

Notice To Members

National Association of Securities Dealers, Inc.

December 1991

Number 91-83**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: NASD 1992 Holiday Schedule

The NASD will observe the following holiday schedule for 1992:

| | | | |
|-------------|-----------------|-------------|-----------------------------|
| January 1 | New Year's Day | July 3 | Independence Day (Observed) |
| February 17 | Presidents' Day | September 7 | Labor Day |
| April 17 | Good Friday | November 26 | Thanksgiving Day |
| May 25 | Memorial Day | December 25 | Christmas Day |

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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 |

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

Subject: Trade Date-Settlement Date Schedule for 1992

New Year's Day: Trade Date-Settlement Date Schedule

Securities exchanges and The Nasdaq Stock MarketSM will be closed on Wednesday, January 1, 1992, in observance of 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. 19 | 27 | 31 |
| 20 | 30 | Jan. 2, 1992 |
| 23 | 31 | 3 |
| 24 | Jan. 2, 1992 | 6 |
| 25 | Markets Closed | — |
| 26 | 3 | 7 |
| 27 | 6 | 8 |
| 30 | 7 | 9 |
| 31 | 8 | 10 |
| Jan. 1, 1992 | Markets Closed | — |
| 2 | 9 | 13 |

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 20, 1992. On January 20, securities ex-

changes and The Nasdaq Stock Market 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* |
|------------|-----------------|--------------|
| Jan. 9 | 16 | 20 |
| 10 | 17 | 21 |
| 13 | 21 | 22 |
| 14 | 22 | 23 |
| 15 | 23 | 24 |
| 16 | 24 | 27 |
| 17 | 27 | 28 |
| 20 | 27 | 29 |
| 21 | 28 | 30 |

Note: January 20, 1992, is considered a business day for receiving customers' payments under Regulation T of the Federal Reserve Board.

Transactions made on January 20 will be combined with transactions made on the previous business day, January 17, for settlement on January 27. Securities will not be quoted ex-dividend, and set-

*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."

tlements, 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 January 20.

Presidents' Day: Trade Date-Settlement Date Schedule

Securities exchanges and The Nasdaq Stock Market will be closed on Monday, February 17, 1992, 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* |
|------------|-----------------|--------------|
| Feb. 7 | 14 | 19 |
| 10 | 18 | 20 |
| 11 | 19 | 21 |
| 12 | 20 | 24 |
| 13 | 21 | 25 |
| 14 | 24 | 26 |
| 17 | Markets Closed | — |
| 18 | 25 | 27 |

Good Friday: Trade Date-Settlement Date Schedule

Securities exchanges and The Nasdaq Stock Market will be closed on Good Friday, April 17, 1992. "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 9 | 16 | 21 |
| 10 | 20 | 22 |
| 13 | 21 | 23 |
| 14 | 22 | 24 |
| 15 | 23 | 27 |
| 16 | 24 | 28 |
| 17 | Markets Closed | — |
| 20 | 27 | 29 |

Memorial Day: Trade Date-Settlement Date Schedule

Securities exchanges and The Nasdaq Stock Market will be closed on Monday, May 25, 1992, 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 15 | May 22 | May 27 |
| 18 | 26 | 28 |
| 19 | 27 | 29 |
| 20 | 28 | June 1 |
| 21 | 29 | 2 |
| 22 | June 1 | 3 |
| 25 | Markets Closed | — |
| 26 | 2 | 4 |

Independence Day: Trade Date-Settlement Date Schedule

Securities exchanges and The Nasdaq Stock Market will be closed on Friday, July 3, 1992, 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 25 | July 2 | July 7 |
| 26 | 6 | 8 |
| 29 | 7 | 9 |
| 30 | 8 | 10 |
| July 1 | 9 | 13 |
| 2 | 10 | 14 |
| 3 | Markets Closed | — |
| 6 | 13 | 15 |

Labor Day: Trade Date-Settlement Date Schedule

Securities exchanges and The Nasdaq Stock Market will be closed on Monday, September 7, 1992, 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 28 | Sept. 4 | Sept. 9 |
| 31 | 8 | 10 |
| Sept. 1 | 9 | 11 |
| 2 | 10 | 14 |
| 3 | 11 | 15 |
| 4 | 14 | 16 |
| 7 | Markets Closed | — |
| 8 | 15 | 17 |

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 12, 1992. On this day, securities exchanges and The Nasdaq Stock Market will be open for trading. However, it will not be a settlement date since many of the nation's banking institutions will be closed.

| Trade Date | Settlement Date | Reg. T Date* |
|------------|-----------------|--------------|
| October 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 | 22 |

Note: October 12, 1992, is considered a business day for receiving customers' payments under Regulation T of the Federal Reserve Board.

Transactions made on Monday, October 12, will be combined with transactions made on the previous business day, October 9, for settlement on October 19. 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 12.

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, Wednesday, November 11, 1992, and Thanksgiving Day, Thursday, November 26, 1992. On Wednesday, November 11, securities exchanges and The Nasdaq Stock Market 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 26, in observance of Thanksgiving Day.

| Trade Date | Settlement Date | Reg. T Date* |
|------------|-----------------|--------------|
| Nov. 2 | Nov. 9 | Nov. 11 |
| 3 | 10 | 12 |
| 4 | 12 | 13 |
| 5 | 13 | 16 |
| 6 | 16 | 17 |
| 9 | 17 | 18 |
| 10 | 18 | 19 |
| 11 | 18 | 20 |
| 12 | 19 | 23 |
| 18 | 25 | 30 |
| 19 | 27 | Dec. 1 |
| 20 | 30 | 2 |
| 23 | Dec. 1 | 3 |
| 24 | 2 | 4 |
| 25 | 3 | 7 |
| 26 | Markets Closed | — |
| 27 | 4 | 8 |

Note: November 11, 1992 is considered a business day for receiving customers' payments under Regulation T of the Federal Reserve Board.

Transactions made on November 11 will be combined with transactions made on the previous business day, November 10, for settlement on November 18. 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 11.

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

Securities exchanges and The Nasdaq Stock Market will be closed on Friday, December 25, 1992, Christmas Day, and Friday, January 1, 1993, 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 | Dec. 24 | Dec. 29 |
| 18 | 28 | 30 |
| 21 | 29 | 31 |
| 22 | 30 | Jan. 4, 1993 |
| 23 | 31 | 5 |
| 24 | Jan. 4, 1993 | 6 |
| 25 | Markets Closed | — |
| 28 | 5 | 7 |

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| Trade Date | Settlement Date | Reg. T Date* |
|-------------------|------------------------|---------------------|
| Dec. 29 | Jan. 6, 1993 | 8 |
| 30 | 7 | 11 |
| 31 | 8 | 12 |
| Jan. 1, 1993 | Markets Closed | — |
| 4 | 11 | 13 |

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.

Brokers, dealers, and municipal securities

Notice To Members

National Association of Securities Dealers, Inc.

December 1991

Number 91-85

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 |
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Subject: Nasdaq National Market Additions, Changes, and Deletions as of November 25, 1991

As of November 25, 1991, the following 57 issues joined the Nasdaq National Market, bringing the total number of issues to 2,645:

| Symbol | Company | Entry Date | SOES Execution Level |
|--------|---------------------------------------|------------|----------------------|
| ODFL | Old Dominion Freight Line, Inc. | 10/24/91 | 1000 |
| UWSI | United Wisconsin Services, Inc. | 10/24/91 | 1000 |
| CENF | CENFED Financial Corporation | 10/25/91 | 500 |
| GDYS | Goody's Family Clothing, Inc. | 10/25/91 | 1000 |
| IMRS | IMRS Inc. | 10/25/91 | 1000 |
| MYTK | Mitek Surgical Products, Inc. | 10/25/91 | 200 |
| SPLE | Sports/Leisure, Inc. | 10/28/91 | 500 |
| WCLBR | Warehouse Club, Inc. (Rts) | 10/28/91 | 1000 |
| ACAM | Autocam Corporation | 10/29/91 | 1000 |
| WCLWV | Warehouse Club, Inc. (Wts) (WI) | 10/29/91 | 1000 |
| CUTS | Supercuts, Inc. | 10/30/91 | 1000 |
| UFBI | UF Bancorp, Inc. | 10/30/91 | 500 |
| ALTN | Alteon Inc. | 11/1/91 | 1000 |
| MARQA | Marquette Electronics, Inc. (CI A) | 11/1/91 | 1000 |
| DOSE | Choice Drug Systems, Inc. | 11/5/91 | 1000 |
| DOSEW | Choice Drug Systems, Inc. (Wts) | 11/5/91 | 500 |
| CLCDF | Clearly Canadian Beverage Corp. | 11/5/91 | 1000 |
| NVUE | nVIEW Corporation | 11/5/91 | 1000 |
| TOYH | T•HQ, Inc. | 11/5/91 | 1000 |
| LAIS | Advanced Interventional Systems, Inc. | 11/6/91 | 200 |
| CSTM | Custom Chrome, Inc. | 11/6/91 | 1000 |
| NRCT | National Rehabilitation Centers, Inc. | 11/6/91 | 1000 |
| ATHN | Athena Neurosciences, Inc. | 11/7/91 | 1000 |
| EMBX | EMBREX, Inc. | 11/7/91 | 500 |
| EMBXW | EMBREX, Inc. (Wts) | 11/7/91 | 500 |

| Symbol | Company | Entry Date | SOES Execution Level |
|---------------|--|-------------------|-----------------------------|
| ENZWV | Enzon, Inc. (Wts)(WI) | 11/7/91 | 1000 |
| INNN | Interactive Network, Inc. | 11/7/91 | 1000 |
| SCAN | Alliance Imaging, Inc. | 11/8/91 | 1000 |
| DVCR | Diversicare, Inc. | 11/8/91 | 1000 |
| NUSA | NAMIC U.S.A. Corporation | 11/8/91 | 1000 |
| BGII | Bally Gaming International, Inc. | 11/11/91 | 500 |
| BTIX | Biomagnetic Technologies, Inc. | 11/12/91 | 1000 |
| PPSI | Pacific Physician Services, Inc. | 11/12/91 | 1000 |
| ATRX | ATRIX Laboratories, Inc. | 11/14/91 | 1000 |
| ATNI | Atlantic Tele-Network, Inc. | 11/14/91 | 1000 |
| MTCFD | MTC Electronic Technologies Co. Ltd. | 11/14/91 | 1000 |
| MLICV | Manhattan Life Insurance Company (The) (WI) | 11/14/91 | 500 |
| ARIS | ARI Network Services, Inc. | 11/15/91 | 1000 |
| CHKR | Checkers Drive-In Restaurants, Inc. | 11/15/91 | 1000 |
| NDCOP | Noble Drilling Corporation (Pfd) | 11/15/91 | 500 |
| FMSI | Fidelity Medical, Inc. | 11/18/91 | 1000 |
| BIOMF | Biomira Inc. | 11/19/91 | 500 |
| CYBE | CyberOptics Corporation | 11/19/91 | 500 |
| IMCL | ImClone Systems Incorporated | 11/19/91 | 1000 |
| SULC | Sulcus Computer Corporation | 11/19/91 | 1000 |
| SULCP | Sulcus Computer Corporation (Pfd) | 11/19/91 | 1000 |
| SULCW | Sulcus Computer Corporation (Cl A Wts) | 11/19/91 | 1000 |
| SULCZ | Sulcus Computer Corporation (Cl B Wts) | 11/19/91 | 1000 |
| GNCR | GenCare Health Systems, Inc. | 11/20/91 | 1000 |
| IAAI | Insurance Auto Auctions, Inc. | 11/20/91 | 1000 |
| ASGR | America Service Group Inc. | 11/21/91 | 200 |
| APSO | Apple South, Inc. | 11/21/91 | 1000 |
| INFO | Information America, Inc. | 11/21/91 | 1000 |
| PCNI | Physician Computer Network, Inc. | 11/21/91 | 1000 |
| STSA | Sterling Savings Association | 11/21/91 | 1000 |
| CYTL | Cytel Corporation | 11/22/91 | 1000 |
| HAMB | Hamburger Hamlet Restaurants, Inc. | 11/22/91 | 1000 |

Nasdaq National Market Symbol and/or Name Changes

The following changes to the list of the Nasdaq National Market securities occurred since October 23, 1991:

| New/Old Symbol | New/Old Security | Date of Change |
|-----------------------|---|-----------------------|
| LSBX/TREX | Lawrence Savings Bank/Intrex Financial Services, Inc. | 10/28/91 |
| SSIF/SSIF | Southeastern Thrift and Bank Fund (The)/Southeastern Savings Institution Fund, Inc. (The) | 10/31/91 |
| INTK/ENTC | INOTEK Technologies Corp./Entronics Corp. | 11/1/91 |
| TUES/TUES | Tuesday Morning Corp./Tuesday Morning Inc. | 11/1/91 |
| UNTH/CETH | United Thermal Corp./United Thermal Corp. | 11/1/91 |
| HMTB/HFGA | HomeTrust Bank/Home Federal Savings Bank of Georgia | 11/7/91 |
| TELU/FARA | Total-Tel USA Communications, Inc./Faradyne Electronics Corp. | 11/7/91 |
| TPOA/RDWI | Travel Ports of America, Inc./Roadway Motor Plazas, Inc. | 11/12/91 |

| New/Old Symbol | New/Old Security | Date of Change |
|-----------------------|---|-----------------------|
| CMFB/CMFB | Chemfab Corporation/Chemical Fabrics Corp. | 11/14/91 |
| AIRM/CELL | Air Methods Corp./Cell Technology, Inc. | 11/22/91 |
| AIRMW/CELLW | Air Methods Corp. (Wts)/Cell Technology, Inc. (Wts) | 11/22/91 |

Nasdaq National Market Deletions

| Symbol | Security | Date |
|---------------|---------------------------------------|-------------|
| MFSB | Pinnacle Bancorp, Inc. | 10/28/91 |
| TIBI | Image Bank, Inc. (The) | 10/29/91 |
| IEHC | IEH Corp. | 10/30/91 |
| INSH | International Shipholding Corporation | 10/30/91 |
| PTSI | P.A.M. Transportation Services, Inc. | 10/30/91 |
| PAGH | Pacific Agricultural Holdings, Inc. | 10/30/91 |
| TMTX | Temtex Industries, Inc. | 10/30/91 |
| DBHI | Dow B. Hickam, Inc. | 10/31/91 |
| CTCO | Cross & Trecker Corporation | 11/1/91 |
| KASL | Kasler Corporation | 11/1/91 |
| METC | Metcalf & Eddy Companies Inc. | 11/1/91 |
| VBND | VeloBind, Incorporated | 11/4/91 |
| AEGNY | AEGON N.V. | 11/5/91 |
| AVAK | Avantek, Inc. | 11/5/91 |
| STPL | St. Paul Companies, Inc. (The) | 11/8/91 |
| SLTM | Selecterm, Inc. | 11/11/91 |
| APPN | Appian Technology, Inc. | 11/13/91 |
| CENQE | Centuri, Inc. | 11/13/91 |
| CLFI | Country Lake Foods, Inc. | 11/13/91 |
| HRLD | Harold's Stores, Inc. | 11/13/91 |
| WCLBR | Warehouse Club, Inc. (Rts) | 11/14/91 |
| HFSB | Carolina Financial Corporation | 11/15/91 |
| DUCO | Durham Corporation | 11/15/91 |
| CHHC | C.H. Heist Corp. | 11/18/91 |
| ADMG | Advanced Magnetics, Inc. | 11/20/91 |
| PTCO | Petroleum Equipment Tools Co. | 11/20/91 |
| BANG | Bangor Hydro-Electric Company | 11/21/91 |
| GKIE | General Kinetics Incorporated | 11/21/91 |
| TTOY | Tyco Toys, Inc. | 11/21/91 |
| TTOYW | Tyco Toys, Inc. (Wts) | 11/21/91 |
| TCOMR | Tele-Communications, Inc. (Rts) | 11/22/91 |

Questions regarding this notice should be directed to Kit Milholland, Senior Analyst, Market Listing Qualifications, at (202) 728-8281. Questions pertaining to trade reporting rules should be directed to Bernard Thompson, Assistant Director, NASD Market Surveillance, at (301) 590-6436.

Board Briefs

National Association of Securities Dealers, Inc.

December 1991

Actions Taken by the NASD Board of Governors in November

■ **New Officers and Governors** — The Board elected new officers and three new Governors-at-Large to begin their terms in January 1992. The incoming Chairman of the Board is Charles B. Johnson, President of Franklin Distributors, Inc. and its parent firm Franklin Resources, Inc., located in San Mateo, California. He will succeed William B. Summers, Jr., President of McDonald & Company Securities, Inc. of Cleveland.

The 1992 Vice Chairman is Anson M. Beard, Jr., Managing Director of Morgan Stanley & Co. Incorporated in New York City, who is in charge of the firm's Worldwide Equity Division. He will succeed Ronald P. Lynch, Managing Partner of Lord, Abnett & Co. of New York City.

The new Chairman of the NASD's National Business Conduct Committee is Fredric M. Roberts, the President of F.M. Roberts & Company, Inc., in Los Angeles, and the Vice Chairman is Norman Frager, Senior Vice President and Treasurer of Stifel, Nicolaus & Company, Incorporated in St. Louis.

Elected for three-year terms are the following new Governors-at-Large:

- David Brooke, a Director of J.O. Hambro & Company and Chief Executive of J.O. Hambro & Partners in London as well as a Director of Govett Atlantic Investment Trust plc, and Contra Cyclical Investment Trust.

- Joseph J. Grano, Jr., President of Retail Sales and Marketing for PaineWebber Incorporated, with responsibility for the firm's retail sales business, including product development and marketing, PaineWebber Mutual Funds, and overall management of the branch system.

- Thomas R. Powers, Chairman of the Board and Chief Executive Officer of Transamerica Fund Management Company; Executive Vice President, Director, and a member of the Executive Committee of its holding company, Transamerica Criterion Group, Inc.; and President and Director of the 24

mutual funds for which Transamerica Fund Management is investment advisor.

■ **Adoption of Short-Sale Rule** — The Board approved the adoption of a short-sale rule for Nasdaq National Market System (Nasdaq/NMS) securities. The rule, which would contain an exemption for qualified market makers, will be submitted to the NASD membership for vote and, if approved, thereafter filed with the SEC for its consideration and approval.

The proposed rule was recommended to the NASD Board for adoption by a broad base of its constituents, including its Issuer Affairs, Institutional Investors, Corporate Financing, and Trading committees as well as by the Nasdaq Corporate Advisory Board, which is composed of chief executive officers of companies whose securities are traded in Nasdaq/NMS.

As approved by the NASD Board, the proposed short-sale rule will incorporate the following elements:

- The rule would be based on the inside bid as displayed in the Nasdaq market.
- Short sales would be prohibited at or below the bid when the current bid is lower than the preceding bid. (Short sales could be made at all times by offering stock at prices higher than the bid.)
- Qualified market makers would be exempted from the provisions of the rule.
- Market makers could not use their exemption to bypass the rule for customer orders.
- Exemptions, where applicable, would track SEC Rule 10a-1 for short sales in exchange-listed securities.
- The rule would be effective during normal, domestic market hours (i.e., 9:30 a.m. to 4 p.m., Eastern Time).

The Board's approval of a short-sale rule for Nasdaq/NMS securities follows other steps it has taken over the past five years to govern the conduct of short selling in The Nasdaq Stock Market.

■ **Business Conduct Matters** — The Board approved for member vote a measure to permit the NASD to adopt summary suspension procedures for failure of a member or a person associated with a member to honor an arbitration award. The proposal resulted from a recommendation by the NASD Advisory Council and is intended to address the significant number of referrals to the District Business Conduct Committees for failure to pay arbitration awards.

■ **Market Operation Issues** — The Board approved amendments to Schedule D of the NASD By-Laws for submission to the SEC. The amendments would permit the immediate on-line registration of market makers in situations where a merger or acquisition has been publicly announced and registered market makers in either of the two affected companies wish to become registered in the other company. In addition, the 20-day prohibition against reregistering after voluntarily withdrawing from Nasdaq would not apply to market makers that register in the second company affected by the merger or acquisition, withdraw, and subsequently wish to reregister in the stock so long as the market maker has remained active in one of the companies.

■ **Corporate Financing and Issuer Related Matters** — The Board approved the filing with the SEC of an expansion of the coverage of its Interpretation regarding the forwarding of proxy material. The modification to the *Interpretation of the Board of Governors – Forwarding of Proxy and Other Material*, Article III, Section 1 of the NASD Rules of Fair Practice, requires that a member forward proxy material to beneficial owners on request of a stockholder of the issuer so long as such stockholder agrees to bear the costs incurred by the member in performing this service.

Changes to Schedule G, which covers "third market" trade reporting, received Board approval

and will be filed with the SEC for final approval. The proposals require that agency cross trades in the third market, executed pursuant to an average weighting or other special pricing formula, be reported within 90 seconds after execution and be marked with a special last-sale condition indicator (the letter "B").

■ **Business Practice Developments** — A measure, approved for comment solicitation from members, would permit members to use negative response letters to customers when executing a bulk exchange of money market mutual funds that is not based on investment performance considerations. The proposal would provide an exemption from Article III, Section 15 of the Rules of Fair Practice that requires members to have a customer's written authorization to effect these and other transactions. With negative response letters, the member automatically executes the exchange if the customer does not respond by a specific date and, unless exempted, such executions would violate the customer authorization requirements.

Under the proposal, such an exchange would be exempt provided it is limited to situations involving mergers and acquisitions of funds, changes of clearing members, and exchanges of funds used in sweep accounts; the letter contains a tabular comparison of the nature and amount of the fees charged by each fund; the letter contains a comparative description of the investment objectives of each fund and a prospectus of the fund to be purchased; and the customer has at least 30 days to respond before the negative response feature takes effect.

Responding to favorable member comment, the Board approved, for filing with the SEC, amendments to the By-Laws that would permit Direct Participation Program Representatives and Principals to engage in the sale of partnership debt.

Disciplinary Actions

National Association of Securities Dealers, Inc.

December 1991

Disciplinary Actions Reported for December

The NASD is taking disciplinary actions against the following firms and individuals for violations of the NASD Rules of Fair Practice; securities laws, rules, and regulations; and the rules of the Municipal Securities Rulemaking Board. Unless otherwise indicated, suspensions will begin with the opening of business on Monday, December 16, 1991. The information relating to matters contained in this notice is current as of the fifth of this month. Information received subsequent to the fifth is not reflected in this publication.

FIRMS EXPELLED, INDIVIDUALS SANCTIONED

J.D. Michael & Co. (La Jolla, California) and **Michael Jon Renteria (Registered Principal, Westminster, Colorado)**. The firm was expelled from membership in the NASD. The sanction against the firm was based on findings by the District Business Conduct Committee (DBCC) for District 2. Renteria submitted an Offer of Settlement pursuant to which he was fined \$3,000 and suspended from association with any member of the NASD in any capacity for seven days.

Without admitting or denying the allegations, Renteria consented to the described sanctions and to the entry of findings that the firm, acting through Renteria, sold designated securities to 18 public customers without seeking prior approval of each customer's account and without receiving the required written agreement from each customer that sets forth the identity and quantity of the securities being purchased. The findings also stated that Renteria failed to respond to NASD requests for information.

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 affirmed by the SEC following an

appeal of a decision by the NASD's Board of Governors.

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

Capital Shares, Inc. (North Providence, Rhode Island), **Lawrence Caito (Registered Principal, Cranston, Rhode Island)**, and **Terry D. Corsair (Registered Representative, Greenville, Rhode Island)** submitted a Letter of Acceptance, Waiver and Consent pursuant to which they were fined \$50,000, jointly and severally. Also, Caito must take the NASD's Investment Company Variable Products Principal Examination, and Corsair must take the NASD's Investment Company and Variable Contracts Products Representative Examination.

Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that Corsair, with undue frequency and without reasonable justification, recommended and caused the execution of transactions in the accounts of public customers involving the liquidation and reinvestment of mutual funds even though the recommendations were contrary to the best interest and welfare of the customers. In addition, the NASD found that the firm, acting through Caito, failed to enforce its supervisory procedures and to supervise the activities of Corsair.

Yankee Financial Group, Inc., (Bayshore, New York) and **Richard F. Kresge (Registered Principal, Stamford, Connecticut)** submitted a Letter of Acceptance, Waiver and Consent pursuant to which they were fined \$15,000, jointly and severally. In addition, Kresge must requalify by examination as a municipal securities principal. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Kresge, executed various municipal securities transactions as principal with customers at prices that were unfair and unreasonable. The NASD also found that the firm, acting through Kresge, allowed an associated person to engage in the investment banking or securities business of the firm prior to being effectively registered with the NASD.

FIRMS AND INDIVIDUALS FINED

First Investors Corporation (Seattle, Washington) and **Howard A. Washburn (Registered Principal, Renton, Washington)** submitted a Letter of Acceptance, Waiver and Consent pursuant to which the firm was fined \$25,000 and Washburn was fined \$10,000. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that First Investors failed to establish and maintain adequate written and unwritten supervisory procedures to detect and prevent the recommendation and sale of unsuitable investments to public customers. The findings also stated that Washburn failed to supervise two registered representatives properly to ensure their compliance with applicable NASD rules.

Homestead Capital Corporation (Mechanicsburg, Pennsylvania) and **Scott T. Mumma (Registered Principal, Carlisle, Pennsylvania)** submitted a Letter of Acceptance, Waiver and Consent pursuant to which they were fined \$10,000, jointly and severally.

Without admitting or denying the allegations, the respondents consented to the described sanction and to the entry of findings that the firm, acting through Mumma, participated in three contingent offerings of limited partnership units and failed to transmit funds received from the sales of such units into an escrow account. According to the findings, the firm, acting through Mumma, released the aforementioned funds to issuers before the contingencies had been met and failed to return subscribers' funds when all units had not been sold

by the termination date. Furthermore, the NASD determined that they attempted to alter the terms of one of the offerings by changing the nature of the contingency while failing to comply with the requirements established by the SEC to effect such changes.

The findings also stated that Homestead Capital, acting through Mumma, effected securities transactions when it failed to maintain minimum required net capital and failed to prepare an accurate general ledger, trial balance, and net capital computation. Moreover, the NASD found that the firm, acting through Mumma, filed inaccurate FOCUS Parts I and IIA reports and failed to give prompt telegraphic notice of the aforementioned net capital deficiencies until instructed to do so by the NASD.

Richco Securities, Inc. (Dallas, Texas) and **Hamilton Farrar Richardson (Registered Principal, New York, New York)** submitted a Letter of Acceptance, Waiver and Consent pursuant to which they were fined \$10,000, jointly and severally. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that, in connection with the contingent offer and sale of shares of common stock, the firm, acting through Richardson, failed to transmit investors' funds to an escrow account and caused investors' funds to be released to the issuer when the minimum number of shares had not been sold.

In a related offering, the NASD found that the firm, acting through Richardson, failed to return investors' funds when the appropriate event or contingency had not occurred. The NASD also found that the firm, acting through Richardson, failed to maintain its required minimum net capital and conducted a general securities business while Richardson acted in a general securities capacity without proper registration. Furthermore, the NASD determined that Richco failed to evidence supervision of at least 105 subscription documents received from investors in the private placements it sold and to maintain current written supervisory procedures.

FIRMS FINED

Hutchinson Financial Corporation n/k/a Princeton American Equities Corporation (Phoenix, Arizona) was fined \$10,000. The sanction was imposed by the NASD's Board of Governors following an appeal of a decision by the DBCC for

District 3. The sanction was based on findings that the firm failed to pay a \$37,465 NASD arbitration award promptly.

INDIVIDUALS BARRED OR SUSPENDED

Stuart Adams (Registered Representative, St. Petersburg, Florida) was fined \$5,000 and suspended from association with any member of the NASD in any capacity for five business days. The sanctions were imposed by the NASD's Board of Governors following an appeal of a decision by the DBCC for District 7. The sanctions were based on findings that Adams engaged in misrepresentations in connection with the sale of a common stock during an initial public offering.

Robert A. Amato (Registered Representative, New Orleans, Louisiana), William C. Boehmer, Jr. (Registered Representative, Metairie, Louisiana), Charles D. Block, Jr. (Registered Representative, New Orleans, Louisiana), and Adrian Pellegrin (Registered Representative, Houma, Louisiana). Amato was fined \$20,000, suspended from association with any member of the NASD in any capacity for four weeks, and required to requalify by examination as a registered representative. Boehmer, Block, and Pellegrin were each fined \$5,000, suspended from association with any member of the NASD in any capacity for one week, and required to requalify by examination as a registered representative.

The sanctions were imposed by the NASD's Board of Governors following an appeal of a decision by the DBCC for District 5. The sanctions were based on findings that, in contravention of the NASD's Mark-Up Policy, the respondents engaged in securities transactions with public customers at prices that reflected unfair markups in excess of 10 percent.

Amato, Boehmer, and Block have appealed to the SEC, and their sanctions are not in effect pending consideration of the appeals.

The suspension of Pellegrin began with the opening of business November 18, 1991, and concluded November 22, 1991.

Mirza Baig (Registered Representative, Springhill, Florida) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$1,000 and barred from association with any member of the NASD in any capacity. Without admitting or denying the allegations, Baig consented to the described sanctions and to the entry

of findings that he entered into an agreement with another individual by which that individual took a qualification examination on Baig's behalf by representing himself as Baig.

Richard A. Bailey (Registered Representative, Ada, Oklahoma) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$5,000 and suspended from association with any member of the NASD in any capacity for one week. Without admitting or denying the allegations, Bailey consented to the described sanctions and to the entry of findings that he made various misleading representations to public customers concerning securities purchases. Specifically, the findings stated that Bailey falsely represented to the customers that their investments were fully insured by the U.S. government.

Furthermore, the NASD determined that he failed to disclose to the customers that the net asset value of their shares could change significantly as interest rates fluctuated and that a portion of their dividends might constitute a return of capital. The NASD also found that Bailey made written guarantees to public customers and failed to obtain prior approval from his member firm before transmitting the written agreements or correspondence to the customers.

Philip S. Brown (Registered Representative, Denver, Colorado) was fined \$3,000 and suspended from association with any member of the NASD in any capacity for two business days. The sanctions were imposed by the NASD's Board of Governors following an appeal of a decision by the DBCC for District 3. The sanctions were based on findings that Brown executed unauthorized transactions in the joint accounts of public customers.

Leo R. Burns (Registered Representative, Leominster, Massachusetts) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$250,000 and barred from association with any member of the NASD in any capacity. Without admitting or denying the allegations, Burns consented to the described sanctions and to the entry of findings that he misappropriated customer funds totaling \$243,500 that were invested in a limited partnership.

Gerald L. Carnill (Registered Representative, Troy, Michigan) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$20,000 and barred from association

with any member of the NASD in any capacity. Without admitting or denying the allegations, Carnill consented to the described sanctions and to the entry of findings that he engaged in the sale of securities to public customers while failing to give prior written notification to his member firm of his intention to engage in such activity.

Richardson J. Caton, III (Registered Representative, Oakfield, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$5,000 and barred from association with any member of the NASD in any capacity. Without admitting or denying the allegations, Caton consented to the described sanctions and to the entry of findings that he failed to pay in full an arbitration award of \$1,228 plus interest. In addition, Caton failed to respond to NASD requests for information.

John Edward Chiesa (Registered Representative, West Palm Beach, Florida) was fined \$5,000 and barred from association with any member of the NASD in any capacity. The sanctions were imposed by the NASD's Board of Governors following an appeal of a decision by the DBCC for District 7. The sanctions were based on findings that Chiesa failed to pay a \$1,350 arbitration award.

Curtis Delain Cloud (Registered Principal, Grapevine, Texas) was fined \$525,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Cloud misappropriated and converted to his own use \$473,415 from public customers without the knowledge or consent of the customers. In addition, Cloud failed to respond to NASD requests for information.

Harry S. Davis, III (Registered Representative, Baltimore, Maryland) was fined \$35,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that he misappropriated insurance premiums totaling \$4,882 from nine customers and failed to respond to NASD requests for information.

Randy F. DeFilippis (Registered Representative, Elberon, New Jersey) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$4,000, suspended from association with any member of the NASD in any capacity for two years, and required to requalify by examination as a general securities representative.

Without admitting or denying the allegations, DeFilippis consented to the described sanctions and to the entry of findings that he took a qualification examination on behalf of a registered representative and received \$2,000 in compensation from that person.

Frank C. Gruska (Registered Representative, St. Cloud, Minnesota) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$15,000 and barred from association with any member of the NASD in any capacity. Without admitting or denying the allegations, Gruska consented to the described sanctions and to the entry of findings that he sent to a public customer a statement falsely representing that he had sold a high-yield bond for the customer's account. Moreover, the NASD found that Gruska continued to send to the customer monthly statements purporting to show that the proceeds from the aforementioned sale had been invested into a mutual fund as instructed by the customer when, in fact, no such investment was made.

Thomas L. Hudman (Registered Representative, Oklahoma City, Oklahoma) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$5,000 and suspended from association with any member of the NASD in any capacity for one week. Without admitting or denying the allegations, Hudman consented to the described sanctions and to the entry of findings that he engaged in a practice of floating funds among his checking accounts at two local banks and his cash account at his member firm. Furthermore, the NASD found that this activity ultimately caused three checks that had been deposited into Hudman's account with his member firm to be returned due to insufficient funds.

John J. Jobson (Registered Representative, Melbourne Beach, Florida) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$5,000 and barred from association with any member of the NASD in any capacity. Without admitting or denying the allegations, Jobson consented to the described sanctions and to the entry of findings that he received checks totaling \$4,000 from a public customer for investment purposes. Instead, the NASD found that Jobson negotiated the checks and remitted the proceeds in cash to a third party who then disappeared with the funds.

William Kirby Johnson (Registered Representative, Knoxville, Tennessee) submitted an Offer of Settlement pursuant to which he was fined \$5,000 and suspended from association with any member of the NASD in any capacity for 60 days. Without admitting or denying the allegations, Johnson consented to the described sanctions and to the entry of findings that he purchased two option contracts for the account of a public customer without the customer's knowledge or consent and in the absence of written or oral authorization to exercise discretion in the account. The NASD also found that Johnson failed to respond to NASD requests for information.

M. Leslie Jolly (Registered Representative, Girard, Kansas) submitted a Letter of Acceptance, Waiver and Consent pursuant to which she was fined \$1,000 and suspended from association with any member of the NASD in any capacity for three weeks. Without admitting or denying the allegations, Jolly consented to the described sanctions and to the entry of findings that she executed in the account of a public customer securities transactions that were approved by the customer's banker. Jolly failed to obtain a written power of attorney authorizing the banker to execute transactions in the customer's account, according to the findings.

In addition, the NASD found that Jolly exercised discretionary power in the account of the same customer without obtaining prior written authorization from the customer and prior written acceptance of the account as a discretionary account by her member firm.

Scott E. Jones (Registered Representative, Plantation, Florida) submitted a Letter of Acceptance, Waiver and Consent 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, Jones consented to the described sanctions and to the entry of findings that he prepared and provided to a public customer a profit-and-loss summary of transactions effected in the customer's account which represented that the customer had realized losses of approximately \$16,000 when, in fact, the customer's account had generated losses of about \$56,000.

The findings stated that Jones provided the same customer with a \$56,000 personal check intended to reimburse the customer for the losses in

his account, but the check was returned due to insufficient funds. The NASD also found that Jones provided another public customer with a \$90,000 check and falsely represented to him that the check was issued from the customer's account by Jones' member firm when the customer's account actually did not have such funds in it and the check was returned due to insufficient funds.

In addition, without the knowledge or authorization of the same customer, the NASD determined that Jones obtained blank checks from the customer's personal checking account, completed them in amounts totaling \$191,421.25, and deposited the checks in the customer's account, but the checks were returned due to insufficient funds.

Lawrence J. Kouri (Registered Representative, Akron, Ohio) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$1,000 and suspended from association with any member of the NASD in any capacity for six months. Without admitting or denying the allegations, Kouri consented to the described sanctions and to the entry of findings that his member firm issued to a public customer a \$56.34 check that Kouri deposited in his personal bank account and converted to his own use without the knowledge or consent of the customer.

Rufus M. Langford, III (Registered Representative, Clinton, Mississippi) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$20,000 and barred from association with any member of the NASD in any capacity. Without admitting or denying the allegations, Langford consented to the described sanctions and to the entry of findings that he forged the signatures of 19 public customers in connection with their purchases of mutual funds or variable annuity contracts.

The NASD found that Langford received funds totaling \$86,433.94 from public customers for investment purposes and, instead, converted the funds to his own use without the knowledge or consent of the customers. The findings also stated that, in connection with the sale of a trust fund, Langford made misleading representations to public customers and provided the customers with written correspondence confirming such misrepresentations without obtaining prior approval from his member firm. In addition, Langford failed to respond to NASD requests for information.

Arthur Joseph Lewis (Registered Represent-

tative, **Beaverton, Oregon**) was fined \$25,000 and suspended from association with any member of the NASD in any capacity for one year. The sanctions were affirmed by the SEC following an appeal of a decision by the NASD's Board of Governors. The sanctions were based on findings that Lewis exercised effective control over an account of a public customer and recommended to the customer the purchase and sale of securities and options without having reasonable grounds for believing the recommendations were suitable considering the customer's financial situation and investment objectives.

Michael Paul McGowan (Registered Representative, Guttenberg, New Jersey) submitted an Offer of Settlement pursuant to which he was suspended from association with any member of the NASD in any capacity for one year. Without admitting or denying the allegations, McGowan consented to the described sanction and to the entry of findings that he failed to pay a \$157.50 arbitration award in a timely manner.

Candace Patricia Omlid (Registered Representative, Manchester, Missouri) submitted an Offer of Settlement pursuant to which she was fined \$50,000 and barred from association with any member of the NASD in any capacity. Without admitting or denying the allegations, Omlid consented to the described sanctions and to the entry of findings that, without the knowledge or consent of her member firm, she issued checks totaling \$138,651 to another representative, endorsed the checks, and deposited the funds in their joint bank account, thereby converting the funds of her member firm to her own use and benefit.

Robert Bruce Orkin (Registered Principal, Boca Raton, Florida) was fined \$15,000 and suspended from association with any member of the NASD in any principal capacity for 90 days. The sanctions were imposed by the NASD's Board of Governors following an appeal of a decision by the DBCC for District 7. The sanctions were based on findings that a member firm, acting through Orkin, effected, as principal for its own account, over-the-counter sales of corporate securities to public customers at prices that were not fair.

Orkin has appealed this case to the SEC, and his sanctions are not in effect pending consideration of the appeal.

B. Douglas Petersen, Jr. (Registered Principal, Fort Collins, Colorado) was fined \$109,860

and barred from association with any member of the NASD as a registered principal. The sanctions were imposed by the NASD's Board of Governors following an appeal of a decision by the DBCC for District 3. The sanctions were based on findings that Petersen effected 108 principal transactions in the accounts of public customers at prices that were unfair based on all relevant circumstances. These circumstances include the fact that his former member firm effected 82 percent of all principal trades during this period and that the markups charged on these transactions ranged from 11.52 to 122.22 percent above the firm's contemporaneous cost for these securities.

Michael Pittman (Registered Principal, Aurora, Colorado), Donald Vigil (Registered Principal, Englewood, Colorado), and John Astori (Registered Principal, Boca Raton, Florida) submitted an Offer of Settlement pursuant to which they were each fined \$2,500 and suspended from association with any member of the NASD in any capacity for 10 business days. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that they violated SEC Rule 15c2-11. At the time the action was instituted, the rule generally required that a broker/dealer quoting a non-Nasdaq security have certain specified information and no reasonable basis for believing the information was not true and correct.

Specifically, the NASD found that a member firm, acting through Pittman, Vigil, and Astori, filed an application with the NASD seeking to become a market maker in a "Pink Sheets" stock. Furthermore, the findings stated that the issuer was not a Securities Exchange Act of 1934 reporting company, had never filed any required reports, and the respondents did not have a reasonable basis to believe that the issuer had filed these reports.

David A. Sabens (Registered Representative, Metairie, Louisiana) was fined \$75,000 and barred from association with any member of the NASD in any capacity. The sanctions were imposed by the NASD's Board of Governors following an appeal of a decision by the DBCC for District 5. They were based on findings that Sabens made various misrepresentations to public customers in connection with sales, and concerning their investments. He also recommended and effected securities transactions in the accounts of public customers without having reasonable

grounds for believing that the recommendations were suitable.

In addition, Sabens exercised discretionary power in the accounts of public customers and effected transactions in the customers' accounts without prior written authorization from the customers or written acceptance of the accounts as discretionary by his member firm. Furthermore, Sabens recommended that two customers open a joint account to purchase shares in an initial public offering in order to circumvent state securities rules. Sabens also engaged in unauthorized purchases and sales of securities in the account of a public customer.

Raymond E. Shimkus (Registered Representative, Southborough, Massachusetts) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$150,000 and barred from association with any member of the NASD in any capacity. Without admitting or denying the allegations, Shimkus consented to the described sanctions and to the entry of findings that, without the knowledge or consent of public customers, he withheld and misappropriated to his own use and benefit customer funds totaling \$160,000 that were intended for the purchase of an investment fund.

Danny R. Silver (Associated Person, Boca Raton, Florida) submitted an Offer of Settlement pursuant to which he was fined \$8,500 and barred from association with any member of the NASD in any capacity. Without admitting or denying the allegations, Silver consented to the described sanctions and to the entry of findings that, in contravention of the Board of Governors' Free-Riding and Withholding Interpretation, Silver failed to disclose he had a beneficial interest in an account that received shares of a new issue that traded at a premium in the immediate aftermarket.

Ronald E. Stoltzfus (Registered Representative, Ashland, Ohio) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$30,000 and barred from association with any member of the NASD in any capacity. Without admitting or denying the allegations, Stoltzfus consented to the described sanctions and to the entry of findings that he received a \$1,674 check from a public customer intended for payment of annual insurance premiums. Contrary to the customer's instructions and without the knowledge or consent of the customer, the NASD found

that Stoltzfus deposited the funds into a bank account that he controlled. In addition, Stoltzfus failed to respond to NASD requests for information.

David J. Thornton (Registered Representative, Rahway, New Jersey) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$21,000 and barred from association with any member of the NASD in any capacity. Without admitting or denying the allegations, Thornton consented to the described sanctions and to the entry of findings that he signed customers' signatures and altered documents in order to receive additional commissions without the knowledge or consent of the customers.

Jim A. Turley (Registered Representative, Dallas, Texas) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was suspended from association with any member of the NASD in any capacity for two weeks. Without admitting or denying the allegations, Turley consented to the described sanction and to the entry of findings that he guaranteed a public customer against losses in his securities accounts.

Joyce N. Westmoreland (Registered Representative, Baton Rouge, Louisiana) submitted a Letter of Acceptance, Waiver and Consent pursuant to which she was fined \$15,000, suspended from association with any member of the NASD in any capacity for one year, and barred from association with any member of the NASD in any principal capacity. In addition, she must requalify by examination as a general securities representative. Without admitting or denying the allegations, Westmoreland consented to the described sanctions and to the entry of findings that she falsified her member firm's books and records. Specifically, the NASD found that she opened a securities account and effected transactions in the account without disclosing to her member firm that the beneficial owner of the account was her brother.

Layne Carpenter Williams (Registered Principal, Sonora, California) was fined \$5,000 and suspended from association with any member of the NASD in any capacity for two weeks. Subsequent to his two-week suspension, Williams is suspended from association with any member of the NASD as a registered principal for one year and thereafter must requalify by examination before acting in a principal capacity. The sanctions were based on findings that Williams participated in the

offer and sale of limited partnership interests by means of false and fraudulent misrepresentations and omissions of material facts in contravention of SEC Rule 10b-5.

August E. Zabel (Registered Representative, Green Bay, Wisconsin) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$100,000 and barred from association with any member of the NASD in any capacity. Without admitting or denying the allegations, Zabel consented to the described sanctions and to the entry of findings that he obtained funds from at least 10 public customers for the purchase of insurance products. Without the customers' knowledge or consent, the NASD found that Zabel failed to purchase such products and used the funds for his own benefit. Zabel also failed to respond to NASD requests for information.

INDIVIDUAL FINED

Bruce H. Chandler (Registered Representative, Aurora, Colorado) was fined \$10,000. The sanction was imposed by the NASD's Board of Governors following an appeal of a decision by the DBCC for District 3. The sanction was based on findings that Chandler effected transactions in the accounts of two public customers without obtaining the customers' prior authorization.

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

Terran Securities, Incorporated, Missoula, Montana

SUSPENSION LIFTED

The NASD has lifted the suspension from membership on the dates shown for the following firm, since it has complied with formal written requests to submit financial information.

Hall, Curley & Co., Inc., New York, New York (November 13, 1991)

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

Michael A. Barbalato, Williamsville, New York

Louis R. Cerasuolo, Jr., Las Vegas, Nevada

Craig A. Coder, Redmond, Washington

Andrew R. Foster, Greensboro, North Carolina

John E. Good, Memphis, Tennessee
Daniel E. Halligan, Missoula, Montana
Robert E. Heinlein, Tampa, Florida
Ronald G. Heppner, Missoula, Montana
Yong Z. Jhong, Flushing, New York
Marc S. Mandel, Carmichael, California
Joel W. Mills, Des Moines, Iowa
Patricia B. Mulcahy, Palm Harbor, Florida

NASD IMPOSES FINES IN EXCESS OF \$240,000, BARS THREE INDIVIDUALS, AND SUSPENDS FIVE IN CONNECTION WITH MANIPULATIVE TRADING

The NASD has taken disciplinary action against Robert L. Blake in connection with manipulative trading between November 1988 and March 1989. At the time, Blake was associated with J.T. Moran & Co., a former member of the NASD, as a registered representative and the trader. Also named in the NASD's complaint were Edward K. Kirwan, Thomas I. Davis, Jr., Gordon Price, Bruce Olens, Robert Benedickson, Neil Litvin, and Miles F. Levites, all of whom were associated with other member firms.

Pursuant to their Offers of Settlement, which neither admitted nor denied the allegations of the complaint filed against them, the respondents agreed to the following sanctions: Blake, censure, \$75,000 fine, and a suspension in all capacities for five years; Kirwan, censure, \$100,000 fine, and a bar from associating with any member of the Association in any capacity; Davis, censure, \$20,000 fine, and a suspension for two years in all capacities; Price, censure, \$10,000 fine, and a bar from associating with any member of the Association in any capacity; Olens, censure, \$10,000 fine, and a bar from associating with any member of the Association in any capacity; Benedickson, censure, \$10,000 fine, and a suspension from association with any member in any principal capacity for six months; Litvin, censure, \$10,000 fine, and a suspension from association with any member in any principal capacity for six months; and Levites, censure, \$7,500 fine, and a suspension from associating with any member in a principal capacity for nine months.

The respondents, in their Offers of Settlement, consented to findings consistent with the violations alleged in the complaint. The complaint charged that, during the period from on or about November 1988 through on or about March 1989, respondents Blake, Kirwan, and Davis, assisted in

certain instances by respondents Price and Olens, violated Section 10(b) of the Securities Exchange Act of 1934, Rule 10b-5 thereunder, and Article III, Sections 1, 5, and 18 of the Association's Rules of Fair Practice. They did this, according to the complaint, by executing a series of transactions that included, among other things: parking stock in customer accounts; entering fraudulent quotations in the Nasdaq system; soliciting, arranging, and effecting matched orders and "wash sales"; soliciting, arranging, and effecting a series of transactions at the end of the day to "mark the close"; arranging and effecting a series of unauthorized transactions; arranging and effecting transactions in violation of the Federal Reserve Board's Regulation T; and executing and reporting of non-bona fide transactions and entering artificial quotations into the Nasdaq system. Section 18 of the NASD Rules is the anti-fraud rule, which prohibits the use of any manipulative, deceptive, or other fraudulent device in the purchase or sale of any security.

Moreover, the complaint alleged that respondent Kirwan violated Article III, Section 1 of the Association's Rules and Schedule C of the Association's By-Laws by failing to register with the NASD. The complaint also alleged that respondents Benedickson and Litvin failed to appropriately supervise Blake, and respondent Levites failed to appropriately supervise Davis, thereby violating Article III, Sections 1 and 27 of the Association's Rules.

The NASD operates and regulates The Nasdaq Stock Market and surveils the non-Nasdaq over-the-counter market. In this role, it monitors trading activity in more than 8,000 actively traded securities. The investigation that led to the filing of the complaint in this matter was conducted by the NASD's Market Surveillance Department, which employs sophisticated technology to alert it to unusual market activity, as well as a staff of professionals who conduct routine reviews and detailed investigations into questionable activity.

These disciplinary proceedings and sanctions imposed are a part of the NASD's continuing commitment to address fraud and other abuses in the securities business.

NASD SUMMARILY SUSPENDS OXFORD CAPITAL SECURITIES, INC.

The NASD has summarily suspended Oxford Capital Securities, Inc., of New York City, effec-

tive as of the close of business November 5, 1991.

The suspension, under Article VIII of the Association's Code of Procedure, is based on a determination by the NASD that Oxford is in such financial and operational difficulty that it cannot be permitted to continue as a member of the Association with safety for investors, creditors, and other members.

According to the NASD, Oxford failed to demonstrate compliance with certain financial and operational regulations, including the SEC's rules regarding net capital, customer protection, and books and records. Oxford had failed to record unregistered debt obligations on its books, and these obligations made the firm's net capital position deficient. Furthermore, Oxford failed to make and keep its books and records current and failed to record certain of its bank accounts on its books. In addition, Oxford received customer funds through the redemption of customers' mutual fund shares and variable annuities, failed to place them in a segregated account, and thereby failed to comply with the SEC's customer protection rule.

NASD SANCTIONS FORMER PRESIDENT AND A REGISTERED REPRESENTATIVE OF AN OKLAHOMA CITY BROKER/DEALER, SEPARATELY EXPELS NEW YORK CITY BROKER/DEALER

The NASD has taken disciplinary actions against two former employees of a member firm and, separately, against another firm. The first action was taken against Gary E. Bryant, the former President of Anderson, Bryant and Co., a broker/dealer located in Oklahoma City, Oklahoma, and Larry J. Phillips, a former registered representative of the firm, for misconduct relating to United Dental Care (UDC), Inc., a non-Nasdaq over-the-counter security. Global America, Inc., a broker/dealer located in New York City, was the subject of disciplinary action in the second proceeding.

Bryant was censured, suspended from association with any NASD member in any capacity for two years, and fined \$150,000. Phillips was censured, fined \$250,000, and barred from association with any NASD member in any capacity. Bryant has appealed the NASD decision to the SEC. While the matter is being considered by the SEC, the sanctions entered against him are not effective. The sanctions against Phillips are

effective immediately.

The NASD found that Bryant and Phillips engaged in an unregistered distribution of UDC securities. As a result of a merger of UDC with a public shell company, Bryant received 200,000 shares of UDC issued in the name of his daughter, Phillips received one million shares, and two nominees with accounts at Anderson, Bryant received a total of 700,000 shares. None of these shares were registered or exempt from registration, nor did the individuals pay for them. A large number of these shares, as well as other unregistered shares of UDC, were sold into the marketplace without the benefit of a registration statement.

The NASD found that Bryant's receipt of the unregistered UDC shares represented consideration for his efforts in establishing and supporting an aftermarket in UDC by Anderson, Bryant to create a means for the nominees to sell their shares and thereafter remit a portion of the proceeds directly to the company. The NASD also found that Bryant and Phillips made misrepresentations and omissions to customers, Bryant failed to disclose his receipt of stock, and Phillips made unwarranted price projections and other misrepresentations about UDC. They also failed to disclose that Phillips and UDC had a control relationship.

The NASD further found that Bryant manipulated over a two-day period the per-share price of UDC from 50 cents to \$1, a price that was unrelated to UDC's business history, earnings, assets, or production, and was otherwise without justifica-

tion, and that Bryant engaged in excessive mark-ups, overcharging the firm's customers more than \$20,000. In addition, the Association found that Phillips gave customers written guarantees against loss and that Bryant failed adequately to supervise Phillips. The NASD found that Bryant and Phillips violated, among other provisions, Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, and Article III, Section 18 of the NASD's Rules of Fair Practice. These provisions prohibit the use of any manipulative, deceptive, or fraudulent device in the purchase or sale of any security.

In a separate disciplinary action, the NASD Market Surveillance Committee expelled Global America, Inc., a member firm headquartered in New York City, from NASD membership. The decision found that Global failed to cooperate in an investigation by the NASD that was prompted, in part, by numerous customer complaints alleging a refusal by Global to execute sell orders and a precipitous drop in the market price of several securities in which Global made a market after the firm closed in January 1991.

The NASD investigation in both matters was conducted by its Anti-Fraud Department and initially heard by the NASD's Market Surveillance Committee, which consists of 12 executives of securities firms from across the country. The committee's findings as to Bryant and Phillips were affirmed following proceedings on appeal before the National Business Conduct Committee.

For Your Information

National Association of Securities Dealers, Inc.

December 1991

NASD Seeks Permission to Contact Brokers About Insurance Programs

The NASD recently sent a letter to the Chief Executive Officer of each member firm requesting permission to contact its registered representatives directly about the Association's group insurance programs. The letters followed the approval of both the Members Group Insurance and the Membership Committees of the NASD to allow the use of the Association's data base for such direct contacts, but only with the consent of each member firm. The NASD will not make the information in the data base available for any other purpose.

While the NASD has provided information on the programs (covering life, accidental death,

disability, and major medical insurance) to member firms for many years, it never has contacted registered representatives directly about them.

Beginning late this month, brochures describing the life insurance program will be sent to the homes of registered representatives of those firms granting permission. The registered representatives then may apply for whatever level of protection they elect. The NASD's group insurance administrators will forward an individual's application to the proper insurance carriers and then will begin servicing all phases of each account.

New Hampshire Increases Agent Registration and Transfer Fees

Effective January 1, 1992, New Hampshire will increase its agent fees. Agent registration and transfer fees each will rise from \$65 to \$130.

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

Alabama Withdraws from CRD Phase II Participation

Effective January 1, 1992, Alabama will withdraw from participation in the Central Registration Depository (CRD) Phase II. Member firms will be required to submit Form BD, amendments to Form BD, and Form BDW directly to the state instead of to the NASD.

The state will be sending a separate notification to all firms registered in Alabama that will outline the new filing procedures and requirements. If you have any questions, contact the Alabama Securities Commission at (205) 242-2984.

PLATO Centers Change Phone Number in Albuquerque, Address in Waltham

Effective December 16, 1991, the telephone number of the Albuquerque, New Mexico PLATO Development Center will change to (505) 884-6033.

The PLATO Development Center in Waltham,

Massachusetts will relocate effective January 13, 1991, to 1601 Trapelo Road, Waltham, MA 02154. The telephone number will remain the same. The center will be closed on Thursday and Friday, January 9 and 10.
