

Notice To Members

National Association of Securities Dealers, Inc.

September 1992

Number 92-47**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: The Role of the NASD's Standing Committees**EXECUTIVE SUMMARY**

The work of the NASD's Board of Governors standing committees is essential to the success of the NASD's programs and the fulfillment of its purposes. Every year, more than 200 individuals with expertise in various aspects of the securities business contribute their time and serve on one or more of these committees. This Notice includes a brief overview of the role and workings of these committees as well as the process for selecting committee members.

OVERVIEW

The committees of the Board of Governors are essential to developing NASD policy, advising the Board, and representing the many constituencies of the NASD and its subsidiaries. The countless hours devoted by industry and other volunteer members of these committees contribute much to the success and effectiveness of the NASD.

The Board currently has 16 standing committees. A list of these committees along with a brief description of their primary functions is included with this Notice. In addition to these committees, ad hoc (or "special") committees or task forces are often established by the Board to address transitory issues and issues that require special expertise or

that cannot, as a practical matter, be addressed by standing committees.

Committee size varies and the majority of the committees have at least two Governors who act as liaisons with the Board. This structure facilitates broad industry participation and provides a mechanism for ongoing communication with the NASD Board. It also brings important segments of the industry into the NASD process.

SELECTION PROCESS

Under NASD By-Laws, the Board has broad discretion to establish committees. When selecting persons to serve on committees, a Selection Committee consisting of the President and the incoming and retiring Chairman of the Board reviews current committee rosters. This review begins after election of the Chairman of the Board for the coming year each November.

The Selection Committee recommends to the Board a slate of nominees for each committee. Those nominated have the expertise to address the issues before the committee and represent the public and the participants in the securities industry affected by the work of the committee. To carry out its role, the Selection Committee takes into consideration:

■ Each committee's particular needs including the number of members, committee functions, short- and long-term issues to be addressed, and

other external factors that would have a bearing on the group's actions.

■ Recommendations by the various committee chairmen and staff liaisons based on their observations of the participation, attendance, and length of service of each committee member.

■ Suggestions received from district committee chairmen and district directors concerning current and former members of the district committees with expertise in the areas covered by particular committees.

■ Requests from Governors to serve on particular committees.

■ Correspondence and biographical data received throughout the year from or about individuals who wish to serve on the committees.

The Selection Committee presents its recommended committee roster to the Board for approval at the January meeting.

ENCOURAGING BROADER PARTICIPATION

The NASD believes that adding individuals to the rosters who have not previously served on committees will enhance the NASD's vitality. Bringing new people into the work of the committees subjects established points of view to continuing scrutiny, accords representation to a broad spectrum of the securities industry and the public, and adds greater depth to the pool of qualified candidates for future Board service.

Service on an NASD committee is a privilege afforded to those who have demonstrated expertise in the area of the securities industry that the committee represents. Although expertise is the most important criteria for committee service, it is not the only one. Often, committee members must expend significant amounts of time and effort to properly discharge their duties. This can frequently create challenges as committee members try to fulfill their obligations to the committee while simultaneously meeting the continuing demands of their careers.

For these reasons, persons thinking about offering their services to one or more of the NASD committees listed below should consider not only their level of expertise in the subject matter but also the effect such service will have on their current and future schedules. If, after careful thought, an individual would like to learn more about service on a committee, simply contact the staff liaison listed after the committee.

Corporate Financing Committee develops NASD policy relating to public equity and debt financing; and considers the fairness and reasonableness of underwriting compensation and arrangements proposed by members. Contact Charles Bennett at (202) 728-8253.

Direct Participation Programs/Real Estate Committee reviews and develops regulations specifying standards of fairness and reasonableness that members must satisfy when distributing direct participation programs; and regulations that such programs sponsored or distributed by members must satisfy. Contact Charles Bennett at (202) 728-8253.

Fixed Income Securities Committee monitors developments and advises the Board on matters relating to corporate, municipal, and government fixed-income securities. Contact Richard G. Ketchum at (202) 728-8020.

Institutional Investors Committee advises the staff and Board on matters concerning investments, investment strategies, the workings of institutional investors, and how the Nasdaq market can better serve the needs of these investors. Contact S. William Broka at (202) 728-8050.

Insurance Affiliated Members Committee provides the Board with expertise, advice, and recommendations on matters concerning insurance company members, insurance products, and the insurance business. Contact R. Clark Hooper at (202) 728-8330.

International Committee concerns itself with the activities of members in international securities in U.S. markets and their activities in U.S. securities in international markets. Areas addressed include trading and settlement procedures; U.S. and other national government laws; regulations and reporting requirements; and reciprocal dealer access to the international markets. Contact John T. Wall at (202) 728-8200.

Investment Companies Committee considers a broad range of issues relating to the distribution of investment company shares; makes recommendations to the Board for new rules, amendments to existing rules, comments on SEC proposals; and provides interpretive advice to members and their staff. Contact R. Clark Hooper at (202) 728-8330.

Issuer Affairs Committee, comprised of senior officials of Nasdaq listed companies, addresses issues related to listing requirements, investor relations and policy issues affecting

Nasdaq listed companies. Contact Glenn C. Faulkner at (202) 728-8275.

Marketing Committee advises the staff on developing and maintaining a comprehensive marketing plan and program for the NASD and its subsidiaries. The committee also advises the staff on public relations programs directed to key publics that elevate the prestige and image of the NASD and The Nasdaq Stock Market,SM and promote maximum awareness and greater understanding of their business and regulatory activities. Contact L. Brian Holland at (202) 728-8116.

Membership Committee recommends various categories of registration to the Board, develops qualification examinations for Board-approved categories of registration; provides ongoing industry oversight to the NASD's qualification examination program; recommends actions to the Board in areas related to registration and qualification such as membership and training standards; and reviews current registration and licensing procedures of self-regulatory organizations, state, and other government jurisdictions. Contact Frank J. McAuliffe at (301) 590-6694.

Nasdaq Hearing Review Committee reviews Nasdaq qualification matters appealed to or called for review by the Board and considers policy issues relating to Nasdaq issuer qualifications. Contact T. Grant Callery at (202) 728-8285.

Nasdaq Qualifications Committee monitors qualification standards, both for initial inclusion and maintenance, for The Nasdaq Stock Market. Contact Donald H. Boscic at (202) 728-8043.

National Arbitration Committee, composed of individuals from both the general public and the

securities industry, monitors the activities of the NASD's arbitration forum; develops policies and procedures under which that forum operates; recommends changes in the NASD Code of Arbitration Procedure; and supplements the national list of arbitrators with qualified persons. Contact Deborah Masucci at (212) 858-4488.

Operations Committee recommends policy, rules, and interpretations to the Board on uniform practice matters; reviews and makes recommendations on clearing policies and other back-office-related areas; and monitors developments and makes recommendations on financial responsibility and credit rules and regulations. Contact Thomas R. Cassella at (202) 728-8237.

State Liaison Committee serves as the focal point for all NASD dealings with state legislatures, state securities regulators and the North American Securities Administrators Association, Inc. Contact Frank J. Formica at (202) 728-8289.

Trading Committee, which is primarily involved in issues relating to the trading of securities in the Nasdaq market and the over-the-counter market, develops recommendations for consideration by the Board of Governors on issues that impact the trading community. It also addresses and advises the Board on policy issues related to rule changes and system enhancements for the Small Order Execution System (SOES)SM; designs and develops rules and regulations on the trading of listed options over-the-counter; and is responsible for the development of a Nasdaq Options program to facilitate options trading on Nasdaq-quoted securities. Contact Glen R. Shipway at (212) 858-4448.

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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: 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 MarketSM 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 customer 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, recla-

mations, and buy-ins and sell-outs, as provided in the Uniform Practice Code, will not be made and/or exercised on October 12.

Brokers, dealers, and municipal securities dealers should use these 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.

*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."

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Subject: Nasdaq National Market Additions, Changes, and Deletions as of August 25, 1992

As of August 25, 1992, the following 36 issues joined the Nasdaq National Market, bringing the total number of issues to 2,927:

Symbol	Company	Entry Date	SOES Execution Level
HEAT	Petroleum Heat and Power Co., Inc. (CI A)	7/29/92	1000
SFTIF	SOFTIMAGE Inc.	7/29/92	500
SPLKA	Jones Spacelink, Ltd. (CI A)	7/30/92	500
CDATV	Control Data Systems, Inc. (WI)	8/3/92	1000
HITK	Hi-Tech Pharmacal Co., Inc.	8/3/92	1000
BIIEF	BII Enterprises Inc.	8/4/92	1000
COLB	Columbia Banking System, Inc.	8/4/92	200
CREAF	Creative Technology Ltd.	8/4/92	1000
GENZZ	Genzyme Corporation (12/31/96 Wts)	8/4/92	1000
PEAK	Peak Technologies Group, Inc. (The)	8/4/92	1000
USBCP	U.S. Bancorp (Pfd)	8/4/92	1000
MCSY	Medic Computer Systems, Inc.	8/5/92	1000
CNIT	CENIT Bancorp, Inc.	8/6/92	500
EZCOF	Ezcony Interamerica Inc.	8/6/92	500
ARBH	Arbor National Holdings, Inc.	8/7/92	1000
BNYN	Banyan Systems Incorporated	8/7/92	200
KWIC	Kennedy-Wilson, Inc.	8/7/92	1000
PAWN	First Cash, Inc.	8/10/92	1000
ENVG	Envirogen, Inc.	8/11/92	500
TOPS	Tops Appliance City, Inc.	8/11/92	500
VACI	Value-Added Communications, Inc.	8/12/92	1000
BTOP	Bestop, Inc.	8/13/92	1000
CSCI	Cryenco Sciences, Inc. (CI A)	8/13/92	500
AMRS	American Residential Holdings, Inc.	8/14/92	1000
ALDN	Alden Press Company (The)	8/18/92	1000
ALHCP	American Life Holding Company (Pfd)	8/18/92	1000

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Symbol	Company	Entry Date	SOES Execution Level
HMCI	HomeCorp, Inc.	8/18/92	200
SMTS	Somanetics Corporation	8/18/92	1000
SMTSZ	Somanetics Corporation (Wts)	8/18/92	500
TECH	Techne Corporation	8/18/92	1000
THRX	Theragenics Corporation	8/18/92	1000
DANS	Danskin, Inc.	8/19/92	1000
LAYN	Layne, Inc.	8/20/92	1000
LQMD	LifeQuest Medical, Inc.	8/20/92	500
PACO	Paco Pharmaceutical Services, Inc.	8/20/92	500
ABRS	Amber's Stores, Inc.	8/21/92	1000

Nasdaq National Market Symbol and/or Name Changes

The following changes to the list of Nasdaq National Market securities occurred since July 28, 1992:

New/Old Symbol	New/Old Security	Date of Change
HOLD/CMIN	American Holdings Inc./Computer Memories Incorporated	7/31/92
GIES/REUT	Green Isle Environmental Services, Inc./Reuter, Inc.	8/3/92
AMSR/AMSR	Amserv Healthcare Inc./Amserv Inc.	8/13/92

Nasdaq National Market Deletions

Symbol	Security	Date
GCRA	CNL Realty Investors, Inc.	7/31/92
GOAL	Goal Systems International Inc.	8/3/92
KMCI	KMC Enterprises, Inc.	8/3/92
APWRA	Applied Power, Inc. (CI A)	8/4/92
WECO	Washington Energy Company	8/4/92
MAJR	Major Realty Corporation	8/6/92
LFSA	First Federal Savings and Loan Association of Lenawee County	8/10/92
MSYSW	Medical Technology Systems, Inc. (8/15/92 Wts)	8/10/92
NLON	New London Inc.	8/10/92
HIVT	Health Insurance of Vermont, Inc.	8/11/92
ROIL	Reserve Industries Corporation	8/11/92
SONNF	Sonora Gold Corporation	8/11/92
TRTI	Transtech Industries, Inc.	8/11/92
BRJS	Brajdas Corporation	8/12/92
CLEA	Chemical Leaman Corporation	8/14/92
TSQM	T2 Medical, Inc.	8/14/92
PHPH	PHP Healthcare Corporation	8/17/92
PACCA	Provident Life and Accident Insurance Company of America (CI A)	8/20/92
PACCB	Provident Life and Accident Insurance Company of America (CI B)	8/20/92
WEXC	Wolverine Exploration Company	8/20/92
WEXCP	Wolverine Exploration Company (Pfd)	8/20/92
WEXCW	Wolverine Exploration Company (Wts)	8/20/92
FSKY	First Security Corporation of Kentucky	8/24/92
VMTGZ	Banyan Mortgage Investors L.P. II	8/25/92
WCAT	WICAT Systems, Inc.	8/25/92

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.

Disciplinary Actions

National Association of Securities Dealers, Inc.

September 1992

Disciplinary Actions Reported for September

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, September 21, 1992. 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

Adams, Block & Coe Securities, Inc. (Ft. Lauderdale, Florida) and **Michael Wechsler (Registered Principal, Boca Raton, Florida)**. The firm was fined \$50,000 and expelled from membership in the NASD. Wechsler was fined \$10,000, suspended from association with any member of the NASD in any capacity for 14 days, and required to requalify by examination as a general securities principal or municipal securities principal. The sanctions were based on findings that the firm engaged in non-bona fide month-end sales and repurchases of its municipal bond inventory to conceal its ownership and to avoid, for financial reporting and net capital purposes, the haircut required by the Securities and Exchange Commission (SEC). In addition, Wechsler failed to adequately supervise the firm's proprietary trading activities.

The firm also failed to maintain accurate books and records, filed materially inaccurate FOCUS Parts I and II Reports, and failed to maintain its required minimum net capital. The firm also overdrew an operating account to make a required deposit to its Special Reserve Bank Account for the Exclusive Benefit of Customers. Furthermore, the firm, acting through Wechsler, failed to deposit customer subscription funds in a separate bank trust account or bank escrow account in connection with a contingent offering of units.

Golden Shamrock, Inc. (Monrovia, California) and **William Wesley Tanner (Registered Principal, Arcadia, California)** were each fined \$20,000. In addition, the firm was expelled from membership in the NASD and Tanner was barred from association with any member of the NASD in

any capacity. The sanctions were based on findings that the firm, acting through Tanner, failed to respond to NASD requests for information regarding an investigation of both the firm's net capital and a customer complaint filed against Tanner.

FIRMS SUSPENDED, INDIVIDUALS SANCTIONED

Richfield Securities, Inc. (Englewood, Colorado), **Philip James Davis (Registered Principal, Littleton, Colorado)**, and **John Brent Aldred (Registered Principal, Reno, Nevada)**. The firm was fined \$30,133.97 and suspended from membership in the NASD for one year. Davis was fined \$30,133.97, and Aldred was fined \$17,633.97. In addition, Davis and Aldred were suspended from association with any member of the NASD in any capacity for one year and required to requalify by examination before becoming associated with any NASD member firm.

The National Business Conduct Committee (NBCC) imposed the sanctions following an appeal of a decision by the District Business Conduct Committee (DBCC) for District 1. The sanctions were based on findings that the firm, acting through Davis and Aldred, charged its customers unfair and unreasonable prices on the sale of common stock and failed to disclose the markups to the customers. The markups on these transactions ranged from 6.7 to 300 percent above the firm's contemporaneous cost for the securities, in contravention of the Interpretation of the Board of Governors concerning NASD Mark-Up Policy. Also, the firm, acting through Davis, failed to establish and implement adequate written supervisory procedures to detect and prevent the above activity.

Richfield Securities and Davis have appealed

this action to the SEC, and their sanctions are not in effect pending consideration of the appeal.

FIRMS FINED, INDIVIDUALS SANCTIONED

First Honolulu Securities, Inc. (Honolulu, Hawaii) and **Charles Frederick Jacobson (Registered Principal, Honolulu, Hawaii)** were fined \$12,900, jointly and severally. The NBCC imposed the sanction following an appeal of a decision by the DBCC for District 1. The sanction was based on findings that the firm, acting through Jacobson, sold corporate securities and corporate bonds from its own account to public customers at unfair and unreasonable prices. The firm and Jacobson have appealed this action to the SEC, and the sanctions are not in effect pending consideration of the appeal.

F.B. Horner & Associates, Inc. (New York, New York) and **Fred B. Horner (Registered Principal, New York, New York)** were fined \$99,201.20, jointly and severally. The SEC affirmed the sanction following the appeal by the firm and Horner of a decision issued by the NASD's NBCC. The sanction was based on findings that the firm, acting through Horner, made two sales of zero coupon bonds to an institutional customer at prices that were unfair. The excessive markups on the transactions were 8.09 and 6.91 percent above the prevailing market price.

This action has been appealed to the U.S. Court of Appeals for the second circuit, and the sanction is not in effect pending consideration of the appeal.

Toluca Pacific Securities Corp. (Burbank, California), **Steven Richard Friedman (Registered Representative, Los Angeles, California)**, and **Peter J. H. Blowitz (Registered Principal, Studio City, California)** submitted a Letter of Acceptance, Waiver and Consent pursuant to which the firm and Blowitz were fined \$10,000, jointly and severally. In addition, Friedman was fined \$40,000 and suspended from association with any member of the NASD in any capacity for 120 days.

Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that Friedman paid remuneration to an individual in connection with the inducement of purchases and sales of securities by public customers when Friedman knew, or should have known, that this individual had been suspended and was disqualified from registering

with the SEC or the NASD.

The findings also stated that the firm, acting through Blowitz, failed to establish or maintain a system to supervise Friedman and to enforce written procedures to prevent the aforementioned activity.

FIRMS AND INDIVIDUALS FINED

Toluca Pacific Securities Corp. (Burbank, California) and **Peter J. H. Blowitz (Registered Principal, Studio City, California)** were fined \$148,500, jointly and severally. This fine may be reduced by the amount of restitution they make to customers.

The sanction was based on findings that the firm, acting through Blowitz, engaged in the sale of common stock and warrants to customers in the secondary market at unfair prices in contravention of the Interpretation of the Board of Governors with respect to NASD Mark-Up Policy. Such sales resulted in markups ranging from 5.5 to 142 percent above the prevailing market price.

FIRMS FINED

Shearson Lehman Brothers, Inc. (New York, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which the firm was fined \$20,000. Without admitting or denying the allegations, Shearson consented to the described sanction and to the entry of findings that in contravention of the Free-Riding and Withholding Interpretation, the firm effected the sales of "hot issues" to investment partnerships/hedge funds without obtaining the names or business connections of all individuals having a beneficial interest in the accounts.

The NASD also found that in contravention of Schedule E of the NASD By-Laws, Shearson effected sales of the stock of its parent company to discretionary accounts without obtaining its customers' prior specific written approval. In addition, the NASD determined that the firm failed to disclose on confirmations of principal retail transactions the price reported to Nasdaq and did not disclose mark-up/mark-down to customers.

INDIVIDUALS BARRED OR SUSPENDED

Randy I. Allen (Registered Representative, Charleston, South Carolina) was fined \$4,166.65, suspended from association with any member of the NASD in any capacity for two

years, and required to requalify by examination in any registered capacity. The NBCC imposed the sanctions following appeal of a decision of the DBCC for District 7. The sanctions were based on findings that Allen caused a \$833.33 dividend check to be issued on an insurance policy of a public customer. The check was sent to an address other than that of the customer. Allen obtained the check, forged the customer's endorsement, and converted the proceeds to his own use and benefit without the customer's knowledge or authorization.

Allen's suspension began June 15, 1992 and will end June 15, 1994.

Mostafa Badakhshan (Registered Principal, New York, New York) 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 years. Without admitting or denying the allegations, Badakhshan consented to the described sanction and to the entry of findings that he failed to comply with his member firm's restriction agreement. The NASD found that Badakhshan failed to prepare and maintain his member firm's books and records and to maintain the firm's required minimum net capital.

The findings also stated that Badakhshan failed to prepare and file the firm's FOCUS Part IIA report in a timely manner and subsequently filed an inaccurate FOCUS Part IIA report. Furthermore, the NASD determined that Badakhshan failed to give telegraphic notice of the firm's undercapitalization on a timely basis and to file a FOCUS Part IIA report within 24 hours thereafter, on behalf his member firm.

Gary A. Baxter (Registered Representative, Brooklyn, New York) 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, Baxter consented to the described sanctions and to the entry of findings that his wife endorsed and deposited into her account for Baxter's own use and benefit a \$1,200 check payable to a public customer.

Russell Arnold Biggs (Registered Principal, Valinda, California) was fined \$72,000 and barred from association with any member of the NASD in any capacity. Biggs may reduce the fine by paying \$7,000 in restitution to a public customer. The sanctions were based on findings that

Biggs received from a public customer a \$7,000 check to purchase stock. Biggs deposited it into a bank account under his control and converted the proceeds. In addition, Biggs failed to respond to NASD requests for information.

Tommy Allen Carson (Registered Representative, Lynchburg, Virginia) was fined \$9,000 and barred from association with any member of the NASD in any capacity. The NBCC imposed the sanctions following appeal of a decision by the DBCC for District 9. The sanctions were based on findings that Carson misappropriated \$6,000 in customer funds. Specifically, Carson deposited in his business account three customer checks and two payments intended for deposit in the customer's individual retirement account (IRA) and used the monies for his own benefit. Moreover, in an attempt to conceal his activities, Carson provided three documents to the customer that contained false information.

James D. Chestnut (Registered Representative, Louisville, Kentucky) was barred from association with any member of the NASD in any capacity. The sanction was based on findings that Chestnut bought and sold index options in his own account without obtaining the required approval of his branch office manager and without paying for these transactions. Furthermore, Chestnut entered margin trades for public customers without having reasonable grounds for believing that such transactions were suitable for the customers.

In addition, Chestnut exercised discretion in the accounts of the same customers without their prior written authorization or written acceptance of the accounts as discretionary by his member firm. Chestnut also failed to respond to NASD requests for information.

Philip Jay Cooper (Registered Representative, Bronx, New York) submitted an Offer of Settlement pursuant to which he was fined \$7,500 and suspended from association with any member of the NASD in any capacity for 15 business days. Without admitting or denying the allegations, Cooper consented to the described sanctions and to the entry of findings that he executed transactions in the accounts of public customers without their prior authorization, knowledge, or consent.

Donald P. Damaso (Registered Representative, Phoenix, Arizona) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$25,000 and barred from association

with any member of the NASD in any capacity. In addition, Damaso must pay \$41,100 plus interest in restitution to customers. Without admitting or denying the allegations, Damaso consented to the described sanctions and to the entry of findings that he used \$41,100 in customer funds for his own benefit. The findings also stated that Damaso misrepresented the value of a customer's account.

Lawrence J. Dumestre, Jr. (Registered Principal, Baton Rouge, Louisiana) submitted an Offer of Settlement pursuant to which he was barred from association with any member of the NASD in any capacity. Without admitting or denying the allegations, Dumestre consented to the described sanction and to the entry of findings that he received from public customers checks totaling \$498,000 for investment in a partnership for which Dumestre was a managing general partner. The findings stated that instead of investing the funds, Dumestre deposited them into his own accounts and thereafter could not account for a portion of the funds adequately.

The NASD also found that Dumestre received funds from public customers for the purchase of municipal bonds and failed to pay for the bonds promptly. Instead, he deposited the funds into his own bank accounts, and subsequently paid for the bonds out of these accounts, thereby converting the monies to his own use without the customers' knowledge or consent. The findings further stated that Dumestre did not tell his member firm of his status as a managing general partner in a partnership or of his ownership and business involvement with another company. According to the findings, Dumestre also failed to amend his U-4 to disclose a default judgment against him and failed to respond to NASD requests for information.

James Edward Dusso (Registered Representative, Rochester, Minnesota) submitted an Offer of Settlement pursuant to which he was fined \$1,000 and barred from association with any member of the NASD in any capacity. In addition, Dusso must pay \$87.50 in restitution to a public customer prior to re-entering the securities industry through the NASD's eligibility proceedings. Without admitting or denying the allegations, Dusso consented to the described sanctions and to the entry of findings that he endorsed an \$87.50 dividend check made payable to a public customer and converted the proceeds to his own use and benefit without the customer's knowledge or consent.

Michael O. Emerick (Registered Representative, Columbus, Ohio), Jerry W. Turner (Registered Representative, Xenia, Ohio), Susan M. Timmerman (Registered Representative, Portsmouth, Ohio), Robert E. Seaquist (Registered Representative, Powell, Ohio), Richard A. Poe (Registered Representative, Grove City, Ohio), Stephen H. Gotwals (Registered Representative, Dublin, Ohio), and Carl F. McKee (Registered Representative, Columbus, Ohio) submitted Offers of Settlement pursuant to which they were each barred from association with any member of the NASD in any capacity. In addition, Emerick was fined \$100,000, Turner was fined \$60,000, Timmerman was fined \$50,000, Seaquist and Poe were each fined \$40,000, and Gotwals and McKee were each fined \$10,000.

Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that they sold shares of a common stock without providing prior written notification of such sales to their member firm. In addition, the findings stated that the respondents were not properly registered with the NASD.

Anthony Gardini (Registered Representative, West Islip, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$2,500 and suspended from association with any member of the NASD in any capacity for two weeks. Without admitting or denying the allegations, Gardini consented to the described sanctions and to the entry of findings that the signatures of public customers on SEC Rule 15c2-6 agreements authorizing the purchase of shares of a designated security were apparently forged.

Laurence B. Gates (Registered Representative, Nashville, Tennessee) 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, Gates consented to the described sanctions and to the entry of findings that, to circumvent firm procedures, he opened an investment club account at his member firm in the name of an individual who was not in the investment club. He also failed to ensure that his wife's account was designated employee-related.

The NASD also found that Gates failed to in-

form his member firm that another individual had misappropriated investment club funds. In addition, the findings stated that Gates failed to secure option agreements from members of the investment club and as a result, they were not approved to trade options, due diligence was not performed by a registered options principal, and financial information was not verified for each individual.

Michael W. Glazer (Registered Representative, New York, New York) was fined \$7,500 and barred from association with any member of the NASD in any capacity. The NBCC imposed the sanctions following appeal of a decision by the DBCC for District 7. The sanctions were based on findings that on two separate occasions, Glazer paid a registered representative \$2,000 to impersonate Glazer and to take and pass the Series 24 examination on his behalf.

Glazer appealed this action to the SEC, and the sanctions, other than the bar, are not in effect pending consideration of the appeal.

Kevin Francis Hauser (Registered Representative, Doraville, Georgia) was fined \$22,427 and suspended from association with any member of the NASD in any capacity for one business day. The fine may be reduced by any amounts that Hauser demonstrates that he has repaid to a public customer. The NBCC imposed the sanctions following appeal of a decision by the DBCC for District 7. The sanctions were based on findings that Hauser recommended the purchase of growth stocks on margin to a public customer without having reasonable grounds for believing that the recommendations were suitable for the customer.

Hauser appealed this action to the SEC, and the sanctions are not in effect pending consideration of the appeal.

Garry P. Hoffman (Registered Representative, Port Jefferson Station, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$32,000 and barred from association with any member of the NASD in any capacity. Without admitting or denying the allegations, Hoffman consented to the described sanctions and to the entry of findings that he submitted two false loan requests totaling \$8,500 on insurance policies and a change of address for a public customer without the knowledge or consent of the customer. The NASD also found that Hoffman misappropriated customer funds totaling \$7,038.72 representing a customer's cash surrender value of his

insurance policy. In addition, Hoffman forged the signatures of these customers on three checks and deposited the funds for his own use and purpose.

Thomas G. Kibler (Registered Representative, Circle Pines, Minnesota) was fined \$15,000, suspended from association with any member of the NASD in any capacity for 30 days, and required to requalify by examination as a registered representative. The NBCC imposed the sanctions following appeal of a decision by the DBCC for District 4. The sanctions were based on findings that Kibler executed transactions involving a common stock in the accounts of three public customers without their authorization.

Kibler appealed this action to the SEC, and the sanctions are not in effect pending consideration of the appeal.

Jeffery W. King (Registered Representative, Dunedin, Florida) was fined \$20,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that King induced public customers to divert \$2,000 of their investment funds into a personal loan to him by promising an inordinately high rate of return. In addition, King completed an IRA application for a public customer and forged the customer's name on the application without the customer's knowledge or consent. King also failed to respond to NASD requests for information.

William Neale Kirshner (Registered Representative, Corpus Christi, Texas) was fined \$105,000 and barred from association with any member of the NASD in any capacity. In addition, Kirshner may reduce the fine by repaying a loan he received in connection with this action. The NBCC imposed the sanctions following appeal of a decision by the DBCC for District 6. The sanctions were based on findings that Kirshner engaged in private securities transactions without providing prior written notice to his member firm.

Ronald R. Lachapelle (Registered Principal, Auburn, Maine) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$600,000 and barred from association with any member of the NASD in any capacity. Without admitting or denying the allegations, Lachapelle consented to the described sanctions and to the entry of findings that he misappropriated in excess of \$500,000 in customer funds from at least 43 public customers.

Keith Landau (Registered Representative,

N. Edison, New Jersey) 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, Landau consented to the described sanctions and to the entry of findings that he executed unauthorized purchase transactions in a designated security in the accounts of public customers. Further, the customers' signatures on the required suitability agreements were apparently forged.

Thomas Michael Legan (Registered Principal, San Francisco, California) was fined \$2,500 and suspended from association with any member of the NASD in any capacity for two years. The sanctions were based on findings that Legan entered into a furniture lease agreement in his firm's name without authorization. Legan also failed to respond to NASD requests for information.

Kenneth Lodge, Sr. (Registered Representative, Baton Rouge, Louisiana) was fined \$30,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Lodge received misappropriated insurance premium payments from public customers of approximately \$1,799.50. Lodge also failed to respond to NASD requests for information.

Michael Scott Long (Registered Representative, San Diego, California) was fined \$2,264,048 and barred from association with any member of the NASD in any capacity. However, he may apply to remove the bar by completely satisfying an arbitration award. The sanctions were based on findings that Long failed to pay a \$2,239,048 arbitration award.

John A. Malach (Registered Representative, Rochester, New York) was fined \$20,000 and barred from association with any member of the NASD in any capacity. The NBCC imposed the sanctions following an appeal of a decision by the DBCC for District 11. The sanctions were based on findings that Malach failed to respond to NASD requests for information concerning a customer complaint.

Malach appealed this action to the SEC, and the sanctions, other than the bar, are not in effect pending consideration of the appeal.

Raul R. Marinuzzi (Associated Person, New York, New York) 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 30 days. Without admitting or denying the allegations, Marinuzzi consented to the described sanctions and to the entry of findings that during the course of a Series 7 examination, he was found to have notes containing material relevant to the examination.

Marinuzzi's suspension commenced with the opening of business on April 1, 1992 and concluded at the close of business on April 30, 1992.

Mark E. Mattis (Registered Representative, Erie, Pennsylvania) submitted an Offer of Settlement 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, Mattis consented to the described sanctions and to the entry of findings that he converted to his own use and benefit checks received from public customers totaling \$115,875.48.

Thomas Lee McAfee (Registered Representative, St. Charles, Missouri) submitted an Offer of Settlement pursuant to which he was fined \$45,000 and barred from association with any member of the NASD in any capacity. Without admitting or denying the allegations, McAfee consented to the described sanctions and to the entry of findings that he submitted fictitious insurance policy applications for six public customers who neither authorized nor paid for such applications. In addition, McAfee failed to respond to NASD requests for information.

William David McKenzie (Registered Representative, Winter Haven, Florida) was fined \$20,000 and barred from association with any member of the NASD in any capacity. The NBCC imposed the sanctions following appeal of a decision by the DBCC for District 7. The sanctions were based on findings that McKenzie converted to his own use a \$9,000 check received from a public customer.

Terry L. Meeks (Registered Representative, Ashland City, Tennessee) was fined \$50,000 and barred from association with any member of the NASD in any capacity. In addition, Meeks is required to pay \$129,371.45 in restitution to public customers before re-entering the securities industry through the NASD's eligibility proceedings. The sanctions were based on findings that without the customers' knowledge or consent, Meeks solicited

and misappropriated for his own use \$129,371.45 in customer funds intended for investment in a company that he owned and controlled. In addition, Meeks failed to respond to NASD requests for information.

M. Douglas Nelson (Registered Representative, Tulsa, Oklahoma) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$20,000 and suspended from association with any member of the NASD in any capacity for one month. Without admitting or denying the allegations, Nelson consented to the described sanctions and to the entry of findings that he exercised discretionary power in the accounts of public customers without obtaining their prior written authorization or his firm's prior acceptance of the accounts as discretionary. In addition, the NASD found that Nelson made recommendations to public customers without having reasonable grounds for believing that such transactions were suitable for the customers and initiated an excessive amount of trading activity in customer accounts.

Patrick M. Olson (Registered Representative, Lancaster, Pennsylvania) was fined \$20,000 and barred from association with any member of the NASD in any capacity. The NBCC imposed the sanctions following an appeal of a decision by the DBCC for District 9. The sanctions were based on findings that Olson submitted 56 unauthorized or fictitious insurance applications to his member firm.

Augusto Pinto (Registered Representative, Depew, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$42,000 and barred from association with any member of the NASD in any capacity. In addition, Pinto must pay \$1,900 in restitution to public customers prior to seeking re-entry to the securities industry through the NASD's eligibility proceedings. Without admitting or denying the allegations, Pinto consented to the described sanctions and to the entry of findings that he requested and obtained disbursement of loan proceeds from his member firm totaling \$1,900 concerning the insurance contracts of public customers without their knowledge or consent. In addition, Pinto failed to respond to NASD requests for information.

Richard Puzo (Registered Principal, Mahwah, New Jersey) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$7,500, jointly and severally with a

member firm, suspended from association with any member of the NASD in any capacity for one day, and required to requalify by examination as a direct participation program principal. Without admitting or denying the allegations, Puzo consented to the described sanctions and to the entry of findings that in three direct participation program offerings, a member firm, acting through Puzo, deposited customer funds into a segregated bank account instead of promptly transmitting the funds to a bank escrow account.

The NASD also found that the firm, acting through Puzo, disbursed funds to the general partner before receiving and depositing the minimum funds needed to achieve the offerings' respective stated contingencies. In addition, the firm, acting through Puzo, failed to maintain its required minimum net capital and failed to comply with the firm's restriction agreement.

Ronald L. Russo (Registered Principal, Richmond, Virginia) was fined \$2,000 and suspended from association with any NASD member in any capacity for 30 days. In addition, Russo must requalify by examination as a general securities representative after his suspension and as a general securities principal before acting in such capacity. The NBCC imposed the sanctions following appeal of a decision by the DBCC for District 3. The sanctions were based on findings that Russo engaged in a private securities transaction without obtaining his firm's prior written authorization.

Helen Z. Rydzynski (Registered Representative, Buffalo, New York) submitted an Offer of Settlement pursuant to which she was fined \$10,000 and barred from association with any member of the NASD in any capacity. Without admitting or denying the allegations, Rydzynski consented to the described sanctions and to the entry of findings that she failed to pay a \$44,000 arbitration award.

Donald Rae Sams (Registered Representative, New York, New York) was fined \$20,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Sams failed to respond to NASD requests for information concerning a customer complaint.

William K. Sherrill (Registered Principal, Scottsboro, Alabama) was fined \$30,000 and barred from association with any member of the NASD in any capacity. The sanctions were based

on findings that Sherrill failed to file FOCUS Parts I, II, and IIA Reports and a Uniform Request for Broker-Dealer Withdrawal (Form BDW) with the NASD on behalf of a former member firm. Sherrill also failed to file a Form U-5 to disclose his termination from the same firm. In addition, Sherrill failed to respond to NASD requests for information.

Kenneth L. Watt (Registered Principal, Findlay, Ohio) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$430,000 and barred from association with any member of the NASD in any capacity. In addition, Watt must demonstrate that he has paid \$260,238 in restitution to public customers before seeking re-entry to the securities industry through the NASD's eligibility proceedings. Without admitting or denying the allegations, Watt consented to the described sanctions and to the entry of findings that he misappropriated and converted to his own use customer funds totaling \$260,238. In addition, Watt failed to respond to NASD requests for information.

Robert Bruce Whittemore (Registered Principal, Brandford, Connecticut) was fined \$20,000 and barred from association with any member of the NASD in any principal capacity. The sanctions were based on findings that Whittemore arranged for and allowed an individual who was subject to a disqualification and not properly registered, to become associated with Whittemore's member firm, engage in the investment banking and securities business, and act in capacities that required registration with the NASD. In addition, Whittemore failed to enforce the written supervisory procedures of his member firm.

Darrell Jay Williams (Registered Representative, Los Gatos, California) was fined \$20,000, suspended from association with any member of the NASD in any capacity for one year, and required to requalify by examination as a general securities representative. The SEC affirmed the sanctions following appeal of a decision by the NBCC. The sanctions were based on findings that Williams participated in a private securities transaction involving the purchase of an unsecured promissory note without giving prior written notice to his member firm. Williams also failed to respond to NASD requests for information.

Don Eugene Wood (Registered Representative, Chesterfield, Missouri) submitted an Offer

of Settlement pursuant to which he was fined \$18,601 and barred from association with any member of the NASD in any capacity. Without admitting or denying the allegations, Wood consented to the described sanctions and to the entry of findings that without the knowledge or consent of a public customer, he signed the customer's name to account agreements and effected unauthorized transactions in the customer's account.

INDIVIDUALS FINED

Stephen C. Browere (Registered Representative, Chicago, Illinois) submitted an Offer of Settlement pursuant to which he was fined \$12,500. Without admitting or denying the allegations, Browere consented to the described sanction and to the entry of findings that he recommended to and purchased for public customers interests in limited partnerships without having reasonable grounds for believing that such recommendations were suitable for the customers.

David Joseph Dambro (Registered Representative, Aurora, Colorado) was fined \$2,500 and required to pay \$10,060 in restitution to a customer. In addition, Dambro must requalify by examination before acting in any capacity requiring registration. The NBCC imposed the sanctions following appeal of a decision by the DBCC for District 3. The sanctions were based on findings that Dambro recommended and purchased securities for the account of a public customer without having reasonable grounds for believing such recommendation was suitable for the customer.

Dambro has appealed this action to the SEC, and the sanctions are not in effect pending consideration of the appeal.

Ernest Pyle Werlin (Registered Principal, Englewood, New Jersey) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$40,000. Without admitting or denying the allegations, Werlin consented to the described sanction and to the entry of findings that in contravention of the Board of Governors Free-Riding and Withholding Interpretation, he purchased for his own account shares of a new issue that traded at a premium in the immediate aftermarket.

CORRECTION

Brett S. Briggs (Registered Principal, Chicago, Illinois) was suspended from association with any member of the NASD in any principal ca-

capacity. The August 1992 Disciplinary Actions section of the *Notice to Members* erroneously stated that Briggs was suspended from association with any member of the NASD in any capacity.

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

Dillon Securities, Incorporated, Spokane, Washington

FIRM SUSPENDED

The following firm was 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.

Wincrest Securities, Inc., Irving, Texas (July 27, 1992)

SUSPENSIONS LIFTED

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

Plover Securities, Inc., New Orleans, Louisiana (August 13, 1992)

Trinity Group Securities, Inc., New Vernon, New Jersey (August 5, 1992)

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

Randy I. Allen, Charleston, South Carolina
 William Eugene Flower, Yonkers, New York
 Glenn C. Hoepfl, Pearl City, Hawaii
 Darren L. Katz, Staten Island, New York
 Lynette M. LaRue, Parker, Colorado
 Troy D. Moe, Spokane, Washington
 Samuel F. Polo, Gretna, Louisiana
 Bernard Lee Woody, Denver, Colorado
 Wilbur A. Zosche, Jr., Cedar Grove, New Jersey

NASD FINES AND SUSPENDS TRADER FOR "MARKING THE CLOSE" VIOLATIONS

The NASD has taken disciplinary action against John G. Genovese, registered principal, Jersey City, New Jersey for artificially influencing the closing market price for certain securities traded in The Nasdaq Stock Market.SM

The NASD's Market Surveillance Committee found that between February 15 and October 23, 1990, Genovese, acting in his capacity as a trader at a member firm, reported to Nasdaq 74 fictitious and 56 substantive transactions in 26 Nasdaq National Market System securities at or near the close of the market. The NASD found that Genovese thereby engaged in manipulative conduct by "marking the close" or attempting to "mark the close" in all 130 transactions. The NASD found that as a result of this activity, Genovese violated Article III, Sections 1 and 18 of the NASD's Rules of Fair Practice. In addition, the NASD found that the fictitious transactions also violated Article III, Section 5 of the NASD's Rules of Fair Practice and Schedule D of the Association's By-Laws.

Based on these findings, Genovese was fined \$150,000; suspended from association with any NASD member in any capacity for one year (from July 1, 1992 through June 30, 1993); and suspended from acting directly or indirectly as a Nasdaq market maker for three years (from July 1, 1993 through June 30, 1996).

This disciplinary proceeding and the sanctions imposed are part of the NASD's continuing commitment to address fraud and other abuses in the securities markets. The NASD was alerted to this unusual market activity through the automated systems that monitor The Nasdaq Stock Market.

NASD BOARD MODIFIES REMEDIAL CONDITIONS AGAINST DATEK SECURITIES AND ITS HEAD TRADER SHELDON MASCHLER FOR SOES RULE VIOLATIONS

The NASD announced that, after appeal of a decision rendered in an expedited remedial proceeding, it has imposed conditions on the operations of Datek Securities Corporation (Datek), Brooklyn, New York and suspended its Staten Island office until February 11, 1993. In addition, Datek's head trader, Sheldon Maschler, registered representative, Staten Island, New York, was suspended and must requalify by examination.

Datek may continue to act as a market maker, but it is prohibited from entering orders in any execution facility operated by the NASD or its subsidiary corporations for six months (from August 11, 1992 to February 11, 1993).

Also, Datek's office located at 182 Kelly Boulevard in Staten Island, New York was suspended until February 11, 1993. Apart from Maschler, the individuals currently located at this office were not suspended. In addition, Maschler was suspended from association with Datek or any other member of the NASD in any capacity until February 11, 1993. Maschler must also requalify by examination in the appropriate category before becoming associated with an NASD member at the conclusion of his suspension.

The foregoing conditions were imposed by the NASD's Board of Governors following appeal of a decision by a panel of the Market Surveillance Committee which found that Datek and Maschler violated the SOES Rules and Article III, Section 1 of the NASD's Rules of Fair Practice in 690 instances, and that there is a reasonable likelihood of future violations. The Board of Governors affirmed the findings of the Market Surveillance Committee panel. The NASD designed SOES to serve public investors by providing automated execution facilities for small customer orders in Nasdaq securities.

Violations found in a previous NASD disciplinary action involving Datek and Sheldon Maschler were of a similar nature to the SOES violations which occurred in this current matter. "The expedited remedial proceeding gives the NASD the authority when it is in the public interest to take immediate action and impose remedial suspensions or conditions upon operation of a firm or individual that has engaged in previous serious misconduct and is likely to continue to do so if not stopped. It is a very effective tool in protecting the investing public from improper practices," said John E. Pinto, NASD Executive Vice President of Compliance.

**NASD TAKES SIGNIFICANT
DISCIPLINARY ACTION AGAINST FOUR
INDIVIDUALS FORMERLY ASSOCIATED WITH
DILLON SECURITIES, INC.**

The NASD has taken disciplinary action against William J. Riggs II and Michael L. Goldman of Scottsdale, Arizona, and Thomas J. Dillon and Mark J. Dillon of Spokane, Washington. All

four individuals were formerly associated with Dillon Securities, Inc., a member firm which was located in Spokane, Washington.

Pursuant to an Offer of Settlement and without admitting or denying the allegations in the formal Complaint, Respondents Riggs and Goldman were each censured and permanently barred from associating with any member firm in any capacity. In addition, Riggs was fined \$1.3 million and Goldman was fined \$200,000.

Pursuant to a separate Offer of Settlement, and without admitting or denying the allegations in the Complaint, Respondents Thomas Dillon and Mark Dillon agreed to the following sanctions: Thomas Dillon, a censure, a \$60,000 fine, a six-month suspension in all capacities, and a bar from acting in certain specified capacities; Mark Dillon, a censure, a \$10,000 fine, and a 30-day suspension in all capacities.

The bars of Riggs and Goldman are effective immediately. The suspension of Mark and Thomas Dillon will begin on September 21 and October 30, 1992, respectively.

The Complaint, issued by the DBCC for District 3, alleged that the respondents participated in an elaborate scheme to defraud investors through the illegal sale of unregistered securities (a violation of Section 5 of the Securities Act of 1933 and Article III, Section 1 of the NASD Rules of Fair Practice). The NASD found that the two non-Nasdaq, over-the-counter securities involved, Smarty Pants, Inc., and Cancer Quest, Inc., were effectively controlled by a promoter, who was also the father-in-law of Respondents Riggs and Goldman.

In accepting the Offers of Settlement, the NASD found that Riggs and Goldman engaged in numerous private securities transactions without prior written notification to their member firm, Dillon Securities, in violation of Article III, Sections 1 and 40 of the Association's Rules. Many of these transactions were effected for the promoter and executed through an unregistered "boiler room" that Goldman operated in Scottsdale, Arizona.

In one instance, Riggs and Goldman travelled to Taipei at the behest of the promoter to privately sell unregistered shares of Cancer Quest to a group of Taiwanese investors for \$1.1 million. Riggs and Goldman were compensated for their involvement with free or sharply discounted stock and cash payments directly from the promoter.

The NASD also found that Riggs and Goldman employed various fraudulent and deceptive sales practices, including misrepresentations, baseless price predictions, and guarantees against losses. Riggs and Goldman also required that some customers agree not to sell their shares for a certain period, and refused to provide customers with original stock certificates to prevent them from selling their shares through other broker/dealers. Such conduct violated Article III, Sections 1 and 18 of the Association's Rules and Rule 10b-5 under Section 10(b) of the Securities Exchange Act of 1934 (Exchange Act).

The NASD also found that both Dillons entered into an agreement with the promoter to submit certain quotations to the Pink Sheets, and for Dillon Securities to become the lead market maker in Cancer Quest. In exchange, Thomas and Mark Dillon each received as compensation 100,000 free shares of Cancer Quest from the promoter. Thomas Dillon also received cash payments totalling \$59,400 from the promoter for Dillon Securities' participation in marketing Cancer Quest. This receipt of compensation for market making violated Article III, Section 1 of the Association's Rules.

In a related finding, the NASD determined that the promoter, through his involvement with all four respondents in the fraudulent scheme, effectively controlled, or exercised common control of, Dillon Securities. As a result, certain required disclosures were not made to Smarty Pants and Cancer Quest customers by Riggs and Goldman (a

violation of Schedule E of the NASD By-Laws and Article III, Sections 1 and 13 of the Association's Rules).

The NASD also found that Thomas Dillon, pursuant to the agreement reached with the promoter, initiated quotations in Cancer Quest using improper information (a violation of Article III, Section 1 of the Association's Rules and Section 15(c) of the Exchange Act and Rule 15c2-11). He also failed to adequately supervise the conduct of Riggs and Goldman in the Scottsdale branch office, in violation of Article III, Sections 1 and 27 of the Association's Rules.

Finally, in its decision, the NASD also found that Riggs and Goldman had in several instances provided false and intentionally misleading information to the Association's staff in the course of its investigation. This egregious misconduct violated Article III, Section 1 and Article IV, Section 5 of the Association's Rules, which mandate that such information be accurate and truthful in all respects.

The NASD's investigation was carried out by its Anti-Fraud Department and District 3 staff in Seattle, Washington — with assistance from the SEC and the Arizona Corporation Commission — as part of a continuing nationwide effort by the NASD to eliminate trading and sales practice abuses in non-Nasdaq and low-priced securities. The District 3 DBCC, which initiated this action, is a regional committee responsible for disciplining members who fail to comply with relevant NASD rules and the federal securities laws.

For Your Information

National Association of Securities Dealers, Inc.

September 1992

North Carolina to Increase Agent Fees

Effective January 1, 1993, North Carolina will increase its agent fees. Agent registration, transfer, and renewal fees will rise from \$45 to \$55. The higher renewal fee will be reflected in the annual renewal invoice sent to firms in November

1992. Broker/dealer registration and renewal fees will remain at \$200 each.

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

NASD Member Voting Result

As a member service, the NASD publishes the final result of member votes on issues presented to them for approval in the monthly *Notices to Members*. Most recently, members voted on the following issue:

■ **Notice to Members 92-36** — Proposed Amendment to Article III, Section 35 of the

NASD's Rules of Fair Practice and Section 8 of the NASD's Government Securities Rules to Require Members to Prefile Advertisements for Collateralized Mortgage Obligations; **Last Voting Date: August 21, 1992**. Ballots For 1,810; Against 298; and Unsigned 33.

SEC Solicits Public Comment on Its Electronic Filing and Retrieval System, EDGAR

The Securities and Exchange Commission (SEC) has requested public comment on proposed rules to implement the operational phase of its Electronic Data Gathering, Analysis, and Retrieval (EDGAR) system. The proposed rules will apply to electronic submissions (generally by the issuers of securities) processed by the Division of Corporate Finance, and in some cases, to those processed by the Division of Investment Management. The proposals will also affect paper filings in limited circumstances. Separate releases contain additional proposed rules relating to electronic submissions processed by the Division of Investment Management and to payment of fees into the SEC's lock-box depository.

In its release, the SEC noted a number of benefits that will accrue to filers from the submission of documents in electronic format. First, time

saved by direct transmission of filings will provide filers greater opportunity to meet market windows and eliminate the uncertainty and delay of mail or messenger delivery. Second, the improved dissemination of information resulting from the system will increase public information about all companies, particularly mid-sized and smaller companies, and should increase their visibility and market following.

Third, the SEC's hours for receipt of directly transmitted submissions will be extended to 10 p.m. Eastern Time. Fourth, use of modular submissions and segmented filings will save transmission time and eliminate duplicative transmission of information by permitting a filer to submit data, such as financial statements, and then use the data in subsequent submissions. Fifth, the EDGAR electronic mail/bulletin board service will provide

prompt filer notification of acceptance or suspension of submissions.

In addition, EDGAR will allow the SEC to store, process, and disseminate information more efficiently, and will make the staff review process more efficient. Computerization also will provide a foundation for future development of one-stop filing via EDGAR and EDGAR-compatible systems with the North American Securities Administrators Association for the states and with the self-regulatory organizations, namely the National Association of Securities Dealers, Inc., and the stock exchanges.

All comments on these releases are due by October 6, 1992, and should be submitted in triplicate to:

Jonathan G. Katz, Secretary
SEC
Mail Stop 6-9
450 Fifth Street, N.W.
Washington, D.C. 20549.

In announcing its EDGAR proposals, the SEC issued four separate releases which were published on Friday, August 7, 1992, in the *Federal Register*, Volume 57, No. 153.

For information on *Rulemaking for EDGAR System* [Release Nos.: 33-6944; 34-30951;

35-25587; 39-2285; IC-18862; File No. S7-21-92] contact: Barbara C. Smith Jacobs or James R. Budge, at (202) 272-2589, Office of Disclosure Policy, Division of Corporate Finance, SEC, 450 Fifth Street, N.W., Washington, D.C. 20549.

For information on *Rulemaking for EDGAR System; Investment Companies and Institutional Investment Managers* [Release Nos. 33-6945; 34-30952; IC-18863; File No. S7-22-92] contact: Anthony A. Vertuno, Senior Special Counsel, EDGAR IM Project, (202) 272-7716, Kenneth J. Berman, Special Counsel, (202) 272-2107, or Ruth Armfield Sanders, Staff Attorney, (202) 272-7714, Division of Investment Management, SEC, 450 Fifth Street, N.W., Washington, D.C. 20549.

For information on *Rulemaking for EDGAR System — Public Utility Holding Companies* [Release Nos. 33-6946; 34-30953; 35-25588; File No. S7-23-92] contact: Richard T. Miller, Staff Attorney, (202) 504-2268, Office of Public Utility Regulation, Division of Investment Management, SEC, 450 Fifth Street, N.W., Washington, D.C. 20549.

For information on *Instructions for Filing Fees* [Release Nos. 33-6947; 34-30954; 35-25589; 39-2286; IC-18864; File No. S7-24-92] contact: Jessica L. Kole, Special Counsel (202) 272-2700, Office of the Executive Director, SEC, 450 Fifth Street, N.W., Washington, D.C. 20549.