192,000, jointly and severally, and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that, in connection with the sale of notes to six investors for \$142,000, Mellon and Skilling converted and misappropriated investor funds to their own use and benefit; made material false statements to investors in order to sell such notes; and participated in the sale of notes without providing prior written authorization to their member firm. Also, they failed to respond to the NASD's requests for information, made pursuant to Article IV, Section 5 of the Rules of Fair Practice.

Joseph W. Melton (Registered Representative, Memphis, Tennessee) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$3,000, suspended from association with any member of the NASD in any capacity for one month, and required to requalify by examination as a general securities representative. Without admitting or denying the allegations, Melton consented to the described sanctions and findings that he recorded inaccurate information on order tickets for seven customers so that the customers would not incur a contingent deferred sales charge. With no reasonable basis for doing so, he recommended to a public customer the liquidation of one mutual fund and the purchase of another mutual fund with similar investment goals. Also, he inaccurately represented to four customers that liquidation of certain mutual fund shares would not incur a sales charge or a commission.

Gary M. Miltner (Registered Representative, Grand Rapids, Michigan) was fined \$15,000 and barred from association with any member of

the NASD in any capacity. The sanctions were based on findings that Miltner failed to follow customers' instructions to execute transactions in their accounts. Miltner induced customers to purchase stock by representing that the price of the stock would increase to a specific amount at a specific time, without disclosing that the stock price was subject to fluctuation. Also, Miltner failed to respond to the NASD's requests for information, made pursuant to Article IV, Section 5 of the Rules of Fair Practice.

Diana L. Nichols (Registered Representative, Downers Grove, Illinois) was fined \$10,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Nichols sold shares of common stock to a customer and failed to provide written notification to her member firm of the sale of securities to a customer of the firm, in contravention of the Interpretation of the Board of Governors with respect to Private Securities Transactions. Also, Nichols recommended to a customer the purchase of direct participation program units and other securities without having reasonable grounds for believing that the recommendations were suitable.

Harry Niehus (Registered Representative, Sandy, Utah) was fined \$7,500 and suspended from association with any member of the NASD in any capacity for 10 business days. The sanctions were based on findings that Niehus failed to make bona fide public distributions of securities, in contravention of the Interpretation of the Board of Governors with respect to Free-Riding and Withholding. Niehus caused four separate securities to be purchased in his wife's account that were part of initial public offerings that traded at a premium in the immediate aftermarket.

James D. Oltman (Registered Representative, Minneapolis, Minnesota) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$5,000 and suspended from association with any member of the NASD in any capacity for five business days. Without admitting or denying the allegations, Oltman consented to the described sanctions and findings that he failed to follow a customer's instructions to purchase a certificate of deposit. Instead, he purchased a life annuity contract and signed the customer's name to the annuity application, all without the customer's knowledge or consent.

Lauren A. Providence (Registered Representative, Chicago, Illinois) and **Alan C. Gibbons (Registered Principal, Chicago, Illinois)**. Providence was fined \$1,000, barred from association with any member of the NASD in a principal capacity, and required to requalify by examination as a general securities representative. Gibbons was fined \$25,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that a former member firm, acting through Gibbons and Providence, effected securities transactions while failing to maintain the required minimum net capital; filed inaccurate FOCUS Part IIA reports; failed to file an annual audit report; and failed to maintain accurate books and records. The same firm, acting through Gibbons and Providence, entered into a fully disclosed clearing agreement with another broker-dealer in contravention of its restriction agreement, and thereafter, effected transactions in securities, also in contravention of its restrictive agreement with the NASD; effected transactions in municipal securities for public customers when it had not paid an initial fee or submitted a written statement to the Municipal Securities Rulemaking Board; and failed to carry a blanket fidelity bond in violation of the Association's rules. Also, Gibbons employed Providence as President and permitted her to serve in that capacity even though she was not registered as a general securities principal and had not passed the appropriate qualification examination.

Rickie Lee Rall, Sr. (Associated Person, St. Louis, Missouri) was barred from association with any member of the NASD in any capacity. The sanctions were based on findings that, without the knowledge or consent of 18 customers, Rall converted to his use and benefit proceeds of 19 checks totalling \$12,232.98, payable to the customers as refunds of initial and overpaid premiums, death benefits, and dividends.

Myrna L. Rizzuto (Associated Person, Roy, Utah) and **Sheri Lynn Rizzuto (Associated Person, Roy, Utah)**. Myrna Rizzuto was fined \$10,000, ordered to disgorge \$32,000, and barred from association with any member of the NASD in any capacity. Sheri Rizzuto was fined \$5,000, ordered to disgorge \$12,000, and suspended from association with any member of the NASD in any capacity for two years. The sanctions were based on findings that Myrna Rizzuto, aided and abetted

by Sheri Rizzuto, misused securities that belonged to her member firm. Myrna Rizzuto obtained possession of certain such securities and caused them to be sold in her personal securities account and in the account of Sheri Rizzuto. Also, Myrna Rizzuto obtained possession of other securities that belonged to customers, deposited them in her personal securities account and the securities account of another individual, and caused them to be sold.

Walter Edwin Skrondal (Registered Principal, San Jose, California) was fined \$79,875 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Skrondal participated in the sale of limited-partnership interests to 14 customers without providing prior written notification to his member firm. Also, Skrondal failed to respond to the NASD's requests for information, made pursuant to Article IV, Section 5 of the Rules of Fair Practice.

Meredith Kenneth Maurice Smith (Registered Representative, Lake Oswego, Oregon) was fined \$20,000 and barred from association with any member of the NASD in any capacity. The sanctions were imposed by the NASD's Board of Governors following an appeal of a decision rendered by the District Business Conduct Committee for District 1. The sanctions were based on findings that Smith, acting on behalf of his member firm, failed to follow a customer's instructions regarding the sale of securities in that he failed to open an account as requested by the customer and to deposit the securities to the credit of that customer. Instead, he directed that the securities be transferred to the nominee name of his firm's clearing broker and be credited to the account of another customer. When the securities were subsequently sold, Smith failed to ensure that the proceeds from the sale were sent to the correct customer. Smith continued to act as a registered person with the knowledge that he was not being properly supervised, pursuant to conditions contained in a decision that allowed Smith's re-entry into the securities industry. Smith also failed to respond to the NASD's requests for information, made pursuant to Article IV, Section 5 of the Rules of Fair Practice.

Joseph R. Trendl (Registered Representative, Chicago Ridge, Illinois) was fined \$25,000 and barred from association with any member of the NASD in any capacity. The sanctions were

based on findings that Trendl caused his member firm to issue five checks, totalling \$17,600 made payable to public customers and, through multiple endorsements, converted the funds to his own use and benefit. Trendl also failed to respond to the NASD's requests for information, made pursuant to Article IV, Section 5 of the Rules of Fair Practice.

Frank Elvin Trinkle (Registered Representative, La Jolla, California) was fined \$15,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Trinkle failed to respond to the NASD's requests for information, made pursuant to Article IV, Section 5 of the Rules of Fair Practice, concerning his termination from a member firm.

Eric Tate Troseth (Registered Representative, Wilton, Connecticut) was fined \$25,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Troseth executed transactions in a customer's account without the knowledge or consent of the customer. Troseth submitted to his member firm false information on a new customer account card and on an options agreement, and he forged the customer's signature on the documents. Troseth sent to this customer altered account statements that showed inaccurate and misleading balances. Also, Troseth received from the account of the customer, checks totalling \$4,864.08 that were payable to the customer. Without the knowledge or consent of the customer, Troseth forged the customer's endorsement to the checks and converted the proceeds to his own use and benefit.

Kermit G. Turley (Registered Representative, Castle Rock, Colorado) was fined \$5,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Turley failed to honor arbitration awards in the amounts of \$15,195.81 and \$17,845.36.

Jacob Cardwell Young, Jr. (Registered Representative, Midland, Texas) submitted an Offer of Settlement pursuant to which he was fined \$50,000 and barred from association with any member of the NASD in any capacity. Without admitting or denying the allegations, Young consented to the described sanctions and findings that he obtained checks totalling \$825,000 from a public customer intended for investment and,

without the customer's knowledge or consent, converted the funds to his own use and benefit. Young caused \$1,265,000 to be transferred from a second customer's account for investment in a government fund for the benefit of the first customer, all without the knowledge or consent of either customer. He effected transactions for the account of a third customer without the customer's knowledge or consent. Also, Young failed to respond to the NASD's requests for information, made pursuant to Article IV, Section 5 of the Rules of Fair Practice.

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

Security Service Corporation, New Port Richey, Florida

FIRMS SUSPENDED

The following firms were suspended from membership in the NASD for failure to comply with formal written requests to submit financial information to the NASD. The 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 the suspension concluded.

Beverly Securities Company, Denver, Colorado (December 1, 1989)

Christina Capital Corporation, Austin, Texas (December 1, 1989)

First Technology Securities, Inc., Boston, Massachusetts (December 1, 1989)

FSL Enterprises, Inc., Barrington, Illinois (December 1, 1989)

Galant Securities, Inc., North Palm Beach, Florida (December 1, 1989)

Hill, Thomas Corporation, Freehold, New Jersey (December 1, 1989)

IMF Securities Corp., Salem, Massachusetts (November 14, 1989)

Mariposa Grizzly Radio, Inc., Burlingame, California (December 1, 1989)

McKittrick & Briggs Securities, Inc., New York, New York (December 1, 1989)

Metta Financial Group, Inc., Boca Raton, Florida (December 1, 1989)

Pacific Coast Equities, Inc., El Cajon, California (December 1, 1989)

Settles Financial Investments, Inc., Sherwood, Arizona (December 1, 1989)

Shared Visions Opportunities, Inc., Norcross, Georgia (December 1, 1989 to December 11, 1989)

Southland Securities Corp., Dallas, Texas (December 1, 1989)

Telese & Company, Staten Island, New York (December 1, 1989)

Thunderbird Capital, Inc., Dallas, Texas (December 1, 1989)

Traverse Securities Corporation, Chicago, Illinois (December 1, 1989)

T.T. Securities, Inc., Danville, California (December 1, 1989)

Welton & Co., Inc., Corona Del Mar, California (December 1, 1989)

Wharton Financial Corporation, New York, New York (December 1, 1989 to December 11, 1989)

Whitney Harris Securities, Inc., Lakewood, Colorado (December 1, 1989)

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

Frank S. Boulton, Maumelle, Arkansas

Howard M. Caplan, North Miami Beach, Florida

Richard J. Hlavka, Los Angeles, California

Brenda D. Kross, Trabuco Canyon, California

William D. McBrearty, Phoenix, Arizona

Edward J. McNary, Newport Beach, California

John W. Weller, Bloomfield, New Jersey

NASD SANCTIONS PRUDENTIAL-BACHE SECURITIES, INC., FOR PRICING PRACTICES RELATED TO AFTER-HOURS TRADES DURING THE OCTOBER 1987 MARKET BREAK

The NASD announced a disciplinary action taken by its Market Surveillance Committee against Prudential-Bache Securities, Inc., pursuant to a Letter of Acceptance, Waiver and Consent (AWC) submitted by the firm. The action relates to Prudential-Bache's pricing of transactions in cer-

tain NASDAQ National Market securities executed after the close of the market on October 19, 1987, the day of the major market break.

In the AWC, without admitting or denying the allegations and findings, Prudential-Bache consented to a censure, a fine of \$100,000, and represented that, in connection with the resolution of this proceeding, it had made adjustments in the prices received by customers involved in the transactions in question in the aggregate amount of \$235,901.50.

The NASD's Market Surveillance Committee found that Prudential-Bache violated an NASD rule with respect to the execution prices (exclusive of markdowns) received by 186 customer accounts in 20 (of the approximately 500) NASDAQ National Market securities in which Prudential-Bache was a market maker on October 19, 1987. These customers placed orders with the firm during trading hours to sell the above-referenced securities. However, given the extraordinary market conditions on that day, Prudential-Bache was unable to execute those trades until after the close of the market.

Prudential-Bache purchased these 20 securities from their customers at prices at least 8 percent below the securities' lowest reported price during normal trading hours. As a result, the customers received \$235,901.50 less than the price they would have received had the orders been executed at the securities' lowest reported price during normal trading hours. Because the securities were NASDAQ National Market securities, Prudential-Bache, at the time it purchased as principal from its customers, had access to information disseminated over the NASDAQ system regarding the intraday trading range for these securities, including the securities' last and low reported prices of the day.

The disciplinary action was taken by the NASD's Market Surveillance Committee, which consists of 12 executives of securities firms across the country. The Committee is responsible for maintaining the integrity of the NASDAQ and the over-the-counter markets and for disciplining members that fail to comply with relevant rules of the NASD.

For Your Information

National Association of Securities Dealers, Inc.

January 1990

Series 7 Examination Sites and Dates Change

Permanent Site Change — Anchorage, Alaska

Effective January 20, 1990, all Series 7 examinations in Anchorage, Alaska, will be held at the University of Alaska at Anchorage, Providence Drive, Building C, Room 100, Anchorage, Alaska.

Atlanta Site Change

The January 20, 1990, Series 7 examination in Atlanta, Georgia, will be held at Sheraton Century Hotel, 2000 Century Boulevard, Atlanta, Georgia.

February Series 7 Date Changes

Because of the national holiday that falls on the third weekend of the month, the February Series 7 third-Saturday examination session will be conducted February 10, 1990. Certain examination centers were unable to adjust their schedules to accommodate this change and will administer the examination February 24, 1990.

Centers administering tests on February 10, 1990 are:

Albuquerque, NM	Boise, ID
Amarillo, TX	Boston, MA
Anchorage, AK	Charlotte, NC

Chicago, IL
Cleveland, OH
Denver, CO
Great Falls, MT
Honolulu, HI
Houston, TX
Kansas City, MO
Indianapolis, IN
Lincoln, NE
Los Angeles, CA
Memphis, TN
Miami, FL
New Orleans, LA
New York, NY

Dallas, TX
Dearborn, MI
Orlando, FL
Philadelphia, PA
Phoenix, AZ
Pittsburgh, PA
Portland, OR
Rochester, NY
Salt Lake City, UT
San Francisco, CA
Seattle, WA
St. Louis, MO
Teaneck, NJ

Centers administering tests on February 24, 1990 are:

Atlanta, GA	Minneapolis, MN
Little Rock, AR	

The date and location for the Washington, D.C., examination have not yet been confirmed.

For additional information on that and other examinations, locations, or dates, call NASD Information Services at (301) 590-6500.