

NASD NOTICE TO MEMBERS 97-1

Approval Of Telemarketing Amendments

Suggested Routing

- Senior Management
- Advertising
- Corporate Finance
- Government Securities
- Institutional
- Internal Audit
- Legal & Compliance
- Municipal
- Mutual Fund
- Operations
- Options
- Registration
- Research
- Syndicate
- Systems
- Trading
- Training

Executive Summary

On December 2, 1996, the Securities and Exchange Commission (SEC) approved new NASD[®] Conduct Rule 2211 to impose time restrictions and disclosure requirements regarding telephone calls to customers by members and their associated persons. The SEC also approved amendments to NASD Conduct Rule 3110 to require members and their associated persons to follow certain procedures regarding customer authorization of a demand draft.¹ The new telemarketing rules are effective immediately.

Questions concerning this Notice may be directed to Robert J. Smith, Senior Attorney, Office of General Counsel, NASD Regulation, Inc., at (202) 728-8176.

Discussion

In June 1995, NASD Regulation, Inc. (NASD Regulation) adopted a "cold call" rule to implement certain rules of the Federal Communication Commission (FCC rules) promulgated under the Telephone Consumer Protection Act that require telemarketers to establish and maintain a list of persons who have requested that they not be contacted by the telemarketer (do-not-call list).² Subsequently, the Federal Trade Commission adopted detailed rules (FTC rules) under the Telemarketing and Consumer Fraud and Abuse Prevention Act (Prevention Act) to prohibit deceptive and abusive telemarketing acts and practices, effective December 31, 1995. The FTC rules, among other things, (i) require the maintenance of do-not-call lists and procedures, (ii) prohibit abusive, annoying, or harassing telemarketing calls, (iii) prohibit telemarketing calls before 8 a.m. or after 9 p.m., (iv) require a telemarketer to identify himself, the company he works for, and the purpose of the call, and (v) require express written authorization or other verifiable authorization from the cus-

tomers before use of negotiable instruments called "demand drafts."

The FCC and FTC rules, though applicable to members that engage in telephone solicitation to market their products and services, are not enforceable by the SEC or securities self-regulatory organizations (SROs). Under the Prevention Act, the SEC was required to promulgate or require SROs to promulgate rules substantially similar to the FTC rules, unless the SEC determined that such rules were not necessary or appropriate for the protection of investors or the maintenance of orderly markets, or that existing SEC rules already provided for such protection. NASD Regulation has implemented requirement (ii) above by issuing an interpretation that such conduct violates existing rules.³ New Rule 2211 and amended Rule 3110 are intended to implement requirements (iii), (iv), and (v).

Description Of Amendments Time Limitations, Disclosure, And Exemptions

Rule 2211, under paragraph (a), prohibits members and their associated persons from calling an individual's residence for the purpose of soliciting the purchase of securities or related services at any time other than between 8 a.m. and 9 p.m. local time at the individual's residence, without the prior consent of the person. Rule 2211, under paragraph (b), also requires members and their associated persons to promptly and clearly disclose to the individual the caller's identity, firm, telephone number, or address at which the caller may be contacted, and that the purpose of the call is to solicit the purchase of securities or related services.

Under paragraph (c) to Rule 2211, exemptions from the time-of-day and disclosure requirements of para-

graphs (a) and (b), respectively, are available for telephone calls by an associated person (or another associated person acting at his or her direction) to other brokers and dealers and to existing customers who have maintained active accounts. An “existing customer” is defined under paragraph (c) as a customer for whom the broker or dealer, or a clearing broker or dealer on behalf of such customer, carries an account. An account is active for purposes of the new Rule if, under subparagraph (c)(1), an existing customer has effected a securities transaction in or made a deposit of funds or securities into the account within the preceding 12 months or, under subparagraph (c)(2), the customer has **at any time** effected a securities transaction in or made a deposit of funds or securities into the account, **and** the account has earned interest or dividend during the preceding 12 months. Also, in order to use this exemption, the customer account must have been under the control of the associated person making the telephone call at the time of the securities transaction or deposit of funds or securities.

These exemptions reflect the importance for many customers of personal and timely contact with a broker/dealer, particularly in the emerging environment of 24-hour trading in multiple time zones, which gives rise to a need for prompt contact with customers to respond to market developments. Consistent with this purpose, the exemption applies only to existing customers and does not cover calls to those customers whose accounts do not meet certain minimum levels of activity.

Subparagraphs (c)(1) and (2) together exclude only some calls to existing customers from the time-of-day and disclosure requirements of the new Rule. Thus, calls to certain older or inactive accounts may fall outside these parameters and not be covered by the exemptions.

Finally, under paragraph (c), it is made clear that the scope of Rule 2211 is limited to telemarketing calls covered by the Rule, and that the terms of the Rule do not impose on members any additional requirements with respect to the relationship between a member and a customer or between a person associated with a member and a customer. In other words, the Rule is not intended to affect the definition of “customer” or the nature of member-customer or salesperson-customer relationships outside the context of the Rule.

Demand Draft Authorization And Recordkeeping

Rule 3110 was amended to: (i) prohibit a member from obtaining from a customer or submitting for payment a check, draft, or other form of negotiable paper drawn on a customer’s checking, savings, share, or similar account (demand draft) without that person’s express written authorization, which may include the customer’s signature on the instrument, and (ii) require that such authorization be retained for a period of three years. The three-year retention provision does not require retention of negotiable instruments or copies thereof.

A demand draft is a method for obtaining funds from a customer’s bank account without that person’s signature on a negotiable instrument. Under this method, a customer provides a potential payee with bank account identification information that permits the payee to create a piece of paper that will be processed like a check, including the words “signature on file” or “signature pre-approved” in the location where the customer’s signature normally appears. Most potential payees obtain a written authorization for the use of such a demand draft, but the FTC found that in certain cases only oral authorization was provided by the

customer. The new language in subparagraph (g)(2) of Rule 3110 is drawn substantially from the FTC rule.

Text Of Amendments

(Note: New language is underlined; deletions are bracketed)

CONDUCT RULES

2000. BUSINESS CONDUCT

2200. COMMUNICATIONS WITH CUSTOMERS AND THE PUBLIC

2211. Telemarketing

No member or person associated with a member shall:

(a) make outbound telephone calls to the residence of any person for the purpose of soliciting the purchase of securities or related services at any time other than between 8 a.m. and 9 p.m. local time at the called person’s location, without the prior consent of the person; or

(b) make an outbound telephone call to any person for the purpose of soliciting the purchase of securities or related services without disclosing promptly and in a clear and conspicuous manner to the called person the following information:

(1) the identity of the caller and the member firm;

(2) the telephone number or address at which the caller may be contacted; and

(3) that the purpose of the call is to solicit the purchase of securities or related services.

(c) The prohibitions of paragraphs (a) and (b) shall not apply to telephone calls by any person associated with a

member, or another associated person acting at the direction of such person for the purpose of maintaining and servicing the accounts of existing customers of the member under the control of or assigned to such associated person:

(1) to an existing customer who, within the preceding twelve months, has effected a securities transaction in, or made a deposit of funds or securities into, an account that, at the time of the transaction or the deposit, was under the control of or assigned to, such associated person;

(2) to an existing customer who previously has effected a securities transaction in, or made a deposit of funds or securities into, an account that, at the time of the transaction or deposit, was under the control of or assigned to, such associated person, provided that such customer's account has earned interest or dividend income during the preceding twelve months, or

(3) to a broker or dealer.

For the purposes of paragraph (c), the term "existing customer" means a customer for whom the broker or

dealer, or a clearing broker or dealer on behalf of such broker or dealer, carries an account. The scope of this rule is limited to the telemarketing calls described herein; the terms of this Rule shall not otherwise expressly or by implication impose on members any additional requirements with respect to the relationship between a member and a customer or between a person associated with a member and a customer.

3000. RESPONSIBILITIES RELATING TO ASSOCIATED PERSONS, EMPLOYEES, AND OTHERS' EMPLOYEES

3100. BOOKS AND RECORDS, AND FINANCIAL CONDITION

3110. Books and Records

(g) [Cold Call] Telemarketing Requirements

(1) Each member shall make and maintain a centralized do-not-call list of persons who do not wish to receive telephone solicitations from such member or its associated person.

(2) No member or person associated with a member shall obtain from a

customer or submit for payment a check, draft, or other form of negotiable paper drawn on a customer's checking, savings, share, or similar account, without that person's express written authorization, which may include the customer's signature on the negotiable instrument.

(3) Each member shall maintain the authorization required by subparagraph (2) for a period of three years. This provision shall not, however, require maintenance of copies of negotiable instruments signed by customers.

Endnotes

¹ Securities Exchange Act Rel. No. 34-38009 (December 2, 1996).

² New Rule 3110(g) took effect on June 9, 1995.

³ In *Notice to Members 96-44*, NASD Regulation set forth the interpretation requested by the SEC that abusive communications from members or associated persons of members to customers is a violation of NASD Conduct Rule 2110.

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NASD NOTICE TO MEMBERS 97-2

Presidents' Day Trade Date-Settlement Date

Suggested Routing

- Senior Management
- Advertising
- Corporate Finance
- Government Securities
- Institutional
- Internal Audit
- Legal & Compliance
- Municipal
- Mutual Fund
- Operations
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Presidents' Day: Trade Date-Settlement Date Schedule

The Nasdaq Stock Market and the securities exchanges will be closed on Monday, February 17, 1997, in observance of Presidents' Day, "Regular way" transactions made on the business days noted below will be subject to the following schedule:

<u>Trade Date</u>	<u>Settlement Date</u>	<u>Reg. T Date*</u>
Feb. 11	Feb. 14	Feb. 19
12	18	20
13	19	21
14	20	24
17	Markets Closed	—
18	21	25

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

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NASD NOTICE TO MEMBERS 97-3

Fixed Income Pricing System Additions, Changes, And Deletions As Of December 23, 1996

Suggested Routing

- Senior Management
- Advertising
- Corporate Finance
- Government Securities
- Institutional
- Internal Audit
- Legal & Compliance
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As of December 23, 1996, the following bonds were added to the Fixed Income Pricing System (FIPS).

Symbol	Name	Coupon	Maturity
CCSB.GA	Chevy Chase Svgs Bk	9.250	12/1/08
CFB.GA	Commercial Federal Corp	7.950	12/1/06
SPK.GA	Spieker-Prop	7.125	12/1/06
AKNG.GA	Ameriking Inc	10.750	12/1/06
COSE.GA	Costilla Energy Inc	10.250	10/1/06
VOUT.GC	Universal Outdoor	9.750	10/15/06
UVTV.GB	Univision TV Group	11.750	1/15/01
AAMS.GB	Aames Finl	9.125	11/1/03
JCOM.GA	Jacor Communications Co	9.750	12/15/06

As of December 23, 1996, the following bonds were deleted from FIPS.

Symbol	Name	Coupon	Maturity
ITHA.GA	Ithaca Inds Inc	11.125	12/15/02
AMA.GA	Advanced Med Inc	15.000	7/15/99
TSO.GA	Tesoro Pete Corp	12.750	3/15/01
TSO.GB	Tesoro Pete Corp	13.000	12/1/00
SVUP.GA	Seven-Up RC Bottling SC Inc	11.500	8/1/99
CLTI.GA	Colt Industries	11.250	12/1/15
ASHC.GA	AmeriSource Health Corp	11.250	7/15/05
ACF.GB	ACF Industries Inc	14.500	12/1/96
KDEI.GA	Kidde Inc	9.200	12/1/96
MORT.GA	Marriott Corp	8.125	12/1/96
MAFR.GA	Mayfair Super Mkts Inc	11.750	3/30/03

All bonds listed above are subject to trade-reporting requirements. Questions pertaining to FIPSSM trade-reporting rules should be directed to James C. Dolan, NASD[®] Market Regulation, at (301) 590-6460.

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

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DISCIPLINARY ACTIONS

Disciplinary Actions Reported For January

NASD Regulation, Inc. (NASD Regulation) has taken disciplinary actions against the following firms and individuals for violations of NASD® Rules; 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 Friday, January 17, 1997. The information relating to matters contained in this Notice is current as of the end of December. Information received subsequent to the end of December is not reflected in this edition.

Firms Fined, Individuals Sanctioned

Castle Securities Corporation (Freeport, New York) and **Michael T. Studer (Registered Principal, Rockville Centre, New York)** were fined \$25,000, jointly and severally and required to pay \$19,373.56 plus interest in restitution to customers. In addition, Studer was suspended from association with any NASD member in any capacity for 30 days and required to requalify by exam as a general securities principal. The National Business Conduct Committee (NBCC) imposed the sanctions following appeal of a Market Regulation Committee Decision. The sanctions were based on findings that the firm manipulated the price of a common stock in that it used its dominant and controlling position in the market to establish and maintain an artificial and inflated price of the stock and arbitrarily increased that price when it was known there was little or no investor or dealer interest in the stock and no favorable news or developments concerning the stock. Furthermore, the firm charged its retail customers unfair and fraudulently excessive mark-ups ranging from 16 to 66 percent over the prevailing market price for the common stock. The firm, acting through Studer, also failed to establish, imple-

ment, and enforce reasonable supervisory procedures designed to prevent the firm's customers from being charged manipulated prices and unfair and fraudulently excessive markups in a common stock.

The firm and Studer have appealed this action to the Securities Exchange Commission (SEC) and the sanctions are not in effect pending consideration of the appeal.

Hattier, Sanford & Reynoir (New Orleans, Louisiana), Gus A. Reynoir (Registered Principal, New Orleans, Louisiana) and **Vance G. Reynoir (Registered Principal, New Orleans, Louisiana)** were fined \$60,000, jointly and severally. In addition, the firm must retain an independent auditor to review its books and records and supervisory procedures and to implement the auditor's recommendations in a manner satisfactory to the NASD RegulationSM staff. G. Reynoir was suspended from association with any NASD member in any capacity for 30 days and required to requalify by exam as a general securities principal. V. Reynoir was suspended from association with any NASD member in any capacity for 30 days and required to requalify as a municipal securities principal. The NBCC imposed the sanctions following appeal of a New Orleans District Business Conduct Committee (DBCC) decision. The sanctions were based on findings that the firm, acting through G. Reynoir and V. Reynoir, issued trade tickets to a municipal customer that did not disclose the firm's commission or mark-ups.

This action has been appealed to the SEC and the sanctions are not in effect pending consideration of the appeal.

Firms And Individuals Fined

Gilmore Securities & Company (Fair Lawn, New Jersey) and Brian K. Gilmore (Registered Principal, Westwood, New Jersey) submitted an Offer of Settlement 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 the firm, acting through Gilmore, permitted the total outstanding principal amounts of its satisfactory subordinated agreements to exceed 70 percent of its debt-equity total in contravention of SEC Rule 15c3-1(d).

Oftring & Co., Inc. (Worcester, Massachusetts) and Robert J. Oftring (Registered Principal, Worcester, Massachusetts) submitted a Letter of Acceptance, Waiver and Consent pursuant to which the respondents were fined \$15,000, jointly and severally. In addition, Oftring must requalify by exam as a general 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 Oftring, failed to establish and maintain a supervisory system to supervise the activities of each registered representative and associated person of the firm adequately and failed to enforce compliance with its written supervisory procedures. The findings also stated that the firm, acting through Oftring, allowed a former registered representative of the firm to solicit new business from customers and receive securities sales commission compensation when the individual was not registered with the firm.

Pierce & Company L.P. (Chicago, Illinois), Wayne L. Pierce (Registered Principal, Oak Park, Illinois), and Carol J. Berberich (Registered Principal, Bartlett, Illi-

nois) submitted a Letter of Acceptance, Waiver and Consent pursuant to which they were fined \$20,000, 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 Pierce and Berberich, conducted a securities business while failing to maintain its minimum required net capital. The NASD also found that the firm, acting through Pierce and Berberich, prepared inaccurate trial balances and net capital computation and filed inaccurate FOCUS Part I and IIA reports with the NASD.

Firm Fined
Stephens Inc. (Little Rock, Arkansas) submitted an Offer of Settlement pursuant to which the firm was fined \$25,000. Without admitting or denying the allegations, the firm consented to the described sanction and the entry of findings that it allowed an individual to act as a general securities representative without being registered as such with the NASD. The findings stated that the firm failed to exercise reasonable and proper supervision over individuals in connection with their recommendations and misrepresentations. The NASD found that the firm failed and neglected to establish, maintain, and enforce proper supervisory procedures governing communications between unregistered securities analysts and public customers. Furthermore, the NASD determined that the firm allowed individuals to make misrepresentations to public customers regarding the details of a merger and lawsuit settlement.

Individuals Barred or Suspended
Mitchell Aguirre (Registered Representative, Woodhaven, New York) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanc-

tions were based on findings that Aguirre failed to respond to NASD requests for information about a customer complaint.

Roberto Gabriel Anker (Registered Representative, Rochester Hills, Michigan) was barred from association with any NASD member in any capacity. The sanction was based on findings that Anker engaged in private securities transactions without providing prior written notice to or obtaining prior written authorization from his member firm to engage in such activities. Anker also failed to respond to NASD requests for information.

Eddie Harrison Artis (Registered Representative, Jersey City, New Jersey) submitted an Offer of Settlement pursuant to which he was fined \$45,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Artis consented to the described sanctions and to the entry of findings that he received \$5,000 from a public customer for investment purposes and instead, converted the funds to his own use without the customer's knowledge, authorization, or consent. Artis also failed to respond to NASD requests for information.

Joe Dwayne Baugus (Registered Representative, Spring, Texas) was fined \$50,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Baugus participated in a private securities transaction without providing prior written notice to his member firm. Baugus also failed to respond to NASD requests for information.

Dianne Baum (Associated Person, Staten Island, New York) submitted an Offer of Settlement pursuant to which she was fined \$10,000 and barred from association with any

NASD member in any capacity. Without admitting or denying the allegations, Baum consented to the described sanctions and to the entry of findings that she failed to respond to NASD requests to appear for an on-the-record interview.

Edwin Andrew Bayne (Registered Representative, Laurel, Montana) was fined \$2,500, suspended from association with any NASD member in any capacity for 10 business days, and required to requalify by exam. The sanctions were based on findings that Bayne received commission checks made payable to a former registered person, signed the individual's name to the checks, and deposited them into bank accounts over which he had control.

Peter Caruso (Associated Person, Brooklyn, New York) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Caruso arranged and conspired to have an imposter take the Series 7 qualification exam for him. Caruso also failed to respond to NASD requests for information.

Dina L. Casanova (Associated Person, Brooklyn, New York) was fined \$10,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Casanova failed to appear at the NASD for an on-the-record interview.

John F. Cooper (Registered Representative, Mesa, Arizona) was fined \$15,000, barred from association with any NASD member in any capacity, and required to pay \$3,099.80 in restitution to a member firm. The sanctions were based on findings that Cooper obtained a dividend withdrawal check made payable to an insurance customer, endorsed the check, cashed it or caused it to be cashed through an

account in which he had a beneficial interest, and used the funds for some purpose other than for the benefit of the customer.

Glenn Ray Dean (Registered Representative, Port Isabel, Texas) submitted an Offer of Settlement pursuant to which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Dean consented to the described sanction and to the entry of findings that he effected a private securities transaction without providing prior written notice to his member firm. The findings also stated that Dean failed to respond timely and completely to NASD requests for information.

John D'Esposito (Associated Person, Staten Island, New York) was fined \$25,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that D'Esposito had an imposter take the Series 7 exam on his behalf.

James C. DiAngelo (Registered Representative, Kings Park, New York) was fined \$25,000 and barred from association with any NASD member in any capacity. The NBCC affirmed the sanctions following appeal of a New York DBCC decision. The sanctions were based on findings that DiAngelo, as a result of a customer's complaint about an alleged unauthorized trade executed in the customer's account, paid the customer \$450 for losses without his member firm's knowledge or consent. DiAngelo also failed to respond to NASD requests for information.

Danilo Dario Diaz (Registered Representative, Deer Park, New York) was fined \$5,277 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations,

Diaz consented to the described sanctions and to the entry of findings that he altered a money order that was submitted by a public customer for insurance payment and, instead, used the money order to reinstate a lapsed policy for another customer.

Rafael Diaz (Associated Person, Bronx, New York) was fined \$28,628.10 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Diaz caused checks totaling \$1,150 to be drawn on the insurance policies of public customers, wrongfully obtained possession of the checks, forged the customers' signatures, cashed the checks, and converted the funds to his own personal use. Diaz also received from public customers \$575.62 in life insurance policy premiums, failed to submit the premiums, and converted the funds to his own personal use. Furthermore, Diaz failed to respond to NASD requests for information.

Laurence G. Epstein (Registered Representative, Mercer Island, Washington) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$75,000, barred from association with any NASD member in any capacity, and required to pay \$170,000 in restitution to a customer. Without admitting or denying the allegations, Epstein consented to the described sanctions and to the entry of findings that he exercised discretion in the account of a public customer without obtaining prior written discretionary authorization from the customer and without written acceptance of such account by his member firm. The findings also stated that Epstein recommended the purchase of securities to a public customer without having reasonable grounds for believing that such recommendations were suitable for the customer based upon the nature of the invest-

ment, the size and frequency of the recommended transactions, and the customer's financial situation, circumstances, and needs. Furthermore, the NASD found that Epstein effected transactions in the account of a deceased public customer without the knowledge or authorization of the customer's estate, personal representative, or executrix.

Lev George Fedyniak (Registered Representative, Poughkeepsie, New York) was fined \$170,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Fedyniak received \$30,000 from public customers for purchasing investments on their behalf and instead, invested these monies with a non-member firm and failed to return any of the customers' money at their request. Fedyniak also failed to respond to NASD requests for information.

Thomas L. Gottschalk (Registered Principal, Arvada, Colorado) submitted an Offer of Settlement pursuant to which he was fined \$40,000, barred from association with any NASD member in any principal capacity, and suspended from association with any NASD member in any capacity for two years. Without admitting or denying the allegations, Gottschalk consented to the described sanctions and to the entry of findings that he approved advertising and business cards that did not conform to NASD rules. The findings also stated that Gottschalk permitted his member firm to conduct a securities business while failing to maintain required net capital and filed inaccurate FOCUS reports. Furthermore, the NASD determined that Gottschalk participated as a selling agent in a private placement of securities wherein the offering was subject to minimum sales contingency and, in connection with the offering, his member firm's books and records

were inadequate and failed to evidence principal review of the transactions. The NASD also found that Gottschalk permitted his member firm to violate its restriction agreement with the NASD.

Richard E. Gregory (Registered Representative, Irving, Texas) submitted an Offer of Settlement pursuant to which he was fined \$5,000 and suspended from association with any NASD member in any capacity for 16 months. Without admitting or denying the allegations, Gregory consented to the described sanctions and to the entry of findings that he induced a public customer to purchase a security by making predictions that he had reason to know, or was reckless in not knowing, lacked a reasonable or adequate basis in fact.

Keith D. Hall (Associated Person, Montclair, New Jersey) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Hall failed to appear at the NASD for an on-the-record interview.

Terrence L. Hansen, Jr. (Registered Representative, Salt Lake City, Utah) was fined \$100,000, barred from association with any NASD member in any capacity, and ordered to pay \$219,999.97 in restitution to public customers. The sanctions were based on findings that Hansen failed to invest customers' funds totaling \$219,999.97 as directed. Furthermore, Hansen provided false statements to public customers that purported to show that the customers had securities positions at a member firm, when in fact the firm did not carry any securities positions for the benefit of the customers. Hansen also failed to respond to an NASD request for information.

Shannon Akira Hayashi (Registered Principal, Fort Collins, Col-

orado) was fined \$26,750, barred from association with any NASD member in any capacity, and required to pay \$1,050 in restitution to a customer. The NBCC imposed the sanctions following appeal of a Denver DBCC decision. The sanctions were based on findings that Hayashi made improper use of customer funds totaling \$5,350.

Susan Baker Head (Registered Principal, Princeton, Texas) submitted a Letter of Acceptance, Waiver and Consent pursuant to which she was fined \$3,750, suspended from association with any NASD member in any capacity for two weeks, and suspended from association with any NASD member in any principal capacity for two months. Without admitting or denying the allegations, Head consented to the described sanctions and to the entry of findings that she failed to detect the manipulative pattern of trading by her member firm.

Bruce William Irvine (Registered Representative, Temple, Texas) was fined \$50,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Irvine received checks made payable to public customers on which he forged the signatures of such customers and converted the funds to his own use and benefit. Irvine also failed to respond to NASD requests for information.

Aaron Lee Johnson (Registered Representative, Tempe, Arizona) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Johnson failed to disclose a criminal conviction on a Form U-4. Johnson also failed to respond to NASD requests for information.

Jerome H. Kowalski (Registered

Representative, Dayton, Ohio) and **John F. Rebolt (Registered Representative, Fairborn, Ohio)**. Kowalski was fined \$7,500, suspended from association with any NASD member in any capacity for 60 days, required to requalify by exam as a general securities representative, and ordered to pay \$5,740 in restitution. Rebolt was fined \$12,500, suspended from association with any NASD member in any capacity for 60 days, ordered to requalify by exam as a general securities representative, and ordered to pay \$9,785 in restitution. The NBCC affirmed the sanctions following appeal of a Cleveland DBCC decision. The sanctions were based on findings that Kowalski and Rebolt used the means or instruments of interstate commerce or the mail to sell securities when there was no registration statement filed with the SEC or in effect for such securities. Kowalski and Rebolt also participated in private securities transactions by selling presubscription shares of stock to public customers and failed to give prior written notice to and obtain prior written authorization from their member firm to engage in such activities. Furthermore, Rebolt failed to respond to NASD requests for information.

Peter Dennis Mathews (Registered Principal, Edina, Minnesota), James Gus Oliver (Registered Principal, Grapeville, Texas), Robert Alan Williky (Registered Representative, Colleyville, Texas) Mark Joseph Vanyo (Registered Representative, Eagan, Minnesota), Lyle Emery Bettenhausen, Sr. (Registered Representative, Tampa, Florida) and Gloria Ann Williams (Registered Representative, Plano, Texas). Mathews, Oliver, Williky, Vanyo, and Bettenhausen submitted an Offer of Settlement pursuant to which Mathews was fined \$400,000 and barred from association with any NASD member in any capacity and Oliver was fined

\$25,000, suspended from association with any NASD member in any capacity for 90 days, and required to requalify by exam. Williky was fined \$10,000 and suspended from association with any NASD member in any capacity for 30 days and Vanyo was fined \$50,000, suspended from association with any NASD member in any capacity, and required to requalify by exam. Bettenhausen was fined \$25,000, suspended from association with any NASD member in any capacity for 90 days, and required to requalify by exam. In a separate decision Williams was fined \$50,000 and barred from association with any NASD member in any capacity.

Without admitting or denying the allegations, Mathews, Oliver, Williky, Vanyo, and Bettenhausen consented to the described sanctions and to the entry of findings that, in connection with a public offering, Mathews and Williky knowingly effected transactions that they knew or should have known, or were reckless in not knowing, were non-bona fide and designed to create the appearance of a successful completion of the offering. The findings also stated that Mathews and Williky knowingly or recklessly bid for and purchased, induced orders to bid for and purchase, and sold or resold, 20 percent of the offering while the distribution continued after its purported closing. Furthermore, the NASD determined that Mathews, Oliver, and Vanyo, by means of manipulative, deceptive, and other fraudulent devices and contrivances, effected a series of transactions that created actual and apparent trading in a stock, artificially supported the price, and were effected for the purpose of inducing the purchase or sale of the stock to others. The NASD found that Mathews, Oliver, and Bettenhausen made statements of material fact that they knew, had reason to know, or were reckless in not knowing, were false to induce retail customers to make investment

decisions. The NASD also determined that Mathews executed transactions in the accounts of public customers that were not authorized and were made in order to support a stock price, further the aforementioned manipulative scheme, and avoid net capital deficiencies by lowering his member firm's inventory. The findings stated that Mathews also allowed an individual, who was precluded from functioning as a registered representative, to direct trading, update quotations, direct unauthorized transactions in customer accounts, and participate in selling group and retail sales efforts at his member firm. The individual also failed to establish, maintain, and enforce supervisory procedures to assure compliance with applicable rules, misused customer funds, and engaged in private securities transactions.

In addition, Williams failed to inform her member firm in writing concerning accounts and transactions she had at another member firm or inform the executing firm of her status with her member firm. Williams also failed to respond to NASD requests for information.

Brian L. Plescher (Registered Representative, Grand Rapids, Michigan) submitted an Offer of Settlement pursuant to which he was barred from association with any NASD member in any capacity. The sanction was based on findings that Plescher exercised discretion in the accounts of public customers without obtaining written authorization from the customers and written acceptance of the discretionary authority by his member firm.

Mark J. Pruss (Registered Representative, Plainfield, Illinois) was fined \$355,000, barred from association with any NASD member in any capacity, and ordered to pay \$66,742.68 in restitution to a cus-

tomer. The sanctions were based on findings that Pruss obtained from a public customer checks totaling \$66,742.68 with instructions to use the funds to purchase securities. Pruss failed to follow said instructions and used the funds for some purpose other than for the benefit of the customer. Pruss also failed to respond to NASD requests for information.

Robert A. Quiel (Registered Principal, Bermuda Dunes, California) was fined \$12,500, suspended from association with any NASD member in any capacity for 30 days, and required to requalify by exam as a general securities principal and general securities representative. The NBCC imposed the sanctions following appeal of a Denver DBCC decision. The sanctions were based on findings that Quiel effected principal retail transactions with customers involving securities at prices that were unfair and excessive with markups ranging from eight to 40 percent above the prevailing market price. Quiel also failed to respond completely to NASD requests for information.

This action has been appealed to the SEC and the sanctions are not in effect pending consideration of the appeal.

Felix A. Rodriguez (Registered Representative, New York, New York) submitted a Letter of acceptance, Waiver and Consent pursuant to which he was fined \$25,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Rodriguez consented to the described sanctions and to the entry of findings that he effected the purchase of securities in the accounts of public customers without their knowledge or authorization.

Shawn C. Ruffin (Registered Representative, Jersey City, New Jer-

sey) was fined \$220,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Ruffin executed unauthorized transactions in customer accounts without their knowledge, authorization, or consent. Ruffin also executed unsuitable options transactions in a customer's account without having a reasonable basis to believe that the transactions were suitable for the customer and made misrepresentations to the customer regarding the transactions. Furthermore, Ruffin submitted a false new account form to his member firm and failed to respond to NASD requests for information.

Dominick M. Schina (Registered Representative, Jobstown, New Jersey) submitted an Offer of Settlement pursuant to which he was fined \$15,000, barred from association with any NASD member in any capacity, and required to pay a \$6,513.99 arbitration award. Without admitting or denying the allegations, Schina consented to the described sanctions and to the entry of findings that he failed to respond to NASD requests for information. The NASD also found that Schina failed to pay an arbitration award.

Dominick M. Schina (Registered Representative, Voorhees, New Jersey) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$25,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Schina consented to the described sanctions and to the entry of findings that he entered into oral and written agreements with a company in which he received compensation without disclosing to his member firm or customers that he had entered into the agreements.

Thomas M. Scully (Registered Representative, Franklin Square,

New York) was fined \$120,000, barred from association with any NASD member in any capacity, and ordered to pay \$682.50 in restitution to a member firm. The sanctions were based on findings that Scully made misrepresentations to a public customer in an effort to induce the customer to purchase shares of a stock. Furthermore, Scully purchased shares of common stock in the account of public customers without their prior knowledge, authorization, or consent. In addition, Scully purchased or effected the purchase of shares of stock in his securities account at his member firm and failed to pay for the purchase. Scully also failed to respond to NASD requests for information.

Timothy John Shipley (Registered Principal, Grover, Missouri) submitted an Offer of Settlement pursuant to which he was fined \$50,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Shipley consented to the described sanctions and to the entry of findings that, by use of instrumentalities of interstate commerce or the mail, he intentionally or recklessly employed devices to defraud customers by making untrue statements of material facts or omitting material facts necessary to make the statements by him not misleading. The findings also stated that Shipley engaged in a course of business that operated as a fraud or deceit upon customers in that he recommended to the customers the purchase of securities without a reasonable basis.

Michael J. Siegel (Registered Representative, Louisville, Kentucky) and **Dennis C. Moore (Registered Representative, Louisville, Kentucky)** submitted a Letter of Acceptance, Waiver and Consent pursuant to which they were each fined \$10,000, suspended from association with any NASD member in any

capacity for six months, and required to requalify by exam as investment company and variable contracts products representatives. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that they engaged in the sale of unregistered securities in that they solicited public customers to invest in a company in which they held ownership interests. The findings also stated that Siegel and Moore engaged in private securities transactions without prior written notice to and approval from their member firm.

Richard L. Sladek (Registered Representative, Cuyahoga Falls, Ohio) was fined \$92,000, barred from association with any NASD member in any capacity, and required to pay \$12,000 in restitution to a member firm. The sanctions were based on findings that Sladek received a \$12,000 check from a public customer for investment in a mutual fund. Without the customer's consent, Sladek failed to use the funds for their intended purpose and used the funds for some other purpose other than for the benefit of the customer. Sladek also failed to respond to NASD requests for information.

Wilfred Alexander Soucy, Jr. (Registered Representative, Yardley, Pennsylvania) was fined \$25,000, suspended from association with any NASD member in any capacity for 30 days, and required to requalify by exam. The sanctions were based on findings that Soucy participated in private securities transactions without giving prior written notification to his member firm.

Craig D. Sterling (Registered Representative, Chicago, Illinois) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$2,500 and suspended from association with any NASD member

in any capacity for two business days. Without admitting or denying the allegations, Sterling consented to the described sanctions and to the entry of findings that he charged retail customers unfair prices, including excessive gross commissions, in the sale of securities.

Timothy R. Strong (Registered Representative, Memphis, Tennessee) submitted an Offer of Settlement pursuant to which he was fined \$120,000, barred from association with any NASD member in any capacity, and required to pay \$218,292 in restitution. Without admitting or denying the allegations, Strong consented to the described sanctions and to the entry of findings that he received \$218,291.53 from public customers for investment purposes, failed to submit the funds to his member firm and, instead, endorsed the checks, and deposited them into his personal bank accounts, without the public customers' knowledge or consent. The findings also stated that Strong failed to respond to NASD requests for information.

James C. Turchiarilli (Registered Representative, Williamsville, New York) was fined \$25,000, suspended from association with any NASD member in any capacity for 30 days, and required to requalify by exam as a general securities representative and general securities principal. The sanctions were based on findings that Turchiarilli participated in private securities transactions and failed to give prior written notice to or obtain prior written authorization from his member firm to engage in such activities.

George C. Vafias (Registered Representative, Brooklyn, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$15,000, suspended from association with any NASD member in any capacity for

three months, and required to pay \$3,607.14 in restitution to a public customer. Vafias also must disgorge \$815.55 plus interest and is required to requalify by exam. Without admitting or denying the allegations, Vafias consented to the described sanctions and to the entry of findings that he purchased and sold shares of stock in the accounts of public customers without their prior knowledge or consent.

Brian S. Walker (Registered Representative, Wanaque, New Jersey) submitted an Offer of Settlement pursuant to which he was fined \$455,600 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Walker consented to the described sanctions and to the entry of findings that he received funds from public customers for investment purposes and, instead, converted the funds for his own use without the customers' knowledge, consent, or authorization. The findings also stated that Walker failed to respond to NASD requests for information.

Gregory T. Watkins (Registered Representative, Little Rock, Arkansas) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$25,000, suspended from association with any NASD member in any capacity for one month, and required to requalify by exam as a general securities representative. Without admitting or denying the allegations, Watkins consented to the described sanctions and to the entry of findings that he recommended and engaged in purchase and sale transactions in the accounts of public customers without having reasonable grounds for believing that the transactions were suitable for the customers on the basis of their age, financial situations, investment objectives, and needs. The findings also stated that Watkins exercised discretion in the account of

an institutional customer without having obtained prior written authorization from the customer and prior written acceptance of the account as discretionary by his member firm. Furthermore, the NASD determined that Watkins executed transactions in the accounts of public customers without obtaining a written third party trading authorization from the customers.

John J. Weber (Registered Representative, Newport Beach, California) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$5,000 and suspended from association with any NASD member in any capacity for three business days. Without admitting or denying the allegations, Weber consented to the described sanctions and to the entry of findings that he charged retail customers unfair prices including excessive gross commissions in sales of securities.

Willis White, III (Registered Representative, Hempstead, New York) was fined \$10,000, suspended from association with any NASD member in any capacity for two months, required to requalify by exam, ordered to pay \$3,503.12 in restitution to customers, and ordered to disgorge \$504.25. The sanctions were based on findings that White effected unauthorized transactions in customer accounts without the knowledge, authorization, or consent of the customers.

Ronald G. Zimmerman Jr. (Registered Representative, Arlington, Texas) was fined \$10,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Zimmerman, acting without the authorization or consent of a policyholder, affixed a signature purporting to be that of the policyholder to a request form for a \$2,166 policy loan and submitted the

form to his member firm.

Frank P. Zitkevitz (Registered Representative, Laurel Springs, New Jersey) submitted an Offer of Settlement pursuant to which he was fined \$20,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Zitkevitz consented to the described sanctions and to the entry of findings that he participated in private securities transactions and exercised discretion in the accounts of public customers without informing the customers of such transactions.

Individuals Fined

Klaus Foetzsch (Registered Principal, Dusseldorf, Germany) submitted an Offer of Settlement pursuant to which he was fined \$50,000 and required to requalify by exam. Without admitting or denying the allegations, Foetzsch consented to the described sanctions and to the entry of findings that, on behalf of his member firm, he created and controlled a fictitious discretionary account through which he effected various securities transactions. The NASD found that, in connection with the aforementioned activities, Foetzsch knowingly prepared and established various books and records under the fictitious account. The findings also stated that Foetzsch knowingly submitted a false and misleading Form U-5 to the NASD regarding the termination of a registered representative.

Terence J. Murphy (Registered Representative, Clancy, Montana) submitted an Offer of Settlement pursuant to which he was fined \$12,000 and required to requalify by exam. Without admitting or denying the allegations, Murphy consented to the described sanctions and to the entry of findings that he engaged in the solicitation of customers on behalf of

two firms and received compensation for his efforts without disclosing promptly to his member firm his outside association with or employment by the firms.

Shelia P. Smith (Registered Representative, Mobile, Alabama) submitted a Letter of Acceptance, Waiver and Consent pursuant to which she was fined \$20,000. Without admitting or denying the allegations, Smith consented to the described sanction and to the entry of findings that, in connection with the offer and sale of interests in government funds, she failed and neglected to have an adequate basis on which to recommend the sale of such interests to public customers based on the customers' investment objectives, financial situations, and needs.

Firms Expelled For Failure To Pay Fines, Costs And/OR Provide Proof Of Restitution In Connection With Violations Penn Capital Financial, Inc., Pittsburgh, Pennsylvania

Weldon Sullivan Carmichael & Company, Denver, Colorado

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

Warington Capital Corp., New York, New York (December 2, 1996)

Individuals Whose Registrations Were Revoked For Failure To Pay Fines, Costs And/Or Provide Proof Of Restitution In Connection With Violations

Dan Patrick Dougherty, San Francisco, California

Rodney H. Dudley, Madison, Mississippi

Michael V. Duncan, San Marcos, Texas

John W. Ford, Pittsburgh, Pennsylvania

Matthew J. Ford, Pittsburgh, Pennsylvania

Robert L. Gardner, Valencia, California

William P. Hogan, Pittsburgh, Pennsylvania

Ennis Hudson, Denver, Colorado

Arun Kumar Misra, Stone Mountain, Georgia

Anthony J. Murphy, Aurora, Colorado

Jack Stephen Nail, Jackson, Mississippi

Helen A. Roy, Pittsburgh, Pennsylvania

John J. Wright, Burnsville, Minnesota

Individuals Whose Registrations Were Canceled/Suspended Pursuant To NASD Rule 9622 For Failure To Pay Arbitration Awards

Arthur Martin Bergen, Manalapan, New Jersey

Louis Charles Miceli, Jr., Brooklyn, New York

NASD Regulation Expels Stratton Oakmont; Principals Also Barred

NASD Regulation announced it has permanently expelled the New York-based firm Stratton Oakmont from the securities industry.

The announcement was made after market close on December 5, 1996, following a decision by the NASD Regulation NBCC. The NBCC ruling follows an appeal filed by Stratton Oakmont of an April 1996 decision by the New York DBCC. The NBCC increased the sanction against Stratton Oakmont to expulsion from the original DBCC sanction of a one-year prohibition against effecting any principal retail transactions.

The NBCC decision also barred Stratton Oakmont President Daniel M. Porush and head trader Steven P. Sanders. In its decision, the NBCC increased Sanders' original penalty from a one-year suspension to a bar and affirmed the bar for Porush. Porush was also fined \$250,000 and censured, while Sanders was fined \$25,000 and censured.

Stratton Oakmont was ordered by the NBCC to pay \$416,528 in restitution to customers, fined \$500,000, and censured.

All of Stratton Oakmont's customer accounts will continue to be held by J.B. Oxford, a separate broker/dealer firm that has performed all of Stratton Oakmont's clearing operations. Anyone with questions about their accounts should contact J.B. Oxford's Customer Service Department at (310) 777-8888, ext. 289. J.B. Oxford is a Los Angeles-based firm.

"With this expulsion, NASD Regulation has rid the securities industry of one of its worst actors," said NASD Regulation President Mary L. Schapiro. "With Stratton Oakmont's extensive and serious regulatory his-

tory, and an obvious disregard for all rules of fair practice, today's actions make the securities industry a better place for investors."

Barry R. Goldsmith, NASD Regulation's Executive Vice President of Enforcement added, "In less than a decade, Stratton Oakmont amassed one of the worst regulatory records of any broker/dealer firm. The firm has been the subject of numerous disciplinary actions brought by the NASD, the Securities and Exchange Commission (SEC), and state regulators involving fraud, market manipulation, sales practice abuses, and failures to adequately supervise its employees."

The NBCC found that "The firm must be, and hereby is, expelled from membership due to the number and gravity of the violations which we have sustained, and the number and gravity of the firm's relevant prior disciplinary incidents. We find that this history establishes a coherent pattern of willful disregard for regulatory requirements and regulatory authority, as well as a failure of lesser steps to remediate the firm's conduct."

The 23-page decision also noted that the bars of both Porush and Sanders were necessary because: "[They] continue to deny responsibility and exhibit no remorse for [their] misconduct, and, but for the bar, would continue to pose an ongoing risk to the investing public."

The SEC and a number of state securities regulators around the nation have also sanctioned Stratton Oakmont. In early 1994, the SEC settled an enforcement action against Stratton Oakmont and Porush, after alleging that the firm engaged in securities fraud through its "boiler room" sales operation. By late 1994, the SEC had charged Stratton Oakmont with violating the settlement agreement and

obtained a permanent injunction against the firm requiring future compliance.

The April 1996 DBCC decision resulted from a complaint filed by NASD Regulation in late 1995 and early 1996. The complaint charged:

- *Excessive And Fraudulent Mark Ups*—From October 18, 1993, through November 17, 1993, Stratton Oakmont, acting through Sanders, effected more than 150 principal retail sales of Class A and Class B warrants for the initial public offering of Master Glazier's Karate International Inc., that were marked-up excessively or fraudulently (greater than 10 percent above the prevailing market price).
- *Deficient Supervision*—During the period and activity in question, Stratton Oakmont and Porush failed to establish, maintain, and enforce a supervisory system to prevent the violations in question.

The DBCC found that Stratton Oakmont—which underwrote the offering—controlled the market for Master Glazier, finding that no other broker/dealer made even a single purchase or sale of Class A or Class B warrants on a principal basis during the review period.

In its ruling, the NBCC stated: "Stratton, through Sanders, intentionally structured and participated in an IPO with a view toward retaining a high percentage market share for the purpose of economic gain." It also said that "the firm and Sanders engaged in abusive pricing" and actions that "discouraged the sales force from allowing customers to sell their securities back to Stratton, thus reducing the firm's risk and enhancing its ability to dictate prices arbitrarily."

The NBCC also found that Porush did not satisfy his responsibility to

establish supervisory procedures as the firm's President and supervisor of the firm's retail sales force and trading and compliance operations. The NBCC added "we do not accept Porush's defense that he was a mere figurehead as President." According to the NBCC decision, Porush also was the salesperson with the largest individual allocation in the Master Glazier underwriting, had access to real-time pricing information, and as a result "had an obligation to assure that the retail products marketed by his sales force were in compliance with all relevant legal requirements, including those prohibiting excessive pricing."

Prior to being expelled, Stratton functioned as a market maker for 23 securities listed on The Nasdaq Small Cap Market and four on The Nasdaq National Market. As a result of its expulsion, Stratton will cease all of its market-making functions immediately.

The respondents have appealed to the SEC and the sanctions, other than the expulsion of Stratton Oakmont and the bars of Porush and Sanders, are not in effect pending the appeals.

NASD Regulation Fines Stephens Inc., \$225,000 For Failure To Properly Supervise Distribution Of Mutual Funds Sold On Bank Premises

NASD Regulation announced that it has fined Stephens Inc., \$225,000 and censured the firm in connection with the sale of the proprietary mutual funds of NationsSecurities, Inc., an affiliate of NationsBank N.A. A Stephens broker was also sanctioned.

Based in Little Rock, Arkansas, Stephens neither admitted nor denied NASD Regulation's findings that the broker/dealer failed to adequately supervise its employees in connection with the public sale and distribu-

tion of mutual funds. The mutual funds were sold mainly by NationsSecurities through the branch offices of NationsBank located throughout the southeast.

As part of its settlement with NASD Regulation, Stephens must hire an independent auditor to review the firm's supervisory policies and procedures, and then to implement the changes recommended by the consultant. Furthermore, the consultant will conduct a mandatory training program in the new supervisory system for appropriate senior personnel and supervisors.

The settlement with Stephens was reached following an investigation by the NASD Regulation District Office 5 in New Orleans.

NASD Regulation also found that Richard H. Blank, Jr., failed to properly perform his duties as supervisor of Stephens' employees who were involved in the promotion and distribution of the mutual funds. Blank, who neither admitted nor denied the findings, was fined \$10,000 and censured. He is also required to participate in the new supervisory training program referenced above.

"This case is a clear example of our continuing effort to protect investors by taking disciplinary action against firms and supervisors who violate NASD rules," Schapiro added.

The disciplinary action was taken by the NASD Regulation DBCC for District 5, which has jurisdiction over members with main and branch offices in Louisiana, Mississippi, Alabama, Arkansas, Tennessee, Oklahoma, and Kentucky.

NASD Regulation's investigation is continuing.

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FOR YOUR INFORMATION

Use Of National Association Of Securities Dealers, Inc., Parent And Subsidiary Logos

In response to recent requests from member firms to use one of the corporate logo icons (logos) on their Web pages to indicate a link to one of the three corporate Web sites, this FYI is being issued to clarify the position of NASD Regulation, Inc. (NASD Regulation), the National Association of Securities Dealers, Inc. (NASD), and The Nasdaq Stock Market, Inc. (Nasdaq) on the use of their logos.

NASD Regulation and NASD:

While NASD Regulation and the NASD encourage visits to their Web sites, member firms may not use the NASD RegulationSM or NASD[®] logos on their Web pages.

Nasdaq: Member firms may use the Nasdaq[®] logo on their Web pages as a link to Nasdaq's Web site if they obtain a license to do so. Firms interested in obtaining a license to use the Nasdaq logo should complete the license agreement form available at www.nasdaq.com/license.html.

Member firms also are reminded to ensure that their methods of linkage to any of these Web sites do not violate applicable unfair competition, trademark, copyright, false advertising laws, or any NASD rules.

SEC Adopts New Trading Practice Rules

On December 18, 1996, the Securities and Exchange Commission (SEC) approved Regulation M to replace Rules 10b-6, 10b-6A, 10b-7, 10b-8, and 10b-21 (trading practices rules) under the Securities Exchange Act of 1934. New Regulation M governs the activities of underwriters, issuers, selling security holders, and others in connection with offerings of securities. Regulation M eliminates the trading restrictions of Rule 10b-6 for certain activity-traded securities, reduces the

scope of coverage for other securities, reduces restrictions on certain issuer stock purchase plans, eases the restrictions on stabilizing, and deregulates rights offerings. Members should be aware, however, that Regulation M imposes new disclosure and record-keeping requirements with respect to penalty bids and the stabilizing and after-market activities of underwriters.

The SEC also has amended Rule 10b-18 to provide that the issuer safe harbor for share repurchases is not available during the entire period of a distribution. The SEC release publishing its approval of the new regulation was issued in Securities Act Release No. 7375 (December 23, 1996).

The new rules, with the exception of the recordkeeping requirements, become effective March 3, 1997. The new recordkeeping requirements become effective April 1, 1997.

SEC Approves Change In Minimum Gross Income Assessment

On December 24, 1996, NASD Regulation filed with the SEC an amendment to raise the minimum annual gross income assessment from \$850 to \$1,200. NASD Regulation requested, and was granted by the SEC, an effective date of January 1, 1997.

The minimum annual gross income assessment of \$850 was last changed in 1989. Due to inflationary pressures and increased regulatory costs, the NASD has raised the minimum gross income assessment from \$850 to \$1,200. The increase in the minimum gross income assessment, along with anticipated revenue growth in other areas, is expected to help defray the significant increase in regulatory costs anticipated to be incurred by NASD Regulation.

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NASD NOTICE TO MEMBERS 97-4

NASD Reminds Members About Treasury's Foreign Assets Control Regulations

Suggested Routing

- Senior Management
- Advertising
- Corporate Finance
- Government Securities
- Institutional
- Internal Audit
- Legal & Compliance
- Municipal
- Mutual Fund
- Operations
- Options
- Registration
- Research
- Syndicate
- Systems
- Trading
- Training

Executive Summary

The Department of Treasury (Treasury) recently asked the NASD to provide members with the Office of Foreign Assets Control's (OFAC) latest list of persons and entities identified as "Specially Designated Nationals and Blocked Persons." In addition to the list, the NASD has included a summary of OFAC's regulations governing the activities of financial institutions that have such persons or entities as customers. These regulations require broker/dealers to block¹ accounts and other assets of countries identified as threats to national security by the President of the United States and prohibit broker/dealers from engaging in unlicensed trade and financial transactions with such countries. OFAC is authorized to impose significant monetary fines for violations of these regulations.

Background

The U.S. government mandates that all financial institutions located in the United States, overseas branches of these institutions and, in certain instances, overseas subsidiaries of the institutions comply with OFAC regulations governing economic sanctions and embargo programs regarding the accounts and other assets of countries identified as threats to national security by the President of the United States. This always involves accounts and assets of the sanctioned countries' governments, and it may also involve the accounts and assets of individual nationals of the sanctioned countries. Also, these regulations prohibit unlicensed trade and financial transactions with such countries.

Under these regulations, financial institutions must block identified assets and accounts when such property is located in the United States, is held by U.S. individuals or entities, or comes into the possession or control

of U.S. individuals or entities. The definition of assets and property is very broad and covers direct, indirect, present, future, and contingent interests. In addition, Treasury identifies certain individuals and entities located worldwide that are acting on behalf of sanctioned governments, and these must be treated as if they are part of the sanctioned governments.

OFAC may impose criminal or civil penalties for violations of these regulations. Criminal violations may result in corporate fines of up to \$500,000 and personal fines of up to \$250,000 and 10 years in jail; civil penalties of up to \$11,000 per violation also may be imposed. To ensure compliance, OFAC enlists the cooperation of various regulatory organizations and recently asked the NASD to remind its members about these regulations.

Foreign Assets Control Regulations

OFAC currently administers sanctions and embargo programs against Libya, Iran, Iraq, the Federal Republic of Yugoslavia (Serbia and Montenegro), Serb-controlled areas of Bosnia and Herzegovina and Bosnian Serb military and civilian leaders, North Korea, and Cuba. In addition, it prohibits certain exports to the UNITA faction in Angola and prohibits transactions with terrorists threatening to disrupt the Middle East peace process.

Broker/dealers cannot deal in securities issued from these target countries and governments and must block or freeze accounts, assets, and obligations of blocked entities and individuals when this property is in their possession or control.

According to OFAC, broker/dealers need to establish internal compliance programs to monitor these regulations. OFAC urges broker/dealers to review their existing customer accounts and the securities in their

custody to ensure that any accounts or securities blocked by existing sanctions are being treated properly. Broker/dealers also should review any other securities that may represent obligations of, or ownership interests in, entities owned or controlled by blocked commercial or government entities identified by OFAC.

Broker/dealers must report blockings within 10 days by fax to OFAC Compliance Division at (202) 622-1657. Firms are prohibited from making debits to blocked customer accounts, although credits are authorized. Blocked securities may not be paid, withdrawn, transferred (even by book transfer), endorsed, guaranteed, or otherwise dealt in.

OFAC has issued general licenses authorizing continued trading on the national securities exchanges on behalf of blocked Cuban and North Korean customer accounts under conditions preserving the blocking of resulting assets and proceeds. Secondary market trading with respect to certain Yugoslav debt securities issued pursuant to the "New Financing Agreement" of September 20, 1988, also are authorized; however, certain restrictions and reporting requirements apply.

List Of Sanctioned Governments And Individuals

Whenever there is an update to its regulations, an addition or removal of a specifically designated national, or any other pertinent announcement, OFAC makes the information available electronically on the U.S. Council on International Banking's INTERCOM Bulletin Board in New York and the International Banking Operations Association's Bulletin Board in Miami. The information also is immediately uploaded onto Treasury's Electronic Library (TEL) on the FedWorld Bulletin Board network. In addition, the information is available through several other government services provided free of charge to the general public.

NASD members are urged to review their procedures to ensure compliance with OFAC regulations.

The NASD urges its members to review the attached list of 57 blocked persons and 21 blocked entities designated by the President of the United States for their significant role in international narcotics trafficking centered in Columbia, or have been determined by the Secretary of the Treasury, in consultation with the Attorney General and the Secretary of State, to have materially assisted in or provided financial or technolog-

ical support for, or goods or services in support of, the narcotics trafficking activities of other blocked persons on the list, or to be owned or controlled by, or to act for or on behalf of, other blocked persons on the list. The list also contains revised information concerning 58 individuals and one entity. In addition, one individual specially designated narcotics trafficker and three individuals previously designated as acting for or on behalf of Iraq are being removed from the list.

Questions concerning this Notice may be directed to OFAC at (202) 622-2490. For additional information, refer to *Notices to Members 96-23 and 95-97*.

Endnotes

¹ Blocking, which also may be called freezing, is a form of controlling assets under U.S. jurisdiction. While title to blocked property remains with the designated country or national, the exercise of the powers and privileges normally associated with ownership is prohibited without authorization from OFAC. Blocking immediately imposes an across-the-board prohibition against transfers or transactions of any kind with respect to the property.

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■ INTRODUCTION – On October 21, 1995, President Clinton signed Executive Order 12978 entitled "Blocking Assets and Prohibiting Transactions with Significant Narcotics Traffickers" (the "Order").

The Order blocks all property subject to U.S. jurisdiction in which there is any interest of four principal figures in the Cali drug cartel who are listed in the annex to the Order. Those four individuals are named as "Principal Individuals" below. In addition, the Order blocks the property and interests in property of foreign persons determined by the Secretary of the Treasury, in consultation with the Attorney General and the Secretary of State, (a) to play a significant role in international narcotics trafficking centered in Colombia,

or (b) to materially assist in or provide financial or technological support for, or goods or services in support of, persons designated in or pursuant to the Order. In addition, the Order blocks all property and interests in property subject to U.S. jurisdiction of persons determined by the secretary of the treasury, in consultation with the Attorney General and the Secretary of State, to be owned or controlled by, or to act for or on behalf of, persons designated in or pursuant of the Order (collectively "Specially Designated Narcotics Traffickers" or "SDNTs"). Listed below are additional foreign entities and individuals designated by the Office of Foreign Assets Control as SDNTs pursuant to the Order.

The Order further prohibits any transaction or dealing by a United States person or within the United States in property or interests in property of SDNTs, and any transaction that evades or avoids, has the purpose of evading or avoiding, or attempts to violate, the prohibitions contained in the Order. This obviously impacts trade transactions (involving, for example, letters of credit) as well as accounts and other assets.

Designations of persons blocked pursuant to the Order are effective upon the date of determination by the Director of the Office of Foreign Assets Control, acting under authority delegated by the Secretary of the Treasury. Public notice of blocking is effective upon the date of filing with the *Federal Register*, or upon prior actual notice.

Corporate criminal penalties for violations of the International Emergency Economic Powers Act range up to \$500,000; individual penalties range up to \$250,000 and 10 years in jail. Civil penalties of up to \$11,000 may also be imposed administratively.

NASD NOTICE TO MEMBERS 97-5

Annual Check List of NASD Notices to Members

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The NASD published the following *Notices to Members* during 1996. Duplicate copies are available at \$25 per monthly or special issue. A 2-volume bound-set, indexed reprint of the entire year's Notices, is also available at \$100. Requests, accompanied by a self-addressed mailing label and a check payable to the National Association of Securities Dealers, Inc., or credit card information, should be sent to NASD MediaSourceSM, P.O. Box 9403, Gaithersburg, MD 20898-9403. Credit card telephone orders can be made by calling (301) 590-6578, Monday to Friday, 9 a.m. to 5 p.m., Eastern Time.

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NASD NOTICE TO MEMBERS 97-6

Good Friday: Trade Date- Settlement Date Schedule

Good Friday: Trade Date-Settlement Date Schedule

The Nasdaq Stock Market and the securities exchanges will be closed on Good Friday, March 28, 1997. "Regular way" transactions made on the business days noted below will be subject to the following schedule:

<u>Trade Date</u>	<u>Settlement Date</u>	<u>Reg. T Date*</u>
March 24	March 27	April 1
25	31	2
26	April 1	3
27	2	4
28	Markets Closed	—
31	3	7

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

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NASD NOTICE TO MEMBERS 97-7

Fixed Income Pricing System Additions, Changes, And Deletions As Of January 24, 1997

Suggested Routing

- Senior Management
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- Institutional
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- Municipal
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- Training

As of January 24, 1997, the following bonds were added to the Fixed Income Pricing System (FIPS).

Symbol	Name	Coupon	Maturity
SMB.GA	Smith Barney Hldgs Inc New	6.625	6/1/00
PHN.GA	Phonetel Technologies Inc	12.000	12/15/06
AMWA.GA	America West Airlines	10.750	9/1/05
GOR.GA	Corning Clinical Labs Inc	10.750	12/15/06
IN.GA	Integon Corp Del	8.000	8/15/99
IN.GB	Integon Corp Del	9.500	10/15/01

As of January 24, 1997, the following bonds were deleted from FIPS.

Symbol	Name	Coupon	Maturity
VOUT.GA	Universal Outdoor Inc	11.000	11/15/03
TEXN.GF	Texas New Mexico Power Co	11.250	1/15/97
WOWA.GA	Work Wear Inc	13.000	1/1/97
TOK.GB	Tokheim Corp	11.500	8/1/06
ICH.GA	ICH Corp	11.250	12/1/96
USG.GA	USG Corp	8.000	12/15/96

All bonds listed above are subject to trade-reporting requirements. Questions pertaining to FIPSSM trade-reporting rules should be directed to James C. Dolan, NASD[®] Market Regulation, at (301) 590-6460.

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

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DISCIPLINARY ACTIONS

Disciplinary Actions Reported For February

NASD Regulation, Inc. (NASD Regulation) has taken disciplinary actions against the following firms and individuals for violations of NASD® Rules; 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 Tuesday, February 18, 1997. The information relating to matters contained in this Notice is current as of January 24, 1997. Information received subsequent to January 24 is not reflected in this edition.

Firms Fined, Individuals Sanctioned

Excel Financial, Inc. (Salt Lake City, Utah), Gary R. Beynon (Registered Principal, Salt Lake City, Utah) and Robert Lamont Sperry (Registered Principal, Salt Lake City, Utah) were fined \$25,000, jointly and severally. In addition, Beynon and Sperry were suspended from association with any NASD member in any principal capacity for one month. The sanctions were based on findings that the firm, acting through Beynon and Sperry, failed to return investor funds when the terms of the contingency were not satisfied. The firm, acting through Beynon and Sperry, also made non-bona fide sales of securities in an offering in that a percentage of the offering was acquired for resale by a corporation that was affiliated with the issuer and counted such sales towards the satisfaction of the minimum sales contingency.

This matter has been appealed to the SEC.

Sentra Securities Corporation (San Diego, California), Joseph J. Hoenigman (Registered Principal, Lacosta, California) and Vaughn L. Woods (Registered Principal, San Diego, California) submitted a Let-

ter of Acceptance, Waiver and Consent pursuant to which the firm was fined \$13,500. Hoenigman and Woods were each fined \$5,000 and suspended from association with any NASD member in any principal capacity for one week. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm recommended and engaged in certain purchase and sale transactions in the account of a public customer without having reasonable grounds for believing that such recommendations were suitable for the customer on the basis of the customer's financial situation, investment objectives, and needs. The findings also stated that the firm, acting through Hoenigman and Woods, failed to exercise reasonable and proper supervision over an individual and failed to establish, maintain, and enforce proper supervisory procedures governing the review of options and equity transactions and the review of municipal securities transactions.

Firms And Individuals Fined

R. M. Duncan Securities, Inc. (Little Rock, Arkansas) and Randall M. Duncan (Registered Principal, Little Rock, Arkansas) 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 the firm, acting through Duncan, allowed a registered representative to recommend and engage in a purchase transaction of a limited partnership in the account of public customers without having reasonable grounds for believing that such recommendation and resultant transactions were suitable for the customers on the basis of their financial situation, investment objectives, and needs. The findings

also stated that the firm, acting through Duncan, failed to exercise reasonable and proper supervision over a registered representative in that they approved the aforementioned transaction before ascertaining that the investment was suitable for the customers.

State First Financial, Inc. (Lansing, Michigan), Jerry G. Sutton (Registered Principal, East Lansing, Michigan), and Karen S. Smelker (Registered Representative, Lansing, Michigan) submitted a Letter of Acceptance, Waiver and Consent pursuant to which the firm and Sutton were fined \$13,500, jointly and severally and Smelker was fined \$16,000. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Sutton, permitted Smelker to engage in the investment banking or securities business and function as a representative when she was barred and subject to disqualification.

Firms Fined

Knight Securities, L.P. (Jersey City, New Jersey) submitted a Letter of Acceptance, Waiver and Consent pursuant to which the firm was fined \$50,000 and required to pay \$166,230 in restitution to customers. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it executed day limit orders after such orders had expired. Furthermore, the NASD determined that the firm failed to establish, maintain, and enforce supervisory procedures that would detect and deter the above conduct.

Merrill Lynch, Pierce, Fenner & Smith Incorporated (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, the firm consented to the described sanction and to the entry of findings that it allowed officers to act in the capacity of a general securities principal and/or representative without appropriate registration. The findings also stated that the firm failed to establish, maintain, and enforce written supervisory procedures and failed to supervise adequately the registration status of individuals acting in the capacity of a general securities principal.

Individuals Barred Or Suspended

Jack A. Alexander (Registered Principal, Poway, California) submitted an Offer of Settlement pursuant to which he was suspended from association with any NASD member in any capacity for five days. Without admitting or denying the allegations, Alexander consented to the described sanctions and to the entry of findings that he purchased shares of a new issue that traded at a premium in the immediate aftermarket, in contravention of the NASD Board of Governors Free-Riding and Withholding Interpretation.

J. Richard Allison (Registered Representative, Palm Beach, Florida) submitted an Offer of Settlement pursuant to which he was fined \$2,500 and suspended from association with any NASD member in any capacity for 30 days. Without admitting or denying the allegations, Allison consented to the described sanctions and to the entry of findings that he signed two customers' names to annuity change request forms that changed the broker/dealer and representative of record for the customers and submitted the forms without the knowledge or consent of the customers.

Anthony Joseph Amaradio (Registered Representative, Laguna Hills, California) submitted an Offer of Settlement pursuant to which he

was fined \$75,000, suspended from association with any NASD member in any capacity for 90 days, required to pay \$13,805.43 in restitution to customers, and must requalify by exam. Without admitting or denying the allegations, Amaradio consented to the described sanctions and to the entry of findings that he recommended to public customers the purchase of insurance products without having reasonable grounds for believing that such recommendations were suitable for the customers based upon their investment objectives, financial situations, and needs.

Amaradio's suspension began February 1, 1997.

Mathew William Baker (Registered Representative, Des Moines, Washington) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$49,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Mathew consented to the described sanctions and to the entry of findings that he participated in private securities transactions while failing to provide prior written notice of such activities to his member firm.

Donald G. Brown (Registered Representative, Naples, Florida) was fined \$35,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Brown sold a \$5,000 municipal bond to a public customer outside the scope of his employment with his member firm without giving prior written notice to or receiving prior written permission from his member firm to engage in the transaction. Moreover, Brown failed to return the customer's funds in a timely manner after he was unable to obtain delivery of the bonds.

Jeffrey T. Burrows (Registered Representative, Cave Creek, Arizona) was barred from association with any NASD member in any capacity. The sanction was based on findings that Burrows misappropriated \$155,000 from public customers by inducing them to send him funds purportedly for investment and then converting such funds to his own use and benefit. Burrows also failed to respond to NASD requests for information.

Kevin T. Cabell (Registered Principal, Peachtree, Georgia) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Cabell failed to provide information and testimony requested by the NASD in connection with an ongoing investigation.

Richard T. Clark, Jr. (Registered Representative, Tulsa, Oklahoma) submitted an Offer of Settlement pursuant to which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Clark consented to the described sanctions and to the entry of findings that he failed and neglected to notify his member firms in writing of his personal securities accounts that he opened at other member firms. The findings also stated that Clark failed to provide written notification to the other member firms of his employment with his member firms.

Micah C. Douglas (Registered Representative, Kingwood, Texas) was fined \$7,500 and suspended from association with any NASD member in any capacity for 45 days. The Securities and Exchange Commission (SEC) affirmed the sanctions following appeal of a September 1995 National Business Conduct Committee (NBCC) decision. The sanctions were based on findings that Douglas failed to give his member

firm prior written notice of outside business activities that consisted of securities transactions conducted in the name of a company with his name. Douglas also made misrepresentations to a public customer about himself and his company. Specifically, Douglas falsely represented that his company was registered with the SEC as a broker/dealer, was a full-service broker/dealer, had Securities Investor Protection Corporation coverage, and had never been the subject of any complaint or investigation by a self-regulatory organization. Douglas also falsely represented that all of the transactions effected by the firm were guaranteed by his member firm. In addition, Douglas made misrepresentations in connection with the sale of inverse floater notes in that he failed to disclose that the notes' yield would fluctuate inversely to prevailing interest rates.

Alan Bruce Dustal (Registered Representative, South River, New Jersey) was fined \$100,000, barred from association with any NASD member in any capacity, and required to pay restitution. The sanctions were based on findings that Dustal misappropriated customer funds totaling over \$600,000 for his own use and benefit. Dustal also failed to respond to NASD requests for information.

Paul D. Evanko (Registered Principal, Glen Gardner, New Jersey) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$150,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Evanko consented to the described sanctions and to the entry of findings that he gave or dictated scripts about recommended stocks to registered representatives for use in their sales presentations to customers that contained price predictions, material omissions, and material misrepresentations.

Timothy W. Fowler (Registered Representative, Metairie, Louisiana) was fined \$30,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Fowler made improper use of customer funds by forging a public customer's name to five documents without the customer's knowledge or consent.

Richard K. Frazier (Registered Representative, Tampa, Florida) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Frazier failed to respond to an NASD request for information about his termination from a member firm.

Michael R. French (Registered Representative, Scottsdale, Arizona) was fined \$1,000, suspended from association with any NASD member in any capacity for three months, and required to requalify by exam. The sanctions were based on findings that French failed to disclose a criminal conviction on his Form U-4.

James W. Gaskins, Jr. (Registered Representative, Wilmington, Delaware) was fined \$60,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Gaskins received a \$7,462.10 redemption check from the account of a public customer, negotiated the check, and failed to remit the funds for their intended purpose. Gaskins also failed to respond to NASD requests for information.

Robert J. Gilbert (Registered Principal, New York, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$40,000 and barred from association with any NASD member in any capacity.

Without admitting or denying the allegations, Gilbert consented to the described sanctions and to the entry of findings that he purchased and sold securities for the accounts of public customers without the customers' knowledge or consent and in the absence of written or oral authorization to exercise discretion in said accounts. The findings also stated that Gilbert failed to respond to NASD requests to appear for an on-the-record interview.

James A. Goetz (Registered Representative, Dickinson, North Dakota) was fined \$2,500 and barred from association with any NASD member in any capacity. The NBCC imposed the sanctions following appeal of a Kansas City District Business Conduct Committee (DBCC) decision. The sanctions were based on findings that Goetz submitted applications to his member firm's matching gifts program requesting that \$1,600 be donated to a school and thereafter failed to contribute an equivalent amount of cash or property. Goetz knew or should have known that the funds were used to offset the tuition of his daughter at the designated school.

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

Jeffrey L. Greene (Registered Principal, Greenville, South Carolina) submitted an Offer of Settlement pursuant to which he was fined \$50,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Greene consented to the described sanctions and to the entry of findings that he received a \$10,000 check from a public customer for investment purposes and instead, converted the proceeds for his own use and benefit. Furthermore, the NASD determined that, to

conceal his misconduct, Greene gave the customer a false confirmation statement showing that the customer's funds had been invested.

Stephen Gritzan (Registered Representative, Washington, DC) was barred from association with any NASD member in any capacity. The sanction was based on findings that Gritzan recommended and sold securities to public customers when he knew of negative material information as to the risks of the securities or was reckless in not knowing and omitted to disclose the negative information to the customers. Gritzan also recommended the purchase and sale of securities to public customers without having reasonable grounds for believing that such recommendations were suitable for them in light of the size and frequency of the transactions, the nature of the securities, and their financial situation, needs, and investment objectives. Furthermore, Gritzan exercised discretionary power over the accounts of public customers and used such authority to effect discretionary securities transactions in these accounts without first having such discretionary power reduced to writing and accepted by his member firms. Gritzan also executed unauthorized transactions in customer accounts.

Robert A. Grunburg (Registered Principal, Marina Del Rey, California) was fined \$5,000, suspended from association with any NASD member as a general securities principal for one month, and required to requalify by exam as a principal. The SEC affirmed the sanctions following appeal of a March 1996 NBCC decision. The sanctions were based on findings that Grunburg approved two newspaper advertisements that contained misleading or exaggerated statements concerning the ranking of mutual funds. Grunburg also failed to file the advertisements with the NASD within 10 days of the first use

of the advertisements as required. Furthermore, Grunburg entered into a special sales concession arrangement (a sales contest) with a member firm related to the sale of mutual funds on a oral basis with no written agreement executed and without proper disclosure of the arrangement in the prospectuses for each fund. In addition, Grunburg failed to establish and maintain adequate written supervisory procedures.

Felix Gurfink (Registered Representative, Brooklyn, New York) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Gurfink failed to respond to NASD requests for information.

James M. Hayes (Registered Representative, Suffolk, Virginia) was fined \$200,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Hayes received \$35,000 in checks from public customers for investment purposes and instead, deposited the checks and converted the funds for his own use. Furthermore, Hayes prepared and provided to public customers statements misrepresenting that \$30,000 had been used to purchase shares in a fund. Hayes also failed to respond to NASD requests for information.

Donald E. James (Registered Representative, Athens, Georgia) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that James failed to respond to NASD requests for information about his termination from a member firm.

Francis M. Kalitsi (Registered Representative, Washington, DC) submitted a Letter of Acceptance, Waiver and Consent pursuant to

which he was fined \$7,500 and suspended from association with any NASD member in any capacity for 10 business days. Without admitting or denying the allegations, Kalitsi consented to the described sanctions and to the entry of findings that he mistakenly put in an order ticket to purchase 10,000 shares of stock for a public customer instead of 1,000 shares. According to the findings, rather than change the order to 1,000 shares, Kalitsi contacted seven other clients and recommended that they purchase the stock. The NASD found that by this time, the price had dropped and Kalitsi failed to advise his customers of this.

Kenneth N. Kleid (Registered Representative, Parkland, Florida) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Kleid failed to respond to NASD requests for information about his termination from a member firm.

Larry Ira Klein (Registered Representative, Oakland, California) was fined \$150,000, suspended from association with any NASD member in any capacity for six months, and required to requalify by exam. The SEC affirmed the sanctions following appeal of a June 1995 NBCC decision. The sanctions were based on findings that Klein, in connection with the sale of stock, omitted material facts and made material misstatements of fact to the customers. Furthermore, Klein made unsuitable recommendations to customers regarding the purchase of stock without having reasonable grounds for believing that the investment was suitable for the customers in light of the customers' other security holdings, financial situation, and needs.

Tibor Robert Komoroczy (Registered Representative, Laguna Niguel, California) submitted a Letter of Acceptance, Waiver and Con-

sent pursuant to which he was fined \$40,000, barred from association with any NASD member in any capacity, and required to pay \$168,000 in restitution to a member firm. Without admitting or denying the allegations, Komoroczy 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 or consent. The findings also stated that Komoroczy exercised discretion in the accounts of public customers without obtaining prior written discretionary authorization from the customers and without written acceptance of such account by his member firm.

Daniel R. Lehl (Registered Representative, Littleton, Colorado) and **Thomas P. Meehan (Registered Representative, Thornton, Colorado)**. Meehan was fined \$45,000 and barred from association with any NASD member in any capacity and Lehl was fined \$10,000 and suspended from association with any NASD member in any capacity for five business days. The sanctions were based on findings that Meehan and Lehl failed to follow customer instructions to sell securities from their accounts. Lehl also made misrepresentations to a public customer in connection with the customer's request that his stock be sold. Furthermore, Meehan induced customers to purchase stock by representing that he would refund the purchase price if the customers lost money and engaged in unauthorized transactions in customer accounts. In addition, Meehan failed to respond to NASD requests for information and obtained from a public customer an agreement to settle the customer's complaint that contained undertakings by the customer not to initiate or pursue any regulatory complaint.

Oscar J. Leon (Registered Representative, Centreville, Virginia)

submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$50,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Leon consented to the described sanctions and to the entry of findings that he failed to respond to NASD requests for information. The findings also stated that Leon forged the signature of a public customer on 21 checks totaling \$19,300 and negotiated and converted \$7,600 of the proceeds for his own use and benefit.

David J. Leytze (Registered Representative, Cincinnati, Ohio) submitted an Offer of Settlement pursuant to which he was fined \$36,156, suspended from association with any NASD member in any capacity for five business days, and required to requalify by exam as a general securities representative. Without admitting or denying the allegations, Leytze consented to the described sanctions and to the entry of findings that he participated in the solicitation and sale of preferred stock to public customers on a private basis and failed to give prior written notice to and obtain prior written authorization from his member firm to engage in such activities.

Steven Wayne Love (Registered Representative, Eldorado, Kansas) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$5,000 and suspended from association with any NASD member in any capacity for one year. Without admitting or denying the allegations, Love consented to the described sanctions and to the entry of findings that he signed the names of public customers on forms requesting loans or other disbursements from the customers' insurance policies without their knowledge or consent.

Grover C. McCall, III (Registered Representative, Kingsport, Tennessee) was fined \$7,651.84, suspended from association with any NASD member in any capacity for five days, and required to requalify by exam as a general securities representative. The sanctions were based on findings that McCall executed unauthorized transactions in the account of a public customer without the knowledge or consent of the customer. McCall also exercised discretion in a public customer's account without having obtained prior written authorization from the customer and prior written acceptance of the account as discretionary by his member firm.

Karl M. Meeks (Registered Representative, Lakewood, California) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$7,500 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Meeks consented to the described sanctions and to the entry of findings that he caused a \$1,510 check to be issued from the bank account of an affiliate of his former member firm and converted the funds for his own use and benefit without the affiliate's knowledge or consent.

Guy G. Mockbee (Registered Representative, Rochester, New York) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Mockbee failed to respond to NASD requests for information.

Phillip L. Mosley (Registered Representative, Atlanta, Georgia) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Mosley failed to respond to NASD requests for information about his termination from a member firm.

Raymond P. Nauts (Registered Representative, Ocean Springs, Mississippi) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$100,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Nauts consented to the described sanctions and to the entry of findings that he disbursed five checks totaling \$17,863.31 from the accounts of a deceased public customer and converted these funds for his own use and benefit without the knowledge or consent of the customer's estate. Furthermore, the NASD found that Nauts forged the signature of the customer to four of the checks in order to facilitate the redemption of these funds. The findings also stated that Nauts failed and neglected to respond timely to NASD requests for information and failed to update his Form U-4 with his correct address of record.

Marc A. Nichols (Registered Representative, San Bruno, California) was fined \$10,000 and barred from association with any NASD member in any capacity. The NBCC affirmed the sanctions following appeal of a San Francisco DBCC decision. The sanctions were based on findings that Nichols forged the signatures of public customers on forms and submitted them to his member firm. In addition, Nichols persuaded a customer to sign a false notarized statement and submitted it to his member firm.

Robert Eugene Nixon (Registered Representative, Lincoln, Nebraska) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$5,000 and suspended from association with any NASD member in any capacity for five days. Without admitting or denying the allegations, Nixon consented to the described sanctions and to the entry of findings that he engaged in a pattern of recommend-

ing the sales of customers' mutual funds within the same mutual fund family without recommending that customers take advantage of a free exchange privilege.

Norman L. Patterson (Registered Representative, Pittsburgh, Pennsylvania) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$5,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Patterson consented to the described sanctions and to the entry of findings that he received \$1,008.47 from public customers in payment of insurance premiums and failed to remit the funds promptly to his member firm.

Ronald A. Perez (Registered Representative, East Brunswick, New Jersey) was fined \$30,000 and barred from association with any NASD member in any capacity. The NBCC affirmed the sanctions following appeal of a New York DBCC decision. The sanctions were based on findings that Perez failed to disclose criminal charges on a Form U-4 and failed to respond to NASD requests for information.

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

Rodney M. Phillips (Registered Representative, Morgantown, West Virginia) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$175,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Phillips consented to the described sanctions and to the entry of findings that he sought and obtained the issuance of loans by his member firm against the insurance policies of public customers.

The NASD also found that Phillips obtained possession of the loan checks totaling \$36,236 and converted the funds for his own use and benefit without the knowledge or consent of the customers.

Cecil W. Piper (Registered Representative, Washington, DC) was fined \$26,750, barred from association with any NASD member in any capacity, and required to pay \$25,000 plus interest in restitution to a customer. The sanctions were based on findings that Piper participated in a private securities transaction while failing to provide written notice of such transaction to his member firm. Piper also recommended the purchase of securities to a public customer without having reasonable grounds for believing such recommendation was suitable for the customer in light of the customer's financial circumstances, needs, and objectives.

John Romano (Registered Representative, Fort Salonga, New York) submitted an Offer of Settlement pursuant to which he was fined \$25,000, suspended from association with any NASD member in any capacity for 105 days, required to requalify by exam in all capacities, and must refrain from opening a brokerage account, either for himself or his spouse, at a firm other than that of his employer for five years. Without admitting or denying the allegations, Romano consented to the described sanctions and to the entry of findings that he opened a securities account in his wife's name at another member firm and neither notified his member firm in writing that he had opened the account nor advised the other firm of his association with his member firm. The findings also stated that Romano placed orders for the same account without giving prior written notice to his member firm of his intention to execute these transactions. Furthermore, the NASD found

that Romano, with an intent to defraud his member firm, knowingly or recklessly sold securities from his member firm's proprietary trading account at prices substantially below the prevailing market price, to the detriment of his member firm.

Mark T. Samples (Registered Representative, Orlando, Florida) submitted an Offer of Settlement pursuant to which he was fined \$50,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Samples consented to the described sanctions and to the entry of findings that he included false financial information on the new account form of a public customer. The NASD also found that Samples failed to execute purchase orders for a public customer and misrepresented to the customer that the purchase orders had been made, when in fact, no such purchase had been executed. Furthermore, the findings stated that Samples shared directly or indirectly in the profits and losses in the account of a public customer and failed to obtain written authorization from his member firm prior to sharing in a customer account. The findings also stated that Samples delivered a handwritten letter to a public customer without obtaining prior written approval of the correspondence from a principal of his member firm.

The NASD also determined that Samples recommended and engaged in securities trading in the account of a public customer without having reasonable grounds for believing that these recommendations and resultant transactions were suitable for the customer on the basis of the customer's financial situation, investment objectives, and needs. In addition, the NASD found that Samples failed to make reasonable efforts to obtain accurate information regarding the financial status, tax sta-

tus, and investment objectives of a public customer in that the new account form he completed contained inaccurate financial information for the customer.

Elmer G. Schuchmann, Jr. (Registered Representative, Red Bud, Illinois) submitted an Offer of Settlement pursuant to which he was fined \$100,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Schuchmann consented to the described sanctions and to the entry of findings that he participated in private securities transactions without giving written notice to and receiving written approval from his member firms to engage in such activities.

Frederick W. Slaughter (Registered Representative, Westminster, Maryland) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Slaughter failed to respond to NASD requests for information.

Kevin Todd Smith (Registered Representative, Dixon, Illinois) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$8,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Smith consented to the described sanctions and to the entry of findings that he obtained a \$3,000 check from a public customer with instructions to use the funds to pay a loan against the customer's life insurance policy. The NASD found that Smith failed to follow the customer's instructions and used the funds for some purpose other than for the benefit of the customer.

Salvatore J. Spena (Registered Representative, McKee City, New Jersey) was fined \$5,000 and barred

from association with any NASD member in any capacity. The NBCC affirmed the sanctions following appeal of a Philadelphia DBCC decision. The sanctions were based on findings that Spena completed, signed, and submitted to his member firm applications for life insurance policies without the knowledge or consent of the applicants. Spena also received from insurance customers \$1,437.88 for automobile insurance coverage and failed to submit the funds to the proper entities.

Robert Charles Stamosos (Registered Principal, Walnut Creek, California) was fined \$62,000, suspended from association with any NASD member in any capacity for 30 days, and barred from association with any NASD member in any principal capacity. In addition, Stamosos is required to requalify by exam as a representative. The sanctions were based on findings that Stamosos exercised effective control over the account of a public customer and recommended to the customer the purchase and sale of securities that were not suitable for the customer in light of the size and frequency of the trading and in light of the facts disclosed by the customer as to her other security holdings, financial situation, and needs.

Kevin J. Stelter (Registered Representative, Englewood, Colorado) was fined \$5,000, suspended from association with any NASD member in any capacity for three months, required to requalify by exam in any capacity, and ordered to disgorge \$3,900 in commissions to the NASD. The sanctions were based on findings that Stelter provided to a public customer a statement concerning recently purchased products that contained material misrepresentations about the products in the form of projected and guaranteed returns that were inaccurate and misleading.

Richard T. Sullivan, Jr. (Registered Representative, Staten Island, New York) submitted an Offer of Settlement pursuant to which he was fined \$5,000, suspended from association with any NASD member in any principal or supervisory capacity for one year, prohibited from serving as a director of compliance for a member firm for two years following his reemployment by any NASD member firm, and required to requalify by exam in any principal capacity. Without admitting or denying the allegations, Sullivan consented to the described sanctions and to the entry of findings that he failed to establish, maintain, and enforce reasonable supervisory procedures to prevent his member firm's retail customers from being charged fraudulently excessive markups.

Matthew Telesca (Registered Representative, Allentown, Pennsylvania) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Telesca failed to respond to NASD requests to appear for an on-the-record interview concerning a customer complaint.

Peter Kitti Usamanont (Associated Person, New York, New York) submitted an Offer of Settlement pursuant to which he was fined \$20,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Usamanont consented to the described sanctions and to the entry of findings that he failed to respond to NASD requests for information about his termination from a member firm.

Henry Edward Vail (Registered Representative, Houston, Texas) was fined \$20,000 and barred from association with any NASD member in any capacity. The U.S. Court of Appeals for the Fifth Circuit affirmed

the sanctions following appeal of a June 1995 SEC decision. The sanctions were based on findings that Vail made improper use of funds of a local political club by converting \$11,000 to his own use and benefit.

Michael Anthony Valenoti (Registered Representative, Lake Ariel, Pennsylvania) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$10,000 and suspended from association with any NASD member in a principal capacity for 30 days. Without admitting or denying the allegations, Valenoti consented to the described sanctions and to the entry of findings that he failed to establish, maintain, and enforce adequate supervisory procedures.

Francisco S. Velez (Registered Representative, San Juan, Puerto Rico) was fined \$25,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Velez engaged in business activities outside the scope of his employment with his member firm and failed to disclose to the firm his involvement in such activities.

Thomas Allyn Williams (Registered Representative, St. Charles, Missouri) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was suspended from association with any NASD member in any capacity. Without admitting or denying the allegations, Williams consented to the described sanction and to the entry of findings that he made untrue statements of material facts or omitted to state material facts necessary to make the statement not misleading in light of the circumstances in which they were made in connection with the sale of securities. The findings also stated that Williams recommended the purchase of securities to public customers by means of baseless performance pre-

dictions and without having a reasonable basis for the recommendations.

Barry C. Wilson (Registered Principal, Bloomfield, New Jersey) was fined \$10,000, suspended from association with any NASD member in any capacity for six months, and required to requalify by exam as a financial and operations principal. The SEC affirmed the sanctions following appeal of a January 1996 NBCC decision. The sanctions were based on findings that Wilson failed to respond completely and timely to NASD requests for information regarding an investigation of his member firm.

Jeffrey A. Wood (Registered Representative, Binghamton, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$7,000, suspended from association with any NASD member in any capacity for 30 days, and required to requalify by exam as an investment company and variable contracts products representative. Without admitting or denying the allegations, Wood consented to the described sanctions and to the entry of findings that he participated in private securities transactions in which he offered and sold shares of registered investment companies to public customers outside the normal scope and course of his employment with his member firm.

Deborah A. Woodard (Registered Representative, Navarre, Florida) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Woodard failed to respond to an NASD request for information about her termination from a member firm.

Craig James Zavada (Associated Person, Boynton Beach, Florida) was fined \$20,000 and barred from association with any NASD member

in any capacity. The sanctions were based on findings that Zavada failed to respond to an NASD request for information about his termination from a member firm.

Individuals Fined

Walter Y. Hooper (Registered Representative, Montgomery, Alabama) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$25,000. Without admitting or denying the allegations, Hooper consented to the described sanction and to the entry of findings that, in connection with the offer and sale of interests in a mutual fund, Hooper made or caused to be made inaccurate statements about the fund in sales literature distributed to public customers. The NASD also found that Hooper failed to obtain prior written approval of sales literature by a firm principal and failed to submit the sales literature to the NASD. Furthermore, the NASD determined that Hooper failed and neglected to demonstrate an adequate basis on which to recommend the sale of such interests to public customers based on the customers' investment objectives, financial situations, and needs. The findings also stated that Hooper failed to demonstrate that he disclosed adequately the risks of investment in the funds.

Anthony J. Toscano (Registered Representative, Clearwater, Florida) was fined \$10,000 and required to requalify by exam as a general securities representative. The sanctions were based on findings that Toscano effected the purchase of securities in the account of a public customer without the customer's knowledge or authorization.

Timothy L. Voss (Registered Representative, Versailles, Kentucky) submitted an Offer of Settlement pursuant to which he was fined \$30,000.

Without admitting or denying the allegations, Voss consented to the described sanction and to the entry of findings that he exercised discretion in the account of a public customer without having obtained prior written authorization from the customer and prior written acceptance of the account as discretionary by his member firm. The findings also stated that Voss falsified trade order tickets to reflect that the trades were discussed with a public customer prior to execution, when in fact they were not, and marked order tickets to reflect that such trades were unsolicited, when in fact they were not, thus causing his member firm's books and records to be inaccurate. Furthermore, the NASD found that Voss executed options trades in the account of a public customer prior to approval of such trades by his member firm.

Firms Suspended

The following firms were suspended from membership in the NASD for failure to comply with formal written requests to submit financial information to the NASD. The action was based on the provisions of NASD Rule 8210 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 requests for information, the listing also includes the date the suspension concluded.

Billington Ashton Corporation,
Palatine, Illinois (January 3, 1997)

Chase Global Securities, Inc.,
Cleveland, Ohio (January 3, 1997)

Individuals Whose Registrations Were Revoked For Failure To Pay Fines, Costs And/Or Provide Proof Of Restitution In Connection With Violations

Mary E. Cumberland, Lakeland, Tennessee

Charles E. Kautz, Clearwater, Florida

Richard S. Lombardi, Barrington, Illinois

Winfield S. Long, III, Shorewood, Minnesota

James H. Petrantis, Oceanport, New Jersey

Charlene Pratt, Arvada, Colorado

Frank R. Rubba, Seabright, New Jersey

Jeffrey L. Streich, New York, New York

Richard T. Sullivan, Jr., Staten Island, New York

Richard W. Wells, Sr., Rockwall, Texas

Barry C. Wilson, Bloomfield, New Jersey

Keith Youngswick, New York, New York

NASD Regulation Announces Disciplinary Action Against Datek Securities

NASD Regulation announced the following disciplinary action against

Datek Securities, its President, and two brokers. This action is based on a settlement agreement between the parties and NASD Regulation.

Datek Securities Corp. (Brooklyn, New York) submitted an Offer of Settlement pursuant to which the firm was fined \$10,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that its registered representatives entered SOES orders for multiple customers that when aggregated exceeded the maximum order size limit.

Sheldon Maschler (Boca Raton, Florida) submitted an Offer of Settlement pursuant to which he was fined \$675,000 and suspended for one year from association with any NASD member in any capacity. Without admitting or denying the allegations, Mr. Maschler consented to the described sanctions and to the entry of findings that he entered SOES orders for multiple customers that when aggregated exceeded the maximum order size limit.

Aaron Elbogen (Brooklyn, New York) submitted an Offer of Settlement pursuant to which he was fined \$25,000. Without admitting or denying the allegations, Mr. Elbogen consented to the described sanctions and

to the entry of findings that he failed to adequately supervise two registered individuals so as to prevent the entry of SOES orders for multiple customers that when aggregated exceeded the maximum order size limit.

Jeffrey Citron (Brielle, New Jersey) submitted an Offer of Settlement pursuant to which he was fined \$20,000 and suspended for 20 calendar days from association with any NASD member in any capacity except as a computer consultant. Without admitting or denying the allegations, Mr. Citron consented to the described sanctions and to the entry of findings that he failed to adequately supervise a registered individual so as to prevent the entry of, and entered, SOES orders for multiple customers that when aggregated exceeded the maximum order size limit.

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FOR YOUR INFORMATION

SEC Extends Time Period For Commenting On Proposed Changes To Rules 17a-3 And 17a-4

On January 17, 1997, the Securities and Exchange Commission (SEC) announced that it is extending, until March 31, 1997, the comment period for proposed changes to Rules 17a-3 and 17a-4. The proposed amendments clarify, modify, and expand broker/dealer recordkeeping requirements for purchase and sale memoranda, customer records, associated person records, customer complaints, and certain other documents. In addition, the changes would require broker/dealers to keep certain books and records in their local offices.

Comments regarding the proposal should be submitted by March 31, 1997, in triplicate to Jonathan G. Katz, Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Stop 6-9, Washington, DC 20549. Comments also may be submitted electronically to the following e-mail address:

rule-comments@sec.gov

All comment letters should refer to File No. S7-27-96.

Members should refer to *Special Notice to Members 96-80*, November 27, 1996, for a detailed discussion of the proposed changes and a copy of SEC Release No. 34-37850, which was published in the October 28, 1996, *Federal Register*.

Questions concerning the proposal may be directed to Samuel Luque, Jr., Compliance Department, NASD Regulation, Inc., at (202) 728-8472, or Susan DeMando, Compliance Department, NASD Regulation, Inc., at (202) 728-8411.

Correction To Disciplinary Actions For January Regarding Hattier, Sanford & Reynoir

The January 1997 *Notices to Members* Disciplinary Actions regarding the firm Hattier, Sanford & Reynoir erroneously stated that the proceedings related to a municipal customer. The proceedings did not relate to a municipal customer. Further, the trade tickets that were the subject of this disciplinary action did not concern the failure to disclose commissions and markups as was stated. The trade tickets at issue concerned the misstatement of the firm's capacity on the transactions at issue as being "agent" rather than "principal."

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NASD NOTICE TO MEMBERS 97-8

SEC Approves Quotation And Transaction Reporting Of Direct Participation Programs

Suggested Routing

- Senior Management
- Advertising
- Corporate Finance
- Government Securities
- Institutional
- Internal Audit
- Legal & Compliance
- Municipal
- Mutual Fund
- Operations
- Options
- Registration
- Research
- Syndicate
- Systems
- Trading
- Training

Executive Summary

On January 7, 1997, in Release No. 34-38132, the Securities and Exchange Commission (SEC) approved NASD[®] rules permitting the quotation of Direct Participation Programs (DPPs or limited partnerships) in the OTC Bulletin Board[®] Service (OTCBB) and requiring all transactions in DPPs to be reported through the Automated Confirmation TransactionSM Service (ACT). Quotations will be permitted in the OTCBB and transactions will be required to be reported beginning May 15, 1997. NASD members are encouraged to review the SEC release approving the rule changes. The text of the relevant rule amendments is attached.

Background

Ninety billion dollars worth of DPP securities have been purchased by approximately 10 million investors over the past 15 years. Although these securities were not originally intended to be liquid and tradable, the NASD has found that a fragmented secondary market has nonetheless developed that, in the aggregate, transfers ownership of an estimated \$250 to \$300 million worth of public partnership securities annually. The NASD's determination to include DPPs in the OTCBB and to require the reporting of DPP transactions by NASD members is in response to this existing secondary market for DPP securities.

At the time of original sale of DPP securities, liquidation of the partnership was often contemplated to occur within five to seven years. However, as the holding period has lengthened due to weakness in the underlying value of many partnership assets, events such as estate sales by trustees due to the death of a limited partner, liquidation of IRAs, divorce, and unexpected or extraordinary expenses such as major medical or

post-secondary education, have forced limited partners to sell partnership units. This partnership secondary market will continue to exist as many investors continue to find it necessary for financial and other reasons to liquidate their investments prior to termination of the program.

Given those facts, the NASD believes that its primary concern should be ensuring that the partnership secondary market that has evolved operates efficiently and in a manner that protects public investors. The display of pricing information in the OTCBB will benefit investors by offering increased transparency and price discovery through a consolidated mechanism for assessing current prices for and interest in partnership securities, as opposed to the fragmented and inefficient methods that currently exist. It is hoped that the OTCBB will allow customers to evaluate the quality of executions received and allow dealers and other participants to price partnership securities more effectively and to facilitate compliance with their best execution responsibilities. By increasing transparency, investors will have a more visible and less fragmented secondary market. Investors will also have an improved ability to assess the overall supply and demand for a particular DPP security and to transfer partnership interests at optimal prices.

The NASD notes that the inclusion of DPPs in the OTCBB and the reporting of DPP transactions are an important part of the NASD's larger efforts to improve the DPP secondary market. For example, since May 15, 1996, NASD members have used standardized transfer forms developed by the NASD when facilitating transactions in DPP securities. The forms, which include a Transferee, Transferor, and Distribution Allocation Form, bring much-needed conformity to the DPP transfer process.

The NASD has also petitioned the SEC to amend or clarify Rule 10b-17 to make capital and regular DPP distributions subject to the reporting provisions of Section 12 of the Securities Exchange Act of 1934. The proposed changes to Rule 10b-17 would facilitate the orderly transfer of DPP securities by greatly reducing the number of disputes concerning distribution claims that lead to arbitration and litigation. The SEC is expected to publish the petition for public comment soon.

Tax Implications For DPPs Displayed In The OTCBB

The NASD is aware of the potential adverse tax implications for partnerships that are deemed “publicly traded partnerships” by the Internal Revenue Service (IRS). The IRS defines “publicly traded partnership” as a partnership that is either (1) traded on an established securities market; or (2) readily tradable on a secondary market or substantial equivalent thereof. Although the NASD believes that IRS Notice 88-75 and the recently adopted amendments to the Income Tax Regulations (Regulations) concerning the definition of publicly traded partnerships are sufficiently clear, the NASD has nonetheless received a private letter ruling (Ruling) from the IRS to clearly establish that a partnership quoted in the OTCBB would not be considered a publicly traded partnership solely as a result of such display. Together, the Regulations and the Ruling provide confirmation that partnerships will not suffer negative tax consequences as a result of being quoted in the OTCBB.

The IRS Ruling confirms that the display of pricing information for partnerships in the OTCBB is the same as the computerized display service described in example 2 of the Regulations at Section 1.7704-1(j)(2).¹ Accordingly, the display of partner-

ship interests in the OTCBB will not, in and of itself, result in the partnership being publicly traded. Therefore, partnerships may transfer interests pursuant to the use of the OTCBB without being publicly traded if the transfers meet the requirements of any applicable safe harbor in IRS Notice 88-75 or the Regulations.² Specifically, in its Ruling, the IRS stated that:

(1) The OTCBB is not an established securities market for purposes of section 7704(b) of the Internal Revenue Code and section 1.7704-1(b) of the Income Tax Regulations;

(2) Because the OTCBB undertakes to display partnership interests in compliance with example 2 of section 1.7704-1(j)(2), a partnership whose interests are displayed in the OTCBB will not be considered to be publicly traded solely by reason of being displayed in the OTCBB and may rely on this ruling provided it is not revoked and the OTCBB continues to operate in a manner consistent with the facts as represented;

(3) Calculations relating to qualification for any applicable safe harbor in section 1.7704-1 or in IRS Notice 88-75 remain the responsibility of the partnerships whose interests are traded and are not the responsibility of the NASD, The Nasdaq Stock Market, Inc., the OTCBB, or NASD Regulation, Inc.; and

(4) Although the OTCBB does not meet the requirements to be a qualified matching service under section 1.7704-1(g),³ qualified matching services eligible for participation in the OTCBB may utilize the OTCBB to display non-firm prices and unpriced indications of interest without disqualifying themselves as a qualified matching service, provided that they otherwise meet all requirements for a qualified matching service in section 1.7704-1(g). Compliance with the

requirements for a qualified matching service would be the sole responsibility of the matching service, not the NASD, The Nasdaq Stock Market, Inc., OTCBB, or NASD Regulation, Inc.

The IRS Ruling is fully reproduced at the end of this Notice.

Quotation Of DPPs In The OTCBB

Under the IRS Ruling, NASD members will be permitted to insert only non-firm quotes or unpriced indications of interest (*bid wanted* or *offer wanted* and *name only* entries) into the OTCBB. These non-firm quotes or indications of interest will provide the basis for negotiation necessary to complete a transaction in a DPP security. The OTCBB display screen would reflect, among other things, the inside market, previous close, and distribution information if available. The OTCBB display screen will clearly state that all priced entries are not firm quotes, but rather indications only.

The OTCBB, which operates during regular market hours, permits authorized NASD members to enter and update information in the OTCBB through authorized Nasdaq Workstation II™ devices. Subscribers may view non-firm quotes and unpriced indications of interest for limited partnership securities through Nasdaq Workstation devices or through an additional 290,000 market data vendor terminals.⁴

How To Apply For Quotation

Members wishing to place unpriced entries or indicative quotes in the OTCBB for partnership securities must do so in accordance with Securities Exchange Act Rule 15c2-11 and NASD Rule 6740. These rules are intended to prevent brokers and dealers from furnishing initial quotations in the absence of information

about the issuer. To comply with Rule 15c2-11, a member must gather, review, and retain in its files specified information about the issuer before initiating or resuming a quotation in any quotation medium. To ensure that members have complied with the information gathering and maintenance requirements, Rule 6740 requires NASD members to submit a Form 211 to the NASD prior to initiating a quotation of a DPP in the OTCBB, unless an exemption applies.

Additional information on SEC Rule 15c2-11 and Form 211 requirements can be found in *Notices to Members 90-40, 91-36, and 92-50*.

Net Capital Requirements

The NASD notes that members that insert indicative quotes in the OTCBB for DPPs on behalf of customers or themselves are not subject to the same requirements applicable to registered Market Makers in Nasdaq[®] securities concerning firm quotes, display size, execution, and the maintenance of continuous, two-side quotations. Therefore, members that insert quotes will not generally be required to maintain net capital equal to that of Market Makers as prescribed in SEC Rule 15c3-1(a)(4). Members are encouraged to refer to SEC no-action letters clarifying the application of the net capital requirements and procedures for protecting customer funds when engaging in the business of brokering limited partnership interests.⁵

Reporting Transactions In DPPs

Subject to certain exclusions under the reporting requirements, all secondary market transactions in DPPs will be required to be reported to the NASD, without regard to whether the DPP was the subject of a quotation in the OTCBB. Transactions must be reported through ACT, and the information will be used by

NASD RegulationSM to enhance its oversight and surveillance of this market. Thus, ACT will not provide assistance or in any way be used to facilitate clearance and settlement of these securities notwithstanding the possibility that a particular DPP eligible for inclusion in the OTCBB may also be eligible for clearing with a clearing agency.

Although standardized forms have been developed by the NASD to assist members and general partners in the transfer process, the OTCBB itself will not provide assistance to parties with the completion of transfer documents and other forms necessary to clear and settle a partnership transaction. NASD members representing buyers and sellers would be responsible for processing the paperwork to complete the transfer. General partners would retain their right under most partnership agreements to approve or reject transfers.

Pursuant to Rule 6920, NASD member firms will be required to report transactions on the day following the date on which the trade was executed (T+1), designate the transaction "as of" the previous day, and include the time of execution. For this purpose, the execution date is defined in Rule 6910(b) as the date when the parties to a transaction have agreed to the essential terms of the transaction. This is distinguished from the date on which the DPP security is ultimately transferred or approved for transfer. Member firms that have the operational capability to report transactions within 90 seconds of execution may do so.

The NASD recognizes that some member firms that participate in the limited partnership secondary market may not be subscribers to Nasdaq Workstation II and thus may not have the facility to report transactions through ACT. Members without

direct access to ACT will have the option of reporting through the ACT Service Desk if the member averages a limited number of transactions in DPPs. As set forth in Rule 6920, a member may use the ACT Service Desk if it averages five or fewer trades per day during the previous calendar quarter. For this purpose, any calculation of the average number of trades per day shall include transactions in any security, not just DPPs.

All members shall report to the Market Regulation Department in Rockville, MD on Form T, all transactions in DPPs that were not transmitted through ACT for whatever reason, either on the trade date or the next business day. Form T shall be used exclusively as a backup mode whenever electronic entry or trade data is not feasible due to system malfunctions or other unusual conditions.

In transactions between two members, only the member representing the sell side shall report. In transactions between a member and a customer, the member shall always report. Each transaction report shall indicate whether the transaction is a buy, sell, or cross; the number of units; the symbol of the security; the price of the transaction; an indication of whether the transaction is executed as principal, riskless principal, or agent; the time of execution; and the contra broker, if any. All trade tickets for transactions and DPPs shall be time stamped at the time of execution, which is defined as the time the parties have agreed to the essential terms of the transaction.

Rule 6920(d) sets forth the procedures for reporting price and volume. For agency transactions, members required to report would report the number of units and the price excluding any commission or service charge. For dual agency transactions,

members would report the number of units only once, and report the price excluding any commission or service charge. For principal transactions, members would report each purchase and sale transaction separately and report the number of units and the price. For principal transactions that are executed at a price which includes a markup, markdown, or service charge, the price reported shall exclude the markup, markdown, or service charge. Such reported price shall be reasonably related to the prevailing market, taking into consideration all relevant circumstances including, but not limited to, market conditions with respect to the DPP, the number of units involved in the transaction, the published bids and offers with size displayed in any quotation system at the time of execution, the cost of execution, and the expenses involved in clearing the transaction. For riskless principal transactions, members report as one transaction in the same manner as agency transactions, excluding markup, markdown, or service charge.

The following transactions are not required to be reported under the foregoing procedures; (1) transactions made in reliance on Section 4(2) of the Securities Act of 1933; (2) transactions where the buyer and seller have agreed to a price substantially unrelated to the current market for the DPP, *e.g.*, to enable the seller to make a gift; and (3) transactions executed on a registered national securities exchange or through Nasdaq.

Trade Reporting Options

Members with the appropriate level of service may report directly through the Nasdaq Workstation II. As noted above, certain members with a limited number of trade reports are eligible to subscribe to the ACT Service Desk. Members may also engage other members or service bureaus to report on their behalf.

Symbol Directory

The OTCBB has assigned five-character symbols to identify limited partnerships and differentiate them from the foreign and domestic equity securities that are already included in the OTCBB. A Direct Participation Programs symbol directory will be distributed to NASD members prior to commencement of the OTCBB service for partnerships. In addition, an on-line lookup directory is currently available. Members may also request a copy of the directory on disk by calling (203) 378-0166.

The symbol directory will initially include symbols for approximately 3,000 partnerships. Due to the large number of limited partnerships, it was not possible to assign symbols in the familiar phonetic system. Consequently, the symbols assigned do not have an alphabetical resemblance to the name of the partnership. Members that need to report a trade in a DPP for which a symbol has not yet been assigned should request a symbol by contacting the Market Data Integrity Department at (203) 375-9609.

Applicability Of Other NASD Rules: Markups And Markdowns

In October 1990, the NASD, through its Direct Participation Programs/Real Estate Committee (DPP Committee), initiated a study of the nature and functioning of the secondary market for public partnership securities (DPP Study). The DPP Committee learned during its study that many firms engaged in secondary market activities involving DPP securities may not be complying with the NASD Mark-Up Policy (Policy) as set forth in NASD Rule 2440. The DPP Committee published the results of its study, along with a discussion of the NASD markup/markdown policy as it pertains to customer transactions in DPP securities, in *Notice to Members 91-69* (Notice).

As to markups and markdowns, the Notice stated that the 5 percent Policy applied to customer purchases and sales of all securities traded on Nasdaq and over-the-counter markets, including DPP securities.⁶ As to transactions in DPP securities, the Notice stated that fixed expenses (*i.e.*, general partnership fees, settlement charges, and state transfer charges) required by the general partner or state law may be passed on to customers as a separate charge or expense provided that they are fully documented, not shared in by the member, and are fully disclosed prior to the transaction. Member charges to customers that seek to defray overhead or internal charges of the member, however, would be considered inappropriate and may not be passed on to the customer directly or indirectly, or used as a basis for justifying a markup or markdown in excess of 5 percent.

In addition, the DPP Study also indicated that, generally speaking, dealers in the DPP secondary market did not act as "Market Makers" as that term is defined in the Securities Exchange Act of 1934⁷ and as interpreted by existing case law. If a dealer is engaged in a riskless principal transaction and is not considered a Market Maker with respect to a particular transaction, then the dealer's contemporaneous cost is generally considered the best evidence of the prevailing market price, absent countervailing evidence. Under this analysis, contemporaneous cost is presumed to reflect the current market price because the prices paid for a security by a dealer in actual transactions closely related in time to the dealer's sales are normally a highly reliable indication of the prevailing market.⁸

In summary, the Policy is fully applicable and must be complied with by members when determining the markup or markdown of DPP securi-

ties in customer transactions. The Policy provides comfort to members that a markup or markdown of 5 percent or less will be acceptable for the vast majority of DPP trades with customers. If a member reasonably expends additional time or incurs additional costs in effecting a trade because of the limited availability of the DPP securities, the flexibility of the Policy may permit a markup or markdown of greater than 5 percent. In fact, the Policy acknowledges that markups in DPP securities may be higher than for sales of common stock. But, the member should be fully prepared to support the reasons for the higher markup or markdown with adequate documentation of each transaction.

As stated earlier in this Notice, the OTCBB will permit members to insert only non-firm quotes or unpriced indications of interest for DPP securities. As a result, it is important to remind members that under the current Policy, non-firm quotations may not be used as sole evidence of the retail market price of a security. Under most circumstances, a member will be required to validate these non-firm quotes with other contemporaneous inter-dealer transactions in determining the prevailing market price of the DPP security.⁹

Lastly, the NASD strongly encourages all members executing over-the-counter customer transactions in DPP securities to carefully review *Notices to Members 91-69* and *92-16*.

Best Execution Obligation

Under NASD Rule 2320, members are required in any transaction for or with a customer to use reasonable diligence to ascertain the best inter-dealer market for the subject security (including DPP securities) and buy or sell in such a market so that the resultant price to the customer is as

favorable as possible under the prevailing market conditions.

In addition, NASD Rules 2320(g) and 3110(b)(2) require members, among other things, to contact and obtain quotations from at least three dealers (or all dealers if three or less) to determine the best inter-dealer market price for a non-Nasdaq security (including DPP securities).

The quotation and dealer information is required to be recorded on the member's books and records, and this information traditionally appears on the customer's order ticket.

Contact Persons

The following persons may be contacted for additional information concerning the quotation and reporting of limited partnerships.

General Information:

Peter G. Salmon, Associate Director,
The Nasdaq Stock Market, Inc.
(202) 728-8455

Richard Fortwengler, Associate
Director, Corporate Financing,
NASD Regulation, Inc.
(301) 208-2700

Markups/Markdowns:

David Spotts, Office of General
Counsel, NASD Regulation, Inc.
(202) 728-8071

Filing of Form 211:

OTC Compliance Unit, Market
Regulation, NASD Regulation, Inc.
(301) 208-2802

Net Capital Requirements:

Sam Luque, Associate Director,
Compliance, NASD Regulation, Inc.
(202) 728-8472

Workstation II Installation:

Subscriber Services
(800) 777-5606

ACT Service Desk Subscriptions:
Nasdaq Market Operations
(203) 378-0166

Obtaining a Symbol for Reporting
Trades in DPPs Without a Symbol:
Market Data Integrity
(203) 375-9609

Trade Reporting:
MarketWatch
(800) 211-4953

Implementation

The effective date for the inclusion of partnership quotations in the OTCBB is May 15, 1997. Additionally, on that date, the trade-reporting obligations for all secondary market transactions in DPP securities are in effect.

Text Of Rule Changes

*(Note: New text is underlined;
deletions are bracketed.)*

6500. OTC BULLETIN BOARD[®] SERVICE

6530. OTCBB-Eligible Securities

The following categories of securities shall be eligible for quotation in the Service:

(a) through (c) No change.

(d) any Direct Participation Program as defined in Rule 6910 that is not listed on Nasdaq or a registered national securities exchange in the U.S.

6540. Requirements Applicable to Market Makers

(a) No change.

(b) No change.

(1) Permissible Quotation Entries

(A) No change.

(B) No change.

(C) A priced bid and/or offer entered into the Service for a foreign equity security, [or] an ADR, or a Direct Participation Program security shall be non-firm.

The balance of (b)(1)(C) remains unchanged.

6550. Transaction Reporting

Member firms that effect transactions in OTCBB-eligible securities shall report them pursuant to the requirements of Rule 6600, except for transactions in Direct Participation Program securities, which shall be reported pursuant to the requirements of Rule 6900.

6900. REPORTING TRANSACTIONS IN DIRECT PARTICIPATION PROGRAMS

All secondary market transactions by members in Direct Participation Program securities other than transactions executed on a registered national securities exchange or through Nasdaq shall be reported to the Association in accordance with the procedures set forth below. All trade tickets shall be time-stamped at the time of execution.

6910. Definitions

The following terms shall have the following meanings for purposes of Rule 6900.

(a) “Automated Confirmation Transaction Service,” or ACT, is the service that, among other things, accommodates reporting of transactions in Direct Participation Programs (DPPs). The ACT comparison function will not be available for those DPPs that are both eligible for quotation in the OTC Bulletin Board

and eligible for clearance and settlement through the facilities of the National Securities Clearing Corporation. However, ACT will support the entry and inclusion of transaction data on such securities for reporting purposes.

(b) “Date of execution” means the date when the parties to a transaction in a Direct Participation Program have agreed to all of the essential terms of the transaction, including the price and number of the units to be traded.

(c) “Direct participation program” or DPP, means a program which provides for flow-through tax consequences regardless of the structure of the legal entity or vehicle for distribution including, but not limited to, oil and gas programs, real estate programs, agricultural programs, cattle programs, condominium securities, Subchapter S corporate offerings and all other programs of a similar nature, regardless of the industry represented by the program, or any combination thereof. A program may be composed of one or more legal entities or programs but when used herein, the term shall mean each of the separate entities or programs making up the overall program and/or the overall program itself. Excluded from this definition are real estate investment trusts, tax qualified pension and profit sharing plans pursuant to Sections 401 and 403(a) of the Internal Revenue Code and individual retirement plans under Section 408 of that Code, tax sheltered annuities pursuant to the provisions of Section 403(b) of the Internal Revenue Code, and any company, including separate accounts, registered pursuant to the Investment Company Act of 1940.

(d) “Riskless principal transaction” means a principal transaction where a member, after having received from a customer an order to buy, purchases the security as principal from another

member or customer to satisfy the order to buy or, after having received from a customer an order to sell, sells the security as principal to another member or customer to satisfy the order to sell.

(e) “Time of execution” means the time when the parties to a transaction in a Direct Participation Program have agreed to all of the essential terms of the transaction, including the price and number of the units to be traded.

6920. Transaction Reporting.

(a) When and How Transactions are Reported

(1) Reports of secondary market transactions in Direct Participation Programs shall be transmitted through ACT on the next business day (“T+1”) after the date of execution between 8:00 a.m. and 1:30 p.m. Eastern Time, be designated “as of” trades to denote their execution on a prior day, and be accompanied by the time of execution. The party responsible for reporting on T+1, the trade details to be reported, and the applicable procedures shall be governed, respectively, by paragraphs (b), (c), and (d) below. Member firms that have the operational capability to report transactions within 90 seconds of execution, between the hours of 8:00 a.m. and 5:15 p.m. Eastern Time, may do so at their option. If a firm chooses this option, it need not report the same transaction(s) on T+1 as prescribed above.

(2) Members that do not have access to an ACT terminal and average five or fewer trades per day during the previous calendar quarter may use the ACT service desk for trade reporting. Such members shall be required to provide all information required by paragraph (c) of this Rule to the ACT service desk within the same time frames set forth in

paragraph (a)(1) above.

(3) All members shall report to the Market Surveillance Department in Rockville, Maryland on Form T, reports of transactions in DPPs that were not transmitted through ACT, for whatever reason, either on the trade date or the next business day. Form T shall be used exclusively as a back-up mode whenever electronic entry of trade data is not feasible due to system malfunctions or other unusual conditions.

(4) A pattern or practice of late reporting without exceptional circumstances may be considered conduct inconsistent with high standards of commercial honor and just and equitable principles of trade, in violation of Rule 2110.

(b) Which Party Reports Transactions

(1) In transactions between two members, only the member representing the sell side shall report.

(2) In transactions between a member and a customer, the member shall report.

(c) Information To Be Reported

Each transaction report shall contain the following information:

(1) A symbol indicating whether the transaction is a buy, sell, or cross;

(2) Number of Units;

(3) Symbol of the DPP;

(4) Price of the transaction as required by paragraph (d) below;

(5) A symbol indicating whether the transaction is as principal, riskless principal, or agent;

(6) Time of execution; and

(7) Contra broker.

(d) Procedures for Reporting Price and Volume

Members that are required to report pursuant to paragraph (b) above shall transmit transaction reports for all purchases and sales in DPPs in the following manner:

(1) For agency transactions, report the number of units and the price excluding any commission or service charge.

(2) For dual agency transactions, report the number of units only once, and report the price excluding any commission or service charge.

(3) For principal transactions, except as provided under subparagraph (4) below, report each purchase and sale transaction separately and report the number of units and the price. For principal transactions that are executed at a price which includes a mark-up, mark-down or service charge, the price reported shall exclude the mark-up, mark-down or service charge. Such reported price shall be reasonably related to the prevailing market, taking into such consideration all relevant circumstances including, but not limited to, market conditions with respect to the DPP, the number of units involved in the transaction, the published bids and offers with size displayed in any quotation system at the time of the execution (including the reporting firm's own quotation), the cost of execution and the expenses involved in clearing the transaction.

(4) For riskless principal transactions, report as one transaction in the same manner as an agency transaction, excluding the mark-up, mark-down, or service charge.

(e) Transactions Not Required To Be Reported

The following transactions are not required to be reported under the foregoing procedures:

(1) Transactions made in reliance on Section 4(2) of the Securities Act of 1933;

(2) Transactions where the buyer and seller have agreed to trade at a price substantially unrelated to the current market for the DPP, e.g., to enable the seller to make a gift; and

(3) Transactions executed on a registered national securities exchange or through Nasdaq.

Endnotes

¹ Example 2 of the Regulations describes a computerized video display service on which subscribers view and publish non-firm price quotes and unpriced indications of interest. Because there are no firm quotes that commit any person to buy or sell a partnership interest, the service is not considered an established securities market or interdealer quotation system as those terms are defined in the Regulations. Therefore, partnerships whose interests are listed and transferred on the service are not publicly traded as a result of such listing or transfers.

² The IRS has established certain safe harbors for preserving the tax status of limited partnerships by limiting the volume of partnership transfers in any tax year.

³ A qualified matching service (QMS) typically involves the use of a computerized or printed listing system that lists customers' bid and/or ask prices to match partners who want to dispose of their partnership interests with persons who want to buy such interests.

Matching services may be provided by the general partner of the partnership, the underwriter that handled the issuance of the interests, or an unrelated third party. QMSs are subject to numerous technical requirements and procedures and actively participate in the transfer by completion of paperwork and settling of transactions. The OTCBB is a passive display only and was not intended to qualify as a QMS.

⁴ In all, 18 market data vendors will carry

OTCBB information on partnerships, including: ADP Brokerage Information Services Group; A-T Financial Inc.; Beta Systems Inc.; Bloomberg LP; Bridge Information Systems; Data Broadcasting Company; ILX Systems Inc.; PC Quote; Real-Time Quotes, Inc.; Reuters Information Services; S&P Comstock; Shark Information Services Corp.; Telekurs North America; Telemet America Inc.; Telerate Systems, Inc.; Telesphere Corporation; Track Data Corp.; and UniLink Network, Inc.

⁵ See, e.g., SEC no-action letters to *Abbott Securities Incorporated*, SEC No-Action Letter, 1992 WL 140265 (S.E.C.) (April 16, 1992) and *Chicago Partnership Board, Inc.*,

SEC No-Action Letter, 1989, WL 245934 (S.E.C.) (February 17, 1989).

⁶ In addition to *Notice to Members 91-69*, members are advised to read and review *Notice to Members 92-16* which explains the NASD markup/markdown policy in greater detail.

⁷ See Section 3(a)(38) of the Securities Exchange Act of 1934, as amended.

⁸ Under certain circumstances, the SEC has looked at other contemporaneous indicia to establish the prevailing market price, including inter-dealer transactions away from the firm or published quotation. See, for example, *Bison Securities, Inc.*, Securities Exchange Act Release No. 32034 (March 23, 1993).

⁹ Under traditional markup/markdown analysis, a dealer can not use ask quotations as a basis for establishing its retail prices unless there existed an active and competitive market for the security and the reliability of the quoted offers could be validated by comparing the quotes with actual inter-dealer transactions during the period at issue. See *Kenneth L. Lucas*, Securities Exchange Act Release No. 33922 (April 19, 1994) and *Steven B. Theys*, Securities Exchange Act Release No. 32358 (May 24, 1993).

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Internal Revenue Service (IRS)
Private Letter Ruling
October 7, 1996

PLR 9701044

National Association of Securities Dealers, Inc.
1735 K Street, NW
Washington, DC 20006

This letter responds to your submission of June 19, 1996, requesting rulings under section 7704 of the Code and the regulations thereunder.

Facts

The Nasdaq Stock Market, Inc. (Nasdaq) is a domestic stock market that is wholly owned by the National Association of Securities Dealers, Inc. (NASD), a domestic association of securities dealers. Nasdaq also operates the OTC Bulletin Board (OTCBB), an electronic bulletin board, which displays pricing information for various domestic and foreign securities not otherwise listed on Nasdaq or another primary domestic exchange. The NASD proposes to allow its members to display certain pricing information for partnership securities on the OTCBB. The proposal incorporates several restrictions designed to prevent the OTCBB from becoming an established securities market under section 1.7704-1(b).

No quotes at which any person is committed to buy or sell a partnership interest will be displayed on the OTCBB for partnership securities. Members will be permitted to enter non-firm bids and/or offers, solicit a bid or offer without entering any quote, or advertise a general interest in buying or selling a particular partnership security on their own behalf or on behalf of a customer or customers. The OTCBB will clearly state that all price quotes are not firm prices, but rather indications only. Symbols assigned to partnership interests displayed on the OTCBB will differentiate them from the other equity securities already included on the OTCBB. Current and historical price, volume, and distribution information may be provided on the OTCBB, if available.

The OTCBB will operate during regular market hours, and will allow subscribers to view non-firm prices and unpriced indications of interest for partnership securities. Members of the NASD will be permitted to enter and update information on the OTCBB through certain workstations authorized by the NASD. Members can also request authorization for a "view only" capability, or view information displayed on the OTCBB through certain independent vendors that provide such information.

The participation by members of the NASD in the OTCBB is voluntary. Members electing to participate will initiate non-firm quotations or indications of interest without the consent of the partnership. Partnerships may not apply for listing on the OTCBB or take any other affirmative action to have their interests quoted on the OTCBB. Only NASD members are eligible to post non-firm quotes and indications of interest on the OTCBB.

Unlike the operating rules of Nasdaq, members of the NASD displaying non-firm quotes or indications of interest on the OTCBB will have no obligation to execute at posted prices or display and maintain continuous quotes. There will be no market maker for partnership interests displayed on the OTCBB. Non-firm quotes and unpriced indications of interest will be permitted to be withdrawn from the OTCBB at any time, and no disciplinary action will be taken by the NASD if a member refuses to honor a price quote.

Although standardized forms have been designed by the NASD to assist partnerships in the transfer process, the OTCBB itself will not provide assistance to parties with the completion of transfer documents and other forms necessary to clear and settle a partnership transaction. The OTCBB will provide no order execution, comparison, or settlement capabilities. Members of the NASD representing buyers and sellers

will be responsible for the processing of paperwork to complete the transfer. Managing partners will retain any rights granted in their partnership agreements to approve or reject transfers.

Compliance with any safe harbors that protect the tax status of partnerships under section 1.7704-1 will continue to be the responsibility of individual partnerships, and not the NASD, Nasdaq, the OTCBB, or NASD Regulation. However, to assist partnerships in complying with these safe harbors, the NASD will make partnership transaction data available to partnerships on an as requested or subscription basis.

Analysis

Section 7704(a) provides that a publicly traded partnership will be treated as a corporation. Section 7704(b) provides that for purposes of section 7704, a publicly traded partnership means any partnership if interests in the partnership are (a) traded on an established securities market, or (b) readily tradable on a secondary market or the substantial equivalent thereof.

Section 1.7704-1(b) provides that for purposes of section 7704(b), an established securities market includes: (1) a national securities exchange registered under section 6 of the Securities Exchange Act of 1934 (1934 Act); (2) a national securities exchange exempt from registration under section 6 of the 1934 Act because of the limited volume of transactions; (3) a foreign securities exchange that, under the law of the jurisdiction where it is organized, satisfies regulatory requirements that are analogous to the regulatory requirements under the 1934 Act; (4) a regional or local exchange; and (5) an interdealer quotation system that regularly disseminates firm buy or sell quotations by identified brokers or dealers by electronic means or otherwise.

Section 1.7704-1(c)(1) provides that for purposes of section 7704(b), interests in a partnership that are not traded on an established securities market are readily tradable on a secondary market or the substantial equivalent thereof if, taking into account all of the facts and circumstances, the partners are readily able to buy, sell, or exchange their partnership interests in a manner that is comparable, economically, to trading on an established securities market.

Section 1.7704-1(c)(2) further clarifies that interests in a partnership are readily tradable on a secondary market or the substantial equivalent thereof if: (1) interests in the partnership are regularly quoted by any person, such as a broker or dealer, making a market in the interests; (2) any person regularly makes available to the public (including customers or subscribers) bid or offer quotes with respect to interests in the partnership and stands ready to effect buy or sell transactions at the quoted prices for itself or on behalf of others; (3) the holder of an interest in the partnership has a readily available, regular, and ongoing opportunity to sell or exchange the interest through a public means of obtaining or providing information of offers to buy, sell, or exchange interests in the partnership; or (4) prospective buyers and sellers otherwise have the opportunity to buy, sell, or exchange interests in the partnership in a time frame and with the regularity and continuity that is comparable to that described in the other provisions of this section 1.7704-1(c)(2).

Section 1.7704-1 provides certain safe harbors (described in paragraphs (e), (f), (g), (h), and (j) of section 1.7704-1) that allow certain types of transfers of partnership interests to be disregarded in determining whether interests in the partnership are readily tradable on a secondary market or the substantial equivalent thereof. However, these safe harbors do not apply to any transfers of partnership interests on an established securities market.

Section 1.7704-1(g) provides a safe harbor for partnership interests transferred pursuant to the use of a qualified matching service. A matching service generally consists of a computerized or printed listing system that lists customers' non-firm bid and/or ask quotes in order to match partners who want to sell their interests in a partnership with persons who want to buy those interests. A matching service must meet several requirements to be a qualified matching service for purposes of this safe harbor, for example, maintaining waiting periods of 15 days between the date an interest is listed and the date a binding agreement is entered into, and 45 days between the date an interest is listed and the closing of the sale. In addition, the

safe harbor requires that the sum of the percentage interests in partnership capital or profits transferred during the taxable year of the partnership [other than in private transfers described in section 1.7704-1(e)] does not exceed 10 percent of the total interests in partnership capital or profits.

Section 1.7704-1(j) provides a safe harbor for partnerships that have a lack of actual trading. This section provides that interests in a partnership are not readily tradable on a secondary market or the substantial equivalent thereof if the sum of the percentage interests in partnership capital or profits transferred during the taxable year of the partnership [other than in transfers described in section 1.7704-1(e), (f), or (g)] does not exceed 2 percent of the total interest in partnership capital or profits.

Example 2 of section 1.7704-1(j)(2) describes a computerized service (ABC Service) that displays price quotes of partnership interests. ABC Service allows subscribers to view and publish non-firm price quotes that do not commit any person to buy or sell a partnership interest and unpriced indications of interest in a partnership interest without an accompanying price. ABC Service does not provide firm quotes at which any person (including the operator of ABC Service) is committed to buy or sell a partnership interest. ABC Service may provide prior pricing information, transactional volume information, and information on partnership distributions. The operator's fee may consist of a flat fee for use of ABC Service, a fee based on completed transactions, or any combination thereof. ABC Service is not an established securities market for purposes of section 7704(b). Specifically, ABC Service is not an interdealer quotation system as defined in section 1.7704-1(b)(5) because it does not disseminate firm buy or sell quotations. Therefore, partnerships whose interests are listed on ABC Service are not publicly traded for purposes of section 7704(b) as a result of such listing or transfers if the sum of the percentage interests in partnership capital or profits transferred during the taxable year of the partnership [other than in transfers described in section 1.7704-1(e), (f), or (g)] does not exceed 2 percent of the total interests in partnership capital or profits. In addition, if ABC Service complies with the necessary requirements, ABC Service may qualify as a matching service described in section 1.7704-1(g).

Section 1.7704-1 generally applies to partnership taxable years beginning after December 31, 1995. However, for partnerships that were actively engaged in an activity before December 4, 1995, section 1.7704-1 applies to taxable years beginning after December 31, 2005, unless the partnership adds a substantial new line of business after December 4, 1995, in which case section 1.7704-1 applies to taxable years beginning on or after the addition of the new line of business. Partnerships that qualify for this transition period may continue to rely on the provisions of IRS Notice 88-75, 1988-2 C.B. 386, for guidance regarding the definition of readily tradable on a secondary market or the substantial equivalent thereof.

IRS Notice 88-75 provides that a secondary market or the substantial equivalent thereof exists if investors are readily able to buy, sell, or exchange their partnership interests in a manner that is comparable, economically, to trading on established securities markets. IRS Notice 88-75 also provides safe harbors similar to those contained in section 1.7704-1(e), (f), (g), (h), and (j). In addition, IRS Notice 88-75 provides that interests in a partnership will not be considered readily tradable on a secondary market or the substantial equivalent thereof within the meaning of section 7704(b) for a taxable year of the partnership if the sum of the percentage interests in partnership capital or profits represented by partnership interests that are sold or otherwise disposed of (including redemptions) during the taxable year does not exceed 5 percent of the total interest in partnership capital or profits. Transfers will be disregarded for purposes of this 5 percent safe harbor if they satisfy a private transfers' safe harbor similar to section 1.7704-1(e).

The NASD's proposal to display pricing information for partnerships on the OTCBB is the same as the computerized display service described in example 2 of section 1.7704-1(j)(2). Accordingly, the listing of partnership interests on the OTCBB will not, in and of itself, result in the partnership being publicly traded. In addition, partnerships may transfer interests pursuant to the use of the OTCBB without being publicly traded if the transfers meet the requirements of any applicable safe harbor in either section 1.7704-1 or IRS Notice 88-75. The OTCBB is not attempting to qualify as a matching service described in section 1.7704-1(g).

Rulings

Accordingly, based solely on the facts as represented, we rule as follows:

- 1) The OTCBB is not an established securities market for purposes of section 7704(b) and section 1.7704-1(b).
- 2) Because the OTCBB undertakes to display partnership interests in compliance with example 2 of section 1.7704-1(j)(2), a partnership whose interests are displayed on the OTCBB will not be considered to be publicly traded solely by reason of being displayed on the OTCBB and may rely on this ruling provided it is not revoked and the OTCBB continues to operate in a manner consistent with the facts as represented.
- 3) Calculations relating to qualification for any applicable safe harbor in section 1.7704-1 or in IRS Notice 88-75 remain the responsibility of the partnerships whose interests are traded and are not the responsibility of the NASD, The Nasdaq Stock Market, Inc., the OTCBB, or NASD Regulation, Inc.
- 4) Although the OTCBB does not meet the requirements to be a qualified matching service under section 1.7704-1(g), matching services eligible for participation in the OTCBB may utilize the OTCBB to display non-firm prices and unpriced indications of interest without disqualifying themselves as a qualified matching service, provided that they otherwise meet all requirements for a qualified matching service under section 1.7704-1(g). Compliance with the requirements for a qualified matching service will be the sole responsibility of the matching service, not the NASD, The Nasdaq Stock Market, Inc., the OTCBB, or NASD Regulation, Inc.

Except as specifically ruled upon above, we express no opinion concerning the federal income tax consequences of this transaction under any other provisions of the Code or Regulations.

This ruling is directed only to the taxpayer who requested it. Section 6110(j)(3) of the Code provides that it may not be used or cited as precedent.

Sincerely yours,

William P. O'Shea
Chief, Branch 3
Office of the Assistant Chief Counsel
(Passthroughs and Special Industries)

NASD NOTICE TO MEMBERS 97-9

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

Suggested Routing

- Senior Management
- Advertising
- Corporate Finance
- Government Securities
- Institutional
- Internal Audit
- Legal & Compliance
- Municipal
- Mutual Fund
- Operations
- Options
- Registration
- Research
- Syndicate
- Systems
- Trading
- Training

Executive Summary

On February 8, 1995, the Securities and Exchange Commission (SEC) approved Rule 1120 of the NASD[®] Membership and Registration Rules which prescribes requirements for the Securities Industry Continuing Education Program (Program). The Program has two elements—a Regulatory Element and a Firm Element, and became effective July 1, 1995.

The Securities Industry/Regulatory Council on Continuing Education (Council) includes 13 members representing a cross-section of securities firms and six self-regulatory organizations (SROs).¹ Both the SEC and the North American Securities Administrators Association (NASAA) have appointed liaisons to the Council.

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

The attached *Firm Element Advisory* is a list of topics that the Council considers to be particularly relevant to the industry at this time. The list is based on a review of the performance of registered persons in the Regulatory Element computer-based training and recent regulatory advisories issued by industry SROs over the past 18 months. Firms should review this list and decide whether the topics are relevant to the training needs identified in their Firm Element Needs Analysis. The Council is pro-

viding this list so that continuing education may be as pertinent and enriching as possible to financial professionals in the securities industry.

Questions about this Notice may be directed to any of the following NASD Regulation, Inc., staff: John Linnehan, Director, Continuing Education, at (301) 208-2932; Frank J. McAuliffe, Vice President, Qualifications and Exams, at (301) 590-6694; or Daniel M. Sibears, Vice President, District Oversight, at (202) 728-6911.

Endnote

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

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The Securities Industry Continuing Education Program

The Securities Industry Continuing Education Program Firm Element Advisory

One responsibility of the Securities Industry/Regulatory Council on Continuing Education (Council) is to identify and recommend pertinent regulation and sales practice issues for inclusion in Firm Element training plans.

Attached is a list of topics which the Council considers to be particularly relevant to the industry at this time. The list is based on a review of the performance of registered persons in the Regulatory Element computer-based training and recent regulatory advisories issued by industry self-regulatory organizations (SROs) over the past 18 months. The Council is providing this list so that continuing education may be as pertinent and enriching as possible to financial professionals in the securities industry.

These are topical issues. They are listed here to *complement* issues that firms have already determined to be appropriate to their specific situation, but it is not mandatory for firms to address each and every one of them in their Firm Element training. Each firm should review this list of topics *vis a vis* 1) the financial products and services it offers to investors, and 2) its performance in the Regulatory Element. Each firm has discretion in deciding the relevancy of these topics to its lines of business and training needs, but it also has the obligation to include topics not listed but identified by its Firm Element Needs Analysis.

The Council will periodically highlight additional relevant regulatory areas to assist the industry and invites your assistance. Please direct your comments, suggestions or questions about this and future Advisories to either John Linnehan, Director, Continuing Education, NASD Regulation, Inc., at (301) 208-2932 or Anthony Colonna, Senior Specialist, New York Stock Exchange, at (212) 656-2741.

Training Topic	Relevant Training Point(s) and Reference(s)
<p>Module 1 of the Regulatory Element computer-based training</p> <p>Registration and reporting issues</p>	<p>Registered representatives must update their U-4 disclosure when certain events occur, including:</p> <ul style="list-style-type: none"> • criminal convictions or charges • regulatory disciplinary actions • certain civil judicial actions • customer complaints and arbitrations • certain employment terminations • financial proceedings such as bankruptcies and unsatisfied judgements or liens. <p>Certain of these and other events are also to be reported to the SROs under other reporting requirements. <i>See NASD[®] Conduct Rule 3070, Reporting Requirements, and NYSE Rules 345 and 351.</i></p> <p>Selling away. <i>See NASD Conduct Rule 3040, Private Securities Transactions of an Associated Person; NYSE Rule 346.</i></p> <p>Registration requirements of registered representatives in light of National Securities Markets Act of 1996</p>
<p>Module 3 of the Regulatory Element computer-based training</p> <p>Suitability issues</p>	<p>Qualify customer's investment objectives in light of different types of risk:</p> <ul style="list-style-type: none"> • principal risk • purchasing power (inflation) risk • reinvestment risk • liquidity risk • market risk • political risk. <p><i>See AMEX Rules 411 and 923; NASD Conduct Rule 2310, Recommendations to Customers (Suitability); NYSE Rules 345 and 743.</i></p>

Training Topic	Relevant Training Point(s) and Reference(s)
<p>Module 4 of the Regulatory Element computer-based training</p> <p>Handling customer accounts issues</p>	<ul style="list-style-type: none"> • Insider trading restrictions—to whom do they apply? <i>See SEC Rule 10b-5 and related references on the subject of insider trading.</i> • Personal accounts with other broker/dealers require approval by designated supervisor. <i>See NASD Conduct Rule 3050, Transactions for or by Associated Persons; NYSE Rule 407.</i> • Trust accounts—disclosure to supervisor if registered representative is a beneficiary. <i>See NASD Conduct Rule 3050, Transactions for or by Associated Persons; NYSE Rule 407.</i> • Definition of conversion of funds. <i>See NASD Conduct Rule 2330, Customer's Securities or Funds; NASD IM-2310-2, Fair Dealing with Customers.</i> • Distributing private offerings for not-for-profit organizations requires disclosure to, and approval of, broker/dealer. <i>See NASD Conduct Rule 3040, Private Securities Transactions of an Associated Person.</i> • Ownership of assets in a joint account. When may transfers of funds be made? • Permitted activities upon the death of a client.
<p>Telemarketing</p>	<p>The requirement to make and maintain a do-not-call list.</p> <p>FTC regulations prescribing deceptive and abusive acts and practices in connection with telephone solicitation to market products and services. <i>See MSRB Rule G-39; NASD Notice To Members 97-1, January 1997; NYSE Rule 440A.</i></p>
<p>Mutual funds</p>	<p>Disclosure, suitability, presentation of performance information, switching issues, print and electronic communications. <i>See Special NASD Notice To Members 95-80, September 26, 1995.</i></p>
<p>Variable contracts</p>	<p>Suitability and sales practice considerations. <i>See NASD Conduct Rule 2310 and IM-2310-2, and NASD Notice To Members 96-86, December 1996.</i></p>
<p>FRB Regulation T—recent amendments</p>	<p><i>See NASD Notice To Members 96-37, June 1996; NYSE Information Memo 96-19, June 11, 1996.</i></p>

Training Topic	Relevant Training Point(s) and Reference(s)
Index and currency warrants—new rules for trading	<i>See AMEX Rules 1100-1110; NASD Conduct Rule 2840, Trading in Index Warrants, Currency Index Warrants, and Currency Warrants; NYSE Information Memo 96-33, November 5, 1996.</i>
Options position and exercise limits—recent amendments	<i>See AMEX Rules 904(b) and 905(b); CBOE Rule 4.11; NASD Notice to Members 96-15, March 1996; NYSE Information Memo 96-28, September 18, 1996; PHLX Circular, Number 176-96, July 1996.</i>
New SEC order execution rules	<i>See NASD Notice To Members 96-65, October 1996 and Federal Register, Vol. 61, No. 178, September 12, 1996, Rules and Regulations; NYSE Information Memo 96-30, October 3, 1996.</i>
Firmness of quotations	<i>See SEC Rule 11Ac1-1, NASD IM-3320.</i>
Transaction reporting	<i>See NASD Rules 4630, 4640, 4650, 6400 Series, 6550, 6600 Series, 6700 Series.</i>
Limit orders	<p><i>See Special NASD Notice To Members 95-43, June 5, 1995; NASD Notice to Members 95-67, August 1995 and 96-10, February 1996; NASD IM-2110-2, Trading Ahead of Customer Limit Order.</i></p> <p><i>See also New SEC order execution rules (above).</i></p>
Short sales	<i>See SEC Rules 10a-1, 10a-21; NASD Rules 3350, 3360, 4612, 11830; NYSE Rule 440B and NYSE Information Memo 97-3, January 17, 1997.</i>
Activities deemed to be collusive and therefore prohibited	<i>NASD Rule 2110, Standards of Commercial Honor and Principles of Trade; NASD Rule 2440, Fair Prices and Commissions and related Interpretive Material to these Rules.</i>
IPOs and secondary issues	<p>The use of research reports during the period of time after a registration statement has been filed, but before the effective date. <i>See SEC Rules 137, 138, and 139.</i></p> <p>Circumstances requiring the delivery of a preliminary prospectus to prospective investors. <i>See SEC Rules 430, 460, and 15c2-8.</i></p>

Training Topic	Relevant Training Point(s) and Reference(s)
Market volatility	Trading halts due to extraordinary market volatility. <i>See AMEX Rule 117; NYSE Rule 80B.</i>
Speculative securities—best practices	Suitability, disclosure of material adverse facts and interests, valuations, supervision, cold call requirements. <i>See Special NASD Notice To Members 96-32, May 9, 1996 and NASD Notice To Members 96-60, September 1996.</i>
Registered representatives who are also investment advisers—clarification of NASD rules governing them	Private securities transactions, record keeping, supervision, etc. <i>See NASD Notice To Members 96-33, May 1996.</i>
Electronic media (e.g. the Internet)—supervisory and other obligations related to their use	Disclosure of material adverse facts and interests, suitability, communications with the public rules. <i>See NASD Notice To Members 96-50, July 1996, and proposed amendments to NYSE Rules 342, 440 and 472.</i>
Reporting obligations under Municipal Securities Rulemaking Board (MSRB) Rules G-37 and G-38	<p>Rule G-37: Political Contributions and Prohibitions on Municipal Securities Business, MSRB Manual ¶3681, and amendments. <i>See MSRB Reports, January 1997, pp. 11-13.</i></p> <p>Rule G-38: Consultants, <i>MSRB Manual</i> ¶3686. <i>See also NASD Notice To Members 96-54, August 1996.</i></p>

Training Topic	Relevant Training Point(s) and Reference(s)
<p>Reporting purchases and sales of municipal securities—pertinent topics</p>	<p>MSRB Rule G-14: Reports on Sales and Purchases, <i>MSRB Manual</i> ¶3566, and amendments. See <i>MSRB Reports</i>, January 1997, pp. 3-9.</p> <p>Board to Proceed with Customer Transaction Reporting Program, <i>MSRB Reports</i>, September 1996, page 3.</p> <p>Specifications for Reporting Customer Transactions to the MSRB, <i>MSRB Reports</i>, September 1996, page 10.</p> <p>Reporting Time of Trade to the Board in Inter-Dealer Transactions, <i>MSRB Reports</i>, January 1996, page 23; June 1996, page 7.</p> <p>MSRB Rule G-14 Transaction Reporting Procedures—Time of Trade Reporting, <i>MSRB Reports</i>, September 1996, page 17.</p> <p>Guidelines for Reporting Inter-Dealer Transactions under Rule G-14, <i>MSRB Reports</i>, June 1996, page 9.</p> <p>Reporting Executing Dealer Identities in Inter-Dealer Transactions to the Board, <i>MSRB Reports</i>, October 1995, page 35.</p>
<p>Municipal securities—delivery of Official Statements</p>	<p>Rule G-36 on Delivery of Official Statements, Advance Refunding Documents and Forms G-36(OS) and G-36(ARD) to the Board or its Designee, <i>MSRB Manual</i>, ¶3676.</p> <p>Reminder to Dealers Regarding Delivery of Official Statements to the Board: Rule G-36, <i>MSRB Reports</i>, September 1996, page 37.</p>

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NASD NOTICE TO MEMBERS 97-10

SEC To Approve Amendments To NASD Rules To Facilitate Compliance With SEC Regulation M

Suggested Routing

- Senior Management
- Advertising
- Corporate Finance
- Government Securities
- Institutional
- Internal Audit
- Legal & Compliance
- Municipal
- Mutual Fund
- Operations
- Options
- Registration
- Research
- Syndicate
- Systems
- Trading
- Training

Executive Summary

The Securities and Exchange Commission's (SEC) Regulation M, which regulates the market activities of persons with an interest in the outcome of an offering of securities, became effective on March 4, 1997. The new Rule replaced SEC Rules 10b-6, 10b-6A, 10b-7, 10b-8, and 10b-21. The NASD has filed with the SEC proposed amendments, to be effective March 4, 1997, to NASD[®] rules regarding corporate financing, The Nasdaq Stock Market, Inc. (Nasdaq[®]), and the OTC Bulletin Board[®] (OTCBB[®]) that are designed to assist members in complying with Regulation M. In general, the amendments to NASD rules establish a new requirement for members to obtain an Underwriting Activity Report from the Corporate Financing Department of NASD Regulation, Inc. (NASD RegulationSM) with respect to a proposed distribution subject to SEC Rule 101; modify current Nasdaq requirements with respect to the entry of a stabilizing or penalty bid and requests for excused withdrawal of quotations or designation of quotations as those of a passive market maker; and establish new requirements for notification with respect to penalty bids and syndicate covering transactions for Nasdaq and OTCBB securities. It is anticipated the amendments will be effective March 4, 1997.

Introduction

On December 20, 1996, the SEC approved new Regulation M to replace Rules 10b-6, 10b-6A, 10b-7, 10b-8, and 10b-21 (the trading practice rules) under the Securities Exchange Act of 1934,¹ which were rescinded. New Regulation M, which consists of Rules 100 through 105, governs the activities of underwriters, issuers, selling securityholders, and others that have an interest in the outcome of an offering of securities. Regulation M became effective March 4, 1997.

This Notice provides a summary of the provisions of Regulation M and describes the amendments to the NASD rules to be approved by the SEC effective March 4, 1997 that are intended to facilitate compliance by members with the new requirements of Regulation M. The text of the amendments are attached to this Notice. Also attached are copies of notification forms to be used by members to submit required notifications by fax or by electronic communication to the NASD. **Members should only rely on the text published by the SEC in the *Federal Register* as the final version of the amendments.**

Background

Regulation M represents the culmination of more than a two-year effort by the SEC to review and modernize the trading practice rules, which had been in effect for over 40 years. In recent years, the trading practice rules have come under attack from many market participants for the limitations they place on distribution and ordinary market-making activities of underwriters and others and the increased costs that are imposed as a result. Particular concern has been directed at the effect of the trading practice rules on international offerings. Because foreign markets generally do not have comparable rules, and because the trading practice rules are deemed to apply to foreign distributions that occur only in part in the U.S., the rules have potentially serious international competitive consequences that have necessitated a series of interpretations and amendments designed to improve the effect of the rules in the context of international offerings.

Rule 101—Distribution Participant Restrictions

The SEC has divided Rule 10b-6 into two rules, Rules 101 and 102, which

cover the activities of (i) distribution participants and their affiliated purchasers and (ii) issuers and selling shareholders and their affiliated purchasers, respectively. Rule 101 of Regulation M applies trading restrictions to underwriters, prospective underwriters, syndicate members and their affiliated purchasers. The most significant change from Rule 10b-6 is that the restrictions of Rule 101 on bids for, purchases of, or attempts to induce a bid or purchase by a restricted person, do not apply to certain securities (e.g., investment grade rated debt) that presently are subject to regulation by Rule 10b-6.

The “cooling-off” periods of Rule 10b-6 that were triggered by the anticipated commencement of the distribution have been replaced with a three-tier “restricted period” that is calculated from the date on which the subject security is priced. Under Regulation M, the SEC has adopted a dual standard of world-wide average daily trading volume and public float value. Actively traded securities, *i.e.*, securities with an average daily trading volume (ADTV) of at least \$1 million and a public float value of at least \$150 million, are no longer subject to any restricted period, although trading in such actively traded securities remains subject to the anti-fraud and anti-manipulation provisions of the federal securities laws.

Securities with an ADTV of at least \$100,000, with a public float value of at least \$25 million, are subject to a restricted period of one day prior to the date on which the subject security’s price is determined and all other securities that do not meet the ADTV or public float value tests are subject to a restricted period of five days. The SEC determined that the thrust of the restricted period should focus on daily trading activity since higher-priced securities that trade more frequently are more difficult to manipulate. Also, the public float

volume test is intended to capture within Rule 101 those securities that experience unusual trading volume relative to their public float.²

In calculating the ADTV, distribution participants may use either a two-calendar month period or a 60-day rolling period, to be calculated within 10 days of the filing of the offering. Moreover, the SEC is not designating acceptable information sources for determining ADTV, so long as the participant has a reasonable basis for believing that the information is reliable. As set forth below, NASD Regulation will issue an Underwriting Activity Report to the manager of the underwriting syndicate that provides the domestic ADTV and public float value for a security that is subject to SEC Rule 101 to assist members’ compliance with SEC Rule 101.

Rule 101 also includes exemptions from the imposition of the “restricted period” for: (i) exempted securities; (ii) exercises of options and other securities, including rights received in connection with a rights offering; (iii) transactions in the ordinary course of business in baskets of securities involving the offered security; (iv) transactions involving sales of Rule 144A securities of foreign and domestic issuers to qualified institutional buyers or persons deemed not to be U.S. persons; and (v) redeemable securities issued by an open-end investment company or unit investment trust. The restrictions on other debt securities are substantially narrowed.

The trading restrictions of Rule 101 are only applicable to a “covered security,” defined to include the security that is the subject of a distribution and “reference securities.” The SEC defines “reference security” to include a security into which a subject security may be converted, exchanged, or exercised, or which, under the terms of the subject securi-

ty, may in whole or in significant part determine the value of the subject security. This new focus on subject and reference securities narrows the potential universe of securities in which trading must be restricted during a distribution in comparison to the securities covered under Rule 10b-6, which included any security of the “same class or series” as the security being distributed and any “right to purchase” such security. As a result, trading in derivative securities (e.g., convertible securities, options, and warrants) during the distribution of an underlying security and of “rights to purchase” the securities of a target company in a merger or exchange offer is no longer restricted by Rule 101.

Bids for and purchases of outstanding nonconvertible debt securities are not restricted by Rule 101 unless the security being purchased is identical in all of its terms to the security being distributed. Further, investment grade nonconvertible debt securities, nonconvertible preferred securities, and asset-backed securities are specifically excluded from coverage by the Rule. In the situation where Rule 101 is applicable to outstanding debt, the restricted period will generally be less than five days. In addition, an existing exclusion for research reports has been expanded to allow the dissemination of information in the ordinary course of business during the restricted period.

Rule 101 includes an important new exception for “inadvertent” violations of *de minimis* size, including bids that are not accepted, and one or more purchases that in the aggregate over the restricted period total less than 2 percent of the security’s ADTV, provided that the distribution participant had in place policies and procedures reasonably designed to achieve compliance with the Rule.

Rule 102 — Issuer And Selling Securityholder Restrictions

Rule 102 limits bids and purchases by issuers, selling securityholders, and their affiliated purchasers during the applicable restricted period in a manner similar to Rule 101. Unlike Rule 101, however, Rule 102 does not provide an exemption for actively traded **subject** securities (although an exemption is available for actively traded reference securities) or for transactions in investment grade debt and preferred stock. Although transactions under employee benefit or dividend reinvestment plans generally are exempt, this exemption does not extend to plans that are open to persons other than employees and securityholders and that involve direct distributions from the issuer or an affiliate.

Rules 101 and 102 permit a member affiliated with an issuer or selling securityholder to comply with the provisions of Rule 101, rather than Rule 102, provided that the member is not itself the issuer or selling shareholder.

Rule 103 — Passive Market Making In Nasdaq Stocks

Rule 103 of Regulation M, which replaces Rule 10-6A, permits “passive” market-making activity in Nasdaq stocks in connection with distributions during the restricted periods to alleviate liquidity problems that may exist in the market during those periods. The new Rule permits passive market making for any Nasdaq-listed security distribution that is conducted as a fixed-price offering underwritten on a firm-commitment basis. Rule 103 generally limits a market maker’s bids and purchases to the highest current independent bid (a bid from a market maker that is not participating in the distribution).

Rule 103 allows passive market making throughout the restricted period,

in contrast to Rule 10b-6A, which prohibited passive market making upon the commencement of offers and sales. Although Rule 103 retains the core provisions of Rule 10b-6A in a number of respects, the SEC eliminated the requirement in Rule 10b-6A that limited availability of the Rule to Nasdaq stocks that meet minimum share price and public float criteria, where Nasdaq market makers that are participating in the distribution account for at least 30 percent of the total trading volume in the security. Rule 103 continues to generally limit a passive market maker’s bids and purchases to the highest current independent bid and limit the amount of net purchases a passive market maker can make on any day to 30 percent of its ADTV, although an initial ADTV limit of 200 shares is now available for less active market makers. The bid display size limitation has also been retained.

In connection with the initial ADTV limit of 200 shares, Rule 103 also provides that all passive market makers whose initial ADTV limit is between 1 and 199 shares are allowed a net purchasing capacity of 200 shares. The new Rule allows passive market makers to make bids or purchases at a price above the highest independent bid where necessary to comply with any SEC or NASD rule relating to the execution of customer orders, such as the order handling rules. The SEC also permits a passive market maker that is involved in a contemporaneous purchase and sale of a security to “net” the transactions for purposes of the ADTV calculation as long as the two transactions are reported within 30 seconds of each other.

Rule 104 — Stabilizing Transactions/Syndicate Covering Transactions/Penalty Bids/Recordkeeping

Rule 104 replaces Rule 10b-7 to regulate stabilization activities during a

distribution. The new Rule retains the requirement that only one stabilizing bid is permitted in any market at the same price at the same time. The new Rule permits a stabilizing bid to be initiated, maintained, reduced, or raised based on the current price in the principal market for the security (domestic or foreign), as long as the bid does not exceed the offering price of the security or the stabilizing bid in the principal market. The Rule provides that the appropriate price level for initiating a stabilizing bid is the security’s principal market, with certain variations for different market situations. Thus, the most significant change from Rule 10b-7 is the ability under Rule 104 to increase a stabilizing bid to the level of the highest independent bid in the principal market.

For the first time, the SEC has imposed disclosure and recordkeeping requirements in connection with syndicate short-covering transactions and the enforcement of “penalty bids.” Rule 104 requires any person effecting a syndicate covering transaction or intending to enforce a penalty bid to disclose that fact to the self-regulatory organization with direct oversight over the principal market in the U.S. for the security. Moreover, Rule 104 requires a new legend in the offering document referencing disclosures to a discussion in the “plan of distribution” section of the prospectus regarding stabilization activities and aftermarket activities and their potential effects on the market price. Similar disclosure is required in a document sent to a purchaser regarding stabilizing transactions in connection with the offering. It is anticipated that the SEC will delay implementation of the new notification requirements (but not the disclosure requirements) until April 1, 1997.

Managing underwriters will be required by amendments to SEC

Rule 17a-2 to keep records of syndicate covering transactions and penalty bids, as well as stabilizing information. The information will be required to be retained for three years. These recordkeeping requirements are effective April 1, 1997.

Rule 105 — Short Sales

Rule 105 has been adopted to replace Rule 10b-21 to limit short selling prior to a public offering by sellers who cover their short positions by purchasing securities in the offering. Rule 105 reduces the period of coverage to five business days prior to pricing, instead of the current period, which extends from the date of the filing of the registration statement until the commencement of offers and sales. Moreover, Rule 105 does not apply to short sales of derivative securities.

Amendments To NASD Rules General

The amendments to the Nasdaq rules eliminate the requirement that members' submit their request to enter a stabilizing or penalty bid, on the day prior to the requested action. Furthermore, in connection with stabilizing and penalty bids, the amendments replace the current requirement for written notification with a requirement for notification followed by written confirmation. These changes are made to permit the NASD to respond to the quicker timetable that is increasingly characteristic of securities distributions and, particularly, to provide members the maximum flexibility required for shelf offerings.

In addition, the amendments to the Nasdaq and OTCBB rules distinguish between the obligations of members that are distribution participants and members that are affiliated purchasers (as those terms are defined in SEC Rule 100 adopted

under Regulation M). While a member that is a distribution participant may stabilize the price of a security and engage in passive market making, a member that is considered an affiliated purchaser is not permitted to conduct these market-related activities during a distribution.

The amendments also clarify that the requirements for stabilizing, excused withdrawal, passive market making, penalty bids, and syndicate covering transactions in a Nasdaq or OTCBB security apply regardless of whether a Nasdaq or OTCBB security is the subject of the distribution or is a reference security (as those terms are defined in SEC Rule 100 adopted under Regulation M). Similarly, the requirement that a member request an Underwriting Activity Report, as discussed below, from the NASD Regulation Corporate Financing Department applies regardless of whether a publicly traded security is a subject or reference security under SEC Rule 101.

Nasdaq Rules

NASD Rule 4200—Definitions

Amendments are adopted to Rule 4200 of the Nasdaq rules to: (1) delete the definition of "penalty bid" because SEC Rule 100 contains a definition of penalty bid; (2) amend the definition of "stabilizing bid" to refer to the definition of "stabilizing" in SEC Rule 100; (3) delete the definition of "pre-effective stabilizing bid" as unnecessary and confusing; and (4) adopt new paragraph (b) Rule 4200 to incorporate the definitions of important terms from SEC Rule 100 adopted under Regulation M for purposes of the Nasdaq rules. Moreover, for purposes of the Nasdaq rules, the NASD has adopted a definition of the term "Underwriting Activity Report" to reference the report that will be provided by the Corporate Financing Department to the managing underwriter of a distribution of a publicly

traded subject or reference security that is subject to SEC Rule 101 and includes forms that are to be used by members to comply with their notification obligations under Nasdaq rules. The requirement that members obtain the Report is adopted in Rule 2710(b)(11), discussed below.

NASD Rule 4614—Stabilizing Bids

Rule 4614 of the Nasdaq rules has been amended to add new paragraph (a) that requires a market maker that intends to stabilize the price of a Nasdaq security in compliance with SEC Rule 104 to submit a request to Nasdaq Market Operations to enter a one-sided bid identified on Nasdaq as a stabilizing bid. Paragraph (b) retains the requirement that only one market maker in an issue may enter a stabilizing bid. Several provisions that impose limitations on stabilizing bids have been organized under a new heading in paragraph (c).

The notice provisions in renumbered subparagraph (d)(1) have been revised to permit submission to Nasdaq Market Operations of a market maker's request to enter a stabilizing bid at any time. Currently, Rule 4614 requires that Nasdaq Market Operations be notified on the day prior to the first day on which the stabilizing bid is to appear. This requirement is no longer necessary. It is, however, the obligation of the member to provide the staff sufficient time to enter its one-sided stabilizing bid on Nasdaq and the staff of Nasdaq Market Operations will enter a member's stabilizing bid as soon as possible after receipt of the request from the member.

The requirement in subparagraph (d)(1) that the request for entry of a stabilizing bid be in writing has been deleted and is replaced by a requirement that the request be confirmed in writing by the end of the day on which the stabilizing bid is entered. In light of the speed at which many

secondary offerings and shelf distributions are priced and distributed and the volatility of the market, the NASD believes it is important that members be provided the ability to move quickly in response to changing market conditions and the requirements of such offerings. The provision permits a member to submit its written request on an Underwriting Activity Report provided by the Corporate Financing Department or to provide another form of written notice to Nasdaq Market Operations that contains the information related to its request to stabilize the price of a security.

Rule 4619—Excused Withdrawals and Passive Market Making

Market makers are not permitted by the Nasdaq rules to withdraw their quotations unless the withdrawal is excused. In the absence of obtaining an excused withdrawal, a member is prohibited by Nasdaq rules from acting as a market maker in the security for 20 business days. Rule 4619 of the Nasdaq rules regulates requests for excused withdrawals of quotations by market makers and the request by market makers for identification of their quotations as those of a passive market maker.

Subparagraph (d)(1) of Rule 4619 has been amended to: (1) distinguish between the obligations of a member that is a distribution participant and a member that is an affiliated purchaser; (2) clarify that the primary obligation to obtain excused withdrawal and/or identification of quotations as those of a passive market maker is imposed on the managing underwriter of the distribution, regardless of whether the managing underwriter is also a Nasdaq market maker in the security; (3) clarify that the rule applies regardless of whether the Nasdaq security is a subject or reference security; (4) replace the “cooling off” periods of Rule 10b-6 with the one-day and five-day restricted

periods of Regulation M; and (5) clarify that passive market-making quotations must be identified on Nasdaq.

In addition, the amendments provide that notification to Nasdaq Market Operations must occur no later than the business day before the first entire trading session of the one-day or five-day restricted period under SEC Rule 101 of Regulation M. This amendment deletes the provision that previously required notification to Nasdaq Market Operations by noon Eastern Time (ET) on the business day before the beginning of the cooling off period. An example of the timing for the notification is as follows: If a one-day restricted period commences at the close of Nasdaq at 4 p.m. (ET) on Monday, notice should be provided to Nasdaq Market Operations with respect to excused withdrawal or passive market-making status for Tuesday by 6 p.m. Monday (ET), with the offering being priced and sold after 4 p.m. (ET) on Tuesday. The five-day restricted period is calculated in a similar manner.³ The provision permits notification to be received later than the business day before the first entire trading session of the restricted period if such later notification is necessary under the specific circumstances so long as the NASD will be able to maintain its regulatory program to provide surveillance of excused withdrawals and passive market making.

Subparagraph (d)(1) continues to require that a member submit its request for excused withdrawal or identification of quotations as those of a passive market maker in writing. The request is required to be submitted in the form of the Underwriting Activity Report that is obtained from the Corporate Financing Department pursuant to the amendment to Rule 2710(b)(11). Moreover, the managing underwriter remains obligated to advise each market maker that is a distribution participant or affiliated

purchaser that its quotations will be automatically withdrawn. In addition, market makers that are distribution participants must be advised if their quotations will be identified as those of a passive market maker. A market maker that is a distribution participant has the option to notify Nasdaq Market Operations that it does not intend to be a participant in the distribution or does not intend to engage in passive market making.

New subparagraph (d)(3) of Rule 4619 permits the NASD to treat as an excused withdrawal the action of a market maker to withdraw its quotations, if the withdrawal is necessary to ensure compliance with its obligations as a stabilizer, passive market maker, or to comply with the restricted periods of SEC Rule 101. This provision, for example, would permit a member that exceeds its “net purchases” limitation as a passive market maker or that has provided insufficient time to Nasdaq Market Operations to withdraw its quotations to satisfy the one-day or five-day restricted period to immediately withdraw its quotations. However, to ensure that members understand that they remain obligated to request withdrawal of their quotations through Nasdaq Market Operations as required in Rule 4619(a) and (d) and should only rely on this provision in an unanticipated situation, the provision clarifies that the granting of such an excused withdrawal does not prevent the NASD from taking such action as is necessary (*e.g.*, initiating a disciplinary action) against the member and its associated persons for failure to comply with the requirement to withdraw quotations through Nasdaq Market Operations.

Rule 4623—Penalty Bids and Syndicate Covering Transactions

New Rule 4623 has been adopted to implement SEC Rule 104 of Regulation M that requires the principal market for a security to be notified of

any penalty bid or syndicate covering transaction in connection with a new offering of securities. The new Rule requires the submission of this notification in writing to the Corporate Financing Department with respect to a Nasdaq security before imposing the penalty bid or engaging in the first syndicate covering transaction. Although not required by SEC Rule 104, a market maker has the option to request that Nasdaq Market Operations include an identifier with respect to a penalty bid in order to advise the market of the member's exercise of its contractual right. Finally, the notification or request may be submitted on an Underwriting Activity Report or in another written form. If the SEC delays effectiveness of the notification requirements for penalty bids and syndicate covering transactions, the NASD's rule requiring such notification will not be effective until April 1, 1997.

OTCBB Rules

The NASD has amended subparagraph (b)(1) of Rule 6540 of the OTCBB rules to require that a member that is to be a distribution participant or is an affiliated purchaser in a distribution of OTCBB-eligible securities subject to SEC Rule 101 (unless another member has assumed this responsibility) must provide written notice to Nasdaq Market Operations before the pricing of the distribution and that the notice shall include the intended date and time of pricing of the offering. In addition, the member must withdraw its quotations to comply with the restricted periods of Regulation M, and is prohibited from entering a stabilizing bid in the OTCBB. Moreover, the member is required to provide written notice to the Corporate Financing Department of its intention to impose a penalty bid or engage in syndicate covering transactions before imposing the penalty bid or engaging in the

first syndicate covering transactions. Finally, the notices required by this provision may be submitted on an Underwriting Activity Report or in another written form. If the SEC delays effectiveness of the notification requirements for penalty bids and syndicate covering transactions, the NASD's rule requiring such notification will not be effective until April 1, 1997.

The Corporate Financing Rule

The Underwriting Activity Report, to be used for different forms of notifications required by the Nasdaq and OTCBB amendments, has previously been employed by the Corporate Financing Department to provide information to Nasdaq market makers as to whether the security met the per share and public float requirements for the two-day or nine-day restricted periods under Rule 10b-6 and whether the ADTV of the market makers participating in the offering met the requirements for passive market making under Rule 10b-6A. The use of the Underwriting Activity Report has been expanded to permit the NASD to provide information to members to assist them in complying with the restricted periods of SEC Rule 101. The Report issued to the managing underwriter will include the calculation of the ADTV and public float value for each subject and reference security that is publicly traded before the offering and will indicate whether the security qualifies under SEC Rule 101 as an actively-traded security or for the one-day or five-day restricted periods. The Nasdaq and OTCBB amendments give members the option of using the Underwriting Activity Report to submit the member's request to stabilize a Nasdaq security, provide notification of the member's intent to impose a penalty bid or conduct syndicate covering transactions with respect to Nasdaq securities, and to request an identifier

be associated with a penalty bid in a Nasdaq security. In addition, a member may use the Underwriting Activity Report to provide the notification of an offering and of its intention to impose a penalty bid or conduct syndicate covering transactions with respect to OTCBB securities. Finally, the Underwriting Activity Report may be used by the managing underwriter to submit a request for excused withdrawal of quotations or identification of quotations as those of a passive market maker.

To initiate a process for the issuance of the Underwriting Activity Report, the NASD has amended the filing requirements of Corporate Financing Rule 2710 to add new subparagraph (b)(11) that requires a member acting as a manager (or in a similar capacity) of a distribution of securities subject to SEC Rule 101 to submit a request to the Corporate Financing Department for an Underwriting Activity Report. If no member is acting as managing underwriter, each member that is a distribution participant or an affiliated purchaser is required to submit the request unless another member has assumed responsibility for compliance with the requirement. The request must be submitted with respect to any security considered a subject or reference security under SEC Rule 101 that is publicly traded. Thus, the requirement to request an Underwriting Activity Report applies to follow-on or secondary distributions of a publicly traded security (*i.e.*, the publicly traded security is the subject security under SEC Rule 101) and to publicly traded securities that are reference securities in an distribution subject to SEC Rule 101. The requirement to request an Underwriting Activity Report applies regardless of whether the subject or reference security is listed on Nasdaq, quoted in the OTCBB, traded in the over-the-counter market, or listed on a stock exchange. Finally, the requirement to

submit a request for an Underwriting Activity Report applies regardless of the availability of an exemption from filing of a public offering in subparagraph (b)(7) of the Corporate Financing Rule.

Transmission Of Regulatory Notices Under Regulation M

NASD Regulation has standardized the information content of notices required to be submitted under its rules to comply with Rules 101, 103, and 104, *i.e.*, notification of withdrawal of quotations, identification of quotations as those of a passive market maker, request for entry of a stabilizing bid, and notification of penalty bids and syndicate covering transactions. The individual notices may be submitted to Nasdaq Market Operations or the Corporate Financing Department, as applicable, as an attachment to the Underwriting Activity Report issued by the Corporate Financing Department and will consist of a Regulation M Restricted Period Commencement Notification and Regulation M Trading Notification. In an effort to provide greater efficiency to syndicate managers and other distribution participants, the NASD has engaged CommScan, Inc. (CommScan), a New York-based company that owns and operates an electronic communications system currently connecting the syndicate departments of approximately 450 subscriber firms, to establish an electronic system for transmission of the Underwriting Activity Report between the regulatory organizations and broker/dealers. The NASD previously analyzed CommScan's system and engaged CommScan to develop a software application known as NASDesk/Compliance Desk, that facilitates electronic communication between lead managers and all syndicate members and the Corporate Financing Department before and during a public offering of securities⁴ for the purpose of com-

pliance with the Free-Riding and Withholding Interpretation under IM-2110-1.⁵

The NASD has expanded the use of NASDesk/Compliance Desk to provide electronic communications and database capability with respect to compliance with NASD rules that implement SEC Regulation M and to add a link to Nasdaq Market Operations. NASDesk permits the NASD to communicate with members through a pre-existing electronic communication system known as SynWire. As a result, the electronic communications transmitted through this system are generally referred to as wires. When the NASD transmits a wire to a member firm, the member is able to download the wire into a pre-formatted database known as SynDesk. Similar to the procedures for the Free-Riding and Withholding Interpretation, Compliance Desk will provide members with preformatted wire templates that permit the member firm to fill in data fields with pertinent distribution-related compliance information required by NASD rules related to Regulation M. Once the wire templates are completed with the information, the communication protocol designed into Compliance Desk will permit the member firm to access the SynWire transmission system and send the information directly to the Corporate Financing Department and Nasdaq Market Operations.

Thus, the notifications described below that are intended to provide compliance with NASD rules and SEC Rules 101, 103, and 104 will be able to be electronically transmitted to the NASD and will provide real-time notice and audit trail information to the NASD and to broker/dealers. Initially, at the advent of this program, if a member is not a Compliance Desk subscriber, it may submit the information by fax to CommScan, who will manually input the information into the notification

form and transmit it to the NASD. Moreover, until the Compliance Desk system for Regulation M compliance is implemented, members will provide the notifications required by the amendments by fax using the notification forms provided by the NASD. A copy of the forms is attached to this Notice.

The Regulation M Restricted Period Commencement Notification is required to be filed with Nasdaq Market Operations by the managing underwriter with respect to a Nasdaq security to request an excused withdrawal on behalf of the distribution participants and affiliated purchasers and advise whether a distribution participant proposes, instead, to engage in passive market making, to comply with the member's requirements under Rule 4619(d)(1). In addition, the Notification is required to be filed with Nasdaq Market Operations by members participating in an offering of an OTCBB security under Rule 6540 to provide the intended date and time of the pricing of the offering.

The Regulation M Trading Notification is required to be filed by any member with the Corporate Financing Department under Rule 4623 and Rule 6540 to provide advice on penalty bids and syndicate short covering transactions for Nasdaq and OTCBB securities. In addition, the form is to be used to request the entry of a stabilizing bid or an identifier for a penalty bid for a Nasdaq security that is directed to Nasdaq Market Operations. This form also will be provided to the managing underwriter of a distribution of securities listed on a national securities exchange when a request for an Underwriting Activity Report is received and is required to be submitted to the Corporate Financing Department with the time and date of the pricing of the offering and the pricing amount to permit the NASD to carry out its

surveillance obligations with respect to such offerings.

A request for the Underwriting Activity Report Request Form can also be submitted through Comm-Scan by the underwriting manager of an offering not otherwise subject to the filing requirements of the Corporate Financing Rule in order to obtain the Underwriting Activity Report from the Corporate Financing Department. The Regulation M Restricted Period Commencement Notification or Trading Notification is required to be attached to the Underwriting Activity Report received by the member when the applicable notification is submitted to Nasdaq Market Operations or the Corporate Financing Department.

The fees to be charged by Comm-Scan for each wire (*i.e.*, each notification or request) sent over their system will be assessed a typical cost of \$15 to \$20 per wire, and could be less or more depending on the amount of information contained in the wire. The Compliance Desk charges are generally treated by the managing underwriter as expenses of the underwriting and are charged back to the syndicate.

Questions regarding this Notice may be directed to Charles L. Bennett, Director, or Richard J. Fortwengler, Corporate Financing Department, at (301) 208-2700; Dorothy L. Kennedy, Assistant Director, Nasdaq Market Operations, at (203) 385-6243; or Suzanne E. Rothwell, Associate General Counsel, NASD Regulation, at (202) 728-8247.

Text Of Amendments

(Note: New text is underlined; deletions are bracketed.)

2710. CORPORATE FINANCING RULE—UNDERWRITING TERMS AND ARRANGEMENTS

(a) No change.

(b) Filing Requirements

(1) through (10) No change.

(11) Request for Underwriting Activity Report

Notwithstanding the availability of an exemption from filing under subparagraph (b)(7) of this Rule, a member acting as a manager (or in a similar capacity) of a distribution of a publicly traded subject or reference security that is subject to SEC Rule 101 shall submit a request to the Corporate Financing Department for an Underwriting Activity Report with respect to the subject and/or reference security in order to facilitate compliance with SEC Rules 101, 103, or 104, and other distribution-related Rules of the Association. The request shall be submitted at the time a registration statement or similar offering document is filed with the Department, the SEC, or other regulatory agency or, if not filed with any regulatory agency, at least two (2) business days prior to the commencement of the restricted period under SEC Rule 101. The request shall include a copy of the registration statement or similar offering document (if not previously submitted pursuant to subparagraph (b)(5) of this Rule). If no member is acting as managing underwriter of such distribution, each member that is a distribution participant or an affiliated purchaser shall submit a request for an Underwriting Activity Report, unless another member has assumed responsibility for compliance with this subparagraph. For purposes of this subparagraph, SEC Rules 100, 101, 103, and 104 are rules of the Commission adopted under Regulation M and the following terms shall have the meanings as defined in SEC Rule 100: “distribution,” “distribution participant,” “reference security,” “restricted period,” and “subject security.”

(c) No change.

4000. THE NASDAQ STOCK MARKET

4200. DEFINITIONS

(a) For purposes of the Rule 4000 Series, unless the context requires otherwise:

[(a) - (x)] (1) - (23)

[(y) “Penalty bid” means a stabilizing bid that permits the managing underwriter to reclaim a selling concession granted to a syndicate member in connection with the sale of securities in an underwritten offering when the syndicate member resells such securities to the managing underwriter.]

[(z) “Pre-effective stabilizing bid” means a stabilizing bid entered prior to the effective date of an offering.]

[(aa)] (24) “Reported security” means an equity security for which quotations are entered into the Consolidated Quotations Service.

(25) “SEC Rule 100,” “SEC Rule 101,” “SEC Rule 103,” and “SEC Rule 104” mean the rules adopted by the Commission under Regulation M, and any amendments thereto.

[(bb)] (26) “Solicitation expenses” means direct marketing expenses incurred by a member in connection with a limited partnership rollup transaction, such as telephone calls, broker/dealer fact sheets, members’ legal and other fees related to the solicitation, as well as direct solicitation compensation to members.

[(cc)] (27) “Stabilizing bid” means [a bid entered for the purpose of supporting the price of a security to facilitate an offering of such security as permitted by SEC Rules 10b-6 and 10b-7] the terms “stabilizing” or to “stabi-

lize” as defined in SEC Rule 100.

[(dd)] (28) “Transaction costs” means costs incurred in connection with a limited partnership rollup transaction, including printing and mailing the proxy, prospectus or other documents; legal fees not related to the solicitation of votes or tenders; financial advisory fees; investment banking fees; appraisal fees; accounting fees; independent committee expenses; travel expenses; and all other fees related to the preparatory work of the transaction, but not including costs that would have otherwise been incurred by the subject limited partnerships in the ordinary course of business or solicitation expenses.

(29) “Underwriting Activity Report” is a report provided by the Corporate Financing Department of NASD Regulation, Inc. in connection with a distribution of securities subject to SEC Rule 101 pursuant to Rule 2710(b)(11) and includes forms that are submitted by members to comply with their notification obligations under Rules 4614, 4619, and 4623.

(b) For purposes of Rules 4614, 4619, and 4623, the following terms shall have the meanings as defined in SEC Rule 100: “affiliated purchaser,” “distribution,” “distribution participant,” “independent bid,” “net purchases,” “passive market maker,” “penalty bid,” “reference security,” “restricted period,” “subject security,” and “syndicate covering transaction.”

4600. NASDAQ MARKET MAKER REQUIREMENTS

4614. Stabilizing Bids

(a) [Eligibility]

[A market maker may enter a stabilizing bid in Nasdaq, which bid will be identified with the appropriate

identifier on the Nasdaq quotation display.]

Market Maker Obligation/Identifier

A market maker that intends to stabilize the price of a Nasdaq security that is a subject or reference security under SEC Rule 101 shall submit a request to Nasdaq Market Operations for the entry of a one-sided bid that is identified on Nasdaq as a stabilizing bid in compliance with the standards set forth in this Rule and SEC Rules 101 and 104.

(b) Eligibility

Only one market maker in an issue may enter a stabilizing bid.

(c) Limitations on Stabilizing Bids

(1) A stabilizing bid [will] shall not be [displayed] entered in Nasdaq unless at least one other market maker in addition to the market maker entering the stabilizing bid is registered as a market maker in the [issue] security and enter[s]ing quotations that are considered an independent bid under SEC Rule 104.

[(b)2] [Character]

[A stabilizing bid, pre-effective stabilizing bid, or a penalty bid may be entered in Nasdaq.] A stabilizing bid must be available for all freely tradable outstanding securities of the same class being offered.

(3) A market maker shall not enter a stabilizing bid at the same time that it is quoting any other bid or offer in the security.

[(c) d] [Notice] Submission of Request to Association

(1) A market maker that wishes to enter a stabilizing bid shall [so notify the] submit a request to Nasdaq Market Operations [in writing prior to the

first day on which the stabilizing bid is to appear in Nasdaq] for the entry in the Nasdaq quotation display of a one-sided bid identified as a stabilizing bid. The market maker shall confirm its request in writing no later than the end of the day on which the stabilizing bid is entered by submitting an Underwriting Activity Report to Nasdaq Market Operations that includes the information required by subparagraph (d)(2). [and the fact that the market maker is a manager of the distribution]

(2) In lieu of submitting the Underwriting Activity Report as set forth in subparagraph (d)(1), [T] the market maker may provide written [notice] confirmation to Nasdaq Market Operations that shall include:

(A) the [name] identity of the security and its Nasdaq symbol;

(B) [the date on which the security’s registration will become effective, if it is already included in Nasdaq] the contemplated effective date of the offering and the date when the offering will be priced;

[(C) whether the stabilizing bid will be a penalty bid or a penalty-free bid]

(C) the date and time that an identifier should be included on the Nasdaq quotation display; and

(D) a copy of the cover page of the preliminary or final prospectus [or shelf registration statement] or similar offering document, unless the Association determines otherwise.

[(2) In the case of a pre-effective stabilizing bid, the notice shall include (A) the name of the security and its Nasdaq symbol; (B) the contemplated effective date of the offering; (C) whether it is contemplated that the pre-effective stabilizing bid will be converted to a stabilizing bid and, if so, whether the stabilizing bid will be

a penalty bid or a penalty-free bid; and (D) a copy of the preliminary prospectus, unless the Association determines otherwise.]

[(3) A market maker that has provided the written notice prescribed above shall also contact Nasdaq Market Operations for authorization on the day the market maker wishes to enter the stabilizing bid.]

[(d) Dual Bids in the Same Issue. A market maker shall not enter a stabilizing bid at the same time that it is quoting any other bid or offer in the issue.]

[(e) Volume Reporting for Stabilizing Bids. A market maker entering a stabilizing bid shall report all purchases made on the stabilizing bid and enter "zero volume" for sales during the period in which the stabilizing bid is in effect.]

4619. Withdrawal of Quotations and Passive Market Making

(a) - (c) No change.

(d) Excused withdrawal status or passive market maker status may be granted to a market maker that is a distribution participant (or, in the case of excused withdrawal status, an affiliated purchaser) in order to comply with SEC Rules [10b-6] 101, [or Rule 10b-6A(T)] 103, or 104 under the Act on the following conditions:

(1) A [market maker] member acting as a manager (or in a similar capacity) of a distribution of a Nasdaq security that is a subject or reference security under SEC Rule 101 and any member that is a distribution participant or that is an affiliated purchaser in such a distribution that does not have a manager shall [: (A)] provide written notice to Nasdaq Market Operations [of the prospective distribution] no later than the business day prior to the first entire trading session

of the one-day or five-day restricted period under SEC Rule 101, unless later notification is necessary under the specific circumstances. [and the fact that the market maker is a manager of the distribution, the Nasdaq security or securities that are subject to SEC Rule 10b-6 no later than 5 business days following the filing of a registration statement with the Association pursuant to Rule 2710, or, if the member is not required to file the registration statement with the Association, no later than 5 business days following the filing of offering documents with the appropriate regulatory authority; and, (B) no later than noon Eastern Time on the business day prior to the beginning of the cooling off period:]

[(i) (A) [request] The notice required by subparagraph (d)(1) of this Rule shall be provided by submitting a completed Underwriting Activity Report that includes a request on behalf of each market maker that is a distribution participant or an affiliated purchaser to withdraw[al of] the market maker[s]'s quotations, or [identification of] that includes a request on behalf of each market maker that is a distribution participant that its [the market makers'] quotations be identified as those of a passive market maker [by providing written notice to Nasdaq Market Operations of the identity of the market makers that are distribution participants], and includes the contemplated date and time of the commencement of the [cooling off period] restricted period. [and the identity of the market makers that intend to act as passive market makers; and]

[(ii)(B) The managing underwriter shall advise [the] each market maker that [they have] it has been identified as a distribution participant[s] or an affiliated purchaser to Nasdaq Market Operations and that [their] its quotations will be automatically

withdrawn or identified as passive market maker quotations, [upon the request made by the manager] unless [they submit to] a market maker that is a distribution participant notifies [the Association the notice specified in] Nasdaq Market Operations as required by subparagraph [(3)] (d)(2), below.

[(2) If the security is being distributed pursuant to an offering for which no registration statement or offering document is required to be filed, each market maker that is a distribution participant shall, no later than noon Eastern Time on the business day prior to the beginning of the cooling off period, provide written notice to Nasdaq Market Operations of its participation in the distribution, the contemplated date and time of the commencement of the cooling off period, the Nasdaq security or securities that are subject to SEC Rule 10b-6, and request withdrawal of its quotations or identification as a passive market maker.]

[(3) 2) A market maker that has been identified to Nasdaq Market Operations as a distribution participant shall [provide written notice to] promptly notify Nasdaq Market Operations and the manager of its intention not to participate in the prospective distribution or not to act as a passive market maker [no later than 4:00 p.m. Eastern Time on the business day prior to the beginning of the cooling off period] in order to avoid having its quotations withdrawn or identified as the quotations of a passive market maker, or in order to have its excused withdrawal status rescinded.

(3) If a market maker that is a distribution participant withdraws its quotations in a Nasdaq security in order to comply with the net purchases limitation of SEC Rule 103 or with any other provision of SEC Rules 101, 103, or 104 and promptly noti-

fies Nasdaq Market Operations of its action, the withdrawal shall be deemed an excused withdrawal. Nothing in this subparagraph shall prohibit the Association from taking such action as is necessary under the circumstances against a member and its associated persons for failure to contact Nasdaq Market Operations to obtain an excused withdrawal as required by subparagraphs (a) and (d) of this Rule.

(4) [In the event the manager of a distribution is not a market maker, each market maker that is a distribution participant shall comply with paragraph (d)(1) unless another market maker has assumed responsibility for compliance.] The quotations of a passive market maker shall be identified on Nasdaq as those of a passive market maker.

[For purposes of this Rule, the term “cooling off period” refers to the periods specified in SEC Rule 10b-6(a)(4)(xi), the terms “distribution” and “distribution participant” refers to these terms as defined in SEC Rule 10b-6(c)(5) and (c)(6) and the term “passive market maker” refers to this term as defined in SEC Rule 10b-6A(T).]

4623. Penalty Bids and Syndicate Covering Transactions

(a) A market maker acting as a manager (or in a similar capacity) of a distribution of a Nasdaq security that is a subject or reference security under SEC Rule 101 shall provide written notice to the Corporate Financing Department of NASD Regulation, Inc. of its intention to impose a penalty bid on syndicate members or to conduct syndicate covering transactions pursuant to SEC Rule 104 prior to imposing the penalty bid or engaging in the first syndicate covering transaction. A market maker that intends to impose a penalty bid on syndicate members

may request that its quotation be identified as a penalty bid on Nasdaq pursuant to paragraph (c) below.

(b) The notice required by paragraph (a) shall include:

(1) the identity of the security and its Nasdaq symbol;

(2) the date the member is intending to impose the penalty bid and/or conduct syndicate covering transactions; and

(3) the amount of the syndicate short position, in the case of syndicate covering transactions.

(c) Notwithstanding paragraph (a), a market maker may request that its quotation identified as a penalty bid on Nasdaq display by providing notice to Nasdaq Market Operations, which notice shall include the date and time that the penalty bid identifier should be entered on Nasdaq and, if not in writing, shall be confirmed in writing no later than the end of the day on which the penalty bid identifier is entered on Nasdaq.

(d) The written notice required by paragraphs (a) and (c) of this Rule may be submitted on the Underwriting Activity Report by including the information required by subparagraphs (b)(1) and (b)(2) or paragraph (c).

6500. OTC BULLETIN BOARD SERVICE

6540. Requirements Applicable to Market Makers

(a) No change.

(b) No change.

(1) Permissible Quotation Entries

(A) - (C) No change.

(D) Any member that intends to be a distribution participant in a distribution of securities subject to SEC Rule 101, or is an affiliated purchaser in such distribution, and is entering quotations in an OTCBB-eligible security that is the subject or reference security of such distribution shall (unless another member has assumed responsibility for compliance with this paragraph):

(i) provide written notice to Nasdaq Market Operations prior to the pricing of the distribution that includes the intended date and time of the pricing of the offering;

(ii) withdraw all quotations in the OTCBB-eligible security to comply with the applicable restricted period under SEC Rule 101 and not enter a stabilizing bid pursuant to SEC Rule 104 in the OTCBB; and

(iii) provide written notice to the Corporate Financing Department of NASD Regulation, Inc. of its intention to impose a penalty bid or to conduct syndicate covering transactions pursuant to SEC Rule 104 prior to imposing the penalty bid or engaging in the first syndicate covering transaction. Such notice shall include information as to the date the penalty bid or first syndicate covering transaction will occur and the amount of the syndicate short position.

(E) The written notice required by subparagraphs (b)(1)(D)(i) and (iii) of this rule may be submitted on the Underwriting Activity Report provided by the Corporate Financing Department of NASD Regulation, Inc. by including the information required by those subparagraphs.

(F) For purposes of subparagraph (D), SEC Rules 100, 101, 103 and 104 are rules of the Commission adopted under Regulation M and the following terms shall have the meanings as defined in SEC Rule 100:

“affiliated purchaser,” “distribution,” “distribution participant,” “penalty bid,” “reference security,” “restricted period,” “stabilizing,” “subject security,” and “syndicate covering transaction.”

Endnotes

¹ Securities Act Release No. 7375 (December 20, 1996); 62 FR 520 (January 3, 1997).

² The public float is the aggregate amount of common equity securities held by non-affiliates as would be reported by an issuer on SEC Form 10-K.

³ See, definition of “business day” in SEC Rule 100 for purposes of calculation of the restricted period under SEC Rule 101. It is anticipated that this definition will be amended effective March 4, 1997. The term “business day” for purposes of the Nasdaq rules refers to a calendar day on which trading

occurs on Nasdaq.

⁴ CommScan’s data systems are the most complete database of equity offerings and provide the NASD with information on all offerings filed with the SEC.

⁵ Members should review *Notice to Members 96-18* for a more complete description of the operation of the SynWire and CommScan.

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UNDERWRITING ACTIVITY REPORT REQUEST FORM

ATTENTION: NASD REGULATION CORPORATE FINANCING DEPARTMENT

CITY, STATE
DATE
BK: GSC-3335

=====
== REQUEST FOR UNDERWRITING ACTIVITY REPORT ==
=====

RE: # OF SHARES
ISSUER
TYPE OF SECURITY
SYMBOL

PURSUANT TO FILING REQUIREMENTS OF NASD CONDUCT RULE
2710(B)(11), AND ACTING, IN OUR CAPACITY AS MANAGER WE REQUEST AN
UNDERWRITING ACTIVITY REPORT ON THE ABOVE SUBJECT/REFERENCED
SECURITY:

FILING DATE: XXXXXXXXXXXX
ANTICIPATED TAKEDOWN: XXXXXXXXXXXX
ANTICIPATED PRICING DATE: XXXXXXXXXXXX

SIGNATURE: XXXXXXXXXXXX
TITLE: XXXXXXXXXXXX
CONTACT (IF DIFFERENT FROM ABOVE): XXXXXXXXXXXX

MEMBER NAME

Via CommScan, L.L.C.

REGULATION M RESTRICTED PERIOD COMMENCEMENT FORM

ATTENTION: NASDAQ MARKET OPERATIONS
CITY, STATE
STATE
BK: GSC-3333

=====
== REGULATION M RESTRICTED PERIOD COMMENCEMENT ==
=====

RE: # OF SHARES
ISSUER
TYPE OF SECURITY
SYMBOL

PURSUANT TO THE PROVISIONS OF SEC RULES 101 AND 103 UNDER
REGULATION M, YOU ARE ADVISED OF OUR INTENTION TO COMMENCE THE
RESTRICTED PERIOD ON 00/00/00 AT XX:XX XX.

PURSUANT TO RULE 4619(D) WE ADVISE YOU THAT THE FOLLOWING DEALERS
ARE DISTRIBUTION PARTICIPANTS OR AFFILIATED PURCHASERS AND THEIR
QUOTES SHOULD BE WITHDRAWN FROM THE MARKET OR DESIGNATED AS PASSIVE
MARKET MAKING QUOTES AS INDICATED:

MEMBERS	PASSIVE OR EXCUSED
MEMBER 1	XXXXXXXX
MEMBER 2	XXXXXXXX
MEMBER 3	XXXXXXXX
MEMBER N	XXXXXXXX

SIGNATURE:	XXXXXXXXXXXX
TITLE:	XXXXXXXXXXXX
CONTACT (IF DIFFERENT FROM ABOVE):	XXXXXXXXXXXX

MEMBER NAME

Via CommScan, L.L.C.

REGULATION M TRADING NOTIFICATION FORM

ATTENTION: NASD REGULATION CORPORATE FINANCING DEPARTMENT
NASDAQ MARKET OPERATIONS DEPARTMENT

CITY, STATE
DATE
BK: GSC-3334

=====
== REGULATION M TRADING NOTIFICATION ==
=====

RE: # OF SHARES
ISSUER
TYPE OF SECURITY
SYMBOL

OFFER PRICE: XXXXXXXXXXXX
LAST TRADE BEFORE OFFER: XXXXXXXXXXXX
EFFECTIVE DATE: XXXXXXXXXXXX
EFFECTIVE TIME: XXXXXXXXXXXX
TRADE DATE: XXXXXXXXXXXX

PURSUANT TO THE PROVISIONS OF SEC RULE 104 UNDER REGULATION M, YOU ARE ADVISED OF OUR INTENTION TO ENGAGE IN THE BELOW LISTED ACTIVITY ON THE DATE SHOWN:

ACTIVITY	DATE	TIME
FIRST STABILIZING TRANSACTION:	XXXXXXX	XXXXX
FIRST COVERING TRANSACTION:	XXXXXXX	
FIRST PENALTY BID TRANSACTION:	XXXXXXX	XXXXX (OPTIONAL)

SIGNATURE: XXXXXXXXXXXX
TITLE: XXXXXXXXXXXX
CONTACT (IF DIFFERENT FROM ABOVE): XXXXXXXXXXXX
TELEPHONE NUMBER XXX-XXX-XXXX

MEMBER NAME

Via CommScan, L.L.C.

NASD NOTICE TO MEMBERS 97-11

NASD Regulation
Requests Comment On
Proposed Rule Restricting
Payment Of Referral Fees
By NASD Members;
**Comment Period
Expires April 30, 1997**

Suggested Routing

- Senior Management
- Advertising
- Corporate Finance
- Government Securities
- Institutional
- Internal Audit
- Legal & Compliance
- Municipal
- Mutual Fund
- Operations
- Options
- Registration
- Research
- Syndicate
- Systems
- Trading
- Training

Executive Summary

In the following document, NASD Regulation, Inc. (NASD RegulationSM) requests comment on new NASD[®] Rule 2460 that would restrict the payment of “finders” or referral fees by NASD members to unregistered third parties for the referral of retail business.

Questions concerning this Request For Comment should be directed to R. Clark Hooper, Senior Vice President, Office of Disclosure and Investor Protection, NASD Regulation, at (202) 728-8325; or Mary N. Revell, Assistant General Counsel, Office of General Counsel, NASD Regulation, at (202) 728-8203.

Request For Comment

The NASD encourages all interested parties to comment on the proposed new Rule. Comments should be mailed to:

Joan Conley
Office of the Corporate Secretary
NASD Regulation, Inc.
1735 K Street, NW
Washington, DC 20006-1500

or e-mailed to:
pubcom@nasd.com.

Comments must be received **by April 30, 1997**. Before becoming effective, any rule change developed as a result of comments received must be adopted by the NASD Regulation Board of Directors, may be reviewed by the NASD Board of Governors, and must be approved by the SEC.

NASD REGULATION REQUEST FOR COMMENT 97-11

Executive Summary

NASD Regulation, Inc. (NASD RegulationSM) requests comment on new NASD[®] Rule 2460 that would restrict the payment of “finders” or referral fees by NASD members to unregistered third parties for the referral of retail business.

Questions concerning this Request For Comment should be directed to R. Clark Hooper, Senior Vice President, Office of Disclosure and Investor Protection, NASD Regulation, at (202) 728-8325; or Mary N. Revell, Assistant General Counsel, Office of General Counsel, NASD Regulation, at (202) 728-8203.

Background

On December 28, 1995, the NASD filed with the Securities and Exchange Commission (SEC) a proposed rule change that specifies requirements for broker/dealer conduct on the premises of a financial institution (proposed bank broker/dealer rule).¹ The purpose of the proposed bank broker/dealer rule was to address concerns about customer confusion over the distinction between the insured products of financial institutions and the uninsured securities products of broker/dealers operating on the premises of financial institutions and to provide a regulatory framework for regulating bank broker/dealer activities.

The SEC published the proposal in the *Federal Register* on March 22, 1996, requesting comments by May 21, 1996.² The SEC received 87 comments on the proposed bank broker/dealer rule, many of which objected to the referral fee provision in the rule. That provision would have prohibited members from paying referral fees to employees of a financial institution who are not registered with an NASD member in connection with locating, introducing, or referring customers of the

financial institution to the member. The commenters objected to the provision as anti-competitive, since it would have applied only to brokerage operations on the premises of a financial institution. As a result, the provision regarding referral fees has been deleted from the proposed bank broker/dealer rule, and the NASD Regulation Board of Directors (Board) has approved the solicitation of comment on a proposed referral fee rule that would apply to all NASD members.

The NASD believes that it is important to be able to regulate the flow of securities-related compensation from its members to unregistered persons in connection with the solicitation of securities transactions. Therefore, the NASD consistently has taken the position in published interpretations that it is improper for a member or a person associated with a member to make payments of “finders” or referral fees to third parties who introduce or refer prospective brokerage customers to the firm, unless the recipient is registered as a representative of an NASD member firm.³ This position is based on the definition of “representative” in the NASD rules and the definition of “associated person” in the NASD By-Laws. In particular, Rule 1031(b) defines a representative of a member firm as:

[A person] associated with a member ... who [is] engaged in the investment banking or securities business for the member including the functions of supervision, **solicitation** or conduct of business in securities. (Emphasis added.)

The NASD By-Laws define a “person associated with a member” as “any natural person engaged in the investment banking or securities business who is directly or indirectly controlling or controlled by such member...”⁴

The NASD interprets these provisions to mean that persons who introduce or refer prospective customers and receive compensation for such activities are engaged in the securities business for the member in the form of solicitation.⁵ NASD disciplinary decisions have stated that solicitation is the first step in the consummation of a securities transaction and must be regarded as part of the conduct of business in securities.⁶ NASD Regulation believes that persons who receive compensation from a member for soliciting securities transactions are engaged in the securities business under the control of a member firm and should be subject to NASD qualification and registration requirements.

Although the NASD, on an informal basis, has permitted “one-time” fees not tied to the completion of a transaction or the opening of an account, it has consistently taken the position that the activities of locating, introducing, or referring potential retail customers come within the definition of representative and that persons who receive compensation for performing such activities are acting on behalf of the member and should be registered with the firm. The NASD has stated that the following situations raise the presumption that a finder should be registered:

- The finder repeatedly refers prospective customers to the member;
- The finder makes a sales pitch or a recommendation concerning the investment purchased;
- Direct transaction-based compensation is paid to the finder.⁷

The SEC also has taken a position on the regulatory obligations associated with the acceptance of referral fees. Over the years, the SEC has established, through “no action letters,” an

exemption from broker/dealer registration requirements under the Securities Exchange Act for individuals whose function is that of a “finder.” This exemption is usually conditioned upon representations that the “finder” will have no involvement in negotiations, will not discuss details or make recommendations regarding securities transactions, and will not receive transaction-based compensation.⁸ Although it might be argued that an individual who does no more than refer or introduce a prospective retail customer to a broker/dealer is performing essentially the same function, the NASD always has taken the position that this function is encompassed by the definition of “representative,” particularly where compensation is involved.

The NASD has received a large number of inquiries regarding the propriety of paying referral fees to third parties who introduce or refer prospective brokerage customers to the firm, including questions about whether such payments may be made to bank employees. To clarify the NASD’s position and make it available to all members, the Board has approved the solicitation of comment on the proposed rule.

Description

The proposed new referral fee rule, NASD Rule 2460, would prohibit a member or a person associated with a member from paying cash or non-cash compensation to any person (other than persons who are registered with the member or persons who are themselves NASD members) in connection with locating, introducing, or referring prospective brokerage account customers to the member. As drafted, the Rule would apply to payments directed to any “person.” NASD Rule 0120(j) defines the term “person” to include “any natural person, partnership, corporation, association, or other legal

entity.” Because only natural persons can be associated persons and thus subject to the requirement to register with a member firm, comment is requested on whether the Rule should be limited in application to payments to natural persons for referrals of retail brokerage business.

The proposed Rule prohibits both direct and indirect referral pay payments. Thus, the Rule prohibits both compensation through payments made directly to an unregistered person as well as payments made indirectly to an individual or an organization that are specifically earmarked for subsequent payment to an unlicensed person. The proposed Rule would not, however, prohibit non-NASD member financial institutions from paying referral fees to their own employees as permitted by the Interagency Statement on Retail Sales of Nondeposit Investment Products (February 15, 1994).

The proposed Rule differs from the published interpretation described above by not including an exception from the prohibition for the payment of a nominal fee for a referral where the payment is occasional, not determined by the outcome of the referral, and where the recipient does not regularly engage in activity that might reasonably be expected to result in continued referrals.⁹ NASD Regulation preliminarily does not believe that there is a need for such an exception for a rule that is limited in application to referrals of brokerage account customers. Comment is requested on whether such an exception is necessary and, if so, what types of payments should be permissible under the exception.

NASD Regulation believes that it is important to be able to regulate the flow of compensation related to securities transactions from its members to unregistered persons, and that compliance with a referral fee rule,

as described above, would significantly reduce the risks attendant to the solicitation of securities transactions by unregistered persons.

Request For Comment

The NASD encourages all interested parties to comment on the proposed new Rule. Comments should be mailed to:

Joan Conley
Office of the Corporate Secretary
NASD Regulation, Inc.
1735 K Street, NW
Washington, DC 20006-1500

or e-mailed to:
pubcom@nasd.com.

Comments must be received by **April 30, 1997**. Before becoming effective, any rule change developed as a result of comments received must be adopted by the NASD Regulation Board of Directors, may be reviewed by the NASD Board of Governors, and must be approved by the SEC.

Text Of Proposed Rule

(Note: All language is new.)

Rule 2460. Referral Fees

No member or person associated with a member shall, directly or indirectly, give or permit to be given cash or non-cash compensation to any person (other than persons registered with the member and other members) in connection with locating, introducing, or referring prospective brokerage account customers to the member.

Endnotes

¹ File No. SR-NASD-95-63.

² Release No. 34-36980; 61 FR 11913.

³ See *NASD Notice to Members 89-3*; *NASD Guide to Rule Interpretations* (May 1994), p. 108.

⁴ Article I(9).

⁵ See note 3, *supra*.

⁶ See, e.g., *In the Matter of District Business Conduct Committee for District No. 2 vs. Hanmi Securities et al.* (National Business Conduct Committee Decision, May 9, 1996).

⁷ *NASD Guide to Rule Interpretations* (May 1994), p. 108.

⁸ See, e.g., International Business Exchange Corp., SEC No-Action Letter (December 12, 1986); Merrill Lynch, Pierce, Fenner & Smith, Inc., SEC No-Action Letter (July 9, 1987). *But see* Charles Schwab & Co., Inc., SEC No-Action Letter (November 27, 1996).

⁹ See *NASD Guide to Rule Interpretations, supra*, note 3: "On an informal basis, the [NASD] has permitted 'one time' fees not tied to the completion of a transaction or opening of an account." See also *Notice to Members 89-3, supra* note 3. The rule proposed in *Notice to Members 89-3* would have permitted members "to pay fixed fees for referrals on an occasional basis, provided that the fee is minimal and neither the entitlement to nor the amount of the fees are linked to the opening of an account, the execution of transactions, the volume of business, or in any other way tied to the outcome of the referral."

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NASD NOTICE TO MEMBERS 97-12

NASD Regulation
Requests Comment On
Proposed Rule Governing
Use And Release Of
Customer Confidential
Financial Information;
**Comment Period
Expires April 30, 1997**

Suggested Routing

- Senior Management
- Advertising
- Corporate Finance
- Government Securities
- Institutional
- Internal Audit
- Legal & Compliance
- Municipal
- Mutual Fund
- Operations
- Options
- Registration
- Research
- Syndicate
- Systems
- Trading
- Training

In the following document, NASD Regulation, Inc. (NASD RegulationSM) requests comment on new NASD[®] Rule 3121 that would govern a member's use and release of customer confidential financial information. The Rule would apply to all members that use or release confidential financial information regarding customers who are natural persons. The Rule contains requirements applicable to the use of confidential financial information that is obtained from a business affiliate and to the release of such information to any third party, whether affiliated or unaffiliated. The Rule also includes a definition of *confidential financial information* and *business affiliate*.

Questions concerning this Request For Comment should be directed to R. Clark Hooper, Senior Vice President, Office of Disclosure and Investor Protection, NASD Regulation, at (202) 728-8325; or Mary N. Revell, Assistant General Counsel, Office of General Counsel, NASD Regulation, at (202) 728-8203.

Request For Comment

The NASD encourages all interested parties to comment on the proposed new Rule 3121. Comments should be mailed to:

Joan Conley
Office of the Corporate Secretary
NASD Regulation, Inc.
1735 K Street, NW
Washington, DC 20006-1500

or e-mailed to:
pubcom@nasd.com.

Comments must be received **by April 30, 1997**. Before becoming effective, any rule change developed as a result of comments received must be adopted by the NASD Regulation Board of Directors, may be reviewed by the NASD Board of Governors, and must be approved by the SEC.

NASD REGULATION REQUEST FOR COMMENT 97-12

Executive Summary

NASD Regulation, Inc. (NASD RegulationSM) requests comment on new NASD[®] Rule 3121 that would govern a member's use and release of customer confidential financial information. The Rule would apply to all members that use or release confidential financial information regarding customers who are natural persons. The Rule contains requirements applicable to the use of confidential financial information that is obtained from a business affiliate and to the release of such information to any third party, whether affiliated or unaffiliated. The Rule also includes a definition of *confidential financial information* and *business affiliate*.

Questions concerning this Request For Comment should be directed to R. Clark Hooper, Senior Vice President, Office of Disclosure and Investor Protection, NASD Regulation, at (202) 728-8325; or Mary N. Revell, Assistant General Counsel, Office of General Counsel, NASD Regulation, at (202) 728-8203.

Background

On December 28, 1995, the NASD filed with the Securities and Exchange Commission (SEC) a proposed rule change that specifies requirements for broker/dealer conduct on the premises of a financial institution (proposed bank broker/dealer rule).¹ The purpose of the proposed bank broker/dealer rule was to address concerns about customer confusion over the distinction between the insured products of financial institutions and the uninsured securities products of broker/dealers operating on the premises of financial institutions and to provide a regulatory framework for regulating broker/dealer activities.

The SEC published the proposed bank broker/dealer rule in the *Federal Register* on March 22, 1996, request-

ing comments by May 21, 1996.² The SEC received 87 comments on the proposal, most of which raised objections to a provision in the proposed rule that would have prohibited bank broker/dealers from using customer confidential financial information provided by the financial institution unless prior written approval had been granted by the customer to release the information. Many of the commenters believed that any such restriction should apply to the entire industry, not only to bank broker/dealers. As a result, the provision restricting the use of confidential financial information has been deleted from the proposed bank broker/dealer rule, and is being proposed as a rule that would apply to all NASD members.

Description

Proposed new Rule 3121 would govern the use and release of confidential financial information of customers who are natural persons. The Rule would apply to all members that use customer confidential financial information that is obtained from a business affiliate, including financial institutions, insurance companies, finance companies, and to members who release customer confidential financial information to any third party, whether affiliated or unaffiliated. The Rule does not apply to the release of information to a regulatory authority with jurisdiction over the member or pursuant to court process or to the sharing of information pursuant to clearing, custodial, or transfer arrangements with member firms.

The Rule includes definitions of *confidential financial information* and *business affiliate*. *Confidential financial information* is defined as customer financial information other than lists of customer names, addresses, and telephone numbers, or information that can be obtained from unaffiliated credit bureaus or

similar companies in the ordinary course of business. The term *business affiliate* is defined as a person with whom the member maintains a control relationship or has a contractual arrangement for the purpose of servicing customers. This definition thus includes entities that maintain “networking” arrangements with member firms but no other type of corporate affiliation. Comment is requested on whether the definition of *business affiliate* accurately specifies the universe of persons that should be subject to the “negative consent” provisions of the Rule, described below.

Paragraph (a) of the Rule would require that before releasing confidential financial information to a person other than a business affiliate, a member must clearly and conspicuously disclose that the information may be released and that the customer has the right to object to its release. Following such disclosure, the member would be required to obtain the written consent of the customer. The requirements of paragraph (a) would be triggered, for example, when a member sells a customer list to an unaffiliated entity.

Where information is released to business affiliates, members would be required by paragraph (b) to provide customers with the same disclosures described above. The customer then must be provided with a meaningful opportunity to object to the release of the information, and the information may not be released if an objection is received. The requirements of this paragraph would apply, for example, when a member shares such information with an affiliated insurance or mortgage company.

Commenters should consider as a factor in evaluating the usefulness of the proposed disclosures that such information may be available from sources other than the member and

that a customer’s objection to the member’s release of information therefore will not necessarily protect the confidentiality of the information.

Paragraph (c) of the Rule would prohibit the **use** by a member of confidential financial information that is provided to it by a business affiliate unless the member determines that the affiliate complied with the requirements set out in paragraph (b) or the member itself complies with those requirements. This paragraph would apply, for example, to the use by a member of confidential financial information provided by a financial institution with which it has a networking arrangement to provide securities services to the customers of the financial institution. While not required by the Rule, members also should consider informing customers that this information may be used to make investment recommendations.

Releasing information to business affiliates is treated differently from releasing it to other persons to reflect the different expectations that customers may have with respect to the sharing of confidential information. In addition, it might not be feasible to require affirmative written consent in every case, particularly where such information is maintained by a member and an affiliate in a central database. Thus, where information is being released to an affiliate, and customers normally expect or even desire that such information be shared for purposes of receiving various financial services from the same source, the Rule requires firms to provide disclosure and an opportunity for a customer to object to the release before information may be shared. On the other hand, where information is being shared with a person other than an affiliate, and customers may not expect or desire that information will be shared, the Rule requires that a firm obtain written customer consent as well as providing disclosure.

The required disclosure must be made to both new and existing customers: disclosure may be made to new customers at the time the account is opened and to existing clients through the mail or appropriate electronic media.³ Comment is requested on whether the Rule should be applied prospectively to only new customers. Disclosure may be made by any entity that initially obtains the confidential information, and other entities, including broker/dealers, should be able to rely on the other entity’s compliance with required disclosures. Comment is requested on whether the required disclosure should be provided in the account-opening document or whether it should be provided in a separate document.

Only one consent to the use or release of a particular customer’s confidential financial information should be required. Also, written consent to the release of confidential financial information to a person other than an affiliate or an objection to the release or use of such information may be made through appropriate electronic media.⁴ In any event, each customer would have to be provided a reasonable period of time in which to express his or her right to object before information could be shared with affiliates.

The recently enacted amendments to the Fair Credit Reporting Act (FCRA), 15 U.S.C. Section 1681 et seq., also address the use and release of confidential financial information. The FCRA regulates the consumer reporting industry by imposing certain restrictions and requirements on consumer reporting agencies. Any entity, including a broker/dealer, that accumulates and disseminates certain consumer information may be subject to the FCRA. In particular, an entity that provides so-called “non-experience information” (e.g., information contained in credit applications or

reports from credit bureaus, demographic firms, or other third parties) to a non-affiliate could be considered a consumer reporting agency and might be required to comply with FCRA requirements. On the other hand, an entity may share without limitation “experience information” (*i.e.*, information derived from transactions or experiences with the consumer) with both affiliates and non-affiliates without becoming subject to the FCRA. In addition, as a result of recent amendments to the FCRA, members of the same corporate family now may share non-experience consumer information without becoming subject to FCRA requirements. In particular, the amendments allow affiliates to share non-experience information, either directly or through a central database, so long as it is clearly and conspicuously disclosed to the consumer that information may be shared among the affiliates, and the consumer is given an opportunity, before the information is initially communicated, to opt out of the sharing arrangement.

The proposed Rule applies generally to the use and release of the type of information referred to in the FCRA as “experience information.” While the FCRA allows for the unrestricted sharing of such information, NASD Regulation preliminarily believes that customer protection concerns dictate that more stringent standards should apply to member firms before they may release or use customer confidential financial information. Thus, the Rule goes further than the FCRA in imposing specific requirements on member firms that share such information with affiliates or non-affiliates.

Request For Comment

The NASD encourages all interested parties to comment on the proposed new Rule 3121. Comments should be mailed to:

Joan Conley
Office of the Corporate Secretary
NASD Regulation, Inc.
1735 K Street, NW
Washington, DC 20006-1500

or e-mailed to:
pubcom@nasd.com.

Comments must be received **by April 30, 1997**. Before becoming effective, any rule change developed as a result of comments received must be adopted by the NASD Regulation Board of Directors, may be reviewed by the NASD Board of Governors, and must be approved by the SEC.

Text Of Proposed Rule

(Note: All language is new.)

3121. Use and Release of Confidential Financial Information

(a) Release of Information to Persons Other Than Business Affiliates

(1) A member shall not release confidential financial information regarding any customer to any person other than a business affiliate unless:

(A) the member clearly and conspicuously discloses to the customer that:

(i) the information may be released to a person other than a business affiliate; and

(ii) the customer has the right to object to the release of the information; and

(B) following such disclosure, the customer has consented in writing to the release of such information to such other person.

(2) Paragraph (a)(1) shall not apply to the release by a member of confidential financial information to a governmental, regulatory, or self-reg-

ulatory authority with jurisdiction over the member or to a court of competent jurisdiction.

(b) Release of Information to Business Affiliates

A member shall not release confidential financial information regarding any customer to a business affiliate unless the member:

(1) clearly and conspicuously discloses to the customer that:

(A) the information may be released to a business affiliate; and

(B) the customer has the right to object to the release of the information;

(2) provides the customer with an opportunity, a reasonable period of time before the time that the information is released, to object to the release of the information; and

(3) has not received an objection from the customer to the release of the information.

(c) Use of Information Provided by Business Affiliates

A member shall not use confidential financial information regarding any customer provided by a business affiliate unless either the member determines that the business affiliate has followed the procedures described in paragraph (b) or the member complies with the requirements of paragraph (b).

(d) Definitions

(1) “Confidential financial information” shall mean any financial information concerning a customer but shall not include:

(A) a customer’s name, address(es), and telephone number(s), unless the customer specifies otherwise; or

(B) information that can be obtained from unaffiliated credit bureaus or other similar companies in the ordinary course of business.

(2) “Business Affiliate”

The term “business affiliate,” when used in this rule with respect to a member, shall mean any person that, directly or indirectly, controls, is controlled by, or is under common control with, such member, or any person with which the member has a contractual arrangement for servicing customers.

(e) Exception

Notwithstanding the foregoing, this Rule 3121 shall not apply to the sharing of information: (1) pursuant to clearing, custodial, or transfer arrangements with member firms necessary to service customer accounts or (2) pertaining to customers other than natural persons.

Endnotes

¹ File No. SR-NASD-95-63.

² Release No. 34-36980; 61 FR 11913.

³ The SEC recently issued guidelines on the

use of electronic media by broker/dealers and others for delivery of information required by SEC rules. See Release No. 33-7288; 34-37182; IC-21945; IA-1562 (May 9, 1996), 61 FR 24644 (May 15, 1996).

⁴ *Id.*

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NASD NOTICE TO MEMBERS 97-13

Bank Secrecy Act Recordkeeping Rule For Funds Transfers And Transmittals Of Funds

Suggested Routing

- Senior Management
- Advertising
- Corporate Finance
- Government Securities
- Institutional
- Internal Audit
- Legal & Compliance
- Municipal
- Mutual Fund
- Operations
- Options
- Registration
- Research
- Syndicate
- Systems
- Trading
- Training

Executive Summary

The Department of the Treasury's (Treasury) amendments to the Bank Secrecy Act (BSA), which facilitate tracing funds through the funds-transmittal process, became effective May 28, 1996. For transmittals of funds of \$3,000 or more, broker/dealers are required to obtain and keep certain specified information concerning the transmitter and the recipient of those funds. In addition, broker/dealers must include this information on the actual transmittal order.

Questions regarding this Notice may be directed to Samuel Luque, Jr., Associate Director, Compliance, NASD Regulation, Inc., at (202) 728-8472; or Susan DeMando, District Coordinator, Compliance, NASD Regulation, Inc., at (202) 728-8411.

Background

The BSA authorizes the Treasury to require financial institutions, including broker/dealers, to keep records and file reports about the source, volume, and movement of funds into and out of the country and through domestic financial institutions. In 1992, the Annunzio-Wylie Anti-Money Laundering Act (1992 Amendment) amended the BSA to give the Treasury and the Board of Governors of the Federal Reserve System (Fed.) joint authority to prescribe regulations for maintaining records of domestic and international transmittals of funds.

In April 1993, the Treasury and the Fed. published a joint proposal with amendments to the BSA for funds transfers, which was adopted in final form in early 1995 (Joint Rule). The Joint Rule requires additional recordkeeping related to certain funds transmittals and transfers by broker/dealers and other financial institutions. At the same time, the

Treasury adopted a companion rule (Travel Rule or Rule) that requires financial institutions to include on transmittal orders certain information that must be retained under the new recordkeeping requirements. Members may refer to *Notices to Members 96-67, 95-69, 95-88*, and "For Your Information" in the April 1996 *Notices to Members* for additional information on these amendments.

Questions And Answers

Listed below are frequently asked questions about the recordkeeping rules for transmittals of funds and funds transfers under the BSA. As with *Notice to Members 96-67*, which was also in a question-and-answer format, this information is not meant to be comprehensive and does not replace or supersede the terms of these provisions. NASD RegulationSM appreciates the assistance of the Treasury's Financial Crimes Enforcement Network (FinCEN) in the preparation of this Notice.

Q1: What travel requirements are in effect?

A1: A Rule is in place [31 CFR 103.33(g)] that requires all financial institutions to pass on certain information to the next financial institution when processing funds transmittals. This Rule complements the Joint Rule [31 CFR 103.33(e) and (f)].

Q2: Who issued this Rule?

A2: The Travel Rule was issued by FinCEN of the U.S. Department of the Treasury.

Q3: Are all transmittals of funds subject to this Rule?

A3: No. Only transmittals of funds equal to or greater than \$3,000

(or its foreign equivalent) are subject to this Rule. In addition, transmittals of funds governed by the Electronic Funds Transfer Act (Reg E) or made through an ATM or point of sale system are not subject to this Rule.

Q4: When did this new Rule take effect?

A4: This Rule took effect on May 28, 1996.

Q5: What are the Travel Rule's requirements?

A5: All transmitter's financial institutions must include and send the following in the transmittal order:

- the name of the transmitter;
- the account number of the transmitter, if used;
- the address of the transmitter;
- the identity of the transmitter's financial institution;
- the amount of the transmittal order;
- the execution date of the transmittal order;
- the identity of the recipient's financial institution;

and, if received:

- the name of the recipient;
- the address of the recipient;
- the account number of the recipient;
- any other specific identifier of the recipient.

An intermediary financial institution must pass on all of the information it receives from a transmitter's financial institution or the preceding intermediary financial institution, but has no general duty to obtain information not provided by the transmitter's financial institution or the preceding intermediary financial institution. Exceptions are noted below in Question # 6.

However, if the system used to effect the transmittal of funds (e.g., the Fedwire System) is not currently designed to meet these requirements, the name, address, and account of the transmitter, and the identity of the transmitter's financial institution need not be passed on, until such time as the bank that sends the order to the Federal Reserve Bank or otherwise completes its conversion to the expanded Fedwire message format.

Note: In "For Your Information" in the April 1996 Notices to Members, it was stated that NASD members that transmitted orders to another financial institution through a software application program that follows the format of the Fedwire could not avail themselves of this relief. However, since that publication, the Treasury has amended its regulations so that relief is extended to these situations.

Moreover, if any lawful order is received at, or if a request from another financial institution is made to a recipient's financial institution, that financial institution must go back to the transmitter's financial institution, or any other preceding financial institution, if the transmitter's financial institu-

tion is unknown, and retrieve information not included in the transmittal of funds due to system limitations.

Q6: Are there any exceptions to these requirements?

A6: Yes. If the transmitter and the recipient are the same person, and the transmitter's financial institution and the recipient's financial institution are the same domestic bank or domestic securities broker, then the transaction is excepted from the requirement contained in these new rules.

In addition, if both the transmitter **and** the recipient, defined as the beneficial recipient, are any of the following, then the transmittal of funds is not subject to these rules:

- domestic bank;
- wholly owned domestic subsidiary of a domestic bank;
- domestic broker or dealer in securities;
- wholly owned domestic subsidiary of a domestic broker or dealer in securities;
- United States;
- federal agency or instrumentality;
- state or local government;
- state or local agency or instrumentality.

Q7: Does this Rule require any reporting to the government of any information?

A7: No. However, if a broker/dealer is a party to the transmittal

of funds, and if that transmittal seems to the broker/dealer to be suspicious, then a broker/dealer may choose to file a suspicious activity report with the Treasury. *Note: It is anticipated that in 1997, broker/dealers will be added to the list of financial institutions that are subject to the BSA's suspicious activity reporting requirement. Currently, banks must file reports of suspicious activity (whether or not that activity involves a transmittal of funds) to the Treasury.*

Q8: How long does a financial institution have to keep records required by these new rules?

A8: Five years.

Q9: What is the benefit of this Rule to the public?

A9: Law enforcement authorities have identified for the Treasury instances in which records maintained by financial institutions were incomplete or insufficient and thereby hampered criminal investigations. In addition, in certain criminal investigations, financial institutions were unable on a timely basis to provide law enforcement authorities with useful financial records of transmittals of funds. This Rule was created to ensure that in criminal investigations, as well as tax or regulatory proceedings, sufficient information would be available to quickly enable authorities to determine the source of the transmittal of funds and its recipient. Finally, it is anticipated that this Rule will permit law enforcement

authorities to more easily determine the parties to a transaction.

Q10: What is a "financial institution" for the purposes of this Rule?

A10: The term "financial institution" includes most importantly: banks; securities brokers or dealers; casinos subject to the BSA; and money transmitters, check cashers, currency exchangers, and money order issuers and sellers subject to the BSA. Please see 31 CFR 103.11 for more information.

Q11: Does this Rule treat banks and non-bank financial institutions differently?

A11: No. Banks and non-bank financial institutions are treated identically under the Travel Rule.

Q12: What are some of the implications of the Travel Rule for financial institutions subject to this Rule?

A12: The most important implication is that financial institutions must be aware that if a transmittal of funds involves both bank and non-bank financial institutions, each financial institution must carefully analyze and understand all of the definitions that apply to its role in the transmittal of funds. This is important because the Rule's requirements on financial institutions differ, depending on what role a financial institution plays (*i.e.*, a transmittor's, an intermediary's, or a recipient's financial institution) in a transmittal of funds.

For example, in a situation in which the customer of a securities broker/dealer initiates a transmittal of funds that is sent through a bank, that bank is an intermediary financial institution for the purposes of the Travel Rule and the broker/dealer is the transmittor's financial institution.

The next important implication is that financial institutions must carefully understand the role of the succeeding financial institution in the chain of each transmittal of funds, particularly where a transmittal of funds moves from a bank to a non-bank, or vice versa. This is important because the Travel Rule's requirement to pass information to the next financial institution in the chain implicitly requires financial institutions that effect transmittals of funds to coordinate the transfer of information required by these new rules.

Finally, as the range of services offered by financial institutions expands, financial institutions must recognize that a single transmittal of funds may involve two or more funds transfer systems (*e.g.*, SWIFT, CHIPS, Fedwire). In such cases, it is important that each financial institution understand its role(s) in such a complex transmittal of funds, because its duties under this Rule arise from its role(s) in the transmittal of funds.

Q13: What is the relationship between the terms used in this Rule and those used within Article 4A of the Uniform Commercial Code (UCC)?

A13: This Rule uses terms that are intended to parallel to those used in UCC Article 4A, but that are applicable to all financial institutions, as defined within the BSA’s implementing regulations.

Terms for <i>all</i> financial institutions	UCC 4A terms
Transmittal of funds	Funds transfer
Transmittal order	Payment order
Transmittor	Originator
Transmittor’s financial institution	Originator’s bank
Intermediary financial institution	Intermediary bank
Recipient’s financial institution	Beneficiary’s bank
Recipient	Beneficiary
Receiving financial institution	Receiving bank
Sender	Sender

Q14: Do the terms created in this regulation apply to transmittals of funds to or from anywhere in the world?

A14: Yes. However, the requirements of the BSA apply only to activities of financial institutions within the United States. Thus, for example, part, but not all of an international transmittal of funds can be subject to the Travel Rule.

Q15: Is this Rule limited to wire transfers?

A15: No. The term transmittal of funds includes other transactions and transfers besides wire transfers or electronic transfers.

Q16: What are examples of transmittals of funds that are not wire transfers?

A16: Financial institutions sometimes effect transmittals of funds using correspondent accounts or journal entry trans-

fers, such as “due from” and “due to” accounts. In such cases, covered transmittals of funds have occurred even though no wire transfer occurred.

In addition, a check can be the transmittal order within a transmittal of funds. This limited case occurs when Customer 1 goes into Financial Institution A and orders a transmittal of funds be sent to Customer 2 at Financial Institution B. Financial Institution A, perhaps because it is a small financial institution or because the transaction involves a function (such as a trust) that is segregated from the rest of the financial institution, sends a check, payable to Financial Institution B, directly to Financial Institution B, and does not send the check directly to Customer 1 or to Customer 2. This check must be Financial Institution A’s own check (however, it need not be drawn on Financial Institution

A), and not the check of the customer. This check contains with it instructions to have Financial Institution B subsequently credit Customer 2’s account. In such a case, the check and its instructions are the transmittal order effecting a transmittal of funds.

Q17: How should aggregated transmittals of funds be treated?

A17: This is a situation where a financial institution pools many separate requests for transmittals of funds into one pooled transmittal of funds.

Whenever a financial institution aggregates separate transmittals of funds from separate transmittors, the transmittor’s financial institution itself becomes the transmittor, for the purpose of the Travel Rule. Conversely, any time a financial institution pools separate recipients from separate transmittals of funds, the recipient’s financial institution itself

becomes the recipient, for the purpose of the Travel Rule.

For example, if a money transmitter has five customers who wish to have funds disbursed to five separate recipients at a separate broker/dealer, and the broker/dealer uses a bank to effect the movement of funds, the bank might aggregate the five separate customers. In such an instance, the bank may list as the transmitter for the purposes of the Travel Rule the transmitters' broker/dealer, and the recipient as the recipients' broker/dealer. However, the transmitters' broker/dealer itself is independently obligated "to make travel" the required information to the recipients' broker/dealer. Thus, the information is still required to 'travel' in an aggregated transmittal of funds, although not necessarily in the same manner or by the same parties as in a non-aggregated transmittal of funds.

Q18: How should joint party transmittals of funds be treated?

A18: If, for example, Ms. A and Ms. B, sisters, with different names

and addresses, jointly act as the transmitter or as the recipient. In such cases, it may be impossible to transfer all the information required under the Travel Rule. In this instance, the Treasury suggests the following:

When a transmittal of funds is initiated by more than one transmitter, or sent to more than one recipient, the transmitter's financial institution may select one transmitter, or one recipient, as the person whose information must be passed under the Travel Rule. In all cases involving a transmittal of funds from a joint account, the account holder that ordered the transmittal of funds should be identified as the transmitter on the transmittal order. Please note that for the Joint Rule [31 CFR 103.33(e) and (f)], records must still be kept on all parties.

Q19: How should a financial institution treat a customer who uses a code name or a pseudonym, or a customer who has requested that the financial institution hold his/her mail?

A19: In all such cases, the financial institution must use the customer's true name and the customer's address. The use of a code name, or pseudonym, is prohibited. Similarly, a financial institution must not use the financial institution's own address, except where that is the actual address of record of the person.

Q20: To whom can a financial institution go, should it have further questions?

A20: Any financial institution may contact its primary BSA examination authority, or FinCEN at (800) 949-2732 or (703) 905-3920. In addition, FinCEN publishes information regarding money laundering, which is a great area of concern, and the impetus behind the Joint and Travel Rules, on the Internet at <http://www.ustreas.gov/treasury/bureaus/fincen/>.

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NASD NOTICE TO MEMBERS 97-14

NASD Files With The SEC Proposed Amendment To Regulate The Disclosure Of Values For Illiquid Direct Participation Program And Real Estate Investment Trust Securities On Customer Account Statements

Suggested Routing

- Senior Management
- Advertising
- Corporate Finance
- Government Securities
- Institutional
- Internal Audit
- Legal & Compliance
- Municipal
- Mutual Fund
- Operations
- Options
- Registration
- Research
- Syndicate
- Systems
- Trading
- Training

Executive Summary

On February 21, 1997, NASD Regulation, Inc. (NASD RegulationSM) filed with the Securities and Exchange Commission (SEC) an amendment to NASD[®] Conduct Rule 2340 to regulate the disclosure of values for unlisted and illiquid direct participation program (DPP) and real estate investment trust (REIT) securities on customer account statements. The proposed amendment would, among other things, require that an estimated value for DPP/REIT securities be disclosed under certain circumstances and mandate cautionary disclosures. The SEC will publish the proposed amendment in the *Federal Register*, indicating a time period when members and others may comment. The new rules will not become final until approved by the SEC.

Introduction

NASD Regulation is publishing this Notice to alert members to the fact that a proposed amendment to regulate the inclusion of unlisted and illiquid DPP and REIT securities on customer account statements was submitted to the SEC for approval on February 21, 1997. The proposed amendment will be published by the SEC for public comment in the *Federal Register*. This proposal was originally published for comment in *Notice to Members 94-96* and has been significantly revised in response to the comments received. This Notice describes the proposed amendment as submitted to the SEC.

Although the text of the Rule as filed with the SEC is attached to this Notice, members should not rely on the text herein as the final version of the amendment, or as the version that will be published by the SEC for public comment in the *Federal Register*. It is possible that the amendment will be revised before publication in the *Federal Register* or before final approval by the SEC. Moreover, the

proposal that will be published in the *Federal Register* will include a more complete discussion of the background of the amendment and a discussion of the changes made in response to comments received on *Notice to Members 94-96*. NASD Regulation recommends that members only submit comments to the SEC in response to the SEC's publication of the amendment in the *Federal Register*.

Background

Rule 2340 requires members who conduct a general securities business to provide account statements to customers on at least a quarterly basis containing a description of any securities position, money balances, or account activity in the accounts since the prior account statements were sent. "Account activity" includes, but is not limited to, purchases, sales, interest credits or debits, charges or credits, dividend payments, transfer activity, securities receipts or deliveries, and/or journal entries relating to securities or funds in the possession or control of the member. "General securities member" refers to any member that conducts a general securities business and is required to calculate its net capital pursuant to the provisions of SEC Rule 15c3-1(a), except for paragraphs (a)(2) and (a)(3). However, a member that does not carry customer accounts and does not hold customer funds and securities is exempt from the provisions of Rule 2340.

NASD Regulation has filed a proposed rule change with the SEC to amend Rule 2340 to provide regulatory guidance to members regarding the disclosure of values for DPP¹ securities on customer account statements to regulate the manner in which information is provided to investors as to the performance of their DPP investment assets. In particular, NASD Regulation has been

concerned that a significant number of NASD members continue to carry DPP securities on customer account statements at original purchase price and has determined that this practice needs to be eliminated. In addition, the proposed amendment to Rule 2340 would also apply to certain REIT securities, which are not included in the NASD's definition of DPP security in paragraph (a)(4) of Rule 2810, to ensure similarity of treatment under NASD rules of the two products.

Description Of Proposed Amendments

Scope And Definitions

The new requirements in Rule 2340 are proposed to apply to DPP securities and REIT securities. The definitions of DPP and REIT securities proposed in subparagraphs (c)(3) and (4) of Rule 2340 encompass only unlisted DPPs and REITs, since an investment in listed securities provides investors with some measure of liquidity and market values. Thus, the definitions exclude securities listed on a national securities exchange or The Nasdaq Stock Market, Inc., as well as securities that are in a depository and settle regular way. The definition of DPP securities proposed in subparagraph (c)(3) also excludes any program registered as a commodity pool, since those programs generally offer investors a security that is redeemable by the issuer, at the customer's option at regular intervals and at ascertainable values.

Requirements To Place Estimated Values On Customer Account Statements And Guidance On Appropriate Sources Of Valuations—Subparagraphs (b)(1)-(2)

The amendment contains two specific circumstances under which general securities members are obligated to provide to customers estimated val-

ues for DPP and/or REIT securities in the customers' accounts.

In the first circumstance, under subparagraph (b)(1) of the amendment, if a general securities member participated in the public offering of DPP or REIT securities, then the member must list the DPP/REIT securities on its customer account statements with estimated values if such values are available pursuant to subparagraphs (b)(3)(A)(ii) or (iii) of the amendment. When a general securities member participates in the public offering of DPP or REIT securities, NASD Regulation believes that the member should inform its customers of the estimated value of the DPP or REIT securities. Subparagraph (b)(3)(A)(iii) permits a member to include an estimated value that is contained in an annual report distributed to investors pursuant to Sections 14(a) or 14(c) of the Securities Exchange Act of 1934 (Act) or in a periodic report filed with the SEC under Section 13 or 15(d) of the Act.² This provision is intended to address the concern of members regarding their liability for disclosing an estimated value, by permitting the member to rely on the liabilities under the federal securities laws that attach to the general partner's or trustee's disclosure. Subparagraph (b)(3)(A)(ii) also permits a member to include an estimated value provided by an independent source engaged by the member. Where a member is obligated to include an estimated value for DPP/REIT securities on customer account statements under subparagraph (b)(1), the member is permitted to include valuations from both an independent source and an annual/periodic report, if the member determines to do so.

In considering this mandatory obligation, NASD Regulation determined that there are circumstances where the member should be required to refrain from using an estimated value that the member believes is inappro-

priate. Therefore, proposed subparagraph (b)(1) also provides that a member shall not include an estimated value of the securities on the account statement if the member believes that the estimated value was inaccurate as of the date of the valuation or is no longer accurate due to a material change in the operations or assets of the program. With respect to the latter phrase, the assets of a real estate limited partnership would be considered to be impaired, for example, where the lessee fails to perform under the lease. Similarly, the sale of property would be considered a material change because the sale reduces the value of the program.

In the second circumstance, under subparagraph (b)(2) of the amendment, if a general securities member or its affiliate acts as a fiduciary in connection with partnership or trust securities that are held in retirement accounts and discloses individual DPP/REIT estimated values to retirement account holders,³ then the member must disclose the same valuations on the statements of all other customers owning such securities. NASD Regulation believes that when a member or its affiliate acts as a fiduciary for retirement accounts and provides **individual** DPP/REIT security values to its retirement account customers, other customers of the broker/dealer should receive the same values being provided to retirement account customers. The requirement to disclose the ERISA or IRA valuation to other customers would not conflict with the fiduciary and custodial obligations imposed by the Department of Labor and the IRS. However, neither the Department of Labor (which administers ERISA Regulations) or the IRS (which administers IRA and other retirement products) specifically require fiduciaries to provide **individual** values for any assets held in the retirement account. Therefore, if the general securities member acting

as a fiduciary does not provide individual values for the DPP and/or REIT securities in the retirement account, proposed new subparagraph (b)(5), discussed more fully below, is intended to provide an exception from the requirement to disclose individual values.⁴

Appropriate Source For Estimated Values—Subparagraph (b)(3)(A)

The amendment would add new subparagraph (b)(3)(A) to require that, where DPP and/or REIT securities are listed on the statement with an estimated value, such values shall be, under proposed subsection (b)(3)(A)(ii), provided by an independent source engaged by the member, or, under proposed subsection (b)(3)(A)(iii), from a valuation provided in an annual report distributed to investors or in a periodic report required to be filed with the SEC (discussed more fully above). A member may use an estimated value from either or both of these sources.

In addition, under proposed subparagraph (b)(3)(A)(iv), an estimated value for the DPP/REIT securities may be developed by the member only where a valuation by an independent source or from an SEC annual and periodic report is not available.

In addition, subparagraph (b)(3)(A)(i) requires that any value provided must be developed from data which is as of a date no more than 18 months before the date the customer account statement is issued. NASD Regulation believes that this requirement is appropriate because an estimated value, accurate upon its first use on a customer account statement, may become stale due to length of time or occurrence of subsequent events (such as the sale of a major asset of the partnership). The 18-month standard is believed to provide sufficient time for the member

and for an independent valuation source to develop an estimated value for DPP/REIT securities based on the audited financial statements contained in Form 10-K of the DPP or REIT that is filed by March 30th and is based on financial statements dated December 31st of the prior year. This standard would permit the member to continue to use a valuation based on, for example, the December 31, 1995, financials during April, May, and June 1997, while a new estimated value based on the December 31, 1996, financials is being developed. In developing an objective standard, NASD Regulation considered whether investors would be disadvantaged if an event occurred that would render an estimated value disclosed on customer account statements obsolete during the 18-month period. As set forth above, members are prohibited from including an estimated value on the account statement that the member believes was inaccurate at the time it was developed or is no longer accurate as a result of a material change in the operations or assets of the program or trust.

Segregation Of DPP/REIT Securities—Subparagraphs (b)(3)(B) And (b)(6)

If an estimated value is disclosed for the DPP/REIT securities on a customer's account statement, subparagraph (b)(3)(B) of the proposed change would require that DPP and REIT securities must be segregated from other securities into a separate location on the customer account statement. NASD Regulation believes that investments in non-publicly traded DPP and REIT securities and the estimated values that may be disclosed regarding their performance differ sufficiently from the prices of other securities and that customers will benefit from having the DPP and/or REIT securities grouped together. The segregation of these securities into a separate location on the customer account

statement should also lessen the possibility of misleading customers regarding the estimated values for DPP/REIT securities since the valuations will be distinguished from listed securities and accompanied by cautionary disclosures.

Subparagraph (b)(6) of the proposed change requires that DPP/REIT securities listed on customer account statements without an estimated value shall also be segregated. Thus, the requirement to segregate DPP/REIT securities will apply regardless of whether the security is listed with or without an estimated value.

Disclosure Of The Source Of The Estimated Value—Subparagraph (b)(3)(B)(i)

The amendment would require in subparagraph (b)(3)(B)(i) that members provide disclosure of a brief and easily understood statement relating to the source of the estimated value, provided that the customer is informed as to how to obtain a more complete and detailed explanation of the methodology from the member. The provision includes two examples of such a brief statement: the statement may say that "the value represents an estimate of the investor's interest in the assets owned by the DPP or REIT" or that "the value . . . represents an estimate of the value of the investor's DPP and/or REIT securities."

Disclosure Of Nature Of DPP/REIT Securities—Subparagraph (b)(3)(B)(ii)

Subparagraph (b)(3)(B)(ii) is proposed to require disclosure in close proximity to the location of the DPP/REIT securities on the account statement that DPP securities are generally illiquid securities and the estimated value disclosed may not be realizable if the customer seeks to

liquidate the security. The requisite disclosure is considered to be sufficiently proximate if it is located on the same page that the DPP and/or REIT securities are listed.

Aggregation Of Estimated Values For DPP/REIT Securities With The Value Of Other Securities In Subtotals And In The Total Account Value—Subparagraphs (b)(4)(A) And (B)

A general securities member that discloses an estimated value for a DPP and/or REIT security on a customer account statement is prohibited, under proposed subparagraph (b)(4)(A), from aggregating the estimated value of the DPP/REIT securities with the value of any other securities in any subtotal on the statement. In addition, under proposed subparagraph (b)(4)(B), if a member wishes to include the estimated value of the DPP/REIT securities in the total account value on the statement, the member is required to provide disclosure in close proximity to the total account value of the subtotal for DPP/REIT securities and of the illiquid nature of the securities as required by subparagraph (b)(3)(B)(ii), as discussed above. NASD Regulation considers “close proximity” to require that the subtotal for DPP/REIT securities and the cautionary disclosure appear on the same page as the total account value.

Use Of Purchase Price—Subparagraph (b)(4)(C)

Subparagraph (b)(4)(C) is proposed to prohibit members from using the original purchase price of a DPP or REIT security on a customer account statement as the estimated value. However, additional language is included to clarify that the same dollar value of the purchase price may be used where a valuation methodology results in the estimated value and purchase price being equivalent.

Thus, regardless of the mandatory obligations in subparagraphs (b)(1) and (b)(2) to disclose an estimated value for DPP/REIT securities under certain circumstances, the member may not use the original purchase price as the required estimated value.

Retirement Account Statements With No Individual Values—Subparagraph (b)(5)

Proposed subparagraph (b)(5) states that, if a retirement account statement prepared in accordance with ERISA and IRS regulations includes an aggregate value of the assets held in the account, but does not provide individual values for any of the assets, then the member is only required to include disclosure on the account statement that DPP and/or REIT securities included in the account are generally illiquid securities. As a result of the exception provided in subparagraph (b)(5) from subparagraphs (b)(1)-(4), the member may include the value of DPP/REIT securities in the total account value. NASD Regulation believes that since individual values are not required to be provided for any of the assets in the retirement account, the other provisions that would, in particular, require disclosures along with the display of the total account value, are unnecessary.

Required Disclosure For Unpriced Securities—Subparagraph (b)(6)

Subparagraph (b)(6) is proposed to require that where no valuation for DPP/REIT securities is disclosed on the statement, the member shall segregate the DPP/REIT securities on the account statement and the account statement must include disclosure that DPP/REIT securities are generally illiquid securities, the value of the security may be different than its purchase price, and, if applicable, that accurate valuation information is not available.

Implementation Of Amendment

To provide members (or their service organizations) sufficient time to modify their computer systems to comply with the amendment, the NASD is requesting that the amendment become effective six months after SEC approval. During that time, the NASD will issue a *Notice to Members* announcing SEC approval of the amendment and the anticipated effective date. In addition, the staff of the NASD Regulation Corporate Financing Department will respond to inquiries by members and their service organizations regarding compliance with the amendment. To the extent that interpretive issues arise during this period that are applicable to those members that are subject to the amendment, the NASD will issue a *Notice to Members* to clarify for all members the application of this Rule change.

Questions concerning this Notice may be directed to Suzanne E. Rothwell, Associate General Counsel, NASD Regulation, at (202) 728-8247; or Charles L. Bennett, Director, and Carl R. Sperapani, Assistant Director, Corporate Financing Department, NASD Regulation, at (301) 208-2700.

Text Of Proposed Amendment

(Note: New text is underlined; deletions are bracketed.)

Rule 2340. Customer Account Statements

(a) General

Each general securities member shall, with a frequency of not less than once every calendar quarter, send a statement of account (“statement”) containing a description of any securities positions, money balances, or account activity to each customer whose account had a security position, money balance or

account activity during the period since the last such statement was sent to the customer.

(b) DPP/REIT Securities

(1) If a member participated in the public offering of any direct participation program (DPP) or real estate investment trust (REIT) securities (as these terms are defined below) and an estimated value of DPP or REIT securities is available pursuant to subparagraphs (3)(A)(ii) or (iii), the member shall list the DPP and/or REIT securities on the statement with an estimated value; except that the member shall not include on the account statement an estimated value that the member believes is inaccurate as of the date of the valuation or is no longer accurate as a result of a material change in the operations or assets of the program or trust; or

(2) If the member or an affiliate of the member, acting as a fiduciary, provides estimated values of DPP and/or REIT securities to accounts that are subject to Employee Retirement Income Securities Act ("ERISA") and Internal Revenue Service ("IRS") regulations, the member shall disclose the same valuations on the statements of all other customers owning such securities.

(3) If DPP and/or REIT securities are listed on the statement with an estimated value:

(A) such estimated value shall be:

(i) developed from data which is as of a date no more than 18 months prior to the date the statement is issued; and

(ii) provided by an independent source engaged by the member; and/or

(iii) provided in an annual report of the DPP or REIT distributed to

investors pursuant to Sections 14(a) or 14(c) of the Act, as applicable, or a periodic report filed by the DPP or REIT with the Commission under Sections 13 or 15(d) of the Act; or

(iv) developed by the member, if valuations pursuant to subparagraphs (ii) and (iii) are not available; and

(B) the member shall segregate DPP and/or REIT securities by listing them on the statement separately from non-DPP and non-REIT securities and shall include on the statement:

(i) a brief and easily understood description of the type of estimated value provided (e.g., that the value represents an estimate of the investor's interest in the assets owned by the DPP or REIT or represents an estimate of the value of the investor's DPP and/or REIT securities) and its source, and how a customer may obtain a complete and detailed explanation of the valuation methodology employed; and

(ii) disclosure in close proximity to the listing of DPP and/or REIT securities that DPP and/or REIT securities are generally illiquid securities and the estimated value disclosed may not be realizable if the customer seeks to liquidate the security.

(4) In disclosing on the statement an estimated value of DPP and/or REIT securities, the member shall not:

(A) aggregate the estimated value of DPP and/or REIT securities with the value of any other securities in any subtotal on the statement;

(B) aggregate the estimated value of DPP and/or REIT securities with the value of any other securities in the total account value unless the statement includes the total estimated value of DPP and/or REIT securities and the disclosure required by subparagraph (3)(B)(ii) in close proximity

to the total account value; and

(C) include the original issue price of a DPP or REIT security as the estimated value (unless valuation of the securities by another method indicates the same dollar amount as the original issue price).

(5) Notwithstanding subparagraphs (b)(1)-(4), if a retirement account statement prepared in compliance with ERISA and IRS regulations includes DPP and/or REIT securities and individual values are not provided for any of the assets in the account, the member shall disclose on the statement that DPP and/or REIT securities are generally illiquid securities.

(6) If the DPP and/or REIT securities are listed on the statement without a price and without an estimated value, the member shall segregate the DPP and/or REIT securities by listing them on the statement separately from non-DPP and non-REIT securities and shall include on the statement disclosures that: DPP and/or REIT securities are generally illiquid securities; the value of the security may be different than its purchase price; and, if applicable, accurate valuation information is not available.

[(b)] (c) **Definitions** For purposes of this Rule[,];

(1) the term "account activity" shall include, but not be limited to, purchases, sales, interest credits or debits, charges or credits, dividend payments, transfer activity, securities receipts or deliveries, and/or journal entries relating to securities or funds in the possession or control of the member.

(2) [(c) For purposes of this Rule,] the term "general securities member" shall refer to any member which conducts a general securities business and is required to calculate its net

capital pursuant to the provisions of SEC Rule 15c3-1(a), except for paragraph (a)(2) and (a)(3). Notwithstanding the foregoing definition, a member which does not carry customer accounts and does not hold customer funds and securities is exempt from the provisions of this section.

(3) the term “direct participation program securities” shall include equity securities issued by a “direct participation program” as defined in Rule 2810 that would be included on a customer’s statement of account even if not held by the member, but does not include securities on deposit in a registered securities depository and settled regular way, securities listed on a national securities exchange or The Nasdaq Stock Market, or any program registered as a commodity pool with the Commodities Futures Trading Commission.

(4) the term “real estate investment trust securities” shall include equity securities issued by a real estate investment trust as defined in Section 856 of the Internal Revenue Code that would be included on a customer’s statement of account even if not held by the member, but does not include securities on deposit in a registered securities depository and settled regular way or securities listed on a national securities exchange or The Nasdaq Stock Market.

(d) No change.

Endnotes

¹ The term *direct participation program* is defined in NASD Rule 2810 subparagraph (a)(4) to be a “program which provides for flow-through tax consequences regardless of the structure of the legal entity or vehicle for distribution . . .” The definition would cover most limited partnerships and specifically excludes real estate investment trusts.

² The reporting requirements of the Act do not impose a mandatory obligation on general partners or trustees to provide an estimated value to investors in a periodic report or in the annual report.

³ The Employee Retirement Income Securities Act (ERISA) and Internal Revenue Service (IRS) regulations require, at least annually, that a retirement account fiduciary provide to the account holder a statement of the total value of all the assets in the account.

⁴ The adoption of such an exception does not represent a view that the proposed requirement to provide individual ERISA/IRA valuations to other customers of the broker/dealer will discourage members from providing such individual valuations. To the contrary, fiduciaries are increasingly providing individual values for each asset in a retirement account to permit the account holder to make withdrawals when the account holder has reached the age when ERISA/IRS regulations require annual mandatory withdrawals that do not exceed a percentage-of-assets limitation.

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NASD NOTICE TO MEMBERS 97-15

SEC Approves Amendments To ACT Rules To Require Market Makers To Denote When They Have Effected An Exempt Short-Sale

Suggested Routing

- Senior Management
- Advertising
- Corporate Finance
- Government Securities
- Institutional
- Internal Audit
- Legal & Compliance
- Municipal
- Mutual Fund
- Operations
- Options
- Registration
- Research
- Syndicate
- Systems
- Trading
- Training

Executive Summary

On February 5, 1997, the Securities and Exchange Commission (SEC) approved an amendment to the Automated Confirmation Transaction (ACTSM) Service rules (NASD[®] Rule 6130) to require all Market Makers to mark their ACT reports to denote when they have relied on the Market Maker exemption to the NASD short-sale rule.¹ **The effective date for the Rule change is April 7, 1997.**

Background And Summary

On June 29, 1994, the SEC approved the NASD short-sale rule applicable to short sales² in Nasdaq National Market[®] securities on an 18-month pilot basis through March 5, 1996. The termination date for the pilot program has subsequently been extended through October 1, 1997. The NASD short-sale rule prohibits member firms from effecting short sales at or below the current inside bid as disseminated by Nasdaq[®] whenever that bid is lower than the previous inside bid.³ The NASD short-sale rule is in effect during normal domestic market hours (9:30 a.m. to 4:00 p.m., Eastern Time).

To ensure that Market Maker activities that provide liquidity and continuity to the market are not adversely constrained when the NASD short-sale rule is invoked, the Rule provides an exemption to "qualified" Nasdaq Market Makers. Even if a Market Maker is able to avail itself of the qualified Market Maker exemption, it can only utilize the exemption from the short-sale rule for transactions that are made in connection with bona fide market-making activity. Beginning in February 1996, to be a "qualified" Market Maker, a Market Maker had to satisfy Nasdaq's Primary Market Maker (PMM) standards.⁴ If a Market Maker is a PMM for a particular stock, there is a "P" indicator next to its quote in that stock. **However,**

because of another NASD rule proposal recently approved by the SEC, starting March 3, 1997, all Market Makers registered in and quoting a Nasdaq National Market security were deemed to be a PMM in that security. Accordingly, all Market Makers registered in and quoting a Nasdaq National Market security are now deemed to be "qualified" Market Makers and eligible to rely on the Market Maker exemption from the NASD short-sale rule.⁵ In this connection, all Market Makers will be PMMs for the remainder of the current pilot period for the NASD short-sale rule or until such time when new PMM standards are devised and adopted.

To enhance the NASD's ability to surveil for compliance with the short-sale rule, when the SEC approved the NASD short-sale rule it also approved an NASD proposal to require NASD members to append a designator to their ACT reports to denote whether their sale transactions were long sales, short sales, or exempt short sales. Market Makers exempt from the short-sale rule were not required to append "sell short" or "sell short exempt" to their ACT reports, however. Specifically, the footnote to NASD Rule 6130(d)(6) provided that "[t]he 'sell short' and 'sell short exempt' indicators must be entered for all customer short sales, including cross transactions, and for short sales effected by members that are not qualified Market Makers pursuant to Rule 3350." Accordingly, in order to enhance the NASD's ability to surveil for potential abuses of the Market Maker exemption and examine and monitor the market impacts of the Market Maker exemption, the NASD proposed and the SEC approved the deletion of the footnote to NASD Rule 6130(d)(6), thereby requiring all exempt Market Makers to mark their ACT reports to denote when they have relied on the Market Maker exemption. **As a result, effec-**

tive April 7, 1997, any and all Market Makers relying on the Market Maker exemption to the NASD short-sale rule to effect a short sale at a price at or below the inside bid when such bid is lower than the previous inside bid, must mark their ACT report for such transaction “sell short exempt.” As noted above, because all Market Makers registered in and quoting a Nasdaq National Market security are now deemed to be a PMM in that security, this requirement applies to any Market Maker relying on the Market Maker exemption.

To determine whether a particular sale is a short sale (or an exempt short sale in the case of a “qualified” Market Maker), members must adhere to the definition of a “short sale” contained in SEC Rule 3b-3, which is incorporated into the NASD rules as Rule 3350(k)(1). In this connection, consistent with SEC statements regarding the intraday netting obligations of firms under SEC Rule 3b-3, the NASD notes that it will be permissible for firms to conduct a “firm-wide netting” of long and short positions once a day. Accordingly, the NASD believes it would be permissible for a Nasdaq trading desk to receive a stock position report at the opening and net those trades effected by the Nasdaq trading desk against this position throughout the day to determine whether a particular sale was long or short. Of course, if a firm has developed the capability to continuously net its positions throughout the day, that firm would have to rely on such updated position reports to determine whether a particular sale was long or short.⁶

Questions regarding this Rule change should be directed to Thomas R. Gira, Associate General Counsel, Nasdaq, at (202) 728-8957. Questions regarding the marking of ACT Reports should be directed to Pete Forte, Nasdaq Market Operations, at (203) 385-6244.

Text Of Amendments

(Note: Deletions are bracketed.)

6130. Trade Report Input

- (a) through (c) No change.
- (d) Trade Information To Be Input

Each ACT report shall contain the following information:

- (1) - (5) No change.
- (6) A symbol indicating whether the transaction is a buy, sell, sell short, sell short exempt[*] or cross;
- (7) - (12) No change.
- (e) No change.

[* The “sell short” and “sell exempt” indicators must be entered for all customer short sales, including cross transactions, and for short sales effected by members that are not qualified market makers pursuant to Rule 3350.]

Endnotes

¹ See Securities Exchange Act Release No. 38240 (February 5, 1997), 62 FR 6290 (February 11, 1997).
² A short sale is a sale of a security which the seller does not own or any sale which is con-

summed by the delivery of a security borrowed by, or for the account of, the seller.
³ Nasdaq calculates the inside bid or best bid from all Market Makers in the security (including bids on behalf of exchanges trading Nasdaq securities on an unlisted trading privileges basis), and disseminates symbols to denote whether the current inside bid is an “up bid” or a “down bid.” Specifically, an “up bid” is denoted by a green “up” arrow and a “down bid” is denoted by a red “down” arrow. Accordingly, absent an exemption from the Rule, a member can not effect a short sale at or below the inside bid for a security in its proprietary account or a customer’s account if there is a red arrow next to the security’s symbol on the screen. To effect a “legal” short sale on a down bid, the short sale must be executed at a price at least 1/16th of a point above the current inside bid. Conversely, if the security’s symbol has a green, up arrow next to it, members can effect short sales in the security without any restrictions.

⁴ To be a PMM, a Market Maker had to satisfy at least two of the following four criteria: (1) the Market Maker had to be at the best bid or best offer as shown on Nasdaq no less than 35 percent of the time; (2) the Market Maker had to maintain a spread no greater than 102 percent of the average dealer spread; (3) no more than 50 percent of the Market Maker’s quotation updates could occur without being accompanied by a trade execution of at least one unit of trading; or (4) the Market Maker had to execute 1 1/2 times its “proportionate” volume in the stock.

⁵ See Securities Exchange Act Release No. 38294 (February 14, 1997), 62 FR 8289 (February 24, 1997).

⁶ See Securities Exchange Act Release No. 27938 (April 23, 1990), 55 FR 17949, 17950.

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NASD NOTICE TO MEMBERS 97-16

NASD Updates Year 2000 Activities And Advises Members

Suggested Routing

- Senior Management
- Advertising
- Corporate Finance
- Government Securities
- Institutional
- Internal Audit
- Legal & Compliance
- Municipal
- Mutual Fund
- Operations
- Options
- Registration
- Research
- Syndicate
- Systems
- Trading
- Training

Executive Summary

In 1996 there was an abundance of news and magazine articles, web pages, and special hearings in Congress designed to promote awareness of the Year 2000 (Y2K) challenge and to communicate information about the potential effect on computer systems brought about by the upcoming change in century. This trend is likely to continue in 1997 as businesses around the world work to ensure that automated processes with date-sensitive components will correctly identify "00" as 2000, rather than 1900, when the date changes to January 1, 2000.

The NASD[®] is committed to coordinating its efforts with the securities industry to meet the Y2K challenge. In early October 1996, NASD participated in the formation of the Y2K securities industry advisory group. Joining the NASD were representatives from the New York Stock Exchange (NYSE), the American Stock Exchange (AMEX), the National Securities Clearing Corporation (NSCC), the Depository Trust Company (DTC), and the Securities Industry Automation Corporation (SIAC). The purpose of the group was to establish inter-organizational data interchange guidelines and a plan for "street-wide" testing to ensure that exchanges, stock markets, clearing corporations, depositories, and securities firms perform data transfers and interfaces correctly when the millennium changes. Later, the group was expanded to include representatives from member firms, regional exchanges, and other similar organizations.

The NASD is continuing its work with the NYSE, AMEX, NSCC, DTC, SIAC, and member firms to establish an industry-wide Y2K test environment. It is envisioned that existing test facilities in the participating organizations will be connected in an integrated architecture to

simulate an industry-wide production environment. This testing framework will allow members and "utility" organizations to test their data interfaces in an integrated manner. It will also facilitate the testing of securities transactions throughout their life cycle as they flow from one organization to the next (e.g., a trade flows from a member firm to Nasdaq[®]/NASD, to NSCC, to DTC, and back again to the member firm). At this time, two committees have been established: a Steering Committee comprised of senior executives from the referenced organizations to provide overall guidance and support, and the Exchange and Utility Subcommittee comprised of technology managers to develop technical and logistical details, and later, to oversee the day-to-day operations.

In addition, the NASD is participating in a number of other Y2K Committees formed by the Data Management Division of the Securities Industry Association, and is continuously communicating with other Y2K project teams in the industry to exchange ideas and relevant information.

NASD Regulation Year 2000 Compliance Project

In the July 1996 issue of *NASD Notices to Members*, it was announced that NASD had initiated an internal Y2K Compliance Project for the NASD and its subsidiaries, NASD Regulation, Inc., and The Nasdaq Stock Market, Inc. Subsequently, an Executive Steering Committee was established to oversee the project, facilitate communications throughout the NASD organization, and ensure that appropriate resources are available. The Executive Steering Committee is composed of three Executive Vice Presidents representing the three NASD entities and four Senior Vice Presidents/Vice Presidents representing Technology Services.

Phase 1 of the Project, Assessment and Planning, was completed in December. During that phase, the NASD accomplished the following: developed Y2K compliance standards for all new applications; amended its contracts to ensure all newly purchased hardware and software are Y2K compliant; inventoried all in-house developed applications and assessed the scope of the problem; did the same for computer and network hardware and off-the-shelf software; developed initial cost and effort estimates; developed an initial applications remediation plan; developed conversion methodology and testing guidelines; selected application analysis and conversion tools; and identified and began addressing legal issues related to Y2K.

In January 1997, the Project moved into Phase 2, Remediation, *i.e.*, conversion and/or testing of all NASD systems. This is a two-year effort that will extend through the end of 1998. In 1999 the Project will move into Phase 3, Monitoring, which will include the monitoring of all internal NASD systems through an entire business cycle, and performing "street-wide" (transaction life cycle) testing with members and other industry organizations (NSCC, DTC, NYSE, information vendors, etc.).

Year 2000 Member Readiness

The NASD strongly urges all its members, if they have not already done so, to initiate their own Y2K project. Every member has a responsibility to analyze the readiness of their internal computer systems for the Y2K challenge. In particular, *members who use automated programs to satisfy their regulatory and compliance responsibilities must*

ensure that those systems are able to function on and after January 1, 2000. Computer failures related to Y2K problems generally will be considered neither a defense to violations of firm's regulatory or compliance responsibilities nor a mitigation of sanctions for such violations. To that end, members must develop and implement an action plan to deal with any identified system coding changes required to achieve Y2K compliance. Also, members are urged to contact vendors of the software and hardware products they use to ensure they are addressing the Y2K issue. It is highly recommended that each firm accomplish all code changes by the end of 1998, so that 1999 can be used for monitoring the operations of all converted systems and performing quality assurance and interface tests with other organizations.

Project Observations

So far, the NASD's Y2K Project has learned a few lessons worth sharing:

1. In preparation for the remediation phase, resources will be planned based on a schedule of the applications to be remediated and/or tested within a specific time period. It is important to recognize that the schedule will be revised whenever there is a valid business or technical reason to reschedule work on a particular application. Therefore, Y2K projects must anticipate that they will face a continuing challenge to: (1) maintain the pace of remediation activities and (2) anticipate changing resource demands as a result of the revisions to the work schedule.

2. Existing systems maintenance teams should have primary responsi-

bility for code conversion because of their in-depth knowledge of the applications. Their knowledge will ensure that conversions are performed in the most efficient and effective manner. On the other hand, there should also be a strong Y2K central team to coordinate and monitor all Y2K activities, provide tools, contract resources, develop standards, and establish processes.

3. The Y2K arena resembles a minefield of hidden surprises. For example, contacting vendors for information about the Y2K compliance of their products and then verifying compliance will take much longer than anticipated. Constant and careful communications with suppliers is an absolute must because it is not unlikely that a vendor may reverse its position about whether it will or will not release a Y2K-compliant version of a particular product.

4. It is likely that unforeseen events will occur that may affect a Y2K project's ability to meet its January 1, 2000, deadline. Consequently, a contingency plan addressing possible "worst case scenarios" must be developed, preferably during the planning and assessment phase of the project.

Questions regarding these suggestions, the NASD's Y2K Project, or the Exchange and Utility Sub-Committee may be directed to Jack Samarias, Vice President, Office of Technology Services, at (301) 590-6633.

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NASD NOTICE TO MEMBERS 97-17

SOES Tier Levels Set To Change April 1, 1997

Suggested Routing

- Senior Management
- Advertising
- Corporate Finance
- Government Securities
- Institutional
- Internal Audit
- Legal & Compliance
- Municipal
- Mutual Fund
- Operations
- Options
- Registration
- Research
- Syndicate
- Systems
- Trading
- Training

Executive Summary

Effective April 1, 1997, tier sizes for 692 Nasdaq National Market[®] securities will be revised in accordance with NASD[®] Rule 4710(g).

For more information, please contact Nasdaq[®] Market Operations at (203) 378-0284.

Description

Under Rule 4710, the maximum Small Order Execution System (SOESSM) order size for a Nasdaq National Market security is 1,000, 500, or 200 shares depending on the trading characteristics of the security. The Nasdaq Workstation IITM indicates the maximum SOES order size for each Nasdaq National Market security in its bid/offer quotation display. The indicator "NM10," "NM5," or "NM2" is displayed to the right of the security name, corresponding to a maximum SOES order size of 1,000, 500, or 200 shares, respectively.

The criteria for establishing SOES tier sizes are as follows:

- A 1,000-share tier size was applied to those Nasdaq National Market securities that had an average daily non-block volume of 3,000 shares or more a day, a bid price that was less than or equal to \$100, and three or more market makers.
- A 500-share tier size was applied to those Nasdaq National Market securities that had an average daily non-block volume of 1,000 shares or more a day, a bid price that was less than or equal to \$150, and two or more market makers.
- A 200-share tier size was applied to those Nasdaq National Market securities that had an average daily non-block volume of less than 1,000 shares a day, a bid price that was less than or equal to \$250, and less than two market makers.

In accordance with Rule 4710, Nasdaq periodically reviews the SOES tier size applicable to each Nasdaq National Market security to determine if the trading characteristics of the issue have changed so as to warrant a tier size adjustment. Such a review was conducted using data as of December 31, 1996, pursuant to the aforementioned standards. The SOES tier-size changes called for by this review are being implemented with three exceptions.

- First, issues were not permitted to move more than one tier-size level. For example, if an issue was previously categorized in the 1,000-share tier, it would not be permitted to move to the 200-share tier, even if the formula calculated that such a move was warranted. The issue could move only one level to the 500-share tier as a result of any single review. In adopting this policy, the NASD was attempting to maintain adequate public investor access to the market for issues in which the tier-size level decreased and to help ensure the ongoing participation of market makers in SOES for issues in which the tier-size level increased.
- Second, for securities priced below \$1 where the reranking called for a reduction in tier size, the tier size was not reduced.
- Third, for the top 50 Nasdaq securities based on market capitalization, the SOES tier sizes were not reduced regardless of whether the reranking called for a tier-size reduction.

In addition, with respect to initial public offerings (IPOs), the SOES tier-size reranking procedures provide that a security must first be traded on Nasdaq for at least 45 days before it is eligible to be reclassified.

Thus, IPOs listed on Nasdaq within the 45 days prior to December 31, 1996, were not subjected to the SOES tier-size review.

Following is a listing of the 692 Nasdaq National Market issues that will require a SOES tier-level change on April 1, 1997.

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Nasdaq National Market SOES Tier-Size Changes
All Issues In Alphabetical Order By Security Name
(Effective April 1, 1997)

Symbol	Company Name	Old Tier Level	New Tier Level	Symbol	Company Name	Old Tier Level	New Tier Level
SRCE	1ST SOURCE CP	500	1000	ABIGP	AMER BNKR INS GR PFD	500	1000
HHHH	4HEALTH INC	500	1000	AHEPZ	AMER HEALTH DEP SHRS	500	1000
A				AIFC	AMER INDEMNITY FIN	200	500
ABCB	A B C BANCORP	500	1000	ALHCP	AMER LIFE HLDG PFD	500	1000
ACMTA	A C M A T CP CL A	200	500	AMCN	AMERICAN COIN MERCH	1000	500
ANSS	A N S Y S INC	500	1000	ADSI	AMERICAN DISPOSAL	500	1000
ASBP	A S B FINANCIAL CP	500	1000	AMCI	AMERICAN MEDSERV CP	200	500
ASTSF	A S E TEST LTD ORD	500	1000	AMPI	AMPLICON INC	200	500
ARONA	AARON RENTS INC CL-A	1000	500	ANCO	ANACOMP INC	200	500
ABDR	ABACUS DIRECT CP	200	500	ANCOW	ANACOMP INC WTS	200	500
AANB	ABIGAIL ADAMS NATL	500	1000	ADCC	ANDEAN DEV CORP	200	500
ACRI	ACACIA RESEARCH CORP	500	1000	ADCCW	ANDEAN DEV CORP WTS	200	500
ACCI	ACC CONSUMER FIN CP	500	1000	AMSI	APACHE MEDICAL SYS	500	1000
ACEC	ACE*COMM CORP	500	1000	AAII	APPLIED ANALYTICAL	200	500
ADECY	ADECCO SA ADR	200	500	AICX	APPLIED IMAGING CORP	200	500
ADVP	ADVANCE PARADIGM INC	200	500	AQLA	AQUILA BIOPHARMACEUT	200	500
ADIC	ADVANCED DIG INFO CP	200	500	ARDM	ARADIGM CP	500	1000
AFCI	ADVANCED FIBRE COMM	200	500	ARGT	ARGENTBANK	500	200
ADVH	ADVANCED HEALTH CORP	200	500	ARKR	ARK RESTAURANTS CP	500	1000
ADLT	ADVANCED LIGHTING	500	1000	ARQL	ARQULE INC	200	500
ARTT	ADVANCED RADIO TELE	200	500	ASDV	ASPECT DEVELOPMT	500	1000
AADV	ADVANTAGE BNCP INC	500	1000	ATRC	ATRIA COMMUNITIES	200	500
AFFX	AFFYMETRIX INC	500	1000	AURM	AURUM SOFTWARE INC	200	500
AFED	AFSALA BANCORP INC	200	500	ABND	AUTOBOND ACCEPT CP	200	500
ABTX	AGRIBIOTECH INC	500	1000	ACAM	AUTOCAM CP	500	1000
ANSY	AIRNET SYSTEMS INC	500	1000	AIII	AUTOLOGIC INFO INTL	500	1000
ASII	AIRPORT SYS INTL INC	500	1000	AVTR	AVATAR HLDGS INC	500	1000
AKSY	AKSYS LTD	500	1000	AVGN	AVIGEN INC	500	1000
ALGO	ALGOS PHARMACEUTICAL	200	500	AVIR	AVIRON	200	500
ALLE	ALLEGIANT BNCP INC	200	500	AWRD	AWARD SOFTWARE INTL	200	500
ALLIF	ALLIANCE COMMUN CP B	500	1000	AWRE	AWARE INC	500	1000
ALLN	ALLIN COMMUNICATIONS	200	500	AXYS	AXSYS TECHS INC	500	200
ALET	ALOETTE COSMETICS	500	1000	B			
ALYN	ALYN CORP	200	500	BCBF	B C B FIN SVCS CP	200	500
AMIE	AMBASSADORS INTL INC	500	1000	BHAG	B H A GROUP INC S2	500	1000
AMBC	AMER BNCP OHIO	500	200	BKCS	B K C SEMICONDUCTORS	200	500

Symbol	Company Name	Old Tier Level	New Tier Level	Symbol	Company Name	Old Tier Level	New Tier Level
PAPA	BACK BAY RESTAURANT	500	1000	CAMH	CAMBRIDGE HEART INC	500	1000
BACU	BACOU USA INC	1000	500	CAFI	CAMCO FINANCIAL CP	200	500
BPMI	BADGER PAPER MILLS	200	500	WINEB	CANANDAIGUA WINE B	500	200
BWINB	BALDWIN LYONS CL B	500	1000	CNDL	CANDLEWOOD HOTEL CO	200	500
BPAO	BALDWIN PIANO ORGAN	500	1000	CANNY	CANON INC ADR	1000	500
BGLV	BALLY'S GRAND INC	200	500	CNTL	CANTEL INDS INC	500	1000
BGLVW	BALLY'S GRAND INC WT	200	500	CCBT	CAPE COD BK TR CO	500	1000
BTEK	BALTEK CP	200	500	CCOW	CAPITAL CP OF WEST	500	200
BANF	BANCFIRST CP	1000	500	CAPF	CAPITAL FACTORS HLDG	500	1000
BKLA	BANK OF LOS ANGELES	500	200	CAPS	CAPITAL SAV BNCP INC	1000	500
BOYL	BANK OF YORBA LINDA	500	1000	CRBO	CARBO CERAMICS INC	500	1000
BNKU	BANK UNITED CORP	500	1000	CPWY	CARDIAC PATHWAYS CP	500	1000
VSLF	BANYAN STRAT FUND II	500	1000	CARD	CARDINAL BSCHS INC	1000	500
BNTT	BARNETT INC	1000	500	CGCP	CARDIOGENESIS CP	500	1000
BARRW	BARRINGER TECH WTS	500	1000	CCVD	CARDIOVASCULAR DYNMC	500	1000
BNHN	BENIHANA INC	1000	500	CRSV	CARRIAGE SERVICES	500	1000
BNTNW	BENTON OIL & GAS WTS	500	1000	CCCG	CCC INFO SVCS GRP	500	1000
BEVB	BEVERLY BANCORP INC	200	500	FLWR	CELEBRITY INC	500	1000
BILL	BILLING INFO CONCEPT	500	1000	CNDS	CELLNET DATA SYSTEMS	200	500
BIOP	BIOPSYS MEDICAL INC	500	1000	CTBK	CENTER BANKS INC	200	500
BITS	BITSTREAM INC	200	500	CYFN	CENTURY FINANCIAL CP	500	200
BLYDY	BLYVOOR ADR NEW	500	1000	CEON	CERION TECH INC	500	1000
BOTX	BONTEX INC	200	500	CFMT	CFM TECHNOLOGIES INC	500	1000
BBII	BOSTON BIOMEDICA INC	200	500	CHLN	CHALONE WINE GP LTD	500	1000
BCGI	BOSTON COMMUN GROUP	500	1000	CHEM	CHEMPOWER INC	500	1000
BOXXA	BOX ENERGY CP CL A	200	500	CHERA	CHERRY CP CL A	500	1000
BXMNF	BRE-X MINERALS LTD	200	500	CHERB	CHERRY CP CL B	500	1000
BRBK	BRENTON BANKS INC	500	1000	CNBA	CHESTER BANCORP INC	200	500
BNBC	BROAD NATL BNCP	500	1000	CNMWW	CINCINNATI MICRO WTS	500	1000
BVSN	BROADVISION INC	500	1000	CNRMF	CINRAM LIMITED	200	500
BMTC	BRYN MAWR BK CP	200	500	CLMT	CLAREMONT TECH GP	500	1000
BUCK	BUCKHEAD AMERICA CP	1000	500	CLFY	CLARIFY INC	500	1000
BLGMY	BUFFELSFONTEIN ADR	200	500	CLSR	CLOSURE MEDICAL CORP	200	500
BPFB	BUSINESS & PRO BANK	200	500	CBSAP	COASTAL BANC PFD A	200	500
				MOKA	COFFEE PEOPLE INC	200	500
				WDRY	COINMACH LAUNDRY	500	1000
C				CCLR	COLLABORATIVE CLIN	500	1000
CBBI	C B BANCSHARES INC	200	500	CGPI	COLLAGENEX PHARM INC	500	1000
CBHI	C BREWER HOMES INC A	500	1000	CBMD	COLUMBIA BANCORP MD	1000	500
CNIT	C E N I T BNCP INC	1000	500	CCLWF	COMMODORE HLDG WTS	500	1000
CERB	C E R B C O INC	200	500	CCLNF	COMMODORE HLDGS LTD	500	1000
CFCI	C F C INTL INC	1000	500	CBNH	COMMUNITY BANKSHARES	500	1000
CNBI	C N BIOSCIENCES INC	200	500	CFIC	COMMUNITY FIN CP	1000	500
CNWK	C NET INC	500	1000	CLCX	COMPUTER LEARNING	500	1000
CRAU	C R ANTHONY COMPANY	500	1000	CMSX	COMPUTER MGMT SCI	500	1000
CSPI	C S P INC	200	500	CPTS	CONCEPTUS INC	500	1000
CUNO	C U N O INC	200	500	CTWS	CONN WATER SVCS INC	1000	500
KDUS	CADUS PHARM CORP	500	1000	CNKT	CONNECT INC	500	1000
CALGZ	CAL FED BK GDW CERT	500	1000	CFWY	CONS FREIGHTWAYS CP	200	500
CSTB	CALIFORNIA STATE BK	500	1000	CFIN	CONSUMERS FIN CP	200	500

Symbol	Company Name	Old Tier Level	New Tier Level	Symbol	Company Name	Old Tier Level	New Tier Level
SNSR	CONTROL DEVICES INC	200	500	EDMD	EDUCATIONAL MEDICAL	200	500
CRLBF	CORE LABORATORIES NV	500	1000	ENBX	EINSTEIN/NOAH BAGEL	500	1000
CRVL	CORVEL CP	500	1000	ELSE	ELECTRO SENSORS INC	200	500
COSE	COSTILLA ENERGY INC	200	500	EHST	ELECTRONIC HAIR STYL	500	1000
CSLI	COTTON STATES LIFE	500	1000	ETCIA	ELECTRONIC TELECOM A	1000	500
CAFEP	COUNTRY STAR PFD A	500	1000	ESCP	ELECTROSCOPE INC	500	1000
CRRC	COURIER CP	500	1000	EMER	EMERGENT GROUP INC	200	500
CNSK	COVENANT BK FOR SAV	500	1000	ENML	ENAMELON INC	200	500
CREG	CRAIG CONSUMER ELECT	500	1000	ERCC	ENERGY RESEARCH CP	1000	500
CRNSF	CRONOS GROUP (THE)	500	1000	ENMD	ENTREMED INC	500	1000
CBST	CUBIST PHARMACEUTCLS	200	500	EQUUS	EQUUS GAMING UTS A	1000	500
CYBR	CYBERMEDIA INC	200	500	ESCA	ESCALADE INC	1000	500
CYMI	CYMER INC	200	500	EXAC	EXACTECH INC	500	1000
D				F			
DBTO	D B T ONLINE INC	200	500	FMBN	F & M BANCORP (MD)	500	1000
DNAP	D N A P HLDG CP	200	500	FMCO	F M S FINANCIAL CP	200	500
DALY	DAILEY PETROLEUM	500	1000	FRPP	F R P PROPERTIES INC	200	500
DASTY	DASSAULT SYSTEME ADR	500	1000	FRLN	FARALLON COMMUN INC	500	1000
DPRC	DATA PROCESSING RES	500	1000	FAXX	FAXSAV INC	200	500
DMAR	DATAMARINE INTL INC	500	1000	FAMCK	FEDERAL AGRIC MORT C	500	1000
DGTC	DEL GLOBAL TECH CP	500	1000	FMRX	FEMRX INC	500	1000
DGAS	DELTA NATURAL GAS	1000	500	FFED	FIDELITY FED BNCP	500	1000
DEVC	DEVCON INTL CP	500	1000	FFRV	FIDELITY FIN BKSH CP	1000	500
DEVN	DEVON GROUP INC	500	1000	LION	FIDELITY NATL CP	200	500
DCRN	DIACRIN INC	500	1000	ROMN	FILM ROMAN INC	200	500
DITI	DIATIDE INC	500	1000	FSAT	FIN SVCS ACQ CORP	200	500
DDRX	DIEDRICH COFFEE	200	500	FSATW	FIN SVCS ACQ CP WT A	200	500
DIGE	DIGENE CP	500	1000	FSATZ	FIN SVCS ACQ CP WT B	200	500
DIGX	DIGEX INC	200	500	FINE	FINE HOST CP	500	1000
DIME	DIME COMMUNITY BNCP	500	1000	FMST	FINISHMASTER INC	500	1000
DOCX	DOCUMENT SCI CP	200	500	FACO	FIRST ALLIANCE CP	500	1000
DEZI	DONNELLY ENT SOLUTIO	200	500	FAHC	FIRST AMER HEALTH	500	1000
DRYR	DREYERS GRAND ICE	500	1000	FBSI	FIRST BANCSHARES INC	500	200
DRLX	DRILEX INTL INC	500	1000	FBNKP	FIRST BKS CUM PFD C	500	200
DPMI	DUPONT PHOTOMASKS	500	1000	FCNCA	FIRST CITIZENS CL A	500	1000
DRRA	DURA AUTO SYSTEMS	500	1000	FSTC	FIRST CITIZENS CORP	500	200
DROOY	DURBAN ROODEPOOR ADR	200	500	FENT	FIRST ENTERPRISE FIN	500	1000
DYMX	DYNAMEX INC	500	1000	FFBG	FIRST FED SVGS BK GA	200	500
BOOM	DYNAMIC MATERIALS CP	500	1000	FFHS	FIRST FRANKLIN CP	500	200
E				FGHC	FIRST GEORG HLDGS	200	500
ELXS	E L X S I CP	500	1000	FLFC	FIRST LIBERTY FIN	500	1000
EZCIA	E Z COMMUN CL A INC	1000	500	CASH	FIRST MIDWST FIN INC	200	500
EGRP	E*TRADE GROUP INC	500	1000	FMOR	FIRST MTGE CP	500	200
ESTI	ECLIPSE SURGICAL TEC	500	1000	FMSB	FIRST MUTUAL SAV BK	200	500
EDCO	EDISON CONTROL CP	500	200	FNGB	FIRST NORTHERN CAP	1000	500
EDMC	EDUCATION MGMT CORP	200	500	FSNJ	FIRST SAV BK OF NJ	200	500
				FSTH	FIRST SO BCSS INC	500	1000
				UNTD	FIRST UNITED BCSS	200	500

Symbol	Company Name	Old Tier Level	New Tier Level	Symbol	Company Name	Old Tier Level	New Tier Level
FFDP	FIRSTFED BANCSHARES	1000	500	HOMF	HOME FEDERAL BANCORP	1000	500
PUCK	FLORIDA PANTHERS HLD	200	500	HPII	HOME PRODUCTS INTL	500	1000
FPWR	FOUNTAIN PWRB IND	200	500	HMGT	HOMEGATE HOSPITALITY	200	500
FPIC	FPIC INSURANCE GROUP	500	1000	HZVW	HORIZON BNCP INC	200	500
FSON	FUSION MEDICAL TECH	500	1000	HOSP	HOSPOSABLE PROD INC	500	200
				HOTT	HOT TOPIC INC	200	500
				HFAB	HOUSE OF FABRICS	500	1000
				HUMP	HUMPHREY HOSP TR INC	500	1000
G							
GKNS	G K N HOLDING CP	500	1000				
GSES	G S E SYSTEMS INC	500	1000				
GBOT	GARDEN BOTANIKA INC	500	1000	I			
GOYL	GARGOYLES INC	200	500	IACP	I A CORPORATION I	200	500
GMCC	GEN MAGNAPLATE CP	200	500	ICTG	I C T GROUP INC	500	1000
GENBB	GENESEE CP B	200	500	ICTSF	I C T S INTL NV	500	1000
GENXY	GENSET ADR	500	1000	IMCC	IMC MORTGAGE CO	500	1000
GNSM	GENSYM CP	500	1000	ISTR	INCSTAR CP	500	1000
GSCI	GEOSCIENCE CP	500	1000	INDI	INDIVIDUAL INV GRP	500	1000
GERN	GERON CORP	500	1000	IMIC	INDUSTIR-MATEMATIK	200	500
JACK	GOLDEN BEAR GOLF	500	1000	INFN	INFINITY FIN TECH	500	1000
GLDC	GOLDEN ENTRPRS INC	500	1000	IMRS	INFO MGMT RESOURCES	200	500
GNCNF	GORAN CAPITAL INC	1000	500	SEEK	INFOSEEK CP	500	1000
GRDL	GRADALL INDS INC	200	500	ISER	INNOSERV TECH INC	500	1000
GPFI	GRAND PREMIER FIN	200	500	IDEA	INNOVASIVE DEVICES	500	1000
GPLB	GRAND PRIX ASSOC LB	500	1000	INSL	INSILCO CP	500	1000
GFNL	GRANITE FINANCIAL	200	500	ILABY	INSTRUMENTATION ADR	200	500
GSBC	GREAT SOUTHERN BNCP	500	1000	ILCC	INTEGRATED LIVING	200	500
GBBK	GREATER BAY BANCORP	200	500	IMRI	INTEGRATED MED RES	200	500
GVPMY	GROOTVLEI PROP ADR	200	500	INTD	INTELIDATA TECHS CP	200	500
GSOFF	GROUP I SOFTWARE INC	500	200	ITIG	INTELLIGROUP INC	200	500
				IHCC	INTENSIVA HLTHCR CP	200	500
				INTG	INTERGROUP CP THE	500	200
H				INLK	INTERLINK COM SCIENC	500	1000
HFFC	H F FINANCIAL CP	500	1000	ISTN	INTERSTATE NATL DLR	500	1000
HDVS	H. D. VEST INC	1000	500	ISTNW	INTERSTATE NATL WTS	500	1000
HAHN	HAHN AUTOMOTIVE	500	200	IVBK	INTERVISUAL BOOKS	500	1000
HALL	HALLMARK CAP CP	500	1000	IMSI	INTL MICROCOMP SFTWR	500	1000
HNBC	HARLEYSVILLE NATL CP	500	1000	INSS	INTL NETWORK SVCS	200	500
HGMCY	HARMONY GOLD MNG ADR	200	500	POST	INTL POST LIMITED	500	1000
HFGI	HARRINGTON FIN GRP	500	1000	ISCA	INTL SPEEDWAY CL A	200	500
HSDC	HEALTH SYS DESIGN CP	500	1000	ITDS	INTL TELECOM DATA	200	500
HCOR	HEALTHCOR HLDGS INC	500	1000	ITIC	INVESTORS TITLE CO	500	1000
HECHB	HECHINGER CO CL B	500	1000	IPSW	IPSWICH SAV BK	1000	500
HAHIW	HELP AT HOME INC WTS	1000	500	ISKO	ISCO INC	500	1000
HBCI	HERITAGE BANCORP INC	200	500	ILDXY	ISRAEL DEVEL LTD ADR	500	200
HERS	HERITAGE FINL SVC IL	1000	500	IIXC	IXC COMMUNICATION	500	1000
HIBB	HIBBETT SPORTING	200	500				
HBNK	HIGHLAND FEDERAL BK	500	1000	J			
HIFS	HINGHAM INSTI SAVING	200	500	JTAX	JACKSON HEWITT INC	1000	500
HLGRF	HOLLINGER INC	500	1000	JCORZ	JACOR COMM INC WTS	200	500
HBEI	HOME BANCP ELGIN	200	500				

Symbol	Company Name	Old Tier Level	New Tier Level	Symbol	Company Name	Old Tier Level	New Tier Level
JANNF	JANNOCK LIMITED	500	1000	MARSA	MARSH SUPERMARKETS A	500	1000
				MFCX	MARSHALLTOWN FIN CP	500	1000
				MSDX	MASON-DIXON BCSHS	500	1000
K				MTXC	MATRIX CAP CORP	200	500
KLLM	K L L M TRANSPORT SV	500	1000	MTSN	MATTSON TECH INC	500	1000
KTII	K TRON INTL INC	500	1000	MOIL	MAYNARD OIL CO	500	1000
KTEL	K-TEL INTL INC	500	1000	MCLD	MCLEOD INC CL A	500	1000
KPSQ	KAPSON SNR QUARTERS	200	500	MBRK	MEADOWBROOK REHAB A	200	500
KARR	KARRINGTON HEALTH	500	1000	MDII	MECHANICAL DYNAMICS	500	1000
KAYE	KAYE GROUP INC	200	500	MECH	MECHANICS SAV BK	500	1000
KTCO	KENAN TRANSPORT CO	200	500	TAXI	MEDALLION FIN CP	500	1000
KWIC	KENNEDY-WILSON INTL	200	500	MEDJ	MEDI-JECT CORP	200	500
KVCO	KEVCO INC	200	500	MAII	MEDICAL ALLIANCE INC	200	500
KEYS	KEYSTONE AUTOMTV IND	500	1000	MGCC	MEDICAL GRAPHICS CP	500	1000
KTTY	KITTY HAWK INC	200	500	MDKI	MEDICORE INC	500	1000
KLOCZ	KUSHNER-LOCK WT C	500	1000	MEDQ	MEDQUIST INC	500	1000
				MBRS	MEMBERWORKS INC	200	500
				MEMCF	MEMCO SOFTWARE LTD	200	500
L				MIGI	MERIDIAN INS GP INC	1000	500
LCCI	L C C INTL INC	500	1000	MTEC	MERIDIAN MED TECH	500	1000
LXBK	L S B BANCSHARES NC	200	500	MRET	MERIT HOLDING CP	1000	500
LBOR	LABOR READY INC	500	1000	MTRS	METRIS COMPANIES INC	200	500
LAMR	LAMAR ADVERTISING A	500	1000	MTNT	METRO NETWORKS INC	200	500
LARK	LANDMARK BSCHS INC	500	200	MTON	METRO ONE TELECOMM	200	500
LDII	LARSON DAVIS INC	500	1000	METF	METROPOLITAN FIN CP	200	500
LASRF	LASER INDUSTRIES LTD	500	1000	MTWKF	METROWERKS CORP	500	1000
LSO	LASON INC	200	500	METZ	METZLER GROUP INC	200	500
LEAP	LEAP GROUP (THE)	200	500	MCSC	MIAMI COMPUTER SUPPL	200	500
LFED	LEEDS FED SAV BANK	200	500	MINT	MICRO-INTEGRATION CP	500	1000
CHAIZ	LIFE MED SCI WT B	1000	500	MVIS	MICROVISION INC	200	500
LTBG	LIGHTBRIDGE INC	200	500	MVISW	MICROVISION WTS	200	500
LNDL	LINDAL CEDAR HOMES	500	1000	MIAMP	MID AM CUM CNV PFD A	200	500
LFUSW	LITTELFUSE INC WTS	200	500	MCBS	MID CONT BCSHS INC	500	1000
LEIX	LOWRANCE ELECTRONICS	500	1000	MSEX	MIDDLESEX WATER CO	1000	500
				MFFC	MILTON FED FINL CP	500	1000
				MBLE	MOBILE GAS SERVICE	1000	500
M				MONEP	MONEY STORE PFD	200	500
MARC	M A R C INC	500	1000	MNRTA	MONMOUTH REAL INV A	500	1000
MBLF	M B L A FINL CORP	200	500	MORP	MOORE PRODUCTS CO	500	200
MCICP	M C I CAP 1 A QUIPS	500	1000	MOYC	MOYCO TECH INC	500	1000
MIMS	M I M CORPORATION	500	1000	MZON	MULTIPLE ZONES INTL	500	1000
MLCH	M L C HOLDINGS INC	200	500				
MWAV	M-WAVE INC	500	1000	N			
MACC	MACC PRIVATE EQU INC	200	500	NCOG	N C O GROUP INC	200	500
MACD	MACDERMID INC	200	500	NSAI	N S A INTL INC	1000	500
MKFCF	MACKENZIE FIN CP	500	1000	NSTK	NASTECH PHARM CO	500	1000
MANA	MANATRON INC	1000	500	NCBE	NATL CITY BANCSHARES	1000	500
MFAC	MARKET FACTS INC	200	500	NCBM	NATL CITY BNCP	500	1000
MBJI	MARKS BROS. JEWELERS	500	1000	NATI	NATL INSTRUMENTS CP	1000	500
MWHX	MARKWEST HYDROCARBON	200	500				

Symbol	Company Name	Old Tier Level	New Tier Level	Symbol	Company Name	Old Tier Level	New Tier Level
NEOT	NEOTHERAPEUTICS INC	200	500	PFED	PARK BANCORP INC	500	1000
NEOTW	NEOTHERAPEUTICS WTS	200	500	PVSA	PARKVALE FINL CP	500	1000
NETVA	NETVANTAGE INC CL A	500	1000	PRLX	PARLEX CP	500	200
IMGXW	NETWORK IMAGING WTS	1000	500	PLSS	PEERLESS GROUP INC	200	500
NBIX	NEUROCRINE BIOSCI	500	1000	PRLS	PEERLESS SYSTEMS CP	200	500
NECB	NEW ENGLAND COMM A	1000	500	PGTV	PEGASUS COMMUNICATIO	200	500
NYBS	NEW YORK BAGEL ENT	200	500	PEGA	PEGASYSTEMS INC	500	1000
NMTI	NITINOL MED TECHS	200	500	PFDC	PEOPLES BANCORP	200	500
NCBH	NORTH COUNTY BANCORP	200	500	PPLS	PEOPLES BK CP OF IND	500	200
TNFI	NORTH FACE INC (THE)	500	1000	TPMI	PERSONNEL MGMT INC	500	1000
NWTL	NORTHWEST TELEPROD	500	1000	PLIT	PETROLITE CP	1000	500
NMTXW	NOVAMETRIX MED WTS A	1000	500	PPRT	PHARMAPRINT INC	500	1000
NMTXZ	NOVAMETRIX MED WTS B	500	200	PTRN	PHOTRAN CP	500	1000
NOVT	NOVOSTE CP	500	1000	PIFI	PIEMONTE FOODS INC	200	500
NUKO	NUKO INFO SYS INC	500	1000	PINN	PINNACLE BANC GP INC	500	1000
				SIGN	PLASTI LINE INC	500	1000
				PBYP	PLAY BY PLAY TOYS	500	1000
				POBR	POE & BROWN INC	500	1000
O				PRRC	PRECISION RESPONSE	500	1000
OSBF	O S B FINANCIAL CP	200	500	PBKC	PREMIER BKSHS	200	500
OTRX	O T R EXPRESS INC	500	1000	PFBI	PREMIER FIN BNCP INC	500	1000
OGAR	O'GARA COMPANY (THE)	200	500	PARK	PREMIER PARKS INC	500	1000
OCIS	OACIS HLTHCR HLDG	500	1000	PMIS	PREMIS CORP	500	1000
OHSC	OAK HILL SPORTSWEAR	500	1000	PRBC	PRESTIGE BNCP INC	500	1000
ODIS	OBJECT DESIGN INC	500	1000	PENG	PRIMA ENERGY CP	1000	500
OCFC	OCEAN FINANCIAL CORP	500	1000	PSAB	PRIME BNCP INC	1000	500
OCWN	OCWEN FINANCIAL CP	200	500	PRMEP	PRIME RETAIL PFD B	1000	500
OEDC	OFFSHORE ENERGY DEV	200	500	PRTL	PRIMUS TELECOM GROUP	200	500
OGLE	OGLEBAY NORTON CO	500	200	AFIS	PRINTRAK INTL INC	500	1000
OLGR	OILGEAR CO	200	500	PFACP	PRO-FAC COOP PFD A	500	1000
ODFL	OLD DOMINION FREIGHT	500	1000	PSTFY	PROFESSIONL STAF ADR	500	1000
OMGR	OMNI INSURANCE GP	1000	500	PSDS	PROSOURCE INC	200	500
ONCO	ON COMMAND CORP	200	500	PROV	PROVIDENT FIN HLD	500	1000
OWAV	ONEWAVE INC	500	1000	PCNA	PUBLISHING CO OF NA	500	1000
ONDI	ONTRACK DATA INTL	200	500	PULS	PULSE BANCORP INC	500	200
OMKT	OPEN MARKET INC	500	1000				
PLAN	OPEN PLAN SYS INC	500	1000	Q			
OPTK	OPTIKA IMAGING SYS	500	1000	QEPC	Q E P CO INC	200	500
OGNB	ORANGE NATL BNCP	500	200	QMDC	QUADRAMED CP	200	500
OROA	OROAMERICA INC	500	1000	QDELW	QUIDEL CP WTS 2000	500	1000
OZEMY	OZEMAIL LTD ADR	500	1000	QUIP	QUIPP INC	500	1000
P							
PFINA	P F INDS INC A	500	1000	R			
PJAM	P J AMERICA INC	200	500	RGFC	R & G FINANCIAL CORP	200	500
PCCI	PACIFIC CREST CAP	500	1000	RMHT	R M H TELESERVICE	200	500
PGEX	PACIFIC GATEWAY EXCH	500	1000	RAGS	RAG SHOPS INC	500	1000
PMWI	PAGEMART WIRELESS A	500	1000	RLLYW	RALLY'S HAMBURGER WT	200	500
PVAT	PARAVANT COMP SYS	500	1000	RARB	RARITAN BANCORP INC	200	500
PVATW	PARAVANT COMP WTS	500	1000				

Symbol	Company Name	Old Tier Level	New Tier Level	Symbol	Company Name	Old Tier Level	New Tier Level
RGFX	RASTER GRAPHICS INC	500	1000	SFNCA	SIMMONS FIRST NATL A	500	1000
RDGE	READING ENT INC	500	1000	SMCI	SIMULATION SCIENCES	200	500
RLCO	REALCO INC	500	1000	SWLDY	SMALLWORLDWIDE ADR	200	500
RWTIP	REDWOOD TR PFD B	500	1000	SMTK	SMARTALK TELESVCS	200	500
RFTN	REFLECTONE INC	1000	500	SMXC	SMITHWAY MOTOR XPRES	500	1000
REGI	REGISTRY INC (THE)	500	1000	SRSV	SOURCE SERVICES CP	500	1000
RELV	RELIV INTL INC	200	500	SSFC	SOUTH STREET FIN CP	200	500
REMX	REMEDYTEMP INC	500	1000	SWBI	SOUTHWEST BANCSHARES	500	200
RSVC	RENTAL SERVICE CORP	200	500	SWPA	SOUTHWEST NATL CP	200	500
REPB	REPUBLIC BCSSH INC	500	1000	SVRNP	SOVEREIGN BNCP PFD B	500	1000
RENG	RESEARCH ENGINEERS	500	1000	SPEK	SPEC S MUSIC INC	500	1000
RESR	RESEARCH INC	200	500	CTLG	SPECIALTY CATALOG CP	200	500
RBKV	RESOURCE BANK	500	200	DIAGF	SPECTRAL DIAGNOSTICS	500	1000
RMRPN	RESOURCE MTG PFD C	200	500	SPLH	SPLASH TECH HLDGS	200	500
RTRK	RESTRAC INC	500	1000	STAF	STAFFMARK INC	200	500
RHEM	RHEOMETRICS SCI INC	500	1000	STGE	STAGE STORES INC	200	500
RELL	RICHARDSON ELECT LTD	500	1000	SFSW	STATE FINL SVCS CL A	500	200
RIDG	RIDGEVIEW INC	200	500	STNRF	STEINER LEISURE LTD	200	500
RIMG	RIMAGE CP	1000	500	SRCL	STERICYCLE INC	200	500
RSHX	ROCKSHOX INC	200	500	SWBC	STERLING WEST BNCP	500	200
RSTI	ROFIN-SINAR TECHS	200	500	SHOO	STEVEN MADDENS LTD	500	1000
RBPA	ROYAL BSCHS OF PA A	1000	500	SHOOZ	STEVEN MDNS WTS B	500	1000
RUSH	RUSH ENTERPRISES INC	500	1000	EASY	STORM TECH INC	200	500
RMOC	RUTHERFORD-MORAN OIL	500	1000	STRA	STRAYER EDUCATION	500	1000
RBCO	RYAN BECK CO INC	500	1000	SLAM	SUBURBAN LODGES AMER	500	1000
				SOSC	SUBURBAN OSTOMY SUPP	200	500
				SBGA	SUMMIT BANK CORP	200	500
S				SMMT	SUMMIT DESIGN INC	200	500
SFED	S F S BANCORP INC	1000	500	SSPW	SUN SPORTSWEAR INC	500	1000
SRSL	S R S LABS INC	500	1000	SUNQ	SUNQUEST INFO SYS	500	1000
SSNC	S S & C TECH INC	500	1000	SNRZ	SUNRISE ASSISTED LIV	500	1000
SBTK	SABRATEK CP	500	1000	SILVZ	SUNSHINE MINING WTS	200	500
SHCID	SALICK HLTH NEW SPL	500	1000	SUPC	SUPERIOR CONSULTANT	200	500
SCAI	SANCHEZ COMPUTER ASS	200	500	SPPR	SUPERTEL HOSPITALITY	500	1000
SASR	SANDY SPRING BNCP	200	500	SIGC	SYMONS INTL GROUP	200	500
SABB	SANTA BARBARA BNCP	1000	500	SIND	SYNTHETIC INDS INC	200	500
SCBI	SCB/COMPUTER TECH	500	1000				
SCHR	SCHERER HEALTHCARE	200	500	T			
SEAC	SEA CHANGE INTL INC	200	500	TALX	T A L X CORP	200	500
SEWY	SEAWAY FOOD TOWN INC	200	500	TSRI	T S R INC	500	1000
SECD	SECOND BANCORP INC	1000	500	TBAC	TANDY BRANDS ACCESS	500	1000
SFBM	SECURITY BANCORP	500	1000	TPNZ	TAPPAN ZEE FIN INC	1000	500
SBHC	SECURITY BK HLDG CO	200	500	TPACF	TCI PAC COM EXCH PFD	500	1000
SFNB	SECURITY FIRST NTWK	500	1000	TMAI	TECHNOLOGY MODELING	200	500
SLCTY	SELECT SOFTWARE ADR	200	500	TCGX	TELCO COMMUN GROUP	500	1000
SENEA	SENECA FOODS CP A	200	500	LBTYB	TELE COMM B LBY MEDA	200	500
SLFC	SHORELINE FIN CP	200	500	TCGI	TELEPORT COMMUN GR A	500	1000
SEBL	SIEBEL SYSTEMS INC	500	1000	TLSP	TELESPECTRUM WRLDWDE	500	1000
SIGR	SIGNATURE RESORTS	500	1000	TTEC	TELETECH HLDGS INC	500	1000
SGIC	SILICON GAMING INC	500	1000				

Symbol	Company Name	Old Tier Level	New Tier Level	Symbol	Company Name	Old Tier Level	New Tier Level
TANT	TENNANT CO	500	1000	VALU	VALUE LINE INC	500	1000
TMAF	TESMA INTL INC A	200	500	VRLK	VERILINK CP	500	1000
TDCA	THERAPEUTIC DISC A	500	1000	VRSA	VERSA TECH INC	500	1000
TMXI	THERMATRIX INC	500	1000	VSNT	VERSANT OBJECT TECH	500	1000
TMSTA	THOMASTON MILLS A	200	500	VYTL	VIATEL INC	200	500
THRNY	THORN PLC ADR	200	500	VUTKW	VIEW TECH INC WTS	1000	500
TIMT	TITANIUM METALS CP	500	1000	VISG	VIISAGE TECH INC	200	500
TCAM	TRANS CP OF AMER INC	1000	500	VMRX	VIMRX PHARM INC	500	1000
TRNI	TRANS INDS INC	500	1000	VRGN	VIRAGEN INC	500	1000
TLII	TRANS LEASING INTL	500	1000	VRII	VIRUS RESEARCH INST	500	1000
TACT	TRANSACT TECH INC	200	500	VSGN	VISIGENIC SOFTWARE	500	1000
TRCW	TRANSCOR WASTE SERV	500	1000	VSIO	VISIO CORP	500	1000
TKTX	TRANSKARYOTIC THERAP	200	500	VTCH	VITECH AMERICA INC	200	500
TRNS	TRANSMATION INC	500	1000	VOXW	VOXWARE INC	200	500
TNZRY	TRANZ RAIL HLDGS ADR	500	1000				
TRVS	TRAVIS BOATS & MOTOR	500	1000				
VIRS	TRIANGLE PHARMACEUTS	200	500	W			
TMAR	TRICO MARINE SVCS	500	1000	WVFC	W V S FINANCIAL CP	200	500
TEAL	TRITEAL CORPORATION	500	1000	WAIN	WAINWRIGHT BK TR CO	500	1000
THBC	TROY HILL BNCP INC	1000	500	WALS	WALSHIRE ASSURANCE	500	1000
TISX	TRUSTED INFO SYSTEMS	200	500	WRNB	WARREN BANCP INC	500	1000
TFCO	TUFCO TECHS INC	500	1000	WAMUM	WASHINGTON MUT PFD E	500	1000
PYTV	TV FILME INC	500	1000	WYNE	WAYNE BANCORP INC DE	500	1000
TWLB	TWINLAB CORP	200	500	WEFC	WELLS FINANCIAL CP	1000	500
				WBAN	WEST COAST BNCP (FL)	500	1000
				WWCA	WESTERN WIRELESS A	500	1000
U				WEHO	WESTWOOD HOMESTEAD	200	500
CHDX	U S CHINA IND EXCH	500	1000	WPNE	WHITE PINE SOFTWARE	200	500
USFS	U S FRANCHISE SYS A	200	500	OATS	WILD OATS MARKETS	200	500
UGLY	UGLY DUCKLING CP	500	1000	WLFC	WILLIS LEASE FIN CP	200	500
UNFY	UNIFY CP	500	1000				
UPCPO	UNION PLANTERS PFD E	1000	500				
UBCD	UNIONBANCORP INC	200	500	X			
UHLI	UNITED HOME LIFE INS	200	500	XVRC	XAVIER CORP	500	1000
UNFI	UNITED NAT FOODS INC	200	500	XION	XIONICS DOC TECHS	200	500
UPUP	UNITED PAY & UN PROV	500	1000	XLCT	XLCONNECT SOLUTIONS	200	500
USTR	UNITED STATIONERS	1000	500	XOMD	XOMED SURG PRODS INC	200	500
UOUT	UNIVERSAL OUTDOOR	500	1000				
UPEN	UPPER PENINSULA ERGY	500	1000				
UCOR	UROCOR INC	500	1000	Y			
ULGX	UROLOGIX INC	500	1000	YRKG	YORK GRP INC (THE)	1000	500
UROQ	UROQUEST MEDICAL CP	200	500				
				Z			
V				ZAGIF	Z A G INDS LTD	200	500
VSEC	V S E CP	500	200	ZION	ZIONS BANCORP	1000	500
VONE	V-ONE CORP	200	500				
VDRY	VACU DRY CO	200	500				

NASD NOTICE TO MEMBERS 97-18

As of February 21, 1997, the following bonds were added to the Fixed Income Pricing SystemSM (FIPSSM).

Symbol	Name	Coupon	Maturity
PARK.GA	Premier Parks Inc	9.750	1/15/07
HAVA.GC	Harvard Industry Inc	12.000	7/15/04
ONSI.GA	Orion Network Systems Inc	0.000	1/15/07
VPI.GB	Vintage Petroleum Inc	8.625	2/1/09
AVCA.GA	Arvin Capital I	9.500	2/1/27
THC.GD	Tenet Healthcare Corp	7.875	1/15/03
THC.GE	Tenet Healthcare Corp	8.000	1/15/05
THC.GF	Tenet Healthcare Corp	8.625	1/15/07

Fixed Income Pricing System Additions, Changes, And Deletions As Of February 21, 1997

As of February 21, 1997, the following bond was deleted from FIPS.

Symbol	Name	Coupon	Maturity
HAVA.GB	Harvard Industry Inc	11.125	8/1/05

Suggested Routing

- Senior Management
- Advertising
- Corporate Finance
- Government Securities
- Institutional
- Internal Audit
- Legal & Compliance
- Municipal
- Mutual Fund
- Operations
- Options
- Registration
- Research
- Syndicate
- Systems
- Trading
- Training

All bonds listed above are subject to trade-reporting requirements. Questions pertaining to FIPS trade-reporting rules should be directed to James C. Dolan, NASD[®] Market Regulation, at (301) 590-6460.

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

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DISCIPLINARY ACTIONS

Disciplinary Actions Reported For March

NASD Regulation, Inc. (NASD RegulationSM) has taken disciplinary actions against the following firms and individuals for violations of NASD[®] Rules; 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, March 17, 1997. The information relating to matters contained in this Notice is current as of the end of February. Information received subsequent to the end of February is not reflected in this edition.

Firms Fined, Individuals Sanctioned

Buttonwood Securities, Inc. (New York, New York) and **Edward A. McKay, Jr. (Registered Principal, New York, New York)** submitted a Letter of Acceptance, Waiver and Consent pursuant to which they were fined \$20,000, jointly and severally. McKay was suspended from association with any NASD member as a general securities principal for 30 days and required to requalify by exam as a general 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 McKay, conducted a securities business while failing to maintain its minimum required net capital. The findings also stated that the firm, acting through McKay, did not abide by the terms and conditions agreed to in its restrictive agreement with the NASD.

Nationwide Securities Corporation (Fort Worth, Texas) and **Kevin Bryan Williams (Registered Principal, Fort Worth, Texas)** submitted a Letter of Acceptance, Waiver and Consent pursuant to which they were fined \$15,000, jointly and severally and Williams was suspended from association with any NASD member

in any capacity for two years. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Williams, effected securities transactions while failing to maintain its minimum required net capital and failed to maintain accurate books and records. The NASD determined that the firm, acting through Williams, failed to enforce its written supervisory procedures and permitted individuals to engage in the investment banking or securities business of the firm without being properly registered with the NASD. The findings also stated that the firm, acting through Williams, reported 20 of 200 transactions reviewed as late, but failed to designate the transactions as late.

Firms And Individuals Fined
Blount Parrish & Roton, Inc. (Montgomery, Alabama) and **William B. Blount (Registered Principal, Montgomery, Alabama)** submitted an Offer of Settlement pursuant to which they were fined \$55,000, jointly and severally. In addition, the firm must hire an independent counsel to review the firm's procedures with respect to its adherence to certain MSRB Rules and to implement any recommendations made by the counsel. The respondents also agreed to make no contributions to any political action committee and to refrain from doing business with any lobbyist that controls or operates a political action committee. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Blount, in its role as underwriter, failed to accurately reflect the redemption feature of \$6,500,000 in industrial development revenue bonds for the Industrial Development Board of the City of Birmingham, Alabama.

Specifically, the NASD found that the firm offered and sold the bonds by means of an offering statement that failed to adequately disclose the redemption provisions of the bonds. The NASD also determined that the firm recorded an incorrect call feature on its confirmations of sale for the bonds and failed to disclose that the terms of the redemption feature had been omitted from the official statement, when the firm knew or should have known of such omission.

Prime Capital Services, Inc. (Poughkeepsie, New York), Michael P. Ryan (Registered Principal, Poughkeepsie, New York) and Ralph A. Porpora (Registered Principal, Copake, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which they were fined \$20,000, jointly and severally. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Ryan and Porpora, failed to establish and enforce written supervisory procedures. The findings also stated that the firm, acting through Ryan and Porpora, misrepresented to investors the use of the proceeds from an intrastate best efforts offering.

Trautman Kramer & Co. (New York, New York), Gregory Owen Trautman (Registered Principal, Brooklyn, New York), Robert Joseph Kramer (Registered Principal, New York, New York), and Peter Anthony Cardillo (Registered Representative, Marlton, New Jersey) submitted a Letter of Acceptance, Waiver and Consent pursuant to which they were fined \$100,000, jointly and severally and required to pay \$70,453 plus interest in restitution to customers, 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 recommendation and sale of a common stock, the firm, Trautman, and Kramer, failed to ensure that the firm's registered representatives disclosed that Trautman and Kramer were selling the stock. The findings also stated that the firm, Trautman, Kramer, and Cardillo failed to ensure that the firm's registered representatives were aware of and disclosed material information about the stock to their customers. Furthermore, the NASD determined that the firm, acting through Trautman and Cardillo, failed to establish, maintain, and enforce written supervisory procedures.

Individuals Barred Or Suspended

Mark Antonio Allwood (Registered Representative, Bronx, New York) was fined \$48,519.75 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Allwood obtained checks totaling \$8,024.82 issued by his member firm and made payable to public customers, cashed the checks, and used the funds for some purpose other than for the benefit of the customers without their knowledge or consent. Allwood also obtained a public customer's signature on a policyowner service request form under the pretense that the form would be used to change the beneficiary on the customer's variable life policy. Furthermore, Allwood failed to respond to NASD requests for information.

John F. Bald (Registered Representative, Carmel, New York) was fined \$1,270,000, barred from association with any NASD member in any capacity, and required to pay restitution. The sanctions were based on findings that Bald converted for his own use more than \$250,000 from the accounts of a bank customer. Bald also failed to respond to NASD requests for information.

Donald Sherman Becker (Registered Representative, Carrollton, Texas) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$5,000 and suspended from association with any NASD member in any capacity for two weeks. Without admitting or denying the allegations, Becker consented to the described sanctions and to the entry of findings that he solicited securities transactions without being registered with a member firm.

Richard W. Bosley (Registered Representative, Cincinnati, Ohio) was fined \$38,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Bosley received a \$2,970 check from a public customer for the purchase of a mutual fund and without the customer's knowledge or consent, used the funds for some purpose other than for the benefit of the customer. Bosley also failed to respond to NASD requests for information.

Todd Congrove (Registered Representative, Confer, Colorado) submitted an Offer of Settlement pursuant to which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Congrove consented to the described sanctions and to the entry of findings that, while taking the Series 6 exam, he was found with unauthorized material relating to the exam in his possession.

John Joseph Cummins (Registered Representative, New York, New York) was fined \$155,000, barred from association with any NASD member in any capacity, and ordered to pay \$50,000 in restitution to a customer. The sanctions were based on findings that Cummins engaged in private securities transactions without giving prior written notice to or obtaining approval from his member firm to

participate in such transactions. Furthermore, Cummins obtained \$25,000 from a public customer under false pretenses and converted the funds for his own use and benefit. Cummins also failed to respond to NASD requests for information.

Larry Valton Davis (Registered Principal, Dallas, Texas) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$20,000, barred from association with any NASD member in any capacity, and required to pay \$52,000. Without admitting or denying the allegations, Davis consented to the described sanctions and to the entry of findings that he prepared a confidential private offering memorandum and thereafter disseminated or caused the dissemination of that offering memorandum to potential investors knowing that it contained false information. The findings also stated that Davis participated in a private securities transaction and failed to provide written notice to his member firm.

Simone Joseph DiBella (Registered Representative, Clinton Township, Michigan) submitted an Offer of Settlement pursuant to which he was fined \$50,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, DiBella consented to the described sanctions and to the entry of findings that he participated in the offer and sale of securities to public customers on a private basis and failed to give prior written notice of such sales to his member firm, and to obtain prior written authorization from his member firm to engage in such activities.

William Leonard England (Registered Representative, Nampa, Idaho) was fined \$75,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that

England obtained possession of insurance disbursement checks totaling \$21,107.48 made payable to insurance clients, signed the payee's names to the checks, and deposited the checks at a bank to be credited to his credit card account. England also failed to respond to NASD requests for information.

Rick Fertel (Associated Person, Brooklyn, New York) was fined \$50,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Fertel arranged to have an impostor take the Series 7 exam on his behalf. Fertel also failed to respond to NASD requests to appear for an on-the-record interview.

Jacqueline Marie Freeze (Registered Representative, Huntington Woods, Michigan) submitted an Offer of Settlement pursuant to which she was fined \$25,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Freeze consented to the described sanctions and to the entry of findings that she participated in the offer and sale of securities to public customers on a private basis and failed to give prior written notice of, and to obtain prior written authorization from her member firm to engage in such activities.

Frederick Fusco (Registered Representative, Staten Island, New York) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Fusco failed to respond to NASD requests for information.

Richard Geiger (Registered Representative, Peoria, Illinois) submitted an Offer of Settlement pursuant to which he was fined \$10,000, suspended from association with any NASD member in any capacity for

10 business days, and prohibited for one year from qualifying and/or acting in any principal capacity with any NASD member firm. Without admitting or denying the allegations, Geiger consented to the described sanctions and to the entry of findings that he was associated with a member firm as its president, while failing to properly qualify and/or register in the appropriate capacity prior to engaging in such capacity with the firm. The findings stated that Geiger, acting on behalf of his member firm, effected securities transactions while failing to timely and accurately report the transactions and while failing to disclose accurate information on customer confirmations. The NASD also found that Geiger, acting on behalf of his member firm, permitted an individual to engage in the investment banking or securities business as a representative with his member firm, while the individual failed to properly qualify and register in the appropriate capacity.

Ralph W. Grant (Registered Representative, Shelton, Connecticut) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$100,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Grant consented to the described sanctions and to the entry of findings that he withheld and misappropriated \$23,496.29 representing premium payments on insurance policies and variable annuity contracts for public customers.

Peter B. Harman (Registered Representative, Cronpond, New York) was fined \$29,939.50 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Harman received \$823.25 from a public customer as insurance premium payments, failed to credit the customer's insurance policy and, instead, con-

verted the funds for his own use. Harman also failed to respond to NASD requests for information.

Fredric A. Hickson (Associated Person, Staten Island, New York) was fined \$72,949 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Hickson filed a Uniform Application for Securities Industry Registration or Transfer (Form U-4) that failed to disclose his association with a member firm and a criminal arrest. Furthermore, Hickson executed securities transactions in customer accounts while unregistered and took steps to conceal his misconduct from regulatory authorities. Hickson also failed to respond to NASD requests for information.

Clinton Hugh Holland, Jr. (Registered Principal, Salem, Oregon) was fined \$5,000, suspended from association with any NASD member in any capacity for five business days, and required to requalify by exam as a registered principal. The U.S. Court of Appeals for the Ninth Circuit affirmed the sanctions following appeal of a December 1995 Securities and Exchange Commission (SEC) decision. The sanctions were based on findings that Holland recommended to a public customer the purchase of speculative or high-risk securities without having reasonable grounds for believing that such recommendations were suitable for the customer considering the size and nature of the transactions, the concentration of speculative securities in the account, and the customer's financial situation, circumstances, needs, and objectives.

Jeffrey Peter Ihm (Registered Representative, Farmingdale, New York) was fined \$98,832.50, barred from association with any NASD member in any capacity, and ordered to pay \$13,262.07 in restitution to a customer. The sanctions were based

on findings that Ihm received checks totaling \$15,766.50 from a public customer for investment purposes and, instead, endorsed the checks and converted the funds for his own use and benefit. Ihm also failed to respond to NASD requests for information and to appear for an on-the-record interview.

Michael J. Ireland (Registered Representative, Madison, Maine) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$25,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Ireland consented to the described sanctions and to the entry of findings that he submitted fictitious insurance policy disbursement request forms for public customers wherein he received two checks totaling \$3,877.67. The findings also stated that Ireland forged the customers' signatures, double endorsed the checks, and deposited them into his personal account for his own use and benefit.

Darlene Dottie Johnson (Registered Representative, Sacramento, California) was fined \$22,000, suspended from association with any NASD member in any capacity for two years, required to pay restitution to customers, and required to requalify by exam. The sanctions were based on findings that Johnson received checks totaling \$179,370.03 from public customers for investment purposes, deposited \$112,241.80 of the funds in other customer accounts, and retained \$24,400 until a later date.

Ashwin S. Kumar (Registered Representative, Forest Hills, New York) was fined \$70,000, barred from association with any NASD member in any capacity, and ordered to pay \$10,000 in restitution. The sanctions were based on findings that Kumar

received a \$10,000 check from a public customer for investment purposes, endorsed and cashed the check, and converted the funds for his own use. Kumar also failed to respond to NASD requests for information.

John J. Labeck (Registered Representative, Valley Stream, New York) was fined \$204,125, barred from association with any NASD member in any capacity, and ordered to pay \$10,825 in restitution to a customer. The sanctions were based on findings that, in a scheme to defraud his member firm and a public customer, Labeck executed unauthorized trades, forged a customer's signature, and misused customer funds. In addition, Labeck executed the sale and purchase of shares of common stock in the accounts of public customers without the customers' prior knowledge, authorization, or consent. Furthermore, Labeck participated in private securities transactions and caused a falsified new account form to become a part of his member firm's books and records. Labeck also failed to respond to NASD requests for information.

Patrice Lambert (Registered Representative, Staten Island, New York) was fined \$30,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Lambert signed and filed with the NASD a Form U-4 that failed to disclose that he had been arrested and convicted of three crimes. Lambert also failed to respond to NASD requests for information.

Dmitry A. Levitsky (Registered Representative, Philadelphia, Pennsylvania) was fined \$80,000, barred from association with any NASD member in any capacity, and ordered to pay \$14,504.50 in restitution to customers. The sanctions were based on findings that Levitsky effected unauthorized transactions in

customer accounts. Levitsky also distributed business cards to customers representing that he was the president of his member firm without the firm's authorization. Furthermore, Levitsky failed to respond to NASD requests for information.

Howard David Liebrich (Registered Representative, Beaverton, Oregon) was fined \$210,724, suspended from association with any NASD member in any capacity for 60 business days, and required to requalify by exam. The sanctions were based on findings that Liebrich effected transactions in the accounts of public customers without obtaining written discretionary authority from the customers and without obtaining acceptance of the accounts by his member firm. Furthermore, Liebrich made recommendations to a public customer without having reasonable grounds for believing that the transactions were suitable for the customer given the number of transactions effected, the frequency of the transactions, the concentrated positions held in the account, and the customer's investment objectives, circumstances, and needs. Liebrich also attempted to guarantee a customer against losses in his account.

Charles William Maniaci (Registered Representative, Detroit, Michigan) submitted an Offer of Settlement pursuant to which he was fined \$83,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Maniaci consented to the described sanctions and to the entry of findings that he participated in the offer and sale of securities to public customers on a private basis and failed to give prior written notice of, and to obtain prior written authorization from his member firm to engage in such activities. The findings also stated that Maniaci failed to respond to NASD requests for information.

Steven Markov (Registered Principal, New York, New York) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Markov failed to respond to NASD requests for information about his termination from a member firm.

Richard B. McCulloch (Registered Representative, Westerly, Rhode Island) submitted an Offer of Settlement pursuant to which he was fined \$5,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, McCulloch consented to the described sanctions and to the entry of findings that he engaged in a private securities transaction outside the regular course or scope of his employment with his member firm without giving prior written notice to his member firm describing in detail the proposed transaction, his role therein, and whether he received or was to receive any selling compensation in connection with the transaction.

Michael W. McGhee (Registered Representative, Columbus, Ohio) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$20,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, McGhee consented to the described sanctions and to the entry of findings that he obtained unauthorized loans and dividend withdrawals from public customers by signing their names to service request forms for their insurance policies without their permission.

Richard N. Morello (Registered Representative, Oakland, New Jersey) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$400,000 and barred from association with any

NASD member in any capacity. Without admitting or denying the allegations, Morello consented to the described sanctions and to the entry of findings that he forged customer signatures on various forms submitted to his member firm, obtained possession of checks issued by his member firm payable to the customers, forged the customers' signatures on the checks, and converted the funds for his own use and benefit. The findings also stated that Morello received funds from customers in payment of insurance premiums or for other purposes and failed to apply the funds as directed. According to the findings, Morello, instead, converted the funds for his own use and benefit or caused the funds to be used or applied on behalf of or for the benefit of other customers.

Richard N. Nathman (Registered Representative, Boca Raton, Florida) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$6,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Nathman consented to the described sanctions and to the entry of findings that he received \$1,080 from a public customer intended for an investment in mutual funds. The NASD found that Nathman never invested the funds as intended and misused the funds.

Mark Walter Promack (Registered Representative, Clinton Township, Michigan) submitted an Offer of Settlement pursuant to which he was fined \$10,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Promack consented to the described sanctions and to the entry of findings that he participated in the offer and sale of securities to public customers on a private basis and failed to give prior written notice of, and to obtain prior

written authorization from his member firm to engage in such activities.

Gilbert Ramos (Registered Representative, Staten Island, New York) was fined \$70,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Ramos executed the purchase and sale of securities in the accounts of public customers without their knowledge, authorization, or consent. Ramos also failed to respond to NASD requests to appear for an on-the-record interview.

Maurice Fredric Re, III (Registered Representative, Pompano Beach, Florida) was fined \$10,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Re obtained a check from his manager's personal check book, made out the check for \$975, signed his manager's name to the check without authorization, and used the funds for his own benefit. Re also failed to respond to NASD requests for information.

John Daniel Reaves (Registered Representative, Houston, Texas) submitted an Offer of Settlement pursuant to which he was suspended from association with any NASD member in any capacity for two years. Without admitting or denying the allegations, Reaves consented to the described sanction and to the entry of findings that he disseminated to prospective investors documents relating to an offering of securities that reflected misleading statements and omissions of material facts without providing to his member firm written notice of the proposed transactions.

Angel B. Rivas (Registered Representative, Madrid, Spain) submitted an Offer of Settlement pursuant to which he was fined \$260,000, barred from association with any NASD

member in any capacity, and required to pay \$52,000 in restitution to his member firm. Without admitting or denying the allegations, Rivas consented to the described sanctions and to the entry of findings that he transferred \$39,000 to his personal bank account from the operation account of his member firm without the firm's knowledge or consent and in the absence of any entitlement of such funds. The findings also stated that Rivas issued checks totaling \$3,500 to an attorney who rendered no services to his member firm but instead rendered services to Rivas personally without the knowledge or consent of his member firm. Furthermore, the NASD determined that Rivas issued a \$20,000 bonus check to himself and failed to deduct amounts required to be withheld, and thereafter, submitted a false invoice when the payment was questioned by his member firm's auditors. The NASD found that Rivas failed to respond to NASD requests for information.

Patrick Lee Roese (Registered Representative, Columbus, Ohio) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Roese consented to the described sanction and to the entry of findings that he accepted \$11,000 from public customers for the purchase of security and insurance products, deposited the funds into the account of a financial planning company he created as a sole proprietorship, disbursed \$5,000 for a customer's securities purchases, and used the remaining \$6,000 for his own benefit.

Richard W. Rohde (Registered Representative, Rocky River, Ohio) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$100,000, barred from association with any NASD

member in any capacity, and required to pay \$42,857.31 in restitution to a member firm. Without admitting or denying the allegations, Rohde consented to the described sanctions and to the entry of findings that he received accumulated dividends, cash surrender values, and policy loans from insurance policies or annuities maintained by public customers totaling \$46,996.59, applied \$4,142.28 of the funds to premium payments, and retained the remaining \$42,857.31 for his own use and benefit.

David D. Ryan (Registered Representative, Chicago, Illinois) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Ryan failed to respond to NASD requests for information.

Kenneth Lawrence Schmidt (Registered Representative, Grosse Pointe Farms, Michigan) submitted an Offer of Settlement pursuant to which he was fined \$45,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Schmidt consented to the described sanctions and to the entry of findings that he participated in the offer and sale of securities to public customers on a private basis and failed to give prior written notice of, and to obtain prior written authorization from his member firm to engage in such activities.

Timothy J. Smith (Associated Person, Plymouth, Michigan) submitted an Offer of Settlement pursuant to which he was fined \$80,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Smith consented to the described sanctions and to the entry of findings that he participated in the offer and sale of securities to public customers on a private basis and failed to give prior written notice of,

and to obtain prior written authorization from his member firm to engage in such activities.

Scott Michael Sowles (Registered Representative, Clarkston, Michigan) submitted an Offer of Settlement pursuant to which he was fined \$165,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Sowles consented to the described sanctions and to the entry of findings that he participated in the offer and sale of securities to public customers on a private basis and failed to give prior written notice of, and to obtain prior written authorization from his member firm to engage in such activities. The findings also stated that Sowles failed to respond to NASD requests for information.

Raymond L. Stekloff (Registered Representative, Rochester, New York) was fined \$30,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Stekloff provided a letter to a public customer that was intended to induce the customer to transfer an individual's retirement account back to his member firm from another firm by offering the customer \$15,000 to compensate him for previous losses while the account was handled by his member firm, or a guarantee that this account would be worth \$125,000 on a certain date. The letter, written by Stekloff, falsely purported to be from a regional vice president of his member firm. Stekloff also failed to respond to NASD requests for information.

George Arthur Stemple (Registered Representative, Crete, Illinois) was fined \$75,000, barred from association with any NASD member in any capacity, and required to pay \$5,000 in restitution. The sanctions were based on findings that Stemple obtained a \$5,000 check that

represented a partial surrender of an insurance policy owned by a public customer, endorsed the check, and used the proceeds for some purpose other than for the benefit of the customer. Furthermore, Stemple signed a Form U-4 that failed to disclose a final order permanently revoking his Indiana insurance license. Stemple also failed to respond to NASD requests for information.

David A. Stevenson (Registered Representative, Farmington, Connecticut) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$1,000,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Stevenson consented to the described sanctions and to the entry of findings that he received customer funds intended for mutual fund investments and caused the unauthorized disbursement of liquidation checks from existing mutual fund accounts totaling \$700,000 that he converted for his own use and benefit without the customer's knowledge or consent.

Randolph N. Strickland (Registered Representative, Birmingham, Alabama) was fined \$120,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Strickland caused three checks totaling \$8,050 to be withdrawn from the IRA account of a public customer and converted the funds for his own use and benefit by forging the customer's signature on the checks and depositing them into his personal checking account without the customer's knowledge or consent. In addition, Strickland received two checks totaling \$4,770 that had been drawn on a public customer's IRA account and converted the monies for his own use and benefit without the customer's knowledge or consent. Furthermore, Strickland engaged in outside busi-

ness activities without giving prior written notice to or approval from his member firm and recommended to a public customer the transfer of funds when such recommendation and the resultant transactions were unsuitable for the customer on the basis of his financial situation, investment objectives, and needs. Strickland also failed to respond to NASD requests for information.

Dan Scott Taylor (Registered Representative, Corvallis, Oregon) was fined \$5,000, suspended from association with any NASD member in any capacity for 18 months, and required to requalify by exam. The sanctions were based on findings that Taylor obtained a \$923 check issued erroneously by his member firm, signed the check, and attempted to negotiate the check.

Jorge Eduardo Villalba (Registered Principal, Ducanville, Texas) submitted an Offer of Settlement pursuant to which he was fined \$15,000 and suspended from association with any NASD member in any capacity for five business days. Without admitting or denying the allegations, Villalba consented to the described sanctions and to the entry of findings that he engaged in excessive trading in customer accounts.

Steven Richard Wilmoth (Registered Representative, East Pointe, Michigan) submitted an Offer of Settlement pursuant to which he was fined \$10,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Wilmoth consented to the described sanctions and to the entry of findings that he participated in the offer and sale of securities to public customers on a private basis and failed to give prior written notice of, and to obtain prior written authorization from his member firm to engage in such activities.

James W. Winter (Registered Representative, Houston, Texas) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$100,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Winter consented to the described sanctions and to the entry of findings that he recommended and sold mortgage-backed derivative products to public customers without disclosing the nature and risks of these products and that the products might not have been suitable for the customers.

Michael Francis Zapytowski (Registered Representative, Roseville, Michigan) submitted an Offer of Settlement pursuant to which he was fined \$15,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Zapytowski consented to the described sanctions and to the entry of findings that he engaged in private securities transactions while failing to give prior written notice of, and obtain prior written authorization from his member firm to engage in such activities.

Gus Neno Zoppi, Jr. (Registered Representative, Rochester Hills, Michigan) submitted an Offer of Settlement pursuant to which he was fined \$115,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Zoppi consented to the described sanctions and to the entry of findings that he participated in the offer and sale of securities to public customers on a private basis and failed to give prior written notice of, and to obtain prior written authorization from his member firm to

engage in such activities. The findings also stated that Zoppi failed to respond to NASD requests for information.

Gus Neno Zoppi, III (Registered Representative, Oak Park, Michigan) submitted an Offer of Settlement pursuant to which he was fined \$50,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Zoppi consented to the described sanctions and to the entry of findings that he participated in the offer and sale of securities to public customers on a private basis and failed to give prior written notice of, and to obtain prior written authorization from his member firm to engage in such activities. The findings also stated that Zoppi failed to respond to NASD requests for information.

Individuals Fined

Eric Darrisaw (Registered Principal, Jersey City, New Jersey) and **Toni Hacket-Antrum (Registered Principal, Perry, Florida)** submitted an Offer of Settlement 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 a member firm, acting through Darrisaw and Hacket-Antrum, failed to establish, maintain, and enforce proper supervisory procedures. The findings also stated that a member firm, acting through Darrisaw and Hacket-Antrum, provided to a public customer a written proposal containing misleading information and failed to maintain a continuing and current education program for its covered registered persons.

Firm Expelled For Failure To Pay Fines, Costs, And/Or Provide Proof Of Restitution In Connection With Violation

Mid-Continent Securities, Inc.,
Arvada, Colorado

Firm Suspended Pursuant To NASD Rule 9622 For Failure To Pay Arbitration Award

The date the suspension began is listed after the entry.

Wilshire Discount Securities,
Riverside, California (January 28, 1997)

Suspension Lifted

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

Chase Global Securities, Inc.,
Cleveland, Ohio (January 24, 1997)

Individuals Whose Registrations Were Revoked For Failure To Pay Fines, Costs, And/Or Provide Proof Of Restitution In Connection With Violations

Edmund G. Barnes, Daly City, California

Charles T. Birdsong, Tampa, Florida

Peter Caraveo, Jr., Tarzana, California

Charles O. Huttoe, III, Miami, Florida

Daniel R. Lehl, Littleton, Colorado

Vincent J. Liuzzi, III, Cave Creek,
Arizona

Roger M. Mintzer, Henderson,
Nevada

Steven Paul Shipley, Austin, Texas

Charles O. Stuller, Calymont,
Delaware

Michael A. Wynn, Scottsdale,
Arizona

**Individual Whose Registration Was
Canceled/Suspended Pursuant To
NASD Rule 9622 For Failure To Pay
Arbitration Award**

Gene L. Roach, Riverside,
California

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FOR YOUR INFORMATION

Clarification Of Notice To Members 96-60

NASD Regulation Inc. (NASD RegulationSM) is issuing this FYI to clarify the staff's regulatory intent and purpose in issuing *NASD Notice to Members 96-60* (Notice). This FYI describes the substance of advice that the staff has provided in response to individual written inquiries pertaining to the Notice. That Notice was published to clarify member's suitability obligation under NASD[®] Rule 2310 (Rule) when dealing with speculative and low-priced securities. In issuing the Notice, the staff did not intend to expand the reach of the Rule but to illustrate circumstances in which the Rule would be applicable.

The Notice noted that, because the suitability obligation under the Rule applies only to recommendations to customers, it does not apply to situations in which a member acts solely as an "order-taker" with respect to particular transactions. At the same time, the Notice attempted to make clear that the determination of whether a security is recommended does not necessarily depend on the member's classification of the security as "solicited or unsolicited," which may be done for purposes other than identifying transactions subject to suitability obligations. In connection with this point, the Notice contains the following statement: "In particular, a transaction will be considered to be recommended when the member brings a specific security to the attention of the customer through any means, including, but not limited to, direct telephone communication, the delivery of promotional material through the mail, or the transmission of electronic messages."

This language was intended only to stress that recommendations may be made in a variety of ways, and that the determination of whether a recommendation has been made in any given case does not depend on the mode of communication. This point is particularly salient in connection with transactions in low-priced, speculative securities, which often are promoted through a variety of media. The language was not meant to describe the content of communications that may result in a recommendation, or to suggest that every statement that includes mention of a security would be considered a recommendation. Whether a particular transaction is in fact recommended depends on an analysis of all the relevant facts and circumstances, which the Notice was not intended to define.

NASD Regulation Office Of Dispute Resolution Address Change

Effective March 3, 1997, the NASD Regulation New York Office of Dispute Resolution will be located at:

125 Broad Street, 36th Floor
New York, NY 10004.

All phone and fax numbers will remain the same.

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NASD NOTICE TO MEMBERS 97-19

NASD Regulation
And New York Stock
Exchange Memorandum
Discusses Sweep Report
And Provides Guidance
On Heightened
Supervision
Recommendations

Suggested Routing

- Senior Management
- Advertising
- Corporate Finance
- Government Securities
- Institutional
- Internal Audit
- Legal & Compliance
- Municipal
- Mutual Fund
- Operations
- Options
- Registration
- Research
- Supervisory Personnel
- Syndicate
- Systems
- Trading
- Training

Executive Summary

The *Joint Regulatory Sales Practice Sweep Report* recommended that firms should, among other things: adopt stringent procedures for hiring registered representatives; initiate heightened supervisory procedures for registered representatives with a history of customer complaints, disciplinary actions, or arbitrations; and ensure compliance with cold-calling requirements. This *Notice to Members* contains a memorandum developed and jointly issued by NASD Regulation, Inc. (NASD RegulationSM) and the New York Stock Exchange, Inc. (NYSE) which describes the findings and recommendations of the Joint Regulatory Sales Practice Sweep (Sweep) that would alert firms of their responsibilities under NYSE and NASD[®] rules to provide particularly close supervision to certain registered representatives. The memorandum also describes actions that could constitute heightened supervisory procedures.

Questions concerning this Notice may be directed to Mary Revell, Assistant General Counsel, NASD Regulation, at (202) 728-8203.

Questions about the Sweep should be directed to Daniel M. Sibears, Vice President, Member Regulation, NASD Regulation, at (202) 728-6911.

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MEMORANDUM

TO: Members and Member Organizations

DATE: April 15, 1997

SUBJECT: The Joint Regulatory Sales Practice Sweep; Heightened Supervisory Procedures

I. Background

The Joint Regulatory Sales Practice Sweep (Sweep) was an initiative involving the staffs of the National Association of Securities Dealers, Inc. (NASD[®]), the New York Stock Exchange, Inc. (NYSE), the Securities and Exchange Commission (SEC), and representatives of the North American Securities Administrators Association, Inc. (collectively, the Working Group) to review the sales practice activities of selected registered representatives and the hiring, retention, and supervisory practices of the brokerage firms employing them.¹ From December 1994 through November 1995, the Working Group conducted on-site examinations of 179 branch and main offices of 101 different brokerage firms throughout the U.S. The examinations focused on the sales practice activities of 347 registered representatives who were selected based on criteria including, among other things, a history of customer complaints, disciplinary problems, or arbitrations. One-fifth of the Sweep's 179 examinations resulted in enforcement referrals and an additional one-fourth of the examinations resulted in the issuance of letters of caution or deficiency letters.

II. Sweep Findings

The *Joint Regulatory Sales Practice Sweep Report* (Sweep Report) was released on March 18, 1996. Although the findings are not representative of the industry as a whole, they provide important information for the entire industry. The key findings included in the Sweep Report are:

- Some firms are willing to employ registered representatives with a history of disciplinary actions involving abusive sales practices or customer complaints.
- Many of the branch offices examined conduct only the minimum background review required by NASD or NYSE rules before hiring a registered representative. This may contribute to the significant movement within the securities industry of registered representatives with a history of customer complaints, disciplinary actions, or arbitrations.
- Supervisors in certain branches examined conducted either inadequate or no routine review of customers' securities transactions effected by registered representatives to detect sales practice abuses.
- While one-half of the branches examined engage in some type of cold-calling activity, almost one-half of these did not fully comply with the applicable laws or regulations governing unsolicited telemarketing.

¹ This review was undertaken as a follow-up to the SEC report titled "The Large Firm Project: A Review of Hiring, Retention and Supervisory Practices," issued in May 1994.

III. Sweep Report Recommendations

Based on the results of the Sweep, the Working Group made specific recommendations relating to the prevention and detection of sales practice abuses by registered representatives. In the following discussion of the recommendations addressed to firms, NASD Regulation, Inc. (NASD RegulationSM) and the NYSE reiterate their support and endorsement of the Sweep Report recommendations and remind firms of their current responsibilities under NASD and NYSE rules.

A. Improved Hiring Procedures for Registered Representatives

To aid in efforts to identify and, where appropriate, exclude registered representatives with a history of customer complaints, disciplinary actions, or arbitrations from the securities industry, it is recommended that firms and their branch offices determine if their hiring procedures are adequate and, if necessary, improve their hiring procedures when considering registered representatives for employment.

In addition to reviewing an applicant's Form U-4 and Form U-5, reviewing the applicant's history in the Central Registration DepositorySM (CRDSM), and contacting the applicant's previous employers, as is now required under existing self-regulatory organization (SRO) rules, firms should consider the following as "best hiring practices":

- (1) discuss with the applicant the nature of the applicant's prior customers and the types of securities sold while associated with prior employers;
- (2) obtain from the applicant explanations regarding any customer complaints and regulatory actions to determine the merit, to the extent practicable, of each before hiring;
- (3) ask applicants about the existence of and nature of any pending proceedings, customer complaints, regulatory investigations, or arbitrations not listed in CRD; and
- (4) involve compliance and legal staff, as appropriate, in the hiring process, and designate an individual (above the branch office manager level) or a committee to review the customer complaints, disciplinary actions, or arbitrations before hiring a registered representative with such a history.

Firms are reminded that they are responsible under SRO and SEC rules and regulations to investigate adequately each applicant's character, business repute, qualifications, and experience before hiring and to maintain documentation of the steps taken in the hiring process. Required employment records are subject to regulatory review during examinations.

B. Supervision for Registered Representatives with a History of Customer Complaints, Disciplinary Actions, or Arbitrations

A firm that hires a registered representative with a recent history of customer complaints, final disciplinary actions involving sales practice abuse or other customer harm, or adverse arbitration decisions should determine if it is necessary to develop and implement special supervisory procedures tailored to the individual registered representative, or whether its existing supervisory procedures and educational programs are sufficient to address the circumstances. This determination should be made also where a registered representative, during his or her employment, develops such a history. The procedures should involve, where appropriate (as discussed in more detail in Section IV below), a more frequent or focused review of the registered representative's activities by his or her supervisor for a period of time.

The individual's direct supervisor or other designee of the firm should consider performing a thorough review of a registered representative's customer account activity if, subsequent to hiring, the registered representative becomes subject to customer complaints. Such a review procedure could be activated, for example, when the registered representative is named, during a one-year period, in three customer complaints alleging sales practice abuse.

C. Branch Manager Compensation

As a means to encourage branch office managers to devote sufficient time and employ adequate supervisory tools, firms should consider tying or increasing an existing component of a branch office manager's compensation to the manager's effective supervision of the branch's registered representatives. Under such a scenario, managers would be compensated, in part, for effective supervision and compliance efforts which avoid sales practice abuses.

D. Firm Supervisory Obligations

Firms must fulfill all of their obligations under SRO rules to supervise the activities of registered representatives and other associated persons. Firms are reminded of their long-standing responsibilities to implement reasonable procedures designed to detect and prevent rule violations and to correct deficiencies in, and violations of, relevant laws, rules, and regulations. Firms also are reminded that they are responsible for supervising branch offices and that it is important that appropriately registered principals be designated to carry out supervisory responsibilities.

NASD members are reminded of the following supervisory obligations under NASD rules:

1. Firms must designate one or more appropriately registered principals in each office of supervisory jurisdiction (OSJ), including the main office, and one or more appropriately registered representatives or principals in each non-OSJ branch office with authority to carry out the supervisory responsibilities assigned to each office [NASD Rule 3010(a)(4)].
2. At least annually, firms must conduct a review of the businesses in which they engage. The review must be reasonably designed to assist in detecting and preventing violations of and achieving compliance with applicable securities laws and regulations and with the rules of the NASD [NASD Rule 3010(c)].
3. Firms must conduct an annual inspection of their OSJs [NASD Rule 3010(c)].
4. Firms must conduct inspections of non-OSJs according to the schedule in the firm's written supervisory procedures [NASD Rule 3010(c)].
5. Firms must retain a written record of the dates that each review and inspection was conducted [NASD Rule 3010(c)].

NYSE members are reminded of the following supervisory obligations under NYSE rules:

1. Firms must supervise each office, department, or business activity [NYSE Rule 342(a)].
2. Firms must delegate to qualified principals or employees responsibility and authority for the supervision and control of each office, department, or business activity, and provide appropriate procedures for supervision and control [NYSE Rule 342(b)(1)].
3. Firms must establish a separate system of follow-up and review to determine that the delegated authority and responsibility is being properly exercised [NYSE Rule 342(b)(2)].
4. Firms must appoint a compliance officer to direct day-to-day compliance activities (NYSE Rule 342.13).
5. Firms must conduct an annual inspection of each branch office (NYSE Interpretation Handbook, NYSE Rule 342(a),(b)/03, p. 3404).

E. Cold-Calling Training and Supervision

Firms must adequately train and supervise all telemarketers and registered representatives who engage in cold calling on the provisions of Federal Communications Commission and SRO rules on cold calling.

Firms must maintain a “do-not-call” list and make the list available to all personnel that engage in cold calling or telemarketing.²

IV. Guidance: Heightened Supervisory Procedures

This section of the memorandum provides guidance to firms that have made the decision to hire one or more registered representatives whose records reflect: (1) disciplinary actions involving sales practice abuse; (2) a history of customer complaints; and/or (3) arbitrations that were not resolved in favor of the registered representative. In particular, this memorandum discusses the profile of registered representatives that should be considered for heightened supervision based on their histories, and contains examples of the types of specifically designed supervisory procedures that firms may want to consider in order to provide a heightened level of scrutiny of their activities.

A firm that hires one or more registered representatives with a history of customer complaints, disciplinary actions, or arbitrations, or that employs a registered representative who develops such a record during his or her employment, should recognize that it has heightened supervisory responsibilities that will require it, at a minimum, to examine the circumstances of each such case and make a reasonable determination whether its standard supervisory and educational programs are adequate to address the issues raised by the record of any such registered representative. As stated in the Sweep Report, firms should recognize that if a registered representative with such a history engages in further sales practice violations, securities regulators will closely evaluate whether the firm itself should be subject to disciplinary action for a failure to supervise the registered representative, beginning with the decision-making process that led to the individual being hired.

Due to the importance of these issues, NASD Regulation and the NYSE urge their members to distribute this memorandum to all appropriate supervisory personnel. NASD Regulation and the NYSE, in the course of their member examinations, will review the practices in place as part of the hiring process, the means used to identify and supervise registered representatives with problematic histories, and any specific supervisory systems and procedures developed by a member to provide heightened supervision where appropriate, and will consider whether specific rules requiring special supervision are warranted.

A. Disciplinary History

The principal means of identifying registered representatives who may require special supervision is a review of all relevant customer complaints, disciplinary actions, and arbitrations disclosed for each registered representative on Forms U-4 and U-5 filed with the CRD. A heightened level of supervision may be appropriate for a registered representative whose CRD report discloses sales practice problems and not simply isolated instances of customer complaints, minor disciplinary actions, or arbitrations. While final disciplinary actions, complaints, or arbitrations resolved in a manner adverse to the registered representative indicate a disciplinary problem, multiple pending complaints, disciplinary actions, or arbitrations may be indicative of a history that should be carefully reviewed.

A firm that employs persons in the following categories and does not have a standard supervisory policy that addresses such persons should determine whether existing procedures are adequate to provide reasonable supervision or whether heightened supervision is warranted:

² Subsequent to the release of the Sweep Report, the SEC approved new NASD telemarketing rules imposing time restrictions and disclosure requirements in connection with telephone calls made to customers by members and their associated persons. See Release No. 34-38009 (December 2, 1996); 61 FR 65625 (December 13, 1996) (File No. SR-NASD-96-28). Therefore, firms also must ensure that their associated persons comply with these new telemarketing rules.

- registered representatives with a history of customer complaints, disciplinary actions, or arbitrations;
- persons hired in a non-registered capacity who previously were employed as registered representatives and who have such a history;
- registered representatives who develop such a history while associated with the firm;
- registered representatives terminated from prior employment for what appears to be a significant sales practice or regulatory violation; or
- registered representatives who have had a frequent change of employers within the industry.

The following list of examples of actions that must be reported on Forms U-4 and U-5, with a cite to the relevant questions on the specific form, is provided to **illustrate** the types of actions firms should review in determining whether a registered representative should be subject to special supervision. The review need not necessarily lead to the conclusion that heightened supervision in excess of that ordinarily provided by the firm is warranted in a particular case, but any conclusion that is reached must be reasonable and supportable in view of all circumstances.

Regulatory Disciplinary Actions

- A pending or adjudicated regulatory action or an investigation by the SEC; the Commodity Futures Trading Commission; a federal, state, or foreign regulatory agency; or an SRO (Questions 22C, 22D, 22E, and 22G on Form U-4).

Domestic or Foreign Civil Judicial Actions

- A pending investment-related civil action (Question 22H(2) of Form U-4).
- An injunction in connection with an investment-related activity; a violation of an investment-related statute or regulation; or a settlement of an investment-related civil action (Question 22H(1) on Form U-4).

Customer Complaints

- A customer complaint, arbitration, or civil action that is investment-related alleging sales practice violations that is still pending, that was settled, or that resulted in an award or judgment (Question 22I on Form U-4).

Terminations

- Termination for cause or a permitted resignation after investigations or allegations of violation of investment-related statutes, regulations, rules, or industry standards of conduct (Question 22J on Form U-4; Form U-5).

B. Development and Implementation of Special Supervision

SRO rules require members to establish written procedures for supervising registered representatives and other associated persons. The procedures must be reasonably designed to achieve compliance with applicable securities laws and regulations and SRO rules. See NASD Rule 3010 and NYSE Rule 342.

The findings and recommendations of the Sweep Report suggest that ordinary supervisory procedures may not be sufficient to ensure compliance with federal securities laws and SRO rules by newly hired registered representatives with a history of repeated customer complaints, disciplinary actions, or arbitrations or registered representatives who develop such a history while associated with a firm. The NYSE and NASD Regulation recommend that firms make appropriate changes in their supervisory procedures in such cases.

Consequently, once an individual has been identified as requiring special supervision because of the existence of such a history, the firm should consider developing and implementing special supervisory procedures structured to address sales practice concerns that are raised by that history. Similar to procedures related to employing a person subject to a statutory disqualification, these procedures should be developed based on the areas that were the subject of the person's previous customer complaints, disciplinary actions, or arbitrations. The procedures also should recognize the nature of the firm's business and the size and structure of the firm. The individual who will oversee the activities of the registered representative should be adequately qualified and have the appropriate training and experience to provide adequate supervision. The firm also should review the registered representative's CRD record and the nature of the activities in which he or she is, or will be, engaged (considering, for example, the types of products he or she plans to sell and reviewing the person's top accounts, including changes or trends in account activity and commissions earned). The firm should consider meeting with the registered representative and the person who is or will be his or her supervisor, during which the supervisor's understanding of the prior conduct of the registered representative and willingness to accept responsibility for his or her supervision can be confirmed.

The SRO rule requirement to establish written procedures for supervising registered representatives provides a firm with a basis for documenting each special supervisory arrangement that it chooses to put in place, including assessment of the type of special supervision needed, identification of the person who is responsible for providing the supervision, and specification of the frequency and scope of review as determined by the firm. For such procedures to be effective, the firm should alert the registered representative and the supervisor to the terms of the special supervision, including the period of time the special supervisory procedures will be in effect. The firm could require the registered representative and his or her direct supervisor to sign an acknowledgment, indicating their understanding and their agreement to abide by the terms of the special supervision for the requisite time period. It also is advisable for the firm to document the termination of a period of special supervision, including an assessment of whether the objectives of the supervisory arrangement were met. It is important that firms retain evidence of special supervision.

SRO rules also require firms to enforce their supervisory procedures. Accordingly, the firm should develop mechanisms for monitoring any special supervisory procedures that it chooses to adopt to the same extent that it monitors its supervisory procedures generally. For example, firms that regularly require supervisors to provide a sign-off on daily activity could require supervisors of registered representatives subject to special supervisory arrangements to expressly include those arrangements in such a sign-off, or to periodically attest in writing that they have carried out the terms of the special supervision. As is the case with supervisory procedures generally, compliance with the terms of the special supervisory arrangements could be reviewed by the individuals who normally conduct branch office inspections required by SRO rules as a routine part of those inspections. Of course, firms would be free, as they are today, to determine that more frequent than annual inspections may be appropriate in any situation where heightened supervisory procedures are in effect. As is the case with any inspection, a report of findings, including discrepancies, would be reported to and acted on by the appropriate party.

C. Developing and Implementing Heightened Supervisory Procedures

Some factors that might be considered for guidance in devising tailored supervisory programs are described in detail below. Firms are cautioned that these factors and suggestions are neither exhaustive nor will they constitute a safe harbor. The adequacy of a supervisory program can be determined only with reference to the profile of the specific firm, situation, and individuals.

Registered Representative Activities

One of the first things to consider when establishing heightened supervisory procedures is the nature of the conduct that resulted in the registered representative's history of customer complaints, disciplinary actions, or arbitrations, and whether the conduct involved a particular securities product, customer type, or activity. In any of these instances, the product, customer, or activity type should be examined to identify the level and type of risk it presents. The firm should then determine what type of supervision might best control and limit this type

of risk. This may range from providing the ordinary level of supervision, to restricting a registered representative's activities for a period of time in a manner that is based on the firm's assessment of the registered representative's prior problems, to assigning a mentor or partner in whom the firm has confidence to work with the registered representative. A firm also may determine that its standard procedures will be adequate, and operate on the understanding that if there is any sign of a problem detected during some stated period, heightened procedures or sanctions will follow. Additionally, such actions may be positively reinforced if associated with training or education involving the product or activity in question.

Training

SRO rules require each member firm, as part of the Firm Element of its Continuing Education Program, to conduct a needs analysis and establish a training plan that includes certain minimum standards. See NASD Rule 3070 and NYSE Rule 345A. For example, such programs, when dealing with investment products and services, must identify their investment features and associated risk factors, their suitability in various situations, and applicable regulatory requirements that affect the products or services, and present these themes in an understandable format. When analyzing needs and developing Firm Element programs, a determination should be made as to whether specialized training should be provided to a registered representative who has a history of customer complaints, disciplinary actions, or arbitrations involving a particular securities product or a particular activity. Firms could make certain that such training focuses upon the areas in which the registered representative has had problems and is tailored to any special needs in these areas. Additionally, firms should track customer complaints and, if specific trends are identified, programs should be established to train registered representatives to avoid future complaints.

New Account Procedures

If warranted after a review of all circumstances, firms should consider whether a supervisor should exercise closer than normal control over the establishment of new customer accounts by a registered representative. For example, if a registered representative has a history of complaints involving initial transactions in accounts, closer scrutiny of his or her account opening practices may be warranted. In addition to the normal requirements for opening a new account set out in NASD Rule 3110 and NYSE Rule 405, the manager might choose to speak with all or selected new account holders or to independently verify the customer information on the account form on a random or consistent basis, depending on the situation. If the firm deemed it prudent in view of prior activities, it might prohibit any trading until the account information or the order information could be independently verified with the customer. Of course, the optional practice of sending notices to all new customers to verify and ask for comment on the new account information on file at the firm upon the opening of the account might be sufficient in a specific set of circumstances, as might a decision to instead monitor subsequent transactions.

Many firms currently encourage their registered representatives to revise and resubmit customer account information forms each time the customer's investment objectives change. This practice, when in use, can also be an aid in monitoring registered representatives under special supervision. Finally, while not prohibited by rule, firms should be particularly cautious about allowing individuals who warrant special supervision to handle certain types of accounts, including: discretionary accounts; margin, futures, and options accounts; employee, employee-related, and retirement-plan accounts; accounts that contain low-priced, speculative securities; other accounts engaged in high-risk strategies; or any accounts where any of the conduct leading to the previous regulatory problems might be an issue.

Specific Transactions

SRO rules require firms to establish procedures for the review of all transactions by a supervisor. See NASD Rule 3010 and NYSE Rule 342. When reviewing conduct to determine whether heightened supervision is warranted, firms should focus on whether a specific type of transaction was involved in prior problems, and should consider prohibiting like transactions, or requiring supervisory approval of all such transactions **in advance** of execution, as is routinely required at many firms in the case of low-priced securities, options, and discretionary trades. Examples of orders that may pose potential harm, and as to which many firms may as a matter of prac-

tice already require prior supervisory approval, are: orders in discretionary accounts; orders in low-priced, speculative securities; orders of an unusual size or frequency considering the particular account's trading pattern; deep out-of-the money and uncovered options orders; or mutual fund switches. Firms without such procedures as a normal part of their supervisory programs should give careful consideration to making them a part of any heightened supervision program.

Customer Account Activity Monitoring

SRO rules require members to periodically examine customer accounts to detect and prevent irregularities or abuses. See NASD Rule 3010 and NYSE Rule 342. Many firms meet this requirement by generating special exception or activity reports that enable supervisors to detect unusual trading activity in the account. For example, firms could consider developing exception reports that are designed to detect: transactions that are uncharacteristic in size or volume; any unusual increases or decreases in a broker's commissions; transactions between accounts; or excessive or suspicious corrections. Firms also could consider reviewing the registered representative's customer contacts by, for example, monitoring selected telephone conversations between the registered representative and both existing and potential customers or attending meetings between the representative and his or her clients. Firms also could consider requiring supervisors to have more frequent and closer contact with customers of registered representatives who are subject to heightened supervision to determine whether potential problems exist and further inquiry is warranted. Contacting customers who choose to transfer their accounts to another firm also may be helpful in certain circumstances.

D. Suggestions for Standard Supervisory Procedures

The following are supervisory procedures that are included in this memorandum as a reminder to pay particularly close attention to compliance with these procedures by registered representatives under special supervision.

Trade Corrections, Extensions, and Liquidations

Because excessive trade corrections, extensions, and liquidations may be a sign of compliance problems, firms should be particularly careful to take appropriate action to identify registered representatives under special supervision whose transactions result in repeated trade corrections, extensions, or liquidations and to investigate and take follow-up action as appropriate.

Communications With the Public

Notwithstanding recent proposed changes to SRO rules that would eliminate the need for prior approval, a firm should consider the need for additional review of correspondence between a registered representative subject to special supervision and his or her clients.

Outgoing Correspondence, Advertising, and Sales Literature

A firm's routine procedures should include a reasonable system for the supervision of a registered representative's correspondence or use of advertising and sales literature, as defined in SRO rules. See NASD Rules 3010 and 2210 and NYSE Rules 342 and 472. Enhanced procedures may be appropriate for registered representatives subject to special supervision, including, for instance, requiring the approval of **all** correspondence **prior** to use, even when prior approval is not specifically required by SRO rules. Firms also should take reasonable steps to prevent such individuals from circumventing approval by, for example, using the Internet or other electronic media for communications, or restricting the registered representative's use of certain types of communications, including the Internet or other electronic media, electronic mail, or mass mailings, where appropriate.

Incoming Correspondence and Customer Complaints

Firms should have in place reasonable procedures for supervising incoming correspondence, including correspondence sent by facsimile, electronic mail, overnight mail, or courier. Firms' procedures should include a system for handling customer complaints that requires customer complaints to be brought to the attention of the appropriate supervisor. Repeated sales practice complaints regarding a registered representative subject to heightened supervision, particularly a representative who previously was disciplined for sales practice violations,

may be indicative of a compliance problem. Such complaints should be closely monitored and resolved in coordination with the registered representative's supervisor and other firm management, as warranted. Also, whenever a registered representative subject to special supervision is named in a credible customer complaint alleging sales practice abuses, it is prudent for the firm to conduct a thorough review of selected customer accounts of the registered representative for conduct similar to the conduct described in the complaint.

V. Conclusion

While most firms have adequate supervisory systems in place, firms can and should continually review the effectiveness of their policies, procedures, supervisory systems, and internal controls and make appropriate changes when necessary. Additionally, firms should review their pre-hiring procedures and consider the recommendations in this memorandum if they are not included in their procedures. Strong pre-hiring procedures will strengthen the industry's efforts to preclude problem registered representatives from remaining in or re-entering the industry.

The SEC, the SROs, state securities regulators, and the industry must work together to identify registered representatives with a history of customer complaints, disciplinary actions, or arbitrations at an early stage. Sales practice abuse can be reduced through enhanced and effective firm supervisory policies and procedures designed to prevent and detect abusive sales practices as well as through effective supervision and training, examination oversight, and an aggressive enforcement effort. In addition, those firms that do not already have in place pre-hiring processes that allow for the identification and review of disciplinary, regulatory, and other issues before a hire is made must improve their pre-hiring screening of registered representative applicants. Implementation of the recommendations and suggested supervisory procedures set forth above can greatly enhance the prevention and detection of sales practice problems, thereby protecting the integrity of the marketplace and the interests of the investing public.

The Sweep Report is available on the SEC's Web Site at www.sec.gov or you can request a copy by contacting:

John Heine, SEC, (202) 942-0020;
Reid Walker, NASD, (202) 728-8243; or
Al DiGiulio, NYSE, (212) 656-3274.

Questions concerning this memorandum may be directed to Joe Bailey, NYSE, at (212) 656-5130; Mary Revell, NASD Regulation, at (202) 728-8203; or Daniel Sibears, NASD Regulation, at (202) 728-6911.

NASD NOTICE TO MEMBERS 97-20

Members Reminded To Report Executive Representative And Address Changes

Suggested Routing

- Senior Management
- Advertising
- Corporate Finance
- Government Securities
- Institutional
- Internal Audit
- Legal & Compliance
- Municipal
- Mutual Fund
- Operations
- Options
- Registration
- Research
- Syndicate
- Systems
- Trading
- Training

Executive Summary

The Office of the Corporate Secretary would like to remind members of the importance of keeping the names of Executive Representatives, as well as mailing addresses for branch offices, up-to-date. Making certain that the Central Registration DepositorySM (CRDSM) is kept informed of changes in address and contact people, ensures that regular Notices and special mailings will be directed properly.

The NASD[®] By-Laws requires each member to appoint and certify to the NASD one "executive representative." The Executive Representative of your firm must be a registered principal and a senior manager within the firm. The individual designated will represent, vote, and act in all NASD affairs, and will receive NASD mailings, including *Notices to Members*, *Regulatory & Compliance Alert*, and updates to the *NASD Manual*.

To change the address for mailings sent to *branch offices*, or to update the contact name, a properly executed Schedule E of Form BD must be sent to CRD. Notifications submitted on U.S. Post Office address change cards **cannot** be processed.

To change the Executive Representative of your firm, you must submit written notification to the NASD Corporate Secretary. The form to use for this purpose is included with this Notice. You may submit the original or a photocopy to:

Joan Conley
Corporate Secretary
National Association of
Securities Dealers, Inc.
c/o Membership Department
9513 Key West Avenue
Rockville, MD 20850-3389.

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NASD NOTICE TO MEMBERS 97-21

Memorial Day: Trade Date-Settlement Date Schedule

Memorial Day: Trade Date-Settlement Date Schedule

The Nasdaq Stock Market, Inc., and the securities exchanges will be closed on Monday, May 26, 1997, in observance of Memorial Day. "Regular way" transactions made on the business days noted below will be subject to the following schedule:

<u>Trade Date</u>	<u>Settlement Date</u>	<u>Reg. T Date*</u>
May 20	May 23	May 28
21	27	29
22	28	30
23	29	June 2
26	Markets Closed	—
27	30	3

Suggested Routing

- Senior Management
- Advertising
- Corporate Finance
- Government Securities
- Institutional
- Internal Audit
- Legal & Compliance
- Municipal
- Mutual Fund
- Operations
- Options
- Registration
- Research
- Syndicate
- Systems
- Trading
- Training

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

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NASD NOTICE TO MEMBERS 97-22

Fixed Income Pricing
System Additions,
Changes, And Deletions
As Of March 24, 1997

Suggested Routing

- Senior Management
- Advertising
- Corporate Finance
- Government Securities
- Institutional
- Internal Audit
- Legal & Compliance
- Municipal
- Mutual Fund
- Operations
- Options
- Registration
- Research
- Syndicate
- Systems
- Trading
- Training

As of March 24, 1997, the following bonds were added to the Fixed Income Pricing SystemSM (FIPSSM).

Symbol	Name	Coupon	Maturity
CHK.GB	Chesapeake Energy	7.875	3/15/04
CHK.GC	Chesapeake Energy	8.500	3/15/12
LOM.GA	Lomak Petroleum	8.750	1/15/07
DPSI.GA	Dawson Production Svcs	9.375	2/1/07
BBBD.GB	Blue Bird Company	10.750	11/15/06
FMAC.GA	First Merchants	9.500	12/15/06
JOIN.GD	Jones Intercable Inc	8.875	4/1/07
ADV.N.GA	Advanta Corporation	7.000	5/1/01
MDEP.GA	McDermott Incorporated	9.375	3/15/02
ARTT.GA	Advanced Radio Telecom Corp	14.000	2/15/07
PKD.GB	Parker Drilling Co	9.750	11/15/06
HLR.GB	Hollinger Int'l Pub Inc	9.250	3/15/07
HLR.GC	Hollinger Int'l Pub Inc	8.625	3/15/05
NWAC.GA	Northwest Airlines	8.375	3/15/04
NWAC.GB	Northwest Airlines	8.700	3/15/07
TCIC.GA	TCI Commun's Fing III	9.650	3/31/27

As of March 24, 1997, the following bonds were deleted from FIPS.

Symbol	Name	Coupon	Maturity
SCBL.GA	Scott Cable Communications Inc	12.250	4/15/01
MMG.GA	Metromedia Int'l Grp Inc	9.875	3/15/97
VLIN.GB	Valassis Inserts Inc	8.375	3/15/97
AMR.GM	AMR Corp Del	6.500	3/15/97
ADV.N.GA	Advanta corp	7.000	5/1/01
PKD.GA	Parker Drilling	9.750	11/15/06

All bonds listed above are subject to trade-reporting requirements. Questions pertaining to FIPS trade-reporting rules should be directed to James C. Dolan, NASD[®] Market Regulation, at (301) 590-6460.

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

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DISCIPLINARY ACTIONS

Disciplinary Actions Reported For April

NASD Regulation, Inc. (NASD RegulationSM) has taken disciplinary actions against the following firms and individuals for violations of NASD[®] Rules; 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, April 21, 1997. The information relating to matters contained in this Notice is current as of March 24, 1997. Information received subsequent to March 24 is not reflected in this edition.

Firm Expelled, Individual Sanctioned

United Daniels Securities Inc. (Orlando, Florida) and Willie Daniels (Registered Principal, Brooklyn, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which they were fined \$50,000, jointly and severally, and ordered to disgorge \$66,586, jointly and severally. In addition, the firm was expelled from NASD membership and Daniels was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm participated in municipal underwritings at a time when it was not registered as a broker/dealer with the NASD. The findings also stated that Daniels, acting through the firm, engaged in municipal underwritings even though he was not registered as a municipal securities principal.

Firm Suspended And Individual Fined

KO Securities, Inc. (Seattle, Washington) and Terrance Y. Yoshikawa (Registered Principal, Seattle, Washington) were fined \$10,000, jointly and severally. In addition, the

firm was suspended from proprietary trading and market making for five business days and Yoshikawa must attend a compliance conference with Market Regulation staff. The National Business Conduct Committee (NBCC) affirmed the sanctions following appeal of a Market Regulation Committee decision. The sanctions were based on findings that the firm and Yoshikawa concealed the true ownership of a common stock on five occasions to prevent the firm from falling below its minimum required net capital. Furthermore, in an attempt to reduce the risk of, or to prevent the firm from experiencing net capital difficulties, the firm and Yoshikawa sold the stock from the firm's inventory account to two accounts at the firm owned by Yoshikawa, and shortly thereafter repurchased the stock into the firm's inventory account at an agreed upon time and at essentially the same terms.

This action has been appealed to the Securities and Exchange Commission (SEC) and the sanctions are not in effect pending consideration of the appeal.

Individuals Barred Or Suspended

Michael S. Burbridge (Registered Representative, South Easton, Massachusetts) was fined \$25,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Burbridge withheld and misappropriated \$2,113 in customer funds for his own use and benefit without the knowledge or consent of the customers. Burbridge also failed to respond to NASD requests for information.

Wilhelmina Emma Burris (Registered Representative, Corning, New York) submitted an Offer of Settlement pursuant to which she was fined \$20,000 and barred from

association with any NASD member in any capacity. Without admitting or denying the allegations, Burris consented to the described sanctions and to the entry of findings that she failed to respond to NASD requests for information.

John F. Chester, Jr. (Registered Representative, North Kingston, Rhode Island) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Chester failed to respond to NASD requests for information about his termination from a member firm.

Eric Andre Clemons (Registered Representative, Irvine, California) was fined \$65,000 and barred from association with any NASD member in any capacity. The NBCC imposed the sanctions following appeal of a San Francisco District Business Conduct Committee (DBCC) decision. The sanctions were based on findings that Clemons effected unauthorized transactions in customer accounts. Clemons also failed to follow a customer's instructions regarding the purchase of stock and provided a customer with an account statement that falsely reflected the account balance.

Robert Lloyd DenHerder (Registered Representative, Helena, Montana) was fined \$27,549.41, suspended from association with any NASD member in any capacity for 30 business days, and required to requalify by exam. The NBCC affirmed the sanctions following appeal of a Seattle DBCC decision. The sanctions were based on findings that DenHerder recommended and executed on behalf of a public customer the purchase and sale of securities in the customer's account without having reasonable grounds for believing such transactions were suitable for the customer. DenHerder recommended to and purchased on behalf of a public customer shares of

a fund without affording the customer the benefit of letter of intent and breakpoint and inter-family discounts. Furthermore, DenHerder guaranteed the customer against loss by providing the customer with a \$39,059 promissory note as reimbursement for losses incurred by the customer in connection with his investments.

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

Chester J. Dudzik, Jr. (Registered Representative, Darien, Connecticut) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Dudzik failed to respond to NASD requests for information about customer complaints.

Patricia R. Duke (Registered Representative, Bastrop, Louisiana) was fined \$183,000, barred from association with any NASD member in any capacity, and required to pay \$32,577.16 in restitution. The sanctions were based on findings that Duke received funds totaling \$7,000 from a public customer for investment in a mutual fund, failed and neglected to execute the purchase on the customer's behalf, and instead, invested the funds in an annuity without the customer's knowledge or consent. Furthermore, Duke received \$32,577.16 from public customers for investment purposes, failed to execute the purchases on the customer's behalf, and instead converted the funds for her own use and benefit without the customers' knowledge or consent. Duke also failed to respond to NASD requests for information.

Louis Fratkin (Registered Representative, Thousand Oaks, California) was fined \$27,853.60, barred from association with any NASD

member in any capacity, and ordered to pay \$5,570.72 in restitution to a member firm. The NBCC imposed the sanctions following appeal of a Los Angeles DBCC decision. The sanctions were based on findings that Fratkin forged a customer's signature on certain documents to generate the surrender of the customer's insurance policy and converted \$5,570.72 in proceeds for his own benefit.

Harold Nicholas Girrens (Registered Representative, Wichita, Kansas) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Girrens failed to respond to NASD requests for information about his termination from a member firm.

Jon Alan Hinman (Registered Representative, Des Moines, Iowa) was fined \$9,654.95, barred from association with any NASD member in any capacity, and ordered to pay \$1,930.99 in restitution. The sanctions were based on findings that Hinman signed four checks drawn on the securities account of public customers and converted \$1,930.99 for his own use and benefit without the knowledge or consent of the customers.

Elliot L. Levine (Registered Representative, Plainview, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$25,000, barred from association with any NASD member in any capacity, and required to pay \$9,096.79 in restitution to a member firm. Without admitting or denying the allegations, Levine consented to the described sanctions and to the entry of findings that he caused \$9,096.79 of policyholders' funds to be misused in that he caused the withdrawal of funds from customer insurance accounts to pay insurance premiums on other client accounts.

Michael Malaga (Registered Representative, Edison, New Jersey) submitted an Offer of Settlement pursuant to which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Malaga consented to the described sanction and to the entry of findings that he executed a series of unauthorized transactions in customer accounts. The findings also stated that Malaga made unsuitable investment recommendations for, and executed excessive trades in the accounts of public customers. Furthermore, the NASD determined that Malaga impeded his firm's supervisory efforts to detect his violative activity.

Serafin Martinez (Registered Representative, North Arlington, New Jersey) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$40,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Martinez consented to the described sanctions and to the entry of findings that he signed a public customer's name on a \$8,000 check made payable to the customer, deposited the check in his personal bank account, and converted the proceeds for his own use.

Albert A. Matani, Jr. (Registered Representative, Boca Raton, Florida) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Matani failed to respond to NASD requests for information and testimony.

Roger Dale Meyer (Registered Representative, Joplin, Missouri) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$13,500 and suspended from association with any NASD member in any capacity for 45 days. Without admitting or deny-

ing the allegations, Meyer consented to the described sanctions and to the entry of findings that he engaged in a private securities transaction without prior written notice to and approval from his member firm.

Dennis Perricone (Registered Principal, Holtsville, New York) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Perricone failed to respond to NASD requests for information about a customer complaint.

Norm Rabinovich (Registered Representative, New York, New York) submitted an Offer of Settlement pursuant to which he was fined \$25,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Rabinovich consented to the described sanctions and to the entry of findings that he arranged to have an imposter take the Series 7 exam on his behalf. The findings also stated that Rabinovich failed to respond to NASD requests to appear for an on-the-record interview. Furthermore, the NASD determined that Rabinovich filed a Form U-4 that failed to disclose his employment with another member firm.

Michael T. Rother (Registered Representative, Brooklyn, New York) submitted an Offer of Settlement pursuant to which he was fined \$20,710.45 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Rother consented to the described sanctions and to the entry of findings that he engaged in a scheme to defraud pursuant to which he opened a fictitious brokerage account, arranged to have correspondence, including account statements concerning the fictitious account, sent to his residential address, and

purchased and sold stock in his own account and the fictitious account without paying for the transactions. Furthermore, the NASD found that Rother improperly received and negotiated checks relating to sales of a stock in his own account and the fictitious account. The findings also stated that Rother failed to respond to NASD requests for information.

Jeffrey L. Schnell (Registered Representative, Belleair, Florida) was fined \$20,000 and barred from association with any NASD member in any capacity. The NBCC affirmed the sanctions following appeal of an Atlanta DBCC decision. The sanctions were based on findings that Schnell failed to respond to an NASD request for information.

Mark A. Shear (Registered Representative, Staten Island, New York) was fined \$7,500 and barred from association with any NASD member in any capacity. The NBCC imposed the sanctions following appeal of a Philadelphia DBCC decision. The sanctions were based on findings that Shear knowingly provided false and misleading information in response to an NASD request for information.

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

Jerry L. Sickels (Registered Representative, Pittsburgh, Pennsylvania) was fined \$5,000, suspended from association with any NASD member in any capacity for six months, and required to requalify by exam as an investment company and variable contracts products representative. The NBCC imposed the sanctions following appeal of a Philadelphia DBCC decision. The sanctions were based on findings that Sickels sold life insurance policies to two public customers, reflected on the application that another agent

was the agent who made the sale, and submitted the applications to his member firm without disclosing that he had in fact sold the insurance policies and had signed the agent's name on the applications. Furthermore, Sickels received four checks issued by his member firm to the other agent representing commissions and, without the agent's knowledge or consent, signed the agent's name on the checks, negotiated the checks, and used the funds for his own benefit.

Sickels' suspension commenced August 3, 1994, and concluded February 3, 1995.

Robert A. Stabile (Registered Principal, Bayshore, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$25,000, barred from association with any NASD member in any capacity, and required to pay \$8,200 in restitution to a customer. Without admitting or denying the allegations, Stabile consented to the described sanctions and to the entry of findings that he engaged in private securities transactions without providing prior written notice to or obtaining approval from his member firm. The findings also stated that Stabile entered into private securities transactions with a public customer upon the premise of funding a private adoption and instead, used the funds for personal purposes. Furthermore, the NASD found that Stabile engaged in outside business activities without providing prior written notification to his member firm and failed to follow customer instructions to cancel an insurance policy.

James R. Stock (Registered Representative, Gresham, Oregon) was fined \$17,500 and suspended from association with any NASD member in any capacity for one year. The sanctions were based on findings that Stock prepared and disseminated sales literature that failed to conform

to standards regarding communications with the public.

David A. Swanson (Registered Representative, Melbourne, Florida) was fined \$10,000 and suspended from association with any NASD member in any capacity for 30 days. The NBCC imposed the sanctions following appeal of an Atlanta DBCC decision. The sanctions were based on findings that Swanson solicited and executed the purchase of investment company shares for public customers without disclosing to the customers that they would be required to pay a four percent sales charge.

Bradford John Titus (Registered Principal, West Des Moines, Iowa) and Marcie Anne Milner (Registered Principal, Phoenix, Arizona) were fined \$15,000, jointly and severally, and Titus was suspended from association with any NASD member in any capacity for 10 days. The SEC affirmed the sanctions following appeal of a December 1995 NBCC decision. The sanctions were based on findings that Titus and Milner failed to establish, maintain, and enforce required supervisory procedures.

Gary S. Trammell (Registered Representative, West Linn, Oregon) submitted an Offer of Settlement pursuant to which he was fined \$85,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Trammell consented to the described sanctions and to the entry of findings that he received a \$20,000 check from a public customer for the purchase of a variable annuity, deposited the check into his bank account, and used only \$7,000 of the funds to purchase the annuity for the customer. The findings also stated that Trammell failed to respond to NASD requests for information.

Jerry Mark Tuinenga (Registered Representative, Mound, Minnesota) was fined \$250,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that, without the knowledge or consent of customers, Tuinenga converted \$41,762.89 and misused \$21,151.38 of their funds by either intercepting the funds or redeeming mutual fund shares and forging the customers' endorsements on the redemption checks. Tuinenga also failed to respond to NASD requests for information.

Individuals Fined

Michael Hamil (Registered Representative, Prospect Heights, Illinois) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$10,000. Without admitting or denying the allegations, Hamil consented to the described sanction and to the entry of findings that he guaranteed a customer against loss in his account.

Robert W. Main, Jr. (Registered Representative, Bedford, New Hampshire) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$10,000 and ordered to requalify by exam as a general securities representative. Without admitting or denying the allegations, Main consented to the described sanctions and to the entry of findings that he engaged in a course of conduct while handling customer accounts that was contrary to the best interests and welfare of the customers. According to the findings, Main caused transactions involving the liquidation and reinvestment of investment company shares with undue frequency and without reasonable justification.

Arno O. Mayer (Registered Principal, Deerfield Beach, Florida) submitted an Offer of Settlement

pursuant to which he was fined \$10,000. Without admitting or denying the allegations, Mayer consented to the described sanction and to the entry of findings that, in connection with a promotion, he prepared and distributed a sales script that was misleading and inaccurate and failed to adequately disclose to the investing public in correspondence and other communications his association with his member firm.

Daniel C. Montano (Registered Principal, Orange, California) was fined \$10,000 and ordered to requalify by exam as a general securities principal. The NBCC imposed the sanctions following appeal of a Los Angeles DBCC decision. The sanctions were based on findings that Montano appeared on a television program and made recommendations regarding a stock while failing to provide a sound basis for evaluating the facts in regards to the stock, made exaggerated and unwarranted claims, and used unwarranted superlatives. Montano also made unwarranted forecasts of future events, made forecasts of future events that were not clearly labeled as forecasts, referred to results of previous specific recommendations, and implied comparable future results concerning his recommendation to short the stock.

This action has been appealed to the SEC and the sanctions are not in effect pending consideration of the appeal.

Mavis Chweelianneo Tan (Registered Representative, North Hollywood, California) submitted a Letter of Acceptance, Waiver and Consent pursuant to which she was fined \$12,250. Without admitting or denying the allegations, Tan consented to the described sanction and to the entry of findings that she failed to notify her member firm that she had opened a securities account with another member firm. The findings

also stated that Tan purchased shares of stock in contravention of the Board of Governors' Interpretation with respect to Free-Riding and Withholding.

Firms Expelled For Failure To Pay Fines, Costs And/Or Provide Proof Of Restitution In Connection With Violations Kennedy, Mathews, Landis, Healy & Pecora, Incorporated, Minneapolis, Minnesota

The Trading Desk, Inc., Englewood, Colorado

Firms Suspended

The following firms were suspended from membership in the NASD for failure to comply with formal written requests to submit financial information to the NASD. The actions were based on the provisions of NASD Rule 8210 and Article VII, Section 2 of the NASD By-Laws. The date the suspension commenced is listed after the entry. If the firm has complied with the requests for information, the listing also includes the date the suspension concluded.

Wm. B. Austin & Associates, Moulins, France (March 10, 1997)

S.D. Cohn & Co., Inc., New York, New York (February 26, 1997)

Cressida Capital, Inc., New York, New York (February 26, 1997)

Doughery & Company, Inc., New York, New York (February 26, 1997)

First Alliance Equities, Inc., Orange, California (February 26, 1997)

First Security Capital Markets, L.P., Chicago, Illinois (February 26, 1997)

Hornblower & Weeks, Inc., New York, New York (February 26, 1997)

Hyson & Company Incorporated, Rye, New York (February 26, 1997)

International Securities Group, Inc., San Diego, California (February 26, 1997)

LDC Securities, Inc., Columbus, Ohio (February 26, 1997)

Magdensburg Securities Corp., New York, New York (February 26, 1997)

National Investor Services Corp., New York, New York (February 26, 1997)

Piedmont Equities, Inc., Harrisburg, Pennsylvania (February 26, 1997)

Ridge Financial LTD, Newport, California (February 26, 1997)

State Capital Markets Corp., New York, New York (February 26, 1997)

Toluca Pacific Securities Corp., Burbank, California (February 26, 1997)

Trinity Group Securities, Inc., Mendham, New Jersey (February 26, 1997)

Value Line Securities, New York, New York (February 26, 1997)

Individuals Whose Registrations Were Revoked For Failure To Pay Fines, Costs And/Or Provide Proof Of Restitution In Connection With Violations Thomas W. Blodgett, Irvine, California

Daniel L. Cheloha, Omaha, Nebraska

Howard David Frank, Englewood, Colorado

Maureen E. Galligan, San Diego, California

William H. Kautter, Leawood, Kansas

Russell C. Martin, Miami Beach, Florida

Dennis C. Moore, Louisville, Kentucky

John B. Morris, Del Mar, California

Jay W. Nance, Las Vegas, Nevada

John W. Ringo, Marietta, Georgia

Cheryl A. Rodgers, Dallas, Texas

John N. Salerno, Boca Raton, Florida

Michael J. Siegel, Louisville, Kentucky

Wilfred A. Soucy, Jr., Yardley, Pennsylvania

Robert C. Stamos, Walnut Creek, California

Jeffery Steven Stone, Dallas, Texas

James C. Turchiarelli, Williamsville, New York

George C. Vafias, Brooklyn, New York

Willis White, III, Hempstead, New York

Individual Whose Registration Was Canceled/Suspended Pursuant To NASD Rule 9622 For Failure To Pay Arbitration Award Terrance Buttler, Los Angeles, California

NASD Regulation Censures And Fines Smith Barney And Lehman Brothers

NASD Regulation announced it has censured and fined Smith Barney and Lehman Brothers \$250,000 each and ordered the two firms to pay a combined total of more than \$5.6 million in refunds, including interest, to customers who were overcharged when they redeemed non-proprietary mutual funds.

More than 15,700 accounts were affected by the improper practice of charging commissions where none were allowed. This practice began in October 1990 at Shearson Lehman Brothers and continued until 1995, through Smith Barney's acquisition of the bulk of Shearson's retail operations. As a result, customers of both firms—who in some cases held more than one account—are included in this settlement.

NASD Regulation investigators in the New York District Office became aware of the overcharging after discovering and investigating a single customer complaint against Smith Barney. NASD Regulation expanded its investigation which revealed additional problems in the firm's mutual fund redemption practices. Further NASD Regulation scrutiny disclosed that the problem existed prior to the

August 1993 acquisition of Shearson by Smith Barney, thereby causing NASD Regulation to expand its probe to include Lehman Brothers.

"Today's settlement is important for investors and an excellent demonstration of the value customer complaints play in NASD Regulation's disciplinary process," said NASD Regulation President Mary L. Schapiro. "In addition to refunding almost \$4.3 million in overcharged commissions, customers will receive more than \$1.3 million in interest on those funds," Schapiro said. "With more Americans using mutual funds as their primary investment tool today, NASD Regulation is committed to insuring that every customer is treated fairly."

Without admitting or denying NASD Regulation's findings, Smith Barney and Lehman Brothers, in certain instances, charged improper commissions for redeeming non-proprietary mutual funds in addition to any appropriate load. The commissions were disclosed on the customer's confirmation ticket.

"This case underscores the need for customers to inspect their trading confirmations closely, and to report any suspected problems immediately," Schapiro added.

	Smith Barney	Lehman Brothers
Time Period	8/1/93-8/28/95	10/1/90-2/16/95
Transactions	7,159	13,310
Accounts Affected (approximate)	5,165	10,589
Excess Commissions	\$2,325,333	\$1,963,485
Interest	\$358,680	\$959,997
Total Refunds	\$2,684,013	\$2,923,482

Payments to Smith Barney's customers have already been made. Existing clients have received credits to their accounts and former clients were issued checks.

Lehman Brothers will make its payments to its customers over the next five months, and will provide NASD Regulation with satisfactory proof of such payments.

In agreeing to the sanctions, both Smith Barney and Lehman Brothers waived their right to appeal.

All Smith Barney investors with questions should contact Leslie Klenk at Smith Barney, (212) 816-8545.

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NASD NOTICE TO MEMBERS 97-23

1997 Direct Participation Program Directory

Suggested Routing

- Senior Management
- Advertising
- Corporate Finance
- Government Securities
- Institutional
- Internal Audit
- Legal & Compliance
- Municipal
- Mutual Fund
- Operations
- Options
- Registration
- Research
- Syndicate
- Systems
- Trading
- Training

Executive Summary

The NASD[®] is publishing a direct participation program (DPP or limited partnership) directory in anticipation of the quotation of DPP securities on the OTC Bulletin Board[®] Service (OTCBB[®]) and the commencement of trade reporting of transactions in DPPs on May 15, 1997. Members should refer to *Notice to Members 97-8* for a complete discussion of the procedures for the quotation and transaction reporting of DPPs. (The directory follows this Notice.)

General Information

The DPP Directory contains a list of DPPs and their NASD-assigned symbols. The symbols are intended to be used by broker/dealers, transfer agents, and general partners to facilitate the transfer and registration of limited partnership interests. In addition, the symbols will help members identify limited partnership interests when they transfer customer accounts between brokers and comply with NASD trade reporting requirements. Due to the large number of limited partnerships, it was not possible to assign symbols in the familiar phonetic system. Consequently, the symbols assigned do not have an alphabetical resemblance to the name of the partnership.

Reporting Requirements

Transactions in limited partnerships are to be reported through the Automated Confirmation Transaction ServiceSM (ACTSM) pursuant to NASD Rule 6920. Additional information regarding trade reporting may be obtained by contacting MarketWatch at (800) 211-4953. Members that need to report a trade in a DPP for which a symbol has not yet been assigned should request a symbol by contacting the Market Data Integrity Department at (203) 375-9609.

Dividend Ex-Date Information

Limited partnerships have not tradi-

tionally publicly announced the timing and amounts of distributions. The following codes will be used on the OTCBB if such information becomes available in the future.

Code	Description	Amount Displayed
XC	Cash Dividend	Yes
XS	Stock Dividend in Same Security and/or Split	No
CS	Cash and Stock Dividend or Split	Yes
SO	Spinoff	No

Note: Dividends and other such information will be displayed on the ex-date only.

Accessing The Automated Symbol Directory

In addition to this Notice, limited partnership symbols can also be found by using the OTCBB automated directory. For additional assistance, users can call the Help Desk at (800) 219-4861.

To access the automated directory from the Nasdaq Workstation IITM pull-down menu:

- Select **InfoServices**.
- Select **Directories**.

To obtain a symbol when you know the security name:

- Select **Search By: Security Name**.
- Select **Security Types: OTCBB only**.
- Type the security name (the full name or just the first letter or letters) in the **Search For:** box.
- Click on the **Search** button.

To obtain a security name when you know the security symbol:

- Select **Search By: Security Symbol**.
- Select **Security Types: OTCBB only**.
- Type the security symbol (the full symbol or just the first letter or letters) in the **Search For:** box.
- Click on the **Search** button.

Result: The directory displays all non-Nasdaq securities and their symbols in alphabetical order, beginning with the letters typed, even if your entry is only part of a name, e.g., “Bal” for Balcor.

In addition, the automated directory displays the following information to the left of the symbol:

- (#) indicates that members can register quotes in these securities on-line.

- (*) indicates the issue is eligible for the OTCBB but members must first register by filing a Form 211 with the OTC Compliance Unit—call (301) 208-2802 for information.

Note: If there is no indicator, the issue is not currently quoted in OTC Bulletin Board.

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Abbreviations

The following list shows the abbreviations that are used in the directory:

American	Amer	Interest	Int
Apartments	Apts	International	Intl
Associates	Assoc	Investment	Inv
Avenue	Ave	Investors	Invs
Boston	Bstn	Limited	Ltd
Buildings	Bldgs	Limited Partnership	LP
California	Cal	Market	Mkt
Capital	Cap	Medical	Med
Centers	Ctrs	Mortgage	Mtg
Class	Cl	National	Natl
Clinical	Clin	New York	NY
Communities	Cmntys	Oil & Gas	O & G
Company	Co	Pacific	Pac
Connecticut	CT	Partners	Ptnrs
Consolidated	Cons	Partnership	Ptrshp
Corporate	Cp	Pension	Pens
Corporation	Corp	Performance	Perf
Credit	Cr	Preferred	Pfd
Deferred	Dfd	Production	Prod
Depository Receipts	DR	Program	Prgm
Development	Dev	Properties	Ppty
Distribution	Dist	Property	Ppty
Diversified	Divsd	Prudential	Pru
Energy	Ergy	Qualified	Qual
Entertainment	Entmt	Real Estate	RE
Equipment	Equip	Realty	Rlty
Financial	Finl	Retirement	Ret
Fund	Fd	Secured	Secd
General	Gen	Storage	Stg
Government	Govt	Taxable	TX
Group	Grp	Tax-Exempt	TX-EX
Growth	Gr	Technology	Tech
Housing	Hsg	Transportation	Trans
Income	Inc	Treasury	Treas
Independent	Ind	Trust	Tr
Institutional	Instl	Unit	Ut
Insurance	Ins	Western	Wstn
Insured	Insd	Yield	Yld

DPP Directory

Symbol	DPP Security	Symbol	DPP Security
ZZISI	1-17 LAND PARTNERS	ZZJBE	AFC LOW INCOME HSNCRD PTN 01
ZZAAH	10 WEST ROAD MORTGAGE ASSOC	XXAIA	AFG INVESTMENT TRUST A
ZZGNB	1036 NORTH DEARBORN ASSOCIATES	ZZFSQ	AFG MANAGEMENT NO 13 544 LTD
ZZGOT	120TH AND HOLLY	ZZJBI	AHUA COMMERCIAL PARTNERS
ZZFRR	1310 WELLESLEY	ZZFWV	AIR PEGASUS NEW JERSEY INC
ZZAAO	1600 ARCH INVESTORS LTD	XXAOB	AIRFUND INTERNATIONAL
ZZAAQ	1626 NEW YORK ASSOCIATES	XXAOA	AIRFUND INTERNATIONAL 02
ZZAAU	189 SHERMAN ASSOCIATES	ZZFTZ	AIRPACK COMMERCIAL REAL PROP 2
ZZGOD	1972 TAX SHELTER PARTNERSP 01	ZZFTY	AIRPACK MORTGAGE VENTURE 01
ZZPFD	1975 NORTHGATE REALTY INVESTOR	ZZFVV	ALEXANDRIA ASSOCIATES
ZZJAT	1983 POLARIS AIRCRAFT TRUST 03	ZZGPR	ALL AMERICAN CITY INVESTORS
ZZJAS	1983 POLARIS AIRCRAFT TRUST 04	ZZGNJ	ALLEGHENY TAX CREDIT PARTNERS
ZZFUB	1991 INVESTORS	ZZFUY	ALTERNATIVE ASSET GROWTH FUND
ZZCZK	1999 BROADWAY ASSOCIATES	ZZAYI	ALTON 02
ZZEJR	2101 MICHIGAN INVESTORS	ZZFXJ	ALZA TTS RESEARCH PARTNERS
ZZGBJ	250 W 57TH ST ASSOCIATES	ZZINA	AMBOY ASSOCIATES
ZZHUU	3800 ARAPAHOE	XXAZA	AMER COMPLETIN PRGM 83-3
ZZIWN	400 BLEEKER STREET ASSOCIATES	XXBLA	AMER RETIREMENT VILLAS PPTY 01
ZZAWO	4HUTON GSH QUALIFIED PPTYS 80	XXBLB	AMER RETIREMENT VILLAS PPTY 02
ZZFSZ	5-7WEST 107ST ASSOCIATES	XXBLC	AMER RETIREMENT VILLAS PPTY 03
ZZSFV	52 BARROW STREET COMPANY	XXAVC	AMERICA 1ST PREP FD 02 PENSION
ZZFJF	595 INVESTORS	XXAVA	AMERICA FIRST FINL 87-A
ZZEPK	60 EAST 42ND ST ASSOCIATES	ZZDQO	AMERICA FIRST FINL FD 1988
ZZFQO	70 REMSEN STREET VENTURE	XXAVD	AMERICA FIRST PREP FUND 02
ZZGOQ	79TH & WESTERN VENTURE	ZZDQP	AMERICA FIRST PTC/PFD EQ MTG
ZZJBM	870 HILGARD LTD	XXFTL	AMERICA FIRST TAX EX MTG FD2 L
		XXAYA	AMERICAN CABLE TV INVESTORS 01
		XXAYD	AMERICAN CABLE TV INVESTORS 04
		XXAYE	AMERICAN CABLE TV INVESTORS 05
		XXBAA	AMERICAN ENTERTAINMENT PTNRS01
		ZZGRM	AMERICAN ENTMT PARTNERS 02
		XXBCA	AMERICAN HOUSING PARTNERS 01
		XXBDA	AMERICAN INCOME 01
		XXBDC	AMERICAN INCOME 03
		XXBDD	AMERICAN INCOME 04
		XXBDE	AMERICAN INCOME 05
		XXBDF	AMERICAN INCOME 06
		XXBDH	AMERICAN INCOME 08
		XXBDK	AMERICAN INCOME FUND 01-C
		ZZFFP	AMERICAN INCOME FUND 01-D
		ZZFFQ	AMERICAN INCOME FUND 01-E
		XXBFJ	AMERICAN INCOME PARTNERS 03-A
		XXBFK	AMERICAN INCOME PARTNERS 03-B
		XXBFL	AMERICAN INCOME PARTNERS 03-C
		XXBFM	AMERICAN INCOME PARTNERS 03-D
		ZZDLJ	AMERICAN INCOME PARTNERS 04-B
		XXBFO	AMERICAN INCOME PARTNERS 04-C
		XXBFQ	AMERICAN INCOME PARTNERS 05-A
		XXBFR	AMERICAN INCOME PARTNERS 05-B
		XXBFS	AMERICAN INCOME PARTNERS 05-C
A			
ZZEPO	AAA NET REALTY FUND 09		
ZZIOG	AACKO GENERAL		
ZZFXV	ABERDEEN ASSOCIATES		
ZZJBW	ACCELERATED HIGH YD INS INV 03		
ZZJBT	ACCELERATED HIGH YD LSNG FD 02		
ZZJBU	ACCELERATED HIGH YLD INC FD 01		
ZZJBV	ACCELERATED HIGH YLD INC FD 02		
ZZECG	ACCELERATED HIGH YLD INS FD 01		
ZZGTM	ACG MOTION PICTURE INVESTMENT		
ZZIVZ	ACTIVE INVESTORS 02		
ZZGGA	ACTRONICS INC		
ZZIVL	ADMIRALITY GENL REAL ESTATE FD		
ZZDQJ	AEI LEASE INCOME & GRWTH 20		
ZZDCJ	AEI NET LEASE & GRWTH 19		
XXAGA	AEI REAL ESTATE FUND 15		
XXAGB	AEI REAL ESTATE FUND 16		
XXAGC	AEI REAL ESTATE FUND 17		
ZZDCK	AEI REAL ESTATE FUND 18		
XXAGD	AEI REAL ESTATE FUND 85-A		
XXAGE	AEI REAL ESTATE FUND 85-B		
XXAGF	AEI REAL ESTATE FUND 86-A		

Symbol	DPP Security	Symbol	DPP Security
XXBHH	AMERICAN LEASING INVESTOR 04-C	XXDCA	ATEL CASH DISTRIBUTION FUND 01
XXBHJ	AMERICAN LEASING INVESTOR 05-B	XXDCB	ATEL CASH DISTRIBUTION FUND 02
ZZGMA	AMERICAN LEASING INVS 04-A	XXDCC	ATEL CASH DISTRIBUTION FUND 03
XXBJA	AMERICAN REAL ESTATE PARTNERS	ZZEFB	ATEL CASH DISTRIBUTION FUND 05
ZZDCM	AMERICAN REPUBLIC REALTY FD 01	ZZENB	ATLANTA I-75 SOUTH
XXBNA	AMERICAN TAX CREDIT PPTYS 03	ZZEMU	ATLANTIC CITY BOARDWALK ASSOC
ZZCOU	AMERN INSURED MTG INVS 85	ZZDCQ	ATLANTIC IMCOME PROPERTIES
ZZEMG	AMES INDUSTRIAL PARK LIMITED	ZZINX	AUBURN BROADCASTING CP LQD TR
XXVCD	AMFAC/JMB HAWAII NOTES	XXDHA	AUGUST INCOME/GROWTH FUND 81
ZZIWE	AMGEN CLINICAL PARTNERS	XXDLA	AUGUST PROPERTIES FUND 02
ZZGNZ	AMITY BUSINESS ASSOCIATES	ZZGOR	AUTOMOTIVE VENTURES
ZZDCO	AMRECORP REALTY FUND 02	ZZAXB	AVANTI ASSOC FIRST MTG FUND 85
ZZAGU	AMRECORP REALTY FUND 03	ZZALR	AVONDALE LAND PARTNERS
ZZFPU	AMSON ASSOCIATES	ZZFFL	AVONDALE/115TH AVENUE
XXBSB	ANGELES INCOME PROPERTIES 02	ZZIZA	AXELROD RIDGEBROOK ASSOCIATES
XXBSC	ANGELES INCOME PROPERTIES 03	ZZGPA	AZRAN MIAMI
XXBSD	ANGELES INCOME PROPERTIES 04	ZZFEW	AZRAN WABASH
XXBSE	ANGELES INCOME PROPERTIES 05		
XXBSF	ANGELES INCOME PROPERTIES 06		
XXBTA	ANGELES OPPORTUNITY PROPERTIES	B	
XXBTB	ANGELES OPPORTUNITY PTNRS	ZZIOQ	B M E MOBILE INC
XXBUA	ANGELES PARK COMMUNITIES	ZZGHG	BAISLEY PARK ASSC (NHP HSNB 3)
XXBVA	ANGELES PARTNERS 07	ZZAMC	BALBOA INVESTORS 01
XXBVB	ANGELES PARTNERS 08	XXDQB	BALCOR COLONIAL STOR INC FD 85
XXBVC	ANGELES PARTNERS 09	ZZDRU	BALCOR COLONIAL STOR INC FD 86
XXBVD	ANGELES PARTNERS 10	XXDQE	BALCOR CURRENT INCOME FUND 85
XXBVE	ANGELES PARTNERS 11	ZZAWQ	BALCOR EQTY PEN INVS 01 (T&TE)
XXBVF	ANGELES PARTNERS 12	ZZARS	BALCOR EQTY PEN INVS 03 (T&TE)
XXBVG	ANGELES PARTNERS 14	ZZDCT	BALCOR EQTY PEN INVS 04 (T&TE)
XXBVH	ANGELES PARTNERS 15	XXDQQ	BALCOR EQUITY PROPERTIES 08
XXBVI	ANGELES PARTNERS 16	XXDQR	BALCOR EQUITY PROPERTIES 10
ZZIZE	ANGERMAN GAS VENTURE 1986	XXDQT	BALCOR EQUITY PROPERTIES 14
ZZIZF	ANGERMAN GAS VENTURE 1989	XXDQU	BALCOR EQUITY PROPERTIES 18
ZZAYE	ANN ARBOR PROPERTIES 13	XXDRA	BALCOR MOBILE HOME INCOME FUND
ZZFUR	AP SOUTHEAST PORTFOLIO PTNRS	XXDRC	BALCOR PENSION INVESTORS
XXBWH	APACHE OFFSHORE INVESTMENT	XXDRD	BALCOR PENSION INVESTORS 02
ZZEPB	APACHE PETROLEUM 1980-01	XXDRE	BALCOR PENSION INVESTORS 03
ZZFMK	APPLETON MOTEL ASSOCIATES	XXDRF	BALCOR PENSION INVESTORS 04
ZZEPE	APT HOUSING PARTNERS	XXDRG	BALCOR PENSION INVESTORS 05
ZZAVV	ARBOUR EAST ASSOCIATES	XXDRJ	BALCOR PERSONAL TRUST INVESTOR
ZZIUT	ARCADE INVESTORS	XXDRK	BALCOR PREFERRED PENSION 12
ZZCLA	ARCADIAN PARTNERS	XXDRU	BALCOR REALTY INVS 83
ZZEBM	ARIEL REALTY ASSOCIATES	ZZATD	BALCOR REALTY INVS 84
ZZALP	ARMADA/HOSKINS PENSION INVMT	XXDRL	BALCOR REALTY INVS 84 SER 02
ZZIOM	ARTMOE ASSOCIATES	ZZDCU	BALCOR REALTY INVS 85 SER 01
XXCAC	ARVIDA/JMB PARTNERS 02	XXDRP	BALCOR REALTY INVS 86 SER 01
ZZION	ASBELL & ASSOCIATES	ZZEDY	BAMBGAS INK
ZZGQL	ASBURY PLAZA VENTURE	XXDTC	BANYAN MORTGAGE INVESTORS 03
ZZFQT	ASH APARTMENTS	XXDTB	BANYAN MTG INVESTORS 11 DEP UT
ZZDCP	ASSOC PLANNERS REALTH GWTH FND	ZZFRZ	BARCLAY SENIOR VILLAGE
ZZEDW	ASSOC PLANNERS REALTY INCM FND	ZZFSA	BARCLAY VILLAGE
ZZDJV	ASSOCIATED PLANNERS REALTY FND	ZZCKO	BASELINE 02

Symbol	DPP Security	Symbol	DPP Security
ZZIXY	BATES STREET ASSOCIATES	ZZJAO	BTA OIL PROD SUPR #5 LSE #861
ZZIRZ	BAY CENTER APARMENTS-JS	ZZIUD	BTA OIL PROD SUPR LEASE #860
ZZDJA	BAYFIELD LOW INCOME HOUSING	XXFEA	BUCKEYE PARTNERS
ZZJAZ	BEAR CREEK ASSOC CLASS A NOTE	ZZGNM	BUCKHANNON HALL ASSOC NHP HSG5
ZZGPT	BEARDSLEY HOUSING ASSOCIATES	ZZIWD	BUCKHANNON PLAZA APARTMENTS
ZZGPW	BEAUMONT LAND FUND 15	ZZAFZ	BUENA PARK RECREATION
ZZIXI	BELL COMMERCIAL	XXFGE	BURGER KING 01
ZZATT	BENNETT CALIFORNIA LAND	XXFGF	BURGER KING 02
ZZIOO	BERKLEY NHP LAFAYETTE ASSOC 77	XXFGG	BURGER KING 03
ZZGCD	BERNARDO PLAZA	ZZDTY	BURGER KING INVESTORS MLP
ZZFNW	BERRY & BOYEL MSTRPLNND LND VN	ZZATF	BURLINGAME MORTGAGE INVESTORS
ZZDKA	BERRY & BOYLE CLUSTER HSNG PRP	ZZHMC	BUTTES OIL GAS LP 1988-02
ZZDCV	BERRY & BOYLE DEV PARTNERS	ZZDUV	BUTTES OIL & GAS 86-A
ZZDCW	BERRY & BOYLE DEV PTNRS 02	ZZDVD	BUTTES OIL & GAS 87-03
ZZGPI	BETA GROUP	ZZHMD	BUTTES OIL & GAS LP 1985-03
XXEFA	BEVERLY HILLS MEDICAL OFF PTNR	ZZHMB	BUTTES OIL & GAS LP 1986-02
XXDQV	BFI TRUST	ZZHME	BUTTES OIL & GAS LP 1988-01
ZZEJC	BHI DOVER 15		
ZZIOP	BINGHAMPTON MOBILE ESTATES 02		
ZZAGZ	BITTERSWEET LAND ASSOCIATES	C	
ZZAUB	BLACKSTONE HOTEL	ZZDNQ	C&B PATEL LTD
ZZFHM	BNR PARTNERS	ZZCZT	C&K 1980 FUND-B
XXEJA	BOETTCHER PENSION INVESTORS	ZZIUX	C.C.P
XXEMB	BORDEN CHEMICALS & PLASTICS	ZZIZN	C.L.B. LTD
XXEOG	BOSTON CAP TAX CRED FD02 SER09	ZZIOR	CABIL OIL PARTNERS
XXEOJ	BOSTON CAP TAX CRED FD02 SER12	ZZGTU	CABLE HOUSE ASSOCIATES
XXEOL	BOSTON CAP TAX CRED FD03 SER15	XXFNQ	CABLE TV FUND 1-B
ZZGRZ	BOSTON CAP TX CRED FND04 SER21	XXFNJ	CABLE TV FUND 11-A
ZZGSA	BOSTON CAP TX CRED FND04 SER22	XXFNK	CABLE TV FUND 11-B
XXEPA	BOSTON CELTICS	XXFNL	CABLE TV FUND 11-C
XXEQA	BOSTON FINL APTS ASSOCS	XXFNM	CABLE TV FUND 11-D
XXERB	BOSTON FINL QUAL HOUS TX CR 04	XXFNP	CABLE TV FUND 12-A
ZZCNI	BOSTON OIL LTD 1975	XXFNR	CABLE TV FUND 12-C
ZZIXZ	BP SHOPPING CENTER ASSOCIATES	XXFNS	CABLE TV FUND 12-D
ZZGPV	BPS DEVELOPMENT 61	XXFNT	CABLE TV FUND 14-A
ZZFRI	BRAMPTON ASSOCIATES	XXFNV	CABLE TV FUND 15-A
XXEXA	BRAUVIN HIGH YIELD FUND	ZZAZZ	CABLEVISION OF BATON ROUGE LTD
ZZDCY	BRAUVIN HIGH YIELD FUND 02	ZZFVZ	CAFCO
ZZDHU	BRAUVIN INCOME PLUS 03	ZZFWA	CAFCO 02
XXEXC	BRAUVIN REAL ESTATE FUND 01	ZZDVK	CAL-AMERN INCM PROP FUND 03
XXEXE	BRAUVIN REAL ESTATE FUND 03	ZZDVL	CAL-AMERN INCM PROP FUND 04
XXEXF	BRAUVIN REAL ESTATE FUND 04	ZZFUO	CAL-AMERN PROPERTIES TRUST
XXEXG	BRAUVIN REAL ESTATE FUND 05	ZZGBQ	CALIFORNIA ALMOND INVESTORS 01
ZZGNV	BREEDER HOUSE INVESTORS	ZZDKP	CALIFORNIA PROPERTIES FUND
ZZIXW	BRG 1989-02 OIL & GAS INCM FND	ZZBAM	CALIFORNIA RESIDENTIAL VNTRS
ZZIXX	BRG 1993-01 OIL AND GAS	XXFVA	CALLON CONSOLIDATED PARTNERS
ZZJAL	BROADWAY WEBSTER MEDICAL PLAZA	ZZFNQ	CALPLANS PREMIUM VINEYARD-03
ZZDJB	BROWN BENCHMARK PROPERTIES	XXTXB	CAMBRIDGE ADVANTAGED PRPRTS 02
ZZDDA	BROWN FLOURNOY EQTY INCM FUND	ZZIWS	CAMDEN PROPERTIES
ZZDHW	BRUNNER COS INCM PROPERTIES 01	ZZGPU	CANADIAN RIVER RANCH
ZZGES	BRUNNER COS INCM PROPERTIES 02	ZZIXP	CANDLEWOOD ASSOCIATES
ZZDTX	BRUNNER COS INCM PROPERTIES 03	ZZJAB	CANTON TOWNSHIP EQUITY PARTNER

Symbol	DPP Security	Symbol	DPP Security
ZZFNM	CANYON PINES	ZZGRQ	CENTREHAB ASSOCIATES
ZZAQY	CAPITAL BELTWAY WAREHOUSE	XXGWA	CENTURY HILLCREST APT INV
XXGBA	CAPITAL BUILDERS DEV PROP 01	ZZGNQ	CENTURY INCME PROPERTIES FD 01
ZZDVY	CAPITAL BUILDERS DEV PROP 02	ZZFEA	CENTURY INVESTMENT FUND 16
XXGCC	CAPITAL GROWTH MTG INVS	XXGYD	CENTURY PENS INC FD 23
ZZGPM	CAPITAL HOUSING PARTNERS 84	XXGYA	CENTURY PENS INC FD 23 (NT&UT)
ZZGPN	CAPITAL HOUSING PARTNERS 92	XXGZN	CENTURY PROPERTIES FD 20 NT&UT
ZZIVM	CAPITAL HOUSING PARTNERS-112	XXGZB	CENTURY PROPERTIES FUND 11
XXGEA	CAPITAL HOUSNG & MTG PTNRS INC	XXGZC	CENTURY PROPERTIES FUND 12
ZZCWA	CAPITAL INCM PARTNERS 1988-01	XXGZD	CENTURY PROPERTIES FUND 13
ZZDVH	CAPITAL PREFERRED YIELD FND 02	XXGZE	CENTURY PROPERTIES FUND 14
ZZFPX	CAPITAL PREFERRED YIELD FND 03	XXGZF	CENTURY PROPERTIES FUND 15
XXGGB	CAPITAL REALTY INVESTORS	XXGZG	CENTURY PROPERTIES FUND 16
XXGGC	CAPITAL REALTY INVESTORS 02	XXGZH	CENTURY PROPERTIES FUND 17
XXGGD	CAPITAL REALTY INVESTORS 03	XXGZI	CENTURY PROPERTIES FUND 18
XXGGE	CAPITAL REALTY INVESTORS 04	XXGZK	CENTURY PROPERTIES GR FD 22
XXGGA	CAPITAL REALTY INVESTORS 85	ZZIZI	CENTURY WAREHOUSE FUND 02
XXGHB	CAPITAL SOURCE 02-A	ZZIOB	CENTURY WAREHOUSE FUND 03
ZZIXR	CAPITOL CENTRE HSNG PARTNERS	ZZCMA	CENTURY WAREHOUSE FUND 04
ZZIOH	CARDINAL DEVELOPMENT CAPITAL	ZZGME	CENTURY WAREHOUSE FUND 05
ZZING	CARDINAL INDUSTRIES INCOME 01	ZZIZJ	CENTURY WAREHOUSE FUND 09
XXGLB	CARLYLE INCOME PLUS 02	ZZGFY	CEO VENTURE FUND
XXGLA	CARLYLE INCOME PLUS LTD	ZZFYU	CERES FUND
XXGLL	CARLYLE REAL ESTATE 07	XXHAA	CETUS HEALTHCARE LTD
XXGLM	CARLYLE REAL ESTATE 08	XXHBA	CF INCOME PARTNERS
XXGLP	CARLYLE REAL ESTATE 11	ZZFRF	CF PARTNERS
XXGLQ	CARLYLE REAL ESTATE 12	ZZFVY	CHADWICK VILLAGE
XXGLT	CARLYLE REAL ESTATE 15	ZZIUU	CHANDLER AIRPORT PARTNERS
XXGLV	CARLYLE REAL ESTATE 17	ZZJCF	CHARLES RIVER 06
ZZIVQ	CARNEGIE PARK ASSOCIATES	ZZGTR	CHARLESTON WESTCHASE ASSOCS
XXGMB	CAROLINA INVESTMENT PARTNERS	ZZFQQ	CHARLOTTE AREA LAND PTNERS 03
ZZFHH	CAROLINA RESIDENTIAL	ZZGTQ	CHARLOTTE EASTCHASE ASSOCIATES
ZZDDG	CAROLINAS REAL ESTATE FUND	ZZGRB	CHARTWELL PARTNERS
ZZIOS	CARSONS MOBILE INC	ZZFTT	CHATEAU TOURRAINE APARTMENTS
ZZIXH	CASA MARIA	ZZGPB	CHATHAM COURT ASSOCIATES
ZZGPK	CASTLEROCK PARTNERS	ZZFQU	CHEM & MATERIALS ENTERPS ASSOC
ZZFIL	CATONSVILLE PLAZA	ZZFNC	CHERRY HILL POINTE
ZZGPX	CAULKINS CITRUS	ZZFRO	CHESTER COUNTY SECURITY FD INC
ZZGPZ	CAULKINS LAND DEVELOPMENT	ZZATN	CHEVY CHASE ASSOCIATES
XXGNA	CEDAR FAIR	ZZFUS	CHICO PREFERRED
ZZGMF	CEDAR KNOLLS PLAZA 01	XXKFA	CHRISKEN PARTNERS CASH INC FD
ZZGNG	CEDAR KNOLLS PLAZA 02	XXKJA	CIGNA INCOME REALTY 01
XXGOB	CEDAR TREE INVESTORS	ZZANC	CILLUFFO ASSOCIATES
XXQQB	CENCOM CABLE INCOME PTNERS 02	ZZIOT	CINNORTHLOAN ASSOCIATES
ZZIVY	CENTENNIAL ENERGY PARTNERS	ZZIVG	CIRCLE CREEK AQUACULTURE 06
XXGRC	CENTENNIAL MORTGAGE INCOME 01	ZZGQX	CIRCLE EQUITY INCOME
XXGRD	CENTENNIAL MORTGAGE INCOME 02	XXKMA	CIS CAPITAL EQUIPMENT FUND 01
ZZAUT	CENTENNIAL MORTGAGE INCOME 03	ZZGFU	CITIZENS DEVELOPMENT COMPANY
XXGRE	CENTENNIAL PENSION INVESTORS	ZZFQP	CITY SECURITIES VENTURE CAP FD
ZZDDI	CENTER INCOME PROPERTIES 02	ZZAID	CITY STATION ASSOCIATES
XXGTC	CENTOCOR PARTNERS 03	ZZIZK	CLAREMONT EQUITY ASSOCIATES
ZZIVE	CENTRAL POINT INVESTORS	ZZHYC	CLEAR LAKE DEVELOPMENT GROUP

Symbol	DPP Security	Symbol	DPP Security
ZZGMS	CLEARWOOD PARK	ZZDKD	CONDEV LAND FUND 03
ZZDJG	CLOVER APPRECIATION PROPTYS 01	ZZDXO	CONDEV LAND GROWTH FUND 86
XXKSA	CLOVER INCOME PROPERTIES 01	ZZINI	CONIFER DEXTER ASSOCIATES
XXKSB	CLOVER INCOME PROPERTIES 02	ZZINJ	CONIFER GENESEE ASSOCIATES
ZZDDK	CLOVER INCOME PROPETIES 03	ZZINK	CONIFER LAFARGEVILLE ASSOC
ZZIXN	CMS ACCESS	ZZINL	CONIFER MEADOWVIEW ASSOCIATES
ZZIOV	CMS BUSINESS SPECTRUM FUND	ZZINM	CONIFER OSWEGO ASSOCIATES
ZZIOY	CMS CHICAGO PARKING	ZZINN	CONIFER WAPPINGERS FALLS ASSOC
ZZIOZ	CMS MULTIFAMILY INVSTMNT FND	ZZINO	CONIFER WATERVILLE ASSOCIATES
ZZIOU	CMS/BROOK HIGHLAND PARTNERS	ZZCVW	CONN GENERAL EQUITY PRPTYS 01
ZZIPA	CMS/SAFEGUARD SCI EMERG CO FD	XXLQE	CONS RESS HEALTH CARE FD 5
ZZIXL	CMS/VALLEY FORGE RL EST OPP FD	XXLOD	CONSOLIDATED CAP INSTL PPTYS 1
ZZGMJ	CNL INCOME & GROWTH FUND	XXLOE	CONSOLIDATED CAP INSTL PPTYS 2
ZZGMP	CNL INCOME & GROWTH FUND 03	XXLOF	CONSOLIDATED CAP INSTL PPTYS 3
XXKVA	CNL INCOME FUND	XXLOL	CONSOLIDATED CAP INSTL PPTYS 4
XXKVD	CNL INCOME FUND 04	XXLOM	CONSOLIDATED CAP INSTL PPTYS 5
ZZDDM	CNL INCOME FUND 06	XXLOA	CONSOLIDATED CAPITAL GROWTH FD
ZZEGW	CNL INCOME FUND 07	XXLQB	CONSOLIDATED RES HLTH CR FD 2
ZZDDN	CNL INCOME FUND 08	XXLQD	CONSOLIDATED RES HLTH CR FD 4
ZZDDL	CNL INCOME FUND 09	ZZGOV	CONSTITUTION CORNERS
ZZDDO	CNL INCOME FUND 10	ZZDHZ	CONTINENTAL REAL EST PARTNERS
ZZEGS	CNL INCOME FUND 11	ZZIPK	CONTINENTAL REALTY FUND
ZZDDP	CNL INCOME FUND 12	ZZFEX	COOL SPRINGS
ZZCXL	COASTAL 1985 DRILLING PROGRAM	ZZIPT	COONEY CALBE ASSOC OF BASTIAN
ZZDAA	COASTAL 1986 DRILLING PROGRAM	XXLTA	COPLEY PENSION PROPERTIES 06
ZZDAB	COASTAL 1987 DRILLING PROGRAM	XXLTB	COPLEY PENSION PROPERTIES 07
ZZFTS	COLISEUM SENIORS RES ASSOC	ZZDDS	COPLEY REALTY INCM PARTNERS 03
ZZFKG	COLLEGE PARKWAY LAND TRUST	ZZDDT	COPLEY REALTY INCM PARTNERS 04
ZZGOO	COLONIAL PARK LTD	XXLUD	COPLEY REALTY INCOME PTNRS 01
ZZDAW	COLONIAL PROFESSIONAL CENTER	XXLUE	COPLEY REALTY INCOME PTNRS 02
XXLBA	COLONIAL STORAGE CENTERS 01	ZZEFJ	COPPER RIDGE COMMUNITY
XXLBB	COLONIAL STORAGE CENTERS 02	XXLWA	CORPORATE PROPERTY ASSOC 01
XXLBC	COLONIAL STORAGE CENTERS 03	XXLWB	CORPORATE PROPERTY ASSOC 02
ZZJAC	COLUMBIA HOUSING PARTNERS 21	XXLWC	CORPORATE PROPERTY ASSOC 03
ZZGOC	COLUMBIA HOUSING PARTNERS 27	XXLWD	CORPORATE PROPERTY ASSOC 04
ZZGMO	COLUMBIA HOUSING PARTNERS 32	XXLWE	CORPORATE PROPERTY ASSOC 05
ZZGMU	COLUMBIA HOUSING PARTNERS 37	XXLWF	CORPORATE PROPERTY ASSOC 06
ZZDMR	COLUMBIA LEASE INCOME FD 02-C	XXLWG	CORPORATE PROPERTY ASSOC 07
XXLCC	COLUMBIA LEASE INCOME FND 02-A	XXLWH	CORPORATE PROPERTY ASSOC 08
XXLCD	COLUMBIA LEASE INCOME FND 02-B	XXLWJ	CORPORATE PROPERTY ASSOC 10
XXLCE	COLUMBIA LEASE INCOME FND 02-D	XXMBK	CORPORATE PROPERTY ASSOC FREIT
XXLCB	COLUMBIA LEASE INCOME FUND B	ZZGAO	CORPORTE REALTY INCOME TR 01
ZZGNL	COMM DEV HIGH PNT(DBA LK RD AP	ZZIWB	CORTLAND REALTY ASSOC 01-84
XXLFA	COMMERCIAL DEVELOPMENT FND 85	ZZJBO	COUNTRY COURT ASSOCIATES
ZZFUT	COMMODITY TREND TIMING FD 02	ZZALO	COUNTRY OAKS PROPERTIES
ZZDOS	COMMON GOAL HLTH CR PART MTG 1	ZZCSP	COUNTRY PLACE INVESTMENT
XXLHB	COMMON WEALTH GROWTH FUND 02	XXMAA	COURTYARD BY MARRIOTT 01
ZZGRA	COMMUNITY INVESTMENT PARTNERS	ZZI WV	COVENANT LIQUID MORTGAGE FUND
ZZFUI	COMMUNITY INVSMNT PARTNERS 02	ZZCLU	COYOTE HILLS
ZZAIV	COMMWLTH 1987-01 EQUIP INCM FND	ZZFIG	CRANBERRY POND ASSOCIATES 01
ZZFPH	CONCORDE PLACE	ZZGAK	CRC-01
ZZDKC	CONDEV LAND FUND 02	ZZGAL	CRC-02

Symbol	DPP Security	Symbol	DPP Security
ZZIQE	CRESCENT TEN	ZZFUV	DAVIS MORTGAGE INV FUND
XXMFF	CRI HOTEL INCOME PARTNERS	ZZFUW	DAVIS MORTGAGE INV FUND 02
ZZDYW	CRI TAX EXEMPT FUND 01	ZZFUX	DAVIS MORTGAGE INV FUND 03
ZZDYZ	CROCKER REALTY INV (REIT)	ZZECC	DBSI INDIAN CANYON INC & GR FD
ZZEFP	CROSS COUNTRY VENTURES	ZZDIA	DE ANZA PPTYS 09
ZZAYD	CROSSING AT TINTON FALLS	ZZAWE	DE ANZA PPTYS 10
ZZIQA	CROSSROADS FUND	ZZAAA	DE ANZA PPTYS 11 LTD LIQ TR
ZZFHO	CROSSROADS OF NEW BRIGHTON	ZZDFJ	DE ANZA PPTYS 12
ZZGNI	CROSSROADS PLAZA	ZZGQV	DEAN WITTER MULTI-MKT PORTFOLI
ZZFRK	CROSTEX ASSOCIATES	ZZFGR	DEAN WITTER PRIN GUAR FD 02
ZZDZC	CROWN AMERICAN REALTY TRUST	XXMYB	DEAN WITTER REALTY GR PPTY
ZZFLE	CROWN ASSOCIATES 03	XXMYC	DEAN WITTER REALTY INCOME 01
ZZFQV	CROWN GLYNN ASSOCIATES	XXMYD	DEAN WITTER REALTY INCOME 02
ZZDZD	CRYSTAL OIL 1981 EXPL DEV	XXMYE	DEAN WITTER REALTY INCOME 03
ZZARR	CSA INCOME FUND 01-A	XXMYF	DEAN WITTER REALTY INCOME 04
XXMJB	CSA INCOME FUND 01-C	XXMYH	DEAN WITTER REALTY YIELD PL 02
XXMJC	CSA INCOME FUND 01-D	XXMYG	DEAN WITTER REALTY YIELD PLUS
XXMJD	CSA INCOME FUND 02	ZZFWH	DEAN WITTER SPECTRUM BAL
XXMJE	CSA INCOME FUND 03	ZZFXE	DEAN WITTER SPECTRUM TECH
ZZGQU	CSA INCOME FUND 04	ZZCVU	DECADE COMPANIES INC PPTYS
XXMIA	CUMBERLAND HEALTH CARE FD 01-A	ZZDDW	DECADE'S MONTHLY INC & APP FD
ZZIVR	CUMBERLAND PARTNERS	ZZIXC	DECKNER MANOR 02
ZZDZE	CV REIT	ZZIVB	DEER PARK BUSINESS CENTRE
ZZDZF	CYPRESS EQUIPMENT FUND	ZZAVQ	DEER VALLEY AIRPARK ASSOC
ZZFPK	CYPRESSWOOD	ZZFSE	DEL TACO INC PPTYS 04
		XXNCA	DEL TACO RESTAURANT PROP 01
		XXNCB	DEL TACO RESTAURANT PROP 02
		XXNCC	DEL TACO RESTAURANT PROP 03
		ZZDZS	DEL-VAL FINANCIAL (REIT)
		ZZFMO	DELTA SQUARE-OXFORD
		ZZGOF	DELTEC INCOME PARTNERS
		ZZIVH	DENVER CASCADE ASSOCIATES
		ZZGQF	DENVER PPTYS PARTNERS
		ZZEZQ	DEVELOPERS DIVERSIFIED RLTY CP
		ZZEZR	DEVON ENERGY CORPORATION
		ZZINV	DHV INVESTMENTS
		ZZDZU	DIAL REIT
		ZZGOY	DIAMOND MOBILE HOME COURT LLC
		XXNIA	DIAMOND SHAMROCK OFFSHORE
		ZZGEW	DIMOND
		XXNMC	DIVALL INCOME PROPERTIES 03
		ZZDDX	DIVALL INSURED INC PPTYS 02
		XXNMA	DIVALL INSURED INCOME FUND 01
		ZZASL	DIVALL WISCONSIN INS FRANCHISE
		ZZGMD	DIVERSIFIED AGRICULTURE PPTYS
		ZZDDZ	DIVERSIFIED HISTORIC INV 07
		ZZDEA	DIVERSIFIED HISTORIC INV 1990
		XXNLA	DIVERSIFIED HISTORIC INVEST 04
		XXNOE	DIVERSIFIED HISTORIC INVEST 05
		ZZASI	DIVERSIFIED PENSION INVESTORS
		ZZGPE	DIVERSIFIED VENTURE FUND
		ZZAVK	DOC NICHOLS ROAD ASSOCIATES
D			
XXNWA	D S I REALTY INCOME FUND 08		
XXNUA	D S I REALTY INCOME FUND 09		
ZZDZI	DAIN INCOME PROPERTIES 04		
XXMNF	DAIN PENSION INVESTORS 84		
XXMNE	DAIN PENSION INVESTORS 85		
ZZIPJ	DALECO/ADVANTAGE INC PPTYS 01		
ZZIWQ	DALLASAMBASSADOR		
XXMPB	DAMSON BIRTCHER RLTY INCM FD 1		
XXMPC	DAMSON BIRTCHER RLTY INCM FD 2		
ZZEEZ	DAMSON INSTL O & G INC 85-1E		
ZZEFA	DAMSON O & G INC 83-03E		
ZZDZM	DAMSON OIL		
ZZIPB	DANCROSS ASSOCIATES		
XXMRA	DATRONIC EQ INCM FD 16 (CTUTS)		
XXMRB	DATRONIC EQ INCM FD 17 (CTUTS)		
XXMRC	DATRONIC EQ INCM FD 18 (CTUTS)		
XXMRD	DATRONIC EQ INCM FD 19 (CTUTS)		
XXMRE	DATRONIC EQ INCM FD 20 (CTUTS)		
XXEIE	DATRONIC FIN INCM FD 1 LIQ UNT		
XXMSA	DAVIDSON DIVERS REAL EST 01		
XXMSB	DAVIDSON DIVERS REAL EST 02		
XXMSC	DAVIDSON DIVERS REAL EST 03		
ZZDDV	DAVIDSON DIVERSIFIED R E 04		
XXMDK	DAVIDSON INCOME REAL ESTATE		

Symbol	DPP Security	Symbol	DPP Security
ZZINB	DODGE INC & GROWTH FD 06	ZZJCX	EAST GLEN LTD DIV HSG ASSOC
ZZDGL	DODGE INC & GROWTH FUND SER 02	ZZIRG	EAST OTAY MESA ASSOCIATES
ZZJAG	DOMINION STOCK INDEX FUND	ZZGQA	EAST PATERSON MACHINE CO
ZZEZT	DORCHESTER HUGOTON LIMITED	ZZIRH	EAST PECOS INVESTORS
ZZGMR	DOVER PENSION INVESTORS	ZZEVR	EASTGROUP PROPERTIES
ZZIWW	DRCC	XXOHA	EASTPOINT MALL
ZZFTW	DREXEL BURNHAM HIGH INC TR 08	ZZGPO	EATON AVENUE MEDICAL CARE
ZZEZV	DREXEL BURNHAM LAMBERT RE 01	ZZIRI	EBERLE WINERY
ZZEUU	DREXEL BURNHAM LAMBERT RE 03	ZZFXD	EEAN WITTER WORLD CURRENCY FD
ZZIOD	DREXELBROOK ASSOCIATES	ZZINH	EEGO
XXNTF	DREYFUS STARTEGIC WORLD INVEST	ZZIZZ	EGC
ZZDEC	DSI REALTY INCOME FUND 07	ZZJAA	EGC 02
ZZDEE	DSI REALTY INCOME FUND 11	ZZGNF	EGG HARBOR
ZZGNC	DUAPP	ZZIOC	EGS ASSOCIATES
ZZFUU	DUBLIN MEADOWS EQUITY	ZZGPD	EL CAMINO MEDICAL VENTURES
ZZEZX	DUKE REALTY INVS INC	ZZEXT	EL DORADO
ZZEGD	DUKE'S GREENLAKE GRILL 01	ZZIQY	EL DORADO LAND INCOME
ZZFQG	DUNN COUNTY REALTY GROUP	ZZJBS	EL PASEO COLLECTION
ZZFGC	DUNN PLAZA	XXOLA	EL PASO REFINERY
XXNYO	DYCO OIL & GAS PROGRAM 1977-01	ZZEXR	ELITE PROPERTIES LTD
XXNYQ	DYCO OIL & GAS PROGRAM 1978-01	ZZFHL	ELK RIVER TOWNHOUSES
XXNYP	DYCO OIL & GAS PROGRAM 1978-02	ZZEET	ELL-CAP 36 CLAIRMONT
XXNYR	DYCO OIL & GAS PROGRAM 1979-01	ZZEEG	ELL-CAP 46 PICKWICK
ZZEVG	DYCO OIL & GAS PROGRAM 1979-02	ZZJAI	ELZA
XXNYT	DYCO OIL & GAS PROGRAM 1980-01	ZZIPH	EMBARCADERO MORTGAGE FUND 01
XXNYU	DYCO OIL & GAS PROGRAM 1980-02	ZZIPI	EMBARCADERO MORTGAGE FUND 02
XXNYW	DYCO OIL & GAS PROGRAM 1981-01	XXOOA	EMERALD HOMES L P DEP RCPTS
XXNYV	DYCO OIL & GAS PROGRAM 1981-02	ZZDIR	EMPIRE STATE BUILDING ASSOC
XXNYY	DYCO OIL & GAS PROGRAM 1982-01	ZZBBN	ENERGY ASSETS 04
XXNYX	DYCO OIL & GAS PROGRAM 1982-02	ZZBBO	ENERGY ASSETS 05
XXNZA	DYCO OIL & GAS PROGRAM 1983-01	ZZBBP	ENERGY ASSETS 06
XXNYZ	DYCO OIL & GAS PROGRAM 1983-02	ZZBBQ	ENERGY ASSETS 07
XXNZB	DYCO OIL & GAS PROGRAM 1984-01	ZZBBR	ENERGY ASSETS 08
XXNZC	DYCO OIL & GAS PROGRAM 1984-02	ZZBBS	ENERGY ASSETS 09
XXNZD	DYCO OIL & GAS PROGRAM 1985-01	ZZBBT	ENERGY ASSETS 10
XXNZE	DYCO OIL & GAS PROGRAM 1985-02	ZZBBU	ENERGY ASSETS 11
XXNZF	DYCO OIL & GAS PROGRAM 1986-02	ZZBBV	ENERGY ASSETS 12
XXNZG	DYCO OIL & GAS PROGRAM 1986-X	ZZBBW	ENERGY ASSETS 13
		ZZBBX	ENERGY ASSETS 14
		ZZBBY	ENERGY ASSETS 15
		ZZBBZ	ENERGY ASSETS 16
		ZZBCA	ENERGY ASSETS 17
		ZZBCB	ENERGY ASSETS 18
		ZZBCC	ENERGY ASSETS 19
		ZZBCD	ENERGY ASSETS 20
		ZZEYA	ENERGY SEARCH 1980-02 DEV DRIL
		ZZEWH	ENERGY SEARCH DEV FD 1979-02
		ZZEWI	ENERGY SEARCH DEV FD 1979-03
		ZZEWM	ENERGYSEARCH DUO-VEST 1A DRILL
		XXOUA	ENEX 88-89 INCO & RET FD 01
		XXOUB	ENEX 88-89 INCO & RET FD 02
		XXOUD	ENEX 88-89 INCO & RET FD 04
E			
ZZGND	E I REALTY ASSOCIATES		
XXPCA	E Q K GREEN ACRES		
ZZFVA	E-MAIL PARTNERS 01		
ZZFPI	E.A. THREE		
ZZHKZ	EAGLE 86 OSCAR		
XXOBA	EAGLE INSURED L.P.		
ZZGTA	EAGLE MINERAL ACQUISITION 04		
ZZEVM	EAGLE MINERAL AQUISITION 05		
ZZEVN	EAGLE MINERAL AQUISITION 06		
ZZIQM	EAST 11TH STREET ASSOCIATES		
ZZIXK	EAST CHANDLER FARMS		

Symbol	DPP Security	Symbol	DPP Security
XXOUF	ENEX 88-89 INCO & RET FD 06	ZZEWY	EQUITY RESIDENTIAL PROPERTIES
XXOUG	ENEX 88-89 INCO & RET FD 07	ZZIWT	EQUITY WENDY'S LAND PARTNERS
ZZCXU	ENEX 90-91 INC & RET FD 03	ZZIVN	EQUITYLINE HIGH YIELD PEN INVS
ZZCXT	ENEX 90-91 INC 7 RET FD 02	ZZEWZ	EQUUS 01
XXOUI	ENEX 90-91 INCO & RET FD 01	XXPHA	EQUUS 02
ZZFLV	ENEX INC & RETIREMENT FD 02	ZZEWW	EQUUS CAPITAL PARTNERS
ZZFLW	ENEX INC & RETIREMENT FD 03	ZZGBI	EQUUS GAMING COMPANY
XXOVP	ENEX O & G INCO PRGM 03 SER 04	ZZGFL	ER SOUTHTECH
XXOVT	ENEX O & G INCO PRGM 03 SER 08	ZZGRD	EREIM LP ASSOC
XXOVS	ENEX O & G INCO PRGM 03 SER 07	ZZEXA	ERIE COMPLETION ASSOC 1981-01
XXOVU	ENEX O & G INCO PRGM 04 SER 03	ZZEXB	ERIE COMPLETION ASSOC 1982-01
XXOVV	ENEX O & G INCO PRGM 04 SER 05	ZZEXC	ERIE DRILLING ASSOC 1981-01
XXOVQ	ENEX O & G INCO PRGRM 03 SER 5	ZZEXD	ERIE DRILLING ASSOC 1982-01
XXOVN	ENEX O & G PRGM 03 SER 02	XXPKA	ESSEX FINANCIAL PARTNERS
XXOVO	ENEX O & G PRGM 03 SER 03	ZZGSD	ESSEX HOSPITALITY ASSOC 03
XXOVM	ENEX O & G PROGRAM 03 SER 01	ZZEEX	ESSEX MICROTTEL ASSOC
ZZDNB	ENEX OIL & GAS INC PR 02 SER 2	ZZIND	ESSEX PARAMOUNT CREDIT ASSOC02
ZZDAD	ENEX OIL & GAS PRG 4 SER 1	ZZBCN	ESSEX REAL ESTATE PARTNERS
ZZCJE	ENEX OIL & GAS PROG 2 SER 10	ZZIUU	ESSEX VILLAGE PARK
ZZDNC	ENEX OIL & GAS PROG 2 SER 3	ZZINZ	ESSEX WINDSOR PARKE-01
ZZCXP	ENEX OIL & GAS PROG 2 SER 4	ZZINY	ESSEX-ASHFORD RIVER OAKS
ZZCXQ	ENEX OIL & GAS PROG 2 SER 5	ZZIQX	ESTATE DISCOUNT FUND 40
ZZCXR	ENEX OIL & GAS PROG 2 SER 6	ZZCXV	EVERFLOW EASTERN PARTNERS
ZZDAE	ENEX OIL & GAS PROG 4 SER 2	ZZFXF	EVERGREEN LODGE AT VAIL
ZZDAF	ENEX OIL & GAS PROG 4 SER 4	ZZIWG	EVERGREEN-RIVER
ZZFWY	ENEX OIL & GAS PROGRAM 02	ZZIWF	EVERGREEN-STEVENS
ZZCXS	ENEX PROGRAM 01 PARTNERS	ZZGNS	EXCEL INVESTORS
ZZBCF	ENRON LIQUIDS PIPELINE	ZZBCO	EXCEL PROPERTIES LTD
ZZEWR	ENRON OIL & GAS	ZZEXG	EXCEL REALTY TRUST INC(REIT)
ZZEWS	ENSEARCH EXPLORATION PARTNERS	ZZFSY	EXCHANGE ASSOC
XXOZH	ENSTAR INCOME GROWTH 06-A	ZZJAQ	EXECUTIVE PARTNERS 01
XXOZA	ENSTAR INCOME PRGM 02-01	ZZJBJ	EXPRESSWAY PLANO/PARK ASSOC
ZZIWA	ENSTAR INCOME PRGM 04-01		
ZZGQH	EOLA PARK APARTMENTS		
ZZDHA	EOS FORDHAM RD COMM R E	F	
ZZDHF	EOS THIRD AVE COMM R E	ZZIZS	F-1000 FUTURES FUND SERIES 06
ZZINE	EPSILON	ZZFZV	F-1000 FUTURES FUND SERIES 09
ZZEWT	EQK REALTY INVESTORS 01	ZZBCP	FACTORY STORES OF AMER (REIT)
ZZGOH	EQUIDQNE JACKSON CREEK ASSOC	ZZAWX	FAIRFAX ASSOCIATES
ZZHSV	EQUIPMENT ASSET RECOVERY FUND	XXPNA	FAIRFIELD INN BY MARRIOTT
XXPEA	EQUITABLE CAPITAL PARTNERS	ZZGBR	FAIRWAYS FUND
ZZIQU	EQUITABLE PETRO INC PRGM 1974	ZZBCQ	FALCON CABLE SYSTEMS
XXPEC	EQUITABLE REAL ESTATE SHOPPING	ZZGMI	FALSE CAPE ASSOC
ZZGAM	EQUITEC 79 REAL ESTATE INVS	XXPQA	FAMILY GRP BROADCASTING DEP UT
ZZIPF	EQUITEC INCOME R E INVS B	ZZDKV	FAMOUS HOST LODGING 05
XXPFD	EQUITEC INCOME REAL ESTATE INV	ZZGAE	FAR WEST ELECTRIC ENERGY FUND
XXPFK	EQUITEC MTG INVEST FUND 04	ZZIVK	FARALLON CAP INSTL PARTNERS
XXPFZ	EQUITEC REAL ESTATE INV 12	ZZFMT	FARMINGPRIME ASSOC
XXPHG	EQUITEC VENTURE LEASING INV A	ZZGML	FARMVILLE SUPER 8 MOTEL
ZZEWX	EQUITY EVERGREEN PROPERTY CAP	ZZIRF	FAUQUIER LAKES
ZZEYT	EQUITY INCOME GROWTH FUND 15	ZZFMN	FAYETTE OXFORD ASSOC
ZZFIW	EQUITY INTERESTS 03	ZZGTT	FCI DIAMOND PARTNERS

Symbol	DPP Security	Symbol	DPP Security
ZZDKR	FCLS	XXQKB	FOGELMAN SECURED EQUITY 01
ZZIRE	FEGB OF UTAH	ZZGQE	FONDWARD ASSOCIATES
ZZGBC	FERRELLGAS PARTNERS	ZZBDL	FOREST CITY ENTERPRISE INC
ZZANO	FFCA INVESTOR SVC CORP 85-A	ZZFMA	FORT WORTH 1-35 NORTH
ZZDEH	FFCA INVESTOR SVC CORP 88-B	XXQOA	FORUM RETIREMENT PARTNERS COM
ZZEAE	FFCA INVESTORS SVC CORP 86-B	ZZJCM	FOSTIN CAPITAL ASS
XXPTA	FFP PARTNERS CLASS A	ZZDEM	FOUNDATION REALTY FUND 01
ZZGMW	FIDELITY COURT ASSOC	ZZFQW	FOUNDING PARTNERS 02
XXPQB	FIDELITY LEASING INC FUND 02	ZZGOW	FOUNTAIN & ACADEMY ASS
XXPQC	FIDELITY LEASING INC FUND 03	ZZFUH	FOUNTAIN COLONY INV
XXPQD	FIDELITY LEASING INC FUND 04	ZZGSH	FOUR SEASONS FUND & SUBS
ZZAKW	FIDELITY LEASING INC FUND 05	XXQPC	FOX STRATEGIC HOUSING INC PTNR
ZZBCR	FIDELITY LEASING INC FUND 06	ZZFXG	FRANKLIN RIDGEWOOD ASSOC
ZZBCS	FIDELITY LEASING INC FUND 07	ZZCNA	FREDRICKS FUND 01
ZZBCT	FIDELITY LEASING INC FUND 08	ZZAJK	FREDRICKS FUND 03
XXPRA	FIDUCIARY CAPITAL PARTNERS	ZZAJL	FREDRICKS FUND 04
XXPRB	FIDUCIARY CAPITAL PENSION PTNR	ZZBDU	FREEPORT MCMORAN OIL&GAS LTD
ZZIRC	FIELDBROOK PROP BINGHAM 03	ZZIXJ	FREEWAY TEN INVESTORS
ZZIWR	FIJI MARINA PARTNERS	XXQVA	FRENCH APTMNTS HOUSING COMPANY
ZZIZX	FINDLAY GREEN 02	ZZIUV	FRY & CO FUTURES
ZZDMW	FIRST CALIFORNIA INC FUND 02	ZZIOJ	FULLERTON PORT JOINT VENTURE
ZZAJI	FIRST CALIFORNIA INCOME	ZZHYB	FUTURE FUND
XXPYF	FIRST CAP INC PROPERTIES 07		
XXPYH	FIRST CAP INC PROPERTIES 09		
XXPYK	FIRST CAP INSTL REAL ESTATE 01	G	
XXPYL	FIRST CAP INSTL REAL ESTATE 03	ZZINS	G A T R I
XXPYM	FIRST CAP INSTL REAL ESTATE 04	ZZFPL	G C INVESTMENTS
XXPYO	FIRST CAP INSURED REAL EST 01	ZZFWF	G D B ASSOCIATES
XXPYA	FIRST CAPITAL GRWTH FD SER 14	ZZJAY	G E A ASSOCIATES
XXPYG	FIRST CAPITAL INC PROERTIES 08	ZZFTQ	G H REALTY
ZZDEJ	FIRST CAPITAL INC PROP 02	ZZFWE	G S R A ASSOCIATES
ZZBCY	FIRST CAPITAL INC PROP 06	ZZFWD	G S R A ASSOCIATES COLL
ZZBCZ	FIRST CAPITAL INC PROP 11	ZZIXA	G U/SARATOGA LLC
ZZASF	FIRST CAPITAL INSTL REAL EST02	XXQXA	GALAXY CABLEVISION
ZZDID	FIRST DEARBORN INC PROP 02	ZZGPQ	GALL 1986 PFD PRTNRSHP INVS
ZZIQN	FIRST FINANCIAL INC PROP 01	ZZGPY	GAMMON PARTNERS
ZZIWX	FIRST INTERSTATE MENTOR CENTER	ZZIVI	GARDEN STATE MOATGAGE
ZZBDB	FIRST UNION REAL EST EQTY SB1	ZZIZC	GARLOCK GOLD
ZZFSJ	FISH CULTURE ASSOC 02	ZZDIF	GARMENT CAP ASSOC
ZZICB	FIVE STATES 1989 A	ZZDOJ	GATEWAY PARTNERS #01 LTD
ZZBDD	FJS PROPERTIES FUND 01	ZZIZQ	GATEWAY RESTAURANT
ZZIZG	FLAGSTAFF SHADOW INVESTMENT	XXQZA	GATEWAY TAX CREDIT FUND 01
ZZAQG	FLORIDA HEALTH CARE ASSOC	ZZFKQ	GATEWAYN SECURITIES
ZZJAN	FLORIDA HOTEL PROPERTIES	ZZFXX	GEIST VILLAGE
ZZBDK	FLORIDA INCOME FD 09	ZZGPH	GEM LONG FUND
XXQDA	FLORIDA INCOME FUND	ZZGPG	GEM SHORT FUND
ZZBDJ	FLORIDA INCOME FUND 05	XXRAQ	GEMENI EQUIP PARTNRS INC FD 04
XXQDB	FLORIDA INCOME FUND 2	XXRAR	GEMENI EQUIP PARTNRS INC FD 05
XXQDC	FLORIDA INCOME FUND 3	ZZGQT	GEMINI 87-88-12
ZZFYW	FLOW VENTURES	ZZGQS	GEMINI 87-88-15
ZZFOS	FLOWERTOWN ARMS	ZZGSC	GEMINI 87-88-16
ZZFRM	FOGELMAN MORTGAGE 01	ZZDLO	GEMINI EQUIP PTNRS INC FD 10

Symbol	DPP Security	Symbol	DPP Security
ZZFPY	GEMINI EQUIPMENT PART FD 06	ZZGMZ	GRAND RAPIDS 01 SELF STORAGE
ZZIZL	GEMINI EQUIPMENT PRT FD 07	ZZGAP	GRANITE DEVELOPMENT
ZZECK	GEMINI EQUIPMENT PRT FD 08	ZZIQH	GREEN VALLEY INTERCHANGE
ZZBEX	GEMINI INCOME FD 19	ZZJBP	GREENBRAE COMMERCIAL PTNRS
ZZBEW	GEMINI INCOME FUND 18	ZZGOP	GREENBRIAR-OXFORD ASSOCIATES
ZZFXV	GENESIS COALS	ZZIZM	GREENWICH AVENUE ASSOCIATES
ZZAVN	GENESIS INVESTORS	ZZFLG	GREENWICH NEW ENGLANDER MOTOR
ZZDEN	GENESIS REAL ESTATE VENTURE 02	XXRYA	GREENWICH PROPERTIES 01
XXRFA	GENZYME DVLPMNT PARTNERS	ZZFQR	GREENWOOD PARTNERS 01
ZZBFA	GEO VEST ENERGY INC FD 1982-02	XXRZA	GRIFFEN REAL ESTATE FUND 02
ZZFQX	GEOCAPITAL 03	XXRZC	GRIFFEN REAL ESTATE FUND 04
ZZIWM	GEODYNE ENERGY INC PRO 04-P	XXRZE	GRIFFEN REAL ESTATE FUND 06
XXRHB	GEODYNE ENERGY INCOME 01-B	ZZGPJ	GROSFELD REALTY COMPANY
XXRHC	GEODYNE ENERGY INCOME 01-C	ZZEMP	GROSVENOR MULTI-STRATEGY
XXRHD	GEODYNE ENERGY INCOME 01-D	ZZBBE	GROVE-ENFIELD ASSOCIATES
XXRHE	GEODYNE ENERGY INCOME 01-E	XXSCA	GROWTH HOTEL INVESTORS 01
XXRHF	GEODYNE ENERGY INCOME 01-F	XXSCB	GROWTH HOTEL INVESTORS 02
XXRHG	GEODYNE ENERGY INCOME 02-A	ZZBFH	GROWTH PPTYS OF FLORIDA 01
XXRHH	GEODYNE ENERGY INCOME 02-B	ZZFBJ	GROWTH PPTYS OF FLORIDA 04
XXRHI	GEODYNE ENERGY INCOME 02-C	ZZDOZ	GRUPE STORAGE INVESTORS 01
XXRHJ	GEODYNE ENERGY INCOME 02-D	ZZHSX	GUARANTEED HOTEL INVESTORS
XXRHK	GEODYNE ENERGY INCOME 02-E	XXSFA	GUARANTEED HOTEL INVSTORS 85
XXRHM	GEODYNE ENERGY INCOME 02-G	ZZIOL	GUARDSMEN STORAGE ASSOC 02
XXRHN	GEODYNE ENERGY INCOME 02-H	ZZIZU	GUESTHOUSE INTERNATIONAL LLC
XXRHO	GEODYNE ENERGY INCOME 03-A	XXSGB	GULLEDGE REALTY INVESTORS 02
XXRHP	GEODYNE ENERGY INCOME 03-B		
XXRHQ	GEODYNE ENERGY INCOME 03-C		
YYBZP	GEODYNE ENERGY INCOME 03-D		
XXRHS	GEODYNE ENERGY INCOME 03-E	H	
XXRHT	GEODYNE ENERGY INCOME 03-F	ZZBGC	H B O CINEMA PLUS
XXRHU	GEODYNE ENERGY INCOME 03-G	ZZINR	H M A PARTNERS
XXRHA	GEODYNE ENERGY INCOME 1-A	ZZIRB	H M E GLOBAL PARTNERSHIP
XXRHL	GEODYNE ENERGY INCOME FD 02-F	ZZBGS	H M G/COURTLAND PPTYS REIT
ZZCYG	GEODYNE INST PEN ENG P-03	ZZIRP	H O H INVESTMENT COMPANY
YYCAD	GEODYNE INSTL PENS ENERGY P-01	ZZBGW	H R E PPTYS REIT
YYCAE	GEODYNE INSTL PENS ENERGY P-02	ZZIQZ	H S C SURGICAL ASSOC HOUSTON
YYCAF	GEODYNE INSTL PENS ENERGY P-05	ZZIPE	H V A
YYCAG	GEODYNE INSTL PENS ENERGY P-06	ZZBFO	HADSON OIL 77
XXRIB	GEODYNE INSTL PENS ENERGY P7	ZZBFP	HADSON OIL 78
XXRIC	GEODYNE INSTL PENS ENERGY P8	ZZBFQ	HADSON OIL 79
YYBZZ	GEODYNE INSTL PENS PTNRS P-04	ZZBFR	HADSON OIL 80
XXRKA	GLEN MEADOW FRANKLIN ASSOC	ZZBFS	HADSON OIL 81
ZZCWH	GLENBOROUGH ALL SUITE HOTELS	ZZBFT	HADSON OIL 82
ZZFTD	GLENBOROUGH PENSION INVESTORS	ZZGNH	HAINESPORT ASSOCIATES
ZZGPF	GLENCO SQUAW ASSOCIATES	ZZBFU	HALL DRILLING 1980
ZZFTB	GLYNN VENTURES FUND 02	ZZBFV	HALL DRILLING 1981
ZZJAJ	GODOL	ZZBFX	HALL DRILLING 1982
ZZGMX	GOETZ ROAD	ZZAXV	HALL INSTITUTIONAL MTG FD
ZZIVX	GOODEARTH AT LARKSPUR LNDG	ZZAJN	HALL VENTURE INV FUND
ZZBAX	GOODMAN ROAD ASSOCIATES	ZZBGA	HALLWOOD CONS RESOURCES CP
ZZAYG	GOVERNOR'S POINTE MTG	ZZATS	HALLWOOD ENERGY PARTNERS
ZZBFG	GRANADA CATTLE & FOOD 05	ZZBFZ	HALLWOOD REALTY PARTNERS
		ZZIRD	HANDEL PPTYS LEMONA 02

Symbol	DPP Security	Symbol	DPP Security
XXSOA	HANOVER LEASE INCOME	ZZCNB	HILLSBORO CABLE TV
ZZGNE	HANOVER PARK FOR INDUSTRY	ZZITN	HILLTOP MINI-STORAGE
ZZIQP	HARBOR EDGEcombe INVS SER 01	ZZELQ	HISTORIC PRESERVATION PPTYS 89
ZZIQQ	HARBOR EQUITIES SAN CLEMENTE	ZZELS	HISTORIC PRESERVATION PPTYS 90
ZZIVA	HARROUN OFFICE CENTERS	ZZBGU	HOLLY RESIDENTIAL PPTYS REIT
ZZIVV	HARVEST PARTNERS	ZZFZD	HORIZON CELLULAR TELEPHONE CO
ZZJBA	HATHAWAY LANDING LLC	ZZBGV	HOTEL INVESTORS TRUST REIT
ZZHYI	HAWAII INDUSTRIAL PTNRS 01	XXPBB	HOTEL PROPERTIES
ZZJAP	HAWAIIAN BROADCASTING INVS	ZZFQK	HOUSING DEVELOPMENT SERVICES
ZZEFC	HCW INSTL O & G INC 1984-85	ZZISD	HOUSING FACILITIES OF VERONA
ZZGMB	HCW OIL 1982-01 MV 03	ZZFQJ	HOUSING MANAGEMENT SERVICES
XXSWB	HCW PENSION REAL ESTATE FUND	ZZDGS	HOUSING PROGRAMS LIMITED
ZZBGF	HEALTH CARE PPTY INVESTORS	XXTOA	HOUSING SENIORS PART MTG FUND
ZZBGH	HEALTH CARE REIT	ZZIOK	HOUSTON PORTFOLIO JOINT VENT 2
ZZBGJ	HEALTH EQUITY PPTYS REIT	ZZIQL	HOUSTON RECOVERY FUND
ZZBGK	HEALTH VEST SBI REIT	ZZIPO	HUBBARD PPTYS
ZZGOM	HEALTHCARE PPTYS	ZZIPR	HUDSON ASSOCIATES
ZZBGI	HEALTHCARE REALTY TRUST REIT	ZZISP	HUGOTON 01 PARTNERSHIP
ZZJAE	HEARTLAND BIOTECHNOLOGIES LLC	ZZISQ	HUGOTON 02 PARTNERSHIP
ZZCNN	HEARTLAND CAL INLAND EMPIRE	ZZIPQ	HUNTER PUBLISHING
ZZDPZ	HEARTLAND CAROLINA TRIANGLE 55	ZZIRT	HUNTERS CREEK
ZZGTO	HEARTLAND FORT MEYERS	ZZFNK	HUNTINGTON EXECUTIVE PARK
ZZAGC	HEARTLAND MANATEE RIVERFRONT	ZZGOS	HUNTINGTON PIPELINE PTNR 89-01
ZZCNM	HEARTLAND RALEIGH APEX US 01	XXTWA	HUNTWAY PARTNERS
ZZASG	HEARTLAND RICHMOND HIGHWAY 360	ZZFIS	HUTTON CONAM REALTY INVS 04
ZZAGQ	HEARTLAND SARASOTA/BRADENTON	XXTXN	HUTTON CONAM REALTY INVST 02
ZZCUO	HEMENWAY APARTMENTS COMPANY	XXTXO	HUTTON CONAM REALTY INVST 03
ZZIQW	HEMET	XXTXP	HUTTON CONAM REALTY INVST 05
ZZIQS	HERITAGE HILL ASSOCIATES	XXTXQ	HUTTON CONAM REALTY INVST 81
ZZIQT	HERITAGE VILLIAGE	XXTXR	HUTTON CONAM REALTY PEN INV 01
ZZFRB	HERMES VENTURE PARTNERS	XXTXY	HUTTON GSH AMERN STORAGE PRPTS
ZZIQV	HERMITAGE PARTNERS	XXTXZ	HUTTON GSH COML PROPERTIES 01
ZZFNA	HESPERIA DEVELOPMENT COMPANY	XXTYA	HUTTON GSH COML PROPERTIES 02
ZZDER	HICKORY HILLS	XXTYC	HUTTON GSH COML PROPERTIES 04
ZZDES	HICKORY LENDERS	ZZAWP	HUTTON GSH QUAL PPTYS 80
ZZIRA	HIDDEN PPTYS 02	ZZFYR	HUTTON INDIAN WELLS 1983 ENERG
ZZIWO	HIGH 08	XXTYG	HUTTON PRC TECH 01
XXTCA	HIGH CASH PARTNERS	XXTYH	HUTTON PRC TECH 02
ZZGMM	HIGH DESERT DEV FUND 02	ZZFHA	HUTTON SOUTHERN TIMBER PTNRS 1
XXTDA	HIGH EQUITY PARTNERS 1985 T&TE		
XXTDC	HIGH EQUITY PARTNERS 1986 T&TE	I	
ZZJAK	HIGH RIDGE CONSTRUCTION CO	ZZIOF	ICLV 02
ZZITS	HIGH YIELD INVESTMENTS 02	ZZIOE	ICLV GNRL PTNRSHIP LTD LIAB CO
ZZGNA	HIGHLAND PARK SELF STORAGE	ZZFRN	ICON CASH FLOW PTNRS 06
ZZEKR	HIL WILLIAMS INCOME FUND 04	ZZDLT	ICON CASH FLOW PTNRS SER A
ZZIPC	HILCREST PARTNERS	ZZDLU	ICON CASH FLOW PTNRS SER B
ZZEKU	HILL WILLIAMS INCOME FUND 02	ZZDLQ	ICON CASH FLOW PTNRS SER C
ZZDAL	HILLIARD FUND 82-B	ZZDLR	ICON CASH FLOW PTNRS SER D
ZZEKW	HILLIARD OIL 79A	ZZDLS	ICON CASH FLOW PTNRS SER E
ZZJAH	HILLIARD OIL 80-A	ZZHYU	ICS HOLDING INC
ZZELJ	HILLIARD OIL 81-A	ZZDCC	IDM PART INCOME CO 03
ZZEKX	HILLIARD OIL 82-B		

Symbol	DPP Security	Symbol	DPP Security
ZZITO	JMB PIPERS COVE ASSOCIATES	ZZFXH	KEARNY STREET REAL ESTATE CO
ZZDKH	JMB/245 PARK AVENUE ASSOC	ZZDPB	KELLEY OIL & GAS PROGRAM
ZZHZJ	JMB/INDIANA SQUARE ASSOC	ZZBIL	KELLEY PTNRS 87 DEV DRILL PRGM
ZZHZI	JMB/MANHATTAN ASSOCIATES	ZZBIM	KELLEY PTNRS 88 DEV DRILL PRGM
ZZHYJ	JMB/PLAZA EAST ASSOCIATES	ZZDAO	KELLEY PTNRS 89 DEV DRILL PRGM
ZZBIB	JOHN HANCOCK INVESTMENT TRUST	ZZDAP	KELLEY PTNRS 90 DEV DRILL PRGM
ZZBIC	JOHN HANCOCK PPTYS	ZZHNB	KELLEY PTNRS 94 DEV DRILL PRGM
ZZDEQ	JOHN HANCOCK REALTY INC FD 1	ZZDZY	KELLEY VENTURE FUND A
ZZDXU	JOHN HANCOCK REALTY INC FUND 3	ZZCXX	KELLY CIL & GAS PARTNERS
ZZIOA	JOHN W HENRY & CO/MILLBURN	ZZBIQ	KEMPER/CYMROT R E INV FD A
ZZDYE	JOHNSTOWN CONS INC PTNRS 1	ZZHVA	KENETECH CORP
XXVGA	JONES CABLE INCOME FD 01-A	ZZGRL	KENMAR PERFORMANCE PTNRS
XXVGB	JONES CABLE INCOME FD 01-B	ZZHNC	KENMORE ABBEY 83
XXVGC	JONES CABLE INCOME FD 01-C	ZZGJB	KENNETH COTTON HILLS
XXVGO	JONES GROWTH PARTNERS 02	ZZGFK	KENOSHA CIVIC CTR 2 ASSOC
XXVGR	JONES INTERCABLE INVESTORS	ZZGJN	KENSINGTON TOWER PTNRS
ZZBIG	JONES PROGRAMMING PTNRS 1-A	ZZFYN	KENT
XXVGS	JONES SPACELINK INC GRO 01-A	ZZHND	KENTWOOD REALTY
ZZINC	JONES SPACELINK INC PTRNS 87-1	ZZHLV	KESWICK MANOR
ZZIRL	JONIRA ASSOCIATES	ZZBIR	KEY PRODUCTION CO INC
ZZIRK	JOSEPH BAUMGARTNER COMPANY	ZZHNE	KEYSTONE APARTMENTS CO
ZZIOI	JULIANA HOTEL ASSOCIATES	ZZBBL	KEYSTONE MORTGAGE 2
ZZIVJ	JVF ASSOCIATES	ZZBIW	KEYSTONE MORTGAGE FUND
ZZFHQ	JVL 16 ASSOC (NHP AYCO 78)	ZZFTP	KHA
ZZGHI	JVL 19 ASSOC (NYP HOUSING 3)	ZZGCI	KIDDER PEABODY BIO ENERGY GEN
		ZZGHF	KIENE DIESELACCESSORIES
		ZZGIY	KIHEI FRANKS HUI
K		ZZHNF	KIHEI HOTEL CONDO #2
ZZEDE	K G FIFTY SEVENTH ASSOCIATES	ZZBIX	KILLEARN PPTYS
ZZHLS	K-G	ZZBIY	KIMCO REALTY REIT
ZZEDF	K-G 60 ASSOCIATES	ZZHNG	KINCAID WATER FLOOD
XXVHA	KAGAN MEDIA PARTNERS	ZZHNH	KING STREET VENTURE PTNRS
ZZHLG	KAJ-RKC FULLERTON PARTNERS	ZZGJD	KINGS KIRMAN OXFORD ASSOC 84
ZZGGB	KALAMA INVESTMENTS	ZZJBD	KINGSBURY CAPITAL PARTNERS
ZZBII	KANEB ENERGY PARTNERS	ZZFVI	KINGSROW
XXVIA	KANEB PIPE LINE PARTNERS	ZZBIZ	KINGSTOWN VILLAGE APARTMENTS
ZZHMX	KANGAROO KOURTS	ZZHNJ	KIRKWOOD LAKES PRODUCTION
ZZHMY	KAONOULU RANCH	ZZISK	KLEINER PERKINS CAUFIELD 3
ZZGJM	KAPLAN CHOATE GLOBAL PTNRS	ZZISG	KLEINWOOD TRACT 1
ZZGIR	KAPOHO LAND	ZZHNK	KM SAGINAW
ZZGDU	KAREL GRANDICH PRIV MGR OPP FD	ZZBJA	KN ENERGY
ZZGHA	KATELLA ASSOCIATES	ZZHNL	KNIGHT CARBIDE INC
ZZCUY	KATELLA AVENUE	ZZBJB	KNIGHT-AUSTIN
ZZHMZ	KAUAI ATHLETIC CLUB	ZZHNM	KNOLLWOOD APARTMENTS
ZZFWI	KAUAI ISLANDER PARTNERS	ZZHNN	KNOWASTE
ZZGJA	KAUAI LAND HOLDING COMPANY	ZZHNO	KOAHA WAREHOUSE PARTNERS
ZZAWZ	KAVANAUGH INCOME DAY SCHOOLS	ZZHNP	KOAMALU ASSOCIATES
ZZFLZ	KAZTEX 1985-S SPEC DEV DRILL	ZZHNQ	KOAR 38TH CAJON PARTNERS
ZZGJL	KBA PARTNERS 02	ZZHNR	KOAR BRADLEY & MAGNOLIA INC
ZZGJC	KC PUBLISHING INC	ZZHNS	KOAR IMPERIAL BEACH INV
ZZGJJ	KCO/GALT CAPITAL PARTNERS	ZZGJP	KOCO
ZZHNA	KEAAU AGRICULTURE	ZZBJC	KOGER EQUITY REIT

Symbol	DPP Security	Symbol	DPP Security
ZZGAS	KOGER PARTNERSHIP	ZZHOI	LAFAYETTE TOWNE FAMILY
ZZBJD	KOGER PPTYS	ZZHKY	LAFER
ZZGIS	KONA KAI	ZZHOJ	LAKE FOREST ASSOCIATES
ZZGIQ	KONA KAI HUI	ZZBDQ	LAKE PARK ASSOCIATES LTD
ZZGSO	KONA OCEANFRONT PPTYS	ZZHOK	LAKE PLEASANT COMMERCIAL PPTYS
ZZHNT	KONA PARTNERS	ZZHOL	LAKE RIM
ZZHNI	KONA REEF PARTNERS	ZZFJV	LAKE WORTH ASSOCIATES
ZZGJY	KOOS ENTERPRISES	XXVXA	LAKEHEAD PIPELINE PARTNERS
ZZDII	KP/GRUBB & ELLIS RLTY INC FD	ZZISC	LAKELAND
XXVQB	KP/MILLER REALTY GROWTH FD 02	ZZFNR	LAKEVIEW INVESTMENT COMPANY
ZZCIK	KP/WINGATE INSURED 01	ZZHOM	LAKEVIEW PARTNERS 2 CONTENANCY
ZZHNV	KPCB 4	ZZHON	LAKEVIEW REALTY INC
ZZHNW	KPCB 5	ZZATC	LAKEVIEW TERRACE ASSOC LTD
ZZHNX	KPCB 6 FOUNDERS FUND	ZZHOO	LAKEWOOD ASSOCIATES
ZZHNY	KRAMER INCOME ASSOCIATES	ZZHKX	LAKEWOOD GROUP
ZZBJG	KRANZCO REALTY TRUST REIT	ZZCLW	LAKEWOOD MERIDIAN
ZZGGY	KREUSE CREEK PREMIER VINEYARD	ZZHOP	LAKEWOOD VILLAGE
ZZJBZ	KRIEBEL WELLS 1986	ZZHOQ	LAMBERT HISTORICAL
ZZHNZ	KRU PARTNER	ZZEGC	LANCASTER PPTYS
XXVRA	KRUPP ASSOCIATES 1980-01	ZZFHU	LAND & DEV PARTNERSHIP 2
XXVRH	KRUPP CASH PLUS	ZZHOR	LAND GROUP 1
XXVRB	KRUPP CASH PLUS II	ZZHOS	LAND GROUP 2
XXVRC	KRUPP CASH PLUS III	ZZCXZ	LAND INCOME FUND 3
XXVRD	KRUPP CASH PLUS IV	ZZCYA	LAND INCOME FUND 4
XXVRE	KRUPP CASH PLUS V	ZZCYB	LAND INCOME FUND 5
XXVRO	KRUPP INSTL MORTGAGE FUND	ZZHOT	LANDER VALUE FUND
XXVRM	KRUPP INSURED MTG LP	ZZHOU	LANDMARK EQUITY PARTNERS
XXVRL	KRUPP INSURED PLUS 01	ZZHOV	LANDMARK HEALTH CARE INVS
XXVRJ	KRUPP INSURED PLUS II L P	ZZBJK	LANDSING INSTL PPTYS TRUST
XXVRI	KRUPP INSURED PLUS III L P	ZZBJO	LANDSING REALTY & INSTL 5
XXVRQ	KRUPP REALTY FD L P UT LP III	ZZBJP	LANDSING REALTY & INSTL 6
XXVRN	KRUPP REALTY FD L P UT LP IV	ZZBJQ	LANDSING REALTY & INSTL 7
XXVRS	KRUPP REALTY FD L P UT LP V	ZZBJM	LANDSING REALTY 1
XXVRT	KRUPP REALTY FD L P UT LP VII	ZZBJN	LANDSING REALTY 2
XXVRK	KRUPP YIELD PLUS LP	ZZHOW	LANGASCO INCOME PTNRS 1987-1
ZZGGZ	KUKUI INVESTORS	ZZHOX	LANGELIER ONE PARK AVE ASSOC
ZZHOA	KURTZ UNIT #1	ZZHOY	LANIKAI ASSOCIATES
		ZZGJO	LANSING HOTEL
		ZZHOZ	LANSING LANDINGS SHOPPING CTR
		ZZHPA	LAOR LIQUIDATING ASSOCIATES
		ZZBJR	LAQUINTA INNS INC
		ZZCWF	LARAN EQUITY RESOURCES INC
		ZZGLW	LARCO INVESTMENTS
		ZZGFG	LARKEN INC PLUS LTD PTNRSH 3
		ZZHPB	LAS VEGAS INVESTORS
		ZZGRS	LAUCHRIS 2 DEVELOPMENT PARTNER
		ZZGRR	LAUCHRIS DEVELOPMENT ASSOC
		ZZGHQ	LAUPAHOEHOE VENTURES 1
		ZZHPC	LAURALA
		ZZFYV	LAVENDER ASSOCIATES
		ZZGFF	LDP-III
		XXWHA	LEASTEC INCOME FUND 04
L			
ZZFWO	L & M INVESTMENTS		
ZZHOB	L & S LAND COMPANY		
ZZHOC	LA HABRA WHITTIER BLVD OFFICE		
ZZHKW	LA PAZ 35		
XXVTA	LA QUINTA MOTOR INNS		
ZZHOD	LA RIVIERA ASSOCIATES		
ZZCWE	LABELTAPE MEDITECT INC		
ZZCMV	LADERA GROWTH & INCOME FD		
ZZHOE	LAFAYETTE FINCL SVCS CORP		
ZZHOF	LAFAYETTE FUNDS OIL INCOME PGM		
ZZHOG	LAFAYETTE REHAB ASSOCIATES		
ZZHOH	LAFAYETTE TOWNE ELDERLY		

Symbol	DPP Security	Symbol	DPP Security
ZZDLX	LEASTEC INCOME FUND 3	ZZFNE	LIQUIDITY FUND 14
ZZDMT	LEASTEC INCOME FUND 5	ZZGHL	LIQUIDITY FUND 16
ZZDMU	LEASTEC INCOME FUND 84-01	ZZISN	LIQUIDITY FUND 7
ZZAZM	LEASTEC INCOME FUND 85-01	ZZEGJ	LIQUIDITY FUND 9
ZZISB	LEE ROAD/1960 TRACT 01	ZZFOB	LIQUIDITY FUND GR PLUS PTNRS
ZZGCF	LEE-HY MANOR ASSOC NHP HSG 5	ZZAUD	LITTLE BEACON HILL
ZZCMF	LEFCOURT MTN VIEW CENTRE 2	ZZHPL	LITTLE SULPHUR ASSOCIATES
ZZAKN	LEFCOURT VENTURE FUND 6	ZZGJG	LIVE OAK ASSOCIATES 2
ZZBJU	LENNAR CORP REIT	ZZGJH	LIVE OAK ASSOCIATES 3
ZZFQS	LEOMINSTER REGENCY ASSOC	ZZHPM	LIVERMORE VALLEY TENNIS CLUB 2
ZZGBB	LEON ASSOCIATES	ZZBKG	LL & E ROYALTY TRUST UBI
XXWIB	LEPERCQ CORP INCOME FD	ZZHPN	LLOYD SMITH III INC PPTYS 1
ZZGIT	LEPERCQ CP RESTAURANT INC ASSO	ZZDFK	LMR LAND COMPANY
ZZHPD	LEVENSHON GASEBO PARTNERS	ZZBKH	LNH REIT
ZZHPE	LEVENSHON UNIVERSITY PTNRS	ZZFWJ	LOCK IT UP PARTNERS 1986
ZZDOL	LEVIATHAN GAS PIPELINE PTNR	ZZBKI	LOMAS & NETTLETON MTG INVS
ZZFWK	LEVITT PPTYS ASSOCIATION	ZZHPO	LONGHORN PPTYS 7
ZZHPF	LEWIS COUNTY CABLE	ZZHPP	LONGMONT 66
ZZHPG	LEWIS HOLLANDER SCOTTSDALE	ZZGCV	LONGMONT STORAGE
ZZFHP	LEWISBURG ASSOC (NHP AYCO 78)	ZZHPQ	LONGUEVILLE
ZZHPH	LEXINGON ASSOCIATES	ZZGCX	LONGVIEW
ZZDPC	LEXINGTON CORP PPTYS	ZZGEG	LONGYEAR MESABA CO
ZZBJX	LIBERTE INVESTORS REIT	ZZHPR	LORDBURG VENTURE PARTNERS
XXWLD	LIBERTY EQUIP INVESTORS 1983	ZZHLB	LORIMAR FILM PARTNERS
XXWLC	LIBERTY EQUIP INVESTORS 1984	ZZHPS	LOS CUATROS APARTMENTS
XXWLG	LIBERTY HOUSING PARTNERS	ZZHPT	LOSSSEE ROAD
ZZBJY	LIBERTY INCOME PLUS	ZZBKJ	LOUISIANA LAND & EXPLORATION
ZZBJZ	LIBERTY PETRO OIL INC	ZZHPV	LOVELAND PPTYS
ZZHPI	LIBERTY PPTY TRUST	ZZHPW	LOWMAN 2 PARTNERSHIP
XXWLJ	LIBERTY REAL ESTATE 02	ZZHPX	LOWMEN ENERGY PARTNERSHIP
ZZGET	LIF	ZZGDL	LOXAHATCHEE INVESTMENTS
ZZHPJ	LILIHA SQUARE	ZZHPY	LRH INCOME PPTYS
ZZDFH	LINCAM PPTYS LTD SER 85	ZZHPZ	LRL ASSOCIATES
ZZECO	LINCOLN FUND	ZZBKL	LTC PPTYS INCORPORATED REIT
ZZBKA	LINCOLN NC REALTY FUND	ZZHQA	LUNG DENTAL X-RAY
ZZGCL	LINCOLN PARK LAND	ZZDFL	LUTHERAN BROTHERHOOD REALTY FD
ZZEGE	LINCOLN PARTNERS	ZZGFM	LYBSTER ASSOCIATES
ZZFWL	LINCOLN PPTY CO #299		
ZZFWM	LINCOLN RIVER GLEN ASSOC		
ZZGCE	LINDEN COURT ASSOC (NHP HSG 5)	M	
ZZHPK	LINDEN PLACE	ZZFVS	M & C REALTY COMPANY
ZZBHU	LINDEN PLAZA ASSOCIATES	ZZJBC	M FLAX INC
ZZBKC	LINPRO SPECIFIED PPTYS	ZZHTA	M H MOBILE INC
ZZFUM	LIPTON/FISCHER PPTYS	ZZGCK	M R CENTER OF SAN DIEGO
ZZEGF	LIQUIDITY FD HIGH YIELD INSTL	ZZGGF	MAALAEA TRIANGLE
ZZGHK	LIQUIDITY FD INCOME GR 87	ZZGJR	MACGREGOR INCOME PPTYS 2
ZZGEV	LIQUIDITY FD INCOME GR 89	ZZGKI	MACGREGOR INCOME PPTYS 3
ZZEGI	LIQUIDITY FD INCOME GR 90	ZZHLH	MACKENZIE FUND 3
ZZGFR	LIQUIDITY FD QUAL PL INVS	ZZHLF	MACKENZIE FUND 5
ZZIRV	LIQUIDITY FD TAX EXEMPT PTNR 2	ZZGJV	MACKENZIE FUND 6
ZZEGN	LIQUIDITY FD TAX EXEMPT PTNRS	ZZGJW	MACKENZIE FUND 8
ZZFND	LIQUIDITY FUND 10	ZZHLI	MACKENZIE FUND 9

Symbol	DPP Security	Symbol	DPP Security
ZZFIO	MACKENZIE SPEC INCOME FUND	ZZDAT	MAY DRILLING PARTNRSHP 1984-02
ZZFRE	MADDELEIN ASSOCIATES	XXXQE	MAY DRILLING PARTNRSHP 1984-03
ZZHQB	MADEENAH 7	ZZHQO	MAY GROUP
ZZHQC	MADEENAK 6	ZZDAU	MAY LIMITED PARTNRSHP 1983-01
ZZGAI	MADISON GROUP	ZZDAV	MAY LIMITED PARTNRSHP 1983-02
ZZHNV	MADISON PLAZA	ZZDAX	MAY LIMITED PARTNRSHP 1983-03
ZZFQH	MADISON PLAZA ASSOCIATES	ZZDAY	MAY LIMITED PARTNRSHP 1984-01
ZZHQD	MADISON SQUARE GARDEN CORP	ZZDAZ	MAY LIMITED PARTNRSHP 1984-03
ZZHQE	MAGDALENA MINING COMPANY	ZZFPW	MAY LIMITED PARTNRSHP 1984-02
ZZEHA	MAGNETIC RES IMG INST OF SC	ZZHQP	MAY VILLA FUND 1
ZZGGD	MAKENA BEACH INVESTORS	ZZFMH	MAY WELL
ZZGII	MAKENA ESTATES HUI	ZZHZV	MAYER INDIAN OAKS
XXWZA	MALRITE GUARANT BROADCAST PART	XXXRG	MAYER WARNER CENTER
ZZGLN	MANAGED ENERGY INCOME FUND 2	XXXTB	MCCOMBS PENSION INVST FUND
ZZHQF	MANCHESTER APARTMENTS 2 GEORGI	XXXTI	MCCOMBS PROPERTIES 08
ZZFWQ	MANCHESTER CLUB	XXXTJ	MCCOMBS REALTY PARTNERS LTD
YYHOE	MANHATTAN BEACH HOTEL PARTNERS	ZZDLY	MCDONNELL DOUGLAS CAP INC 01B
ZZHQG	MANHATTAN EXECUTIVE CENTERS	ZZDLZ	MCDONNELL DOUGLAS CAP INC 01C
ZZHQH	MANORWOOD HEALTH CARE ASSOCIAT	ZZDMA	MCDONNELL DOUGLAS CAP INC 01D
ZZIRJ	MANSARDS PLAZA ASSOCIATES	ZZDMB	MCDONNELL DOUGLAS CAP INC 01E
ZZBKO	MANUFACTURED HOME COMMUNITIES	ZZEFI	MCDONNELL DOUGLAS CAPITAL
ZZHQI	MANUFACTURED HOUSING 127-R	ZZHQV	MCKINLEY CATELINA OFFICE BUILD
ZZFIE	MAPLE HOUSING GROUP	ZZHQW	MCKINLEY RETAIL SOUTH
ZZFIA	MAPLE LANE INVESTORS	XXXWB	MCNEIL PENSION INVST FUND
ZZFIB	MAPLE LANE INVESTORS 2	ZZDFO	MCNEIL REAL ESTATE FD 22
ZZHQJ	MAPLE PARK PFD CAPITAL	ZZDFP	MCNEIL REAL ESTATE FD 23
ZZFPR	MARATHON PARTNERS	ZZDFQ	MCNEIL REAL ESTATE FD 24
ZZGIO	MARCO INTERNATIONAL PARTNERS	ZZDFR	MCNEIL REAL ESTATE FD 25
XXXCB	MARCUS & MILLICHAP PENS VENTUR	ZZDJZ	MCNEIL REAL ESTATE FD 27
ZZGDM	MARDEL COMPANY	ZZBLA	MCNEIL REAL ESTATE FD 5
ZZBKQ	MARINE PETROLEUM TRUST	ZZBLB	MCNEIL REAL ESTATE FD 6
ZZFSK	MARINER INVESTORS	ZZBLD	MCNEIL REAL ESTATE FD 8
XXXIA	MARITRANS PARTNERS	XXXWD	MCNEIL REAL ESTATE FUND 09
ZZBKR	MARK CENTERS TRUST REIT	XXXWE	MCNEIL REAL ESTATE FUND 10
ZZJET	MARKET SQUARE OF BROOKFIELD	XXXWF	MCNEIL REAL ESTATE FUND 11
ZZDFM	MARKETPLACE INCOME PROPERTIES	XXXWH	MCNEIL REAL ESTATE FUND 14
ZZGIH	MARLEY ORCHARDS INCOME FD 1	XXXWI	MCNEIL REAL ESTATE FUND 15
ZZHQK	MARRIOTT HOTEL ASSOC RICHMOND	ZZGFV	MCO
XXXLB	MARRIOTT HOTEL PROPERTIES 01	ZZHQX	MDC HORIZONTAL DRILLING PRGM 4
ZZHQL	MARRIOTT HOTEL SAN FRANCISCO	ZZHQY	MEADWLAND ASSOCIATES
ZZGER	MARRIOTT RESIDENCE INN	ZZHQZ	MECCA ASSOCIATES
ZZGIZ	MARVIN & PALMER EMERG MKTS	ZZHRA	MEDIA COMMUNICATIONS PARTNERS
ZZAQM	MASADA CABLE PARTNERS 2	ZZIAK	MEDIA VENTURES
ZZBOU	MASON COUNTY	ZZHRB	MEDICAL CENTER INCOME CO
ZZIRW	MASON GROUP	ZZDMC	MEDICAL EQUIPMENT INCOME FUND
ZZHQM	MASON SPORTS CENTER	ZZGKQ	MEDICAL EQUIPMENT LEAS INC 10
XXXQC	MAT DRILLING PARTNRSHP 1983-03	ZZGKM	MEDICAL EQUIPMENT LEAS INC 3
ZZGIP	MAUI PARTNERS	ZZGKN	MEDICAL EQUIPMENT LEAS INC 6
XXXPA	MAUNA LOA MACADAMIA CL A	ZZGKO	MEDICAL EQUIPMENT LEAS INC 7
XXXQA	MAY DRILLING PARTNRSHP 1983-01	ZZGKR	MEDICAL EQUIPMENT LEAS INC 84
XXXQB	MAY DRILLING PARTNRSHP 1983-02	ZZGKP	MEDICAL EQUIPMENT LEAS INC 9
XXXQD	MAY DRILLING PARTNRSHP 1984-01	ZZGKK	MEDICAL EQUIPMENT LEASING 11

<u>Symbol</u>	<u>DPP Security</u>	<u>Symbol</u>	<u>DPP Security</u>
ZZGKL	MEDICAL EQUIPMENT LEASING 1983	ZZGSY	MICHAELS OF OREGON COMPANY
ZZGKJ	MEDICAL EQUIPMENT LEASING FD 2	ZZHRY	MICHAELS REALTY INC
ZZHRC	MEDICAL EQUITIES PARTNERS	ZZCNT	MICHIGAN INVESTMENT FUND
ZZBLJ	MEDICAL GROWTH 5	ZZHRZ	MICHIGAN SOCCER
XXXZB	MEDICAL INC PROPERTIES 02B	ZZHSA	MICRO VEST PARTNERS
ZZFSW	MEDICAL INCOME PPTYS 02A	ZZGFS	MICROSEEPS INC
ZZFQZ	MEDICAL INNOVATION FUND 2	ZZHSB	MID AMERICA HOTEL
ZZHRD	MEDICAL LASER RESEARCH PART 1	ZZAXG	MID-ATLANTIC CENTERS
ZZBLK	MEDICAL PPTYS REIT	ZZHSC	MIDDLEWEST VENTURES
ZZHRE	MEDIDENTIC LIQUIDATION	ZZHSD	MIDDLEWEST VENTURES 2
ZZBLM	MEDITRUST SBI REIT	ZZHXF	MIDLAND PRC PETROLEUM 1979-0
ZZBLN	MELLON PARTICIPATING MTG TR	ZZHXE	MIDLAND PRC PETROLEUM 1980-01
ZZHRF	MEMORIAL DEVELOPMENT PARTNERS	ZZFML	MIDWEST LODGING PARTNERS 6
ZZHRG	MENDIK B	ZZGMC	MIDWEST PARKS
XXYBA	MENDIK REAL ESTATE	XXMWT	MIDWEST REAL EST SHPG CTR LP
ZZHKV	MERCADO DEL SOL INVESTORS	ZZIRO	MIDWEST RES 87-02 O & G INCOME
ZZGRI	MERCY WEST MEDICAL CENTER	ZZGTB	MIDWEST RES 88-01 O & G INCOME
ZZHKA	MEREDITH DRIVE ASSOCIATES	ZZGTC	MIDWEST RES 88-02 O & G INCOME
ZZFVO	MERIDEN REALTY ASSOCIATES	ZZGTD	MIDWEST RES 89-01 O & G INCOME
ZZFYC	MERIDIAN FUND	ZZGTE	MIDWEST RES 89-02 O & G INCOME
ZZBLO	MERIDIAN HEALTHCARE GR & INCOM	ZZGTF	MIDWEST RES 90-01 O & G INCOME
ZZBLP	MERIDIAN PINT REALTY 04	ZZGTG	MIDWEST RES 90-02 O & G INCOME
ZZBLQ	MERIDIAN POINT REALTY 6	ZZGTH	MIDWEST RES 91-01 O & G INCOME
ZZBLR	MERIDIAN POINT REALTY 7	ZZGTI	MIDWEST RES 93-01 O & G INCOME
ZZBLU	MERIDIAN POINT REALTY TR 83	ZZGOZ	MIDWEST RES 94-01 O & G INCOME
XXYDC	MERRICO OIL & GAS INC 1988-03	ZZHSE	MIDWEST STONE MGMT
ZZBLX	MERRICO OIL & GAS INC 89-1	ZZBMH	MILESTONE PPTYS INC
ZZHRK	MERRIMAN RESTAURANT	ZZBRP	MILIPAS BLVD ASSOC/CROW MILP
ZZHLU	MERRRICO-GUARANTY INCOME FD	ZZHSF	MILLER LAND COMPANY
ZZBLZ	MERRY LAND & INV CO REIT	ZZHSG	MILLERS OUTFROST SHOPPING CTR
ZZGIU	MESA DRIVE INVESTORS	ZZHSH	MILLS AVENUE INVESTORS
ZZBMA	MESA ROYALTY TRUST	ZZISH	MILPENN ASSOCIATES
ZZHRM	MET INCOME TRUST INCOME	ZZHSI	MILWAUKEE MECCA HOTEL ASSOC
ZZGBK	MET LIFE AGRICULTURAL	ZZBMJ	MIP PPTYS REIT
ZZHRN	METACOMM CELLULAR PARTNERS	ZZGHB	MISSIONANA
XXYGB	METRIC INCOME TR SERIES INC	ZZFZB	MISSION BAY SUPER 08
ZZHRO	METRO MOBILE	ZZFWP	MISSION FLAT
ZZHRP	METRO TOWER ASSOCIATES	ZZGGJ	MISSION LAND
ZZHRQ	METROPOLITAN PARKWAY	XXYNA	MISSION RESOURCES PARTNERS
ZZBMB	METROPOLITAN REALTY REIT	ZZDKW	MISSION VALLEY COMFORT SUITES
ZZHRR	METROPOLITAN SELF STORAGE 2	ZZGIV	MISSION VIEJO MEDICAL COMPANY
ZZFFS	METROPOLITAN SELF-STG MUNDELIN	ZZBMK	MISSION WEST PPTYS REIT
ZZGAY	MEZZ ROCK ASSOCIATES	ZZHUK	MISSOURI FLAT PARTNERS
ZZFIF	MF ASSOCIATES	XXYEA	ML ENERGY PARTNERS 01
ZZHRS	MFD HOUSING COMM ALPINE VILLAG	XXYPB	ML EQ REAL ESTATE PORTFOLIO
ZZHRT	MFD HOUSING COMM LTD WAUKEGAN	ZZFXI	ML FUTURES INVESTMENTS
ZZHRU	MFD HOUSING COMM TOWN & COUNTR	ZZGDT	ML FUTURES INVESTMENTS 2
ZZBMC	MGI PROPERTIES REIT	ZZGQM	ML GLOBAL HORIZONS
ZZEHJ	MHF FUND 1	XXYPF	ML MEDIA OPPORTUNITY PARTNERS
ZZGCY	MIAMI BEACH EQUITY INVESTORS	XXYPH	ML OKLAHOMA VENTURE PARTNERS
ZZHRV	MIAMI BEACH HEALTHCARE GROUP	XXYPJ	ML TECHNOLOGY VENTURES
ZZHPU	MIC-88	XXYPK	ML VENTURES PARTNERS 01

Symbol	DPP Security	Symbol	DPP Security
XXYRB	MLH INCOME REALTY PTNRSH 3	ZZHTG	NAPA VALLEY PTNRS JOINT VENTUR
ZZBMN	MLH INCOME REALTY PTNRSH 5	ZZHTH	NAPIER WELL 1 OIL & GAS LEASE
ZZBLI	MLH INCOME REALTY PTNRSH 6	ZZHTI	NAPLES GATEWAY LAND TRUST
XXYRL	MLH PROPERTIES 02	ZZARK	NARRAGANSETT CAPITAL PTNRS B
XXYRK	MLH PROPERTIES 03	ZZAUI	NASA CORRIDOR
ZZIRX	MOBILE HOME MORTGAGE FUND	ZZDFX	NASHVILLE LAND FUND
ZZATR	MOHAWK GROUP THE	ZZFNF	NASHVILLE NISSAN 95
ZZIUB	MOHAWK INVESTMENTS	ZZDKY	NASHVILLE SUPER 8 LIMITED
ZZDPD	MONMOUTH REAL ESTATE INV CP A	ZZBNO	NATIONAL CAP MGMT CORP
ZZBMR	MONMOUTH REAL ESTATE INV TR	ZZHTK	NATIONAL CITY BANK
ZZGHX	MONTANA RIVERCREST LAND & CAT	ZZBNW	NATIONAL FINANCIAL REALTY TR
ZZEHM	MONTGOMERY NORTH	ZZBNX	NATIONAL GOLF PPTYS REIT
ZZBMS	MOORE'S LANE PPTYS	ZZBNZ	NATIONAL HEALTH INVESTORS
ZZFZN	MORENO VALLEY DEV FUND 3	XXZOA	NATIONAL HEALTHCORP
ZZALB	MORRIE'S MINIS 1	ZZHTL	NATIONAL HOUSING PARTNERS
ZZFQN	MORRIS WATERFRONT	ZZHTM	NATIONAL HOUSING PARTNERSHIP 1
ZZFSO	MORRISON DOWNS	YYAIM	NATIONAL HOUSING PRT RLTY FD04
ZZISW	MORSE ACQUISITION PARTNERS 2	YYAIJ	NATIONAL HOUSING PTNR RLTY 1
ZZBMU	MORTGAGE & REALTY TRUST	ZZFZO	NATIONAL HOUSING PTNR RLTY 2
ZZGCM	MORTGAGE NETWORK SVCING PTNR 1	ZZBOA	NATIONAL INCOME REALTY TRUST
XXZCA	MOTEL 06	XXZQA	NATIONAL LEASE INCOME FUND 01
ZZGKG	MOTORWERKS OF ART ASSOCIATES	XXZQB	NATIONAL LEASE INCOME FUND 02
ZZIUP	MOUNTAIN GAS 87-02	XXZQC	NATIONAL LEASE INCOME FUND 03
ZZCON	MOUNTAIN GAS 88-02	XXZQD	NATIONAL LEASE INCOME FUND 04
ZZGKB	MOUNTAIN VIEW ORCHARD	XXZQE	NATIONAL LEASE INCOME FUND 05
ZZGKA	MP REALTY	XXZQF	NATIONAL LEASE INCOME FUND 06
XXZFB	MRI BUSINESS PROPERTIES FUND02	XXZQG	NATIONAL LEASE INCOME FUND 07
ZZBMW	MS INDUSTRIAL	ZZHTN	NATIONAL OIL PROGRAM LTD 83-B
ZZBMZ	MSA REALTY	ZZBOB	NATIONAL PROPERTIES CORP
ZZGGH	MUELLER-EL PASO 1	ZZFUJ	NATIONAL PROPERTIES INV TR
XXZHA	MULTIVEST REAL ESTATE FD LTD01	XXZSB	NATIONAL PROPERTY INVESTORS 02
XXZHD	MULTIVEST REAL ESTATE FD LTD04	XXZSD	NATIONAL PROPERTY INVESTORS 04
XXZHE	MULTIVEST REAL ESTATE FD LTD05	XXZSE	NATIONAL PROPERTY INVESTORS 05
XXZHF	MULTIVEST REAL ESTATE FD LTD06	XXZSF	NATIONAL PROPERTY INVESTORS 06
XXZHG	MULTIVEST REAL ESTATE FD LTD07	ZZDFZ	NATIONAL REAL ESTATE FD 1
ZZDFT	MURRAY INCOME PPTYS 1	ZZBOD	NATIONAL REAL ESTATE FD 2
XXZKC	MURRAY INCOME PROPERTIES 02	ZZFTK	NATIONAL REAL ESTATE IN 79-III
ZZAKV	MUTUAL BEBENIT CHICAGO MARRIOT	ZZFTL	NATIONAL REAL ESTATE INV 16
ZZDFU	MUTUAL BENEFIT INCOME PTNRS 1	ZZFSU	NATIONAL REAL ESTATE INV 78-11
XXZMB	MUTUAL BENEFIT MTG INVESTORS03	ZZFTJ	NATIONAL REAL ESTATE INV 78-IV
ZZBUF	MUTUAL BENEFIT MTG INVS 1985	ZZFTF	NATIONAL REAL ESTATE INV 79-II
ZZFFY	MUTUAL BENEFIT SECURED MTG INV	ZZFTH	NATIONAL REAL ESTATE INV 80-I
ZZBUM	MUTUAL BENEFIT/COMM PPTYS INC	ZZFTG	NATIONAL REAL ESTATE INVS 17
ZZDFV	MUTUAL BENEFIT/TRAMMELL CROW	ZZBOE	NATIONAL REAL ESTATE INVS 76
		ZZBOF	NATIONAL REAL ESTATE INVS 77
		ZZBOG	NATIONAL REAL ESTATE INVS 78-1
N		ZZFTI	NATIONAL REAL ESTATE INVS 81-1
ZZFRJ	N-VIRO ENERGY SYSTEMS	ZZFTE	NATIONAL REAL ESTATE INVS 82-1
ZZHTJ	NA PROPERTY 5	ZZGKC	NATIONAL SELECT PLACEMENT 17
ZZEGO	NA PRPERTY 7	ZZHTO	NATIONAL SERVICE 5
ZZHTF	NAMAHANA MANOR	ZZHMU	NATIONAL TAX CREDIT INVS 2
ZZDFW	NANTUCKET ISLAND ASSOCIATES	ZZFGA	NATIONAL TAX CREDIT PARTNERS

Symbol	DPP Security	Symbol	DPP Security
ZZHTP	NAUTICA ON THE WATER	ZZFEY	NORTH LENDERS
ZZHTQ	NAUTICA PENINSULA LAND	ZZFZM	NORTH PERRIS/STOCKTON ASSOC
ZZGFA	NAVAJO REFINING COMPANY	ZZAVO	NORTH PHOENIX AIRPARK ASSOC
ZZGHT	NAVAJO TRIBAL O & G WELL 32-26	ZZEGZ	NORTH PORT PARTNER 2
ZZFWS	NCM LOMBARD INC	ZZCWG	NORTH RIVER SQUARE 1
ZZHZA	NEC PARTNERS	ZZGCB	NORTH SHORE CLUB GNRL PTNRSHIP
ZZFQY	NEEDHAM EMERGING GROWTH	ZZJBY	NORTHEASTERN TELEVISION INVS
ZZHTR	NELLIS WASHINGTON REAL PPTY TR	ZZFSL	NORTHERN BORDER PARTNERS
ZZFVR	NEPTUNE REALTY ASSOCIATES	ZZGAN	NORTHERN INVESTMENT 2
XXZYA	NET 01	ZZBYG	NORTHLAKE-BELTLINE
XXZYG	NET 02	ZZBPU	NORTHLAND CABLE PPTYS 1
ZZHTS	NEV-CAL ASSOCIATION	YYAUA	NORTHSTAR INCOME FUND 01
ZZISU	NEW ARM LLC	ZZGCO	NORTHVALE ASSOC 02
ZZIRS	NEW EMERALD TEXAS	ZZFVN	NORTHWEST REALTY CO
YYAFA	NEW ENGLAND LIFE PEN PROP 01	ZZACI	NORTHWESTERN ASSOC
YYAFC	NEW ENGLAND LIFE PEN PROP 03	ZZITJ	NORTHWESTERN PA SURGICAL CNTR
YYAFE	NEW ENGLAND PENSION PROP 05	ZZGLV	NORTHWESTERN RESORT ASSOC
ZZBPG	NEW ENGLAND REALTY ASSOC	ZZGDP	NORTHWOOD PLAZA ASSOC
ZZGIJ	NEW JERSEY LAND INV CO	YYAVB	NOVA TECHNOLOGY (NASDAQ)
ZZHXZ	NEW JERSEY RIVET COMPANY	ZZEHB	NOVI TRAIL INVST CO
ZZFVJ	NEW JERSEY TAX CERT INC FD 1	ZZGKD	NSI INC FUND01 CNTR TOWN MALL
ZZHTV	NEW MAPLEWOOD ASSOCIATES	ZZARV	NTS MORTGAGE INC FUND
ZZHTW	NEW PARK FOREST ASSOCIATES 1	YYAXA	NTS PROPERTIES 03
ZZHTX	NEW PARK FOREST ASSOCIATES 2	YYAXC	NTS PROPERTIES 05
ZZHTY	NEW PARK FOREST ASSOCIATES 3	YYAXD	NTS PROPERTIES 06
ZZHSL	NEW PINES ASSOCIATES	YYAZA	NVR
ZZBPJ	NEW PLAN REALTY TRUST REIT	YYBAH	NYLIFE GOVT MTGS PLUS
ZZHSK	NEW SUNSET RIDGE ASSOCIATES	YYBAZ	NYLIFE RLTY INCOME PART 01
ZZFRA	NEW VENTURE PARTNERS 3	ZZERX	NYLOG NET PROFITS PROD PROP03A
ZZHTZ	NEWALL ASSOCIATES	ZZFXC	NYLOG NET PROFITS PROD PROP03B
ZZHUA	NEWARK VILLAGE GREEN	ZZERZ	NYLOG NET PROFITS PROD PROP03C
ZZBPH	NEWHALL INVEST PPTYS	ZZESA	NYLOG NET PROFITS PROD PROP03D
ZZBPI	NEWHALL LAND & FARMING	ZZESB	NYLOG NET PROFITS PROD PROP03E
ZZHUC	NEWPORT FOLIO EXCELL JV PTNRS	ZZESC	NYLOG NET PROFITS PROD PROP03F
ZZEGV	NEWPORT PACIFIC CAL METRO FUND	ZZESD	NYLOG NET PROFITS PROD PROP03G
ZZGLI	NEWPORT PACIFIC INCOME FD 1	ZZESG	NYLOG OPERATING PROD PROP 03-B
ZZHUE	NEWPORT PARTNERS	ZZFXA	NYLOG OPERATING PROD PROP 03-C
ZZGDG	NHP AYCO ASSOCIATES 78	ZZESK	NYLOG OPERATING PROD PROP 03-F
ZZFVP	NHP HOUSING PARTNERS 3	ZZESL	NYLOG OPERATING PROD PROP 03-G
YYAIN	NHP RETIREMENT HSNB PARTS 01	ZZDNE	NYLOG PRODUCING PROP 01-A
ZZFOR	NIAVEST	ZZDNI	NYLOG PRODUCING PROP 01-C
ZZEHC	NO SIX ASSOC	ZZGNU	NYS ENTERTAINMENT
ZZGHU	NODDINGS WARRANT		
ZZGKH	NOLAN INCOME ASSOCIATES		
YYALA	NOONEY INCOME FUND LTD 01	O	
YYALB	NOONEY INCOME FUND LTD 02	ZZHZB	O & M INV PRTNR/ONLINE RES&COM
YYALE	NOONEY REAL PRPTY INVTRS 02	ZZGKF	O&M INV PARTNR/GREAT NRTHN GAS
ZZBPQ	NOONEY REALTY TRUST	ZZGLA	O&M INV PRTNR/GREEN EQTY INV
ZZFRX	NORHT DRUID HILLS PROPERTIES	ZZGLR	O&M INV PRTNR/M.T.JACKSON INV
ZZIRU	NORHT SHORE PLAZA ASSOCIATES	ZZGLQ	O&M INV PRTNR/MCCOWN DE LEEUW
ZZEGX	NORMANDY OIL COMPANY	ZZGLB	O&M INVST PRTNR/GRN EQTY INV02
ZZBPR	NORTH CREEK ASSOCIATES	ZZGLT	O&M M/IIGEN SIMUL TECH INC

Symbol	DPP Security	Symbol	DPP Security
ZZGLU	O&M/TRUFOCUS CORP	ZZBRC	PACIFIC PARTNERS REALTY INC FD
ZZHLM	O'FLANNERY'S	ZZBRD	PACIFIC PENN PARTNERS(1,2)
ZZGKS	OAK FALLS PARTNERS	ZZBRE	PACIFIC REAL ESTATE INV TR
ZZFYD	OAK INVS PARTNERS	ZZFMX	PADDISON ASSOC
ZZGKU	OAK PARK NORTH	ZZHVR	PADRICK QUALIFIED INV
ZZFHN	OAK PARK VILLAGE ASSOC	YYBZB	PAIN WEBBER DEV PTNRS 04
ZZGKT	OAK PARK/UNDRWD OXFORD ASSOC83	YYBZC	PAIN WEBBER EQUITY PTNRS 01
ZZIVS	OAK RIDGE/MCGUIRE PARTNERS	YYCAI	PAIN WEBBER GROWTH PPTYS 01
ZZHMJ	OAK TREE-FUND ONE	YYCAV	PAIN WEBBER IND LVG MTG FD
ZZEHE	OAKLAND GARDEN APARTMENTS	YYCAW	PAIN WEBBER IND LVG MTG FD 2
ZZFWU	OAKRIDGE ATHLETIC CLUB	ZZBRI	PAIN WEBBER PROP STRAT FUND01
ZZETB	OC 04	ZZHUH	PAIN WEBBER QLFD PLAN PPTY
ZZGJZ	OCEAN BLUFF	YYCBG	PAIN WEBBER QLFD PLAN PPTY 02
ZZGFT	OCEAN PARK COMPANY	YYCBH	PAIN WEBBER QLFD PLAN PPTY 03
ZZEHF	OCEAN PARKWAY ASSOC	YYCBI	PAIN WEBBER QLFD PLAN PPTY 04
ZZGGP	OCEAN VIEW VENTURES	YYCBK	PAIN WEBBER R&D PTNRS 02
ZZISM	OCEANA APARTMENTS	ZZHMH	PAINWEBBER INC PPTYS 02
ZZERT	OCEANSIDE/MISSION ASSOC	ZZHMK	PAINWEBBER INC PPTYS 03
ZZGHD	OFFICE PARTNERS	YYCAS	PAINWEBBER INC PPTYS 06
ZZGGN	OHIO PARTNERS	YYCAT	PAINWEBBER INC PPTYS 07
ZZETW	OLD ORCHARD COUNTRY CLUB ASSOC	YYCAU	PAINWEBBER INC PPTYS 08
ZZEHH	OLSON LAND FUND 01	ZZHMI	PAINWEBBER INSURED MTG 01-B
ZZGLS	OM INV PRTNR/OB TECHNOLOGY INC	ZZAQR	PAINWEBBER MTG PARTNERS 05
ZZGGV	OMAOPIO HEIGHTS	ZZADH	PAINWEBBER PREF YIELD FUND
ZZBQT	OMEGA HEALTHCARE INV (REIT)	ZZBRH	PAINWEBBER PREF YIELD FUND02
ZZFLH	OMNI DRILLING PRTNRSH 1980-01	ZZFMP	PALM BEACH OXFORD
ZZDGC	ONE FINL PLACE LTD PRTNRSH	ZZFUC	PALO ALTO TANQUE VERDE
ZZBQV	ONE LIBERTY PROPERTIES(REIT)	ZZGDA	PALOMA PARTNERS INST INVESTORS
ZZACM	ON'TERIE CENTER	ZZFXN	PAOLO'S RESTAURANT
YYBSA	OPPENHEIMER CAPITAL	ZZGDF	PAR-TROY REALTY ASSOCIATES
ZZDIO	OPPENHEIMER LDMK PROP LIQD TR	ZZHWC	PARAGON 80-02
ZZGEF	OPPENHEIMER PALMIERE	ZZFXL	PARAGON ASSOCIATES 02
ZZEHI	OPPENHEIMER&BIGELOW INC FUND02	ZZDBA	PARAGON TEMPLETON OIL & GAS 81
ZZFHR	ORANGE VILLAGE ASSC NHP AYCO78	ZZDBB	PARAGON TEMPLETON OIL & GAS 81
ZZFTM	ORLANDO 53 NOTE	ZZHYK	PARAMOUNT VENTURE
ZZFTN	ORLANDO 93 NOTE	ZZIBQ	PARK HI PARTNERS
ZZGCT	ORO GROUP PARTNERS	ZZHUI	PARK PLACE ASSOCIATES
ZZFER	ORRINGTON INVST	ZZHZF	PARK PLACE MALL ASSOCIATES
YYBWA	OUTLET CENTRE PARTNERS	ZZHVV	PARK PLAZA
YYBXB	OUTLOOK INCOME FUND 09	ZZFIC	PARK WILLOW INVESTORS
YYBXD	OUTLOOK INCOME/GRWTH FND 08	YYCIM	PARKER & PARLSLEY 87-A
ZZDGD	OUTLOOK PROP FUND 04	YYCIC	PARKER & PARSLEY 82-02
ZZBQZ	OWENS MORTGAGE INVST FUND	YYCIE	PARKER & PARSLEY 83-A
ZZALX	OXFORD FUTURES FUND	YYCIF	PARKER & PARSLEY 83-B
YYBYB	OXFORD RESIDENTIAL PPTYS 01	ZZHVD	PARKER & PARSLEY 86-A
		YYCIK	PARKER & PARSLEY 86-B
		ZZHVC	PARKER & PARSLEY 86-C
P		ZZHVS	PARKER & PARSLEY 87-A CONV
ZZHTB	P.H.MOBILE INC	ZZGSG	PARKER & PARSLEY 87-B
ZZGLC	PACE MORTGAGE FUND 88	ZZHVT	PARKER & PARSLEY 87-B CONV
ZZHMO	PACE PRIVATE CABLE-TV 03	ZZHVG	PARKER & PARSLEY 88-B
ZZBRB	PACER ENERGY CORP	ZZHVE	PARKER & PARSLEY 89-A

Symbol	DPP Security	Symbol	DPP Security
ZZHVF	PARKER & PARSLEY 89-B	ZZBSV	PETROTECH ENERGY 1976-01
ZZDNW	PARKER & PARSLEY 90-A	ZZBTA	PETROTECH PRIVATE ENERGY 82-A
ZZHVH	PARKER & PARSLEY 90-B	ZZBSU	PETROTECH-ENERGY 1975
ZZHVI	PARKER & PARSLEY 90-B CONV	ZZBSW	PETROTECH-ENERGY 1976-02
ZZGSF	PARKER & PARSLEY 90-C	ZZBSX	PETROTECH-ENERGY 1980-02
ZZHVB	PARKER & PARSLEY 90-C CONV	ZZBSY	PETROTECH-ENERGY 1981-04
YYCIV	PARKER & PARSLEY 91-A	ZZBSZ	PETROTECH-PRIVATE ENERGY 81-01
YYCIX	PARKER & PARSLEY 91-B	ZZBTB	PETROTECH-WV 1981
ZZEBC	PARKER & PARSLEY PROD PROP 88A	ZZGAU	PETROVEN 1990-A DRILLING PROG
ZZHUX	PARKERSBURG WIRELESS	ZZGAV	PETROVEN 1991-B PROGRAM
ZZGKV	PARKINS FAIN INV PROP 07	ZZGAW	PETROVEN 1992-A PROGRAM
ZZHYZ	PARKSIDE AT WESTMINSTER	ZZHMR	PGP CARLSBAD SENIORS
ZZERN	PARKWAY 01	ZZFRW	PGP LA JOLLA LTD
ZZFZY	PARKWAY 100 ASSOCIATES 01	ZZFRU	PGP MIDWAY LTD
ZZICT	PARKWAY CENTRE	ZZHMS	PGP PACIFIC COAST
YYCKA	PARTICIPATING DVLPM T FD 86	ZZFRV	PGP PARKDALE LTD
YYCLB	PARTICIPATING INC PPTYS 03	ZZFLX	PHASE 02 MERIDEN BUS PARK ASSO
YYCLA	PARTICIPATING INC PPTYS 1986	YYDAV	PHODNIX LEASING INC FD 1982-01
ZZCKN	PARTICIPATING INC PROP 02	YYDAX	PHODNIX LEASING INC FD 1982-03
ZZEDR	PARTNERS PREFERRED YIELD 02	YYDAY	PHODNIX LEASING INC FD 1982-04
ZZCKV	PARTNERS PREFERRED YIELD 03	ZZFNX	PHOENIX ASSOCIATES
ZZFZZ	PARWAY 100 ASSOCIATES 02	YYDAD	PHOENIX HIGH TECH/HIGH YIELD
ZZGBT	PASADENA INDUSTRIAL ASSOC	YYDAE	PHOENIX INCOME FUND
ZZGIX	PASADENA OFFICE PARK	YYDAF	PHOENIX LEASING CAPITAL ASSUR
ZZGRT	PASCO COUNTY SURGERY CENTRE	YYDAI	PHOENIX LEASING CASH DIST 03
ZZGSI	PATRIOT FUTURES FUND 01	YYDAJ	PHOENIX LEASING CASH DIST 04
ZZBRM	PATTEN CORP (REIT)	YYDAK	PHOENIX LEASING CASH DIST 05
ZZETT	PCI ASSOCIATES 08	YYDAP	PHOENIX LEASING INCOME FD 06
ZZETU	PCI ASSOCIATES 09	YYDAQ	PHOENIX LEASING INCOME FD 07
ZZGBS	PDC 1994-A	YYDAR	PHOENIX LEASING INCOME FD 1975
ZZGBP	PDC 1994-B	YYDAS	PHOENIX LEASING INCOME FD 1977
ZZFZI	PDC 1994-D	YYDAT	PHOENIX LEASING INCOME FD 1980
ZZFTO	PEAK RESORTS INTERNATIONAL	YYDAU	PHOENIX LEASING INCOME FD 1981
YYCRA	PEGASUS AIRCRAFT PARTNERS	ZZBTH	PHOENIX LEASING INV 1976
YYCRC	PEGASUS AIRCRAFT PARTNERS 02	ZZBTI	PHOENIX LEASING INV 1976
ZZIXU	PELICAN INN ASSOCIATES	ZZBTJ	PHOENIX LEASING INV 1977
ZZFPF	PENNLAUD ASSOCIATES	ZZBTK	PHOENIX LEASING INV 1979
ZZBSL	PENQUEST ENERGY ASSOC 1981	ZZDGG	PHOENIX NBC PLAZA LTD
ZZIAE	PENNSYLVANIA BROADCASTING 03	ZZBTM	PICKETT SUITE HOTEL MLP 01-87
ZZBSM	PENNSYLVANIA REIT	ZZFRY	PICKWICK SHOPPING CENTER
ZZGEE	PENOBSCOT IRON ORE CO	ZZFVK	PIKE COUNTY DRILLING 1986-01
ZZIAH	PENSION INVESTORS	ZZIBK	PINE ISLAND 01
ZZECS	PEORIA MOTEL	ZZGHM	PINEMARK 3000 MYERS GP LAND
ZZGDH	PER-VIC PARTNERS	ZZGHN	PINEMARK 3000 SAN BERNADINO
YYCVA	PERKINS FAMILY RESTAURANT	ZZGHO	PINEMARK 3000 SOUTHEASTERN HTL
ZZBSO	PERMIAN BASIN ROYALTY TRUST	ZZGHP	PINEMARK 3000 WELLSFORD MBA
ZZGCZ	PERRY PARTNERS	ZZGHR	PIONEER TAKE OUT
ZZDMD	PERSHING LEASE INCOME	ZZDGI	PIONEER WESTERN PROP INC FD
ZZBSP	PERSHING LEASE INCOME 02	ZZBTP	PITTS & W VA RR SBI (REIT)
ZZHWE	PERSONAL COMPUTER RENT INC FD	ZZFMC	PJP INTERNATIONAL LTD
ZZGQY	PETRO SHOPPING CENTERS	ZZBTQ	PLANVEST DEV PARTNERS
ZZBSQ	PETROLEUM INVESTMENTS LTD	ZZHVW	PLAZA 108

Symbol	DPP Security	Symbol	DPP Security
ZZDME	PLM EQUIPMENT GROWTH FD 01	ZZHTD	PORT ROYAL SOUND BUILDERS
ZZCFR	PLM EQUIPMENT GROWTH FD 03	ZZGCA	PORTAGE APARTMENTS
ZZDMG	PLM EQUIPMENT GROWTH FD 05	ZZBUT	POST PROPERTIES (REIT)
ZZDMH	PLM EQUIPMENT GROWTH FD 06	ZZGRK	POTOMAC HOTEL
ZZBTR	PLM EQUIPMENT GROWTH INC FD 07	ZZGEC	POWER RESOURCES
ZZFVF	PLM PASSIVE INC INVESTORS 88-1	ZZICA	PRE-DEVELOPER 77-02
ZZFSS	PLM PASSIVE INC INVESTORS 88-2	ZZCOW	PRE-OWNED PARTNERSHIPS ASSOC I
ZZEDQ	PLM TRANS EQUIP 07-C INC FD 85	ZZCLX	PRECISION CLINICAL LABRATORY
ZZFZG	PLM TRANS EQUIP 07B 85 INC FD	YYDNB	PREFERRED INCOME FD 02
ZZECT	PLM TRANS EQUIP 09-D INC FD	ZZBUV	PREFERRED INCOME FUND 03
ZZBUA	PLM TRANS EQUIP PARTNERS 05-A	ZZFWT	PREFERRED INCOME PARTNERS
ZZBTZ	PLM TRANS EQUIP PARTNERS 05-B	YYDOA	PREFERRED PROP FD 80
ZZBUB	PLM TRANS EQUIP PARTNERS 05-C	YYDOD	PREFERRED PROP FD 82
ZZBUC	PLM TRANS EQUIP PARTNERS 05-D	ZZIDG	PREMIER FUTURES FUND 02
ZZBUD	PLM TRANS EQUIP PARTNERS 06-A	ZZFUF	PREMIUM ENT LP COLORADO 92-01
ZZBUE	PLM TRANS EQUIP PARTNERS 06-B	ZZBUW	PRESIDENTIAL MORTGAGE CO
ZZBUG	PLM TRANS EQUIP PARTNERS 06-C	ZZBUX	PRESIDENTIAL REALTY (CLASS A)
ZZBUH	PLM TRANS EQUIP PARTNERS 07-A	ZZBUY	PRESIDENTIAL REALTY (CLASS B)
ZZBUI	PLM TRANS EQUIP PARTNERS 08-A	ZZBVA	PRESLEY COMPANIES (REIT)
ZZBUJ	PLM TRANS EQUIP PARTNERS 08-B	ZZGLK	PRESTIGE QUARTERS ASSOC
ZZBUK	PLM TRANS EQUIP PARTNERS 08-C	ZZBVB	PRICE (REIT)
ZZBUL	PLM TRANS EQUIP PARTNERS 08-D	ZZHMG	PRIME BEARING INC
ZZDMI	PLM TRANS EQUIP PTNRS 01-B	ZZHXM	PRIME BLACK CANYON
ZZDMJ	PLM TRANS EQUIP PTNRS 01-C	YYDQB	PRIME CABLE INCOME PARTNERS LP
ZZBTS	PLM TRANS EQUIP PTNRS 02-A	YYDRA	PRIME ENERGY ASSET&INC 01
ZZBTT	PLM TRANS EQUIP PTNRS 02-B	YYDRG	PRIME ENERGY ASSET&INC 04
ZZBTU	PLM TRANS EQUIP PTNRS 03-A	ZZBVC	PRIME MOTOR INNS LP UTS
ZZBTV	PLM TRANS EQUIP PTNRS 03-B	YYDTA	PRIME PLUS REALTY PARTNERS
ZZBTW	PLM TRANS EQUIP PTNRS 04-A	YYDUA	PRINCIP GRO MTG INV 01
ZZBTX	PLM TRANS EQUIP PTNRS 04-B	ZZFFA	PRINCIPAL GROWTH MORT INV FD
ZZBTY	PLM TRANSPORTATION EQUIP 04-C	ZZIAI	PRINE PARK INDUSTRIAL
YYDIA	PLUM CREEK TIMBER	ZZBBI	PRIORITY RETURN
ZZAXC	PLYMOUTH COUNTRY CLUB	ZZHWH	PRISM TECHNOLOGIES INCOME
ZZBUN	PMC COMMERCIAL TR (REIT)	ZZGST	PRIVATE LOAN
ZZGGU	POAMOHO VENTURES	ZZDGJ	PROMETHEUS INCOME PARTNERS
YYDJA	POLARIS AIRCRAFT INC FD 01	ZZGSV	PROMETHEUS SOUTHERN CA 02
YYDJB	POLARIS AIRCRAFT INC FD 02	ZZBVD	PROPERTY CAPITAL TRUST
YYDJE	POLARIS AIRCRAFT INC FD 05	ZZBVE	PROPERTY RESOURCES EQUITY TR
YYDJF	POLARIS AIRCRAFT INC FD 06	ZZBVF	PROPERTY RESOURCES FUND 01
ZZHSM	POLARIS AIRCRAFT INV 1984-5A	ZZBVG	PROPERTY RESOURCES FUND 02
ZZBUP	POLARIS AIRCRAFT INVESTORS 1-B	ZZBVK	PROPERTY RESOURCES FUND 05
ZZBUQ	POLARIS AIRCRAFT INVESTORS 1-C	ZZBVL	PROPERTY TRUST OF AMERICA REIT
ZZBUR	POLARIS AIRCRAFT INVESTORS 1-D	ZZGRC	PRUCO LIFE INSURANCE COMPANY
ZZBUS	POLARIS AIRCRAFT INVESTORS 2-A	YYDWK	PRUD BACHE CAP RET FUTURES 02
YYDJG	POLARIS AIRCRAFT IV 02-B	YYDWM	PRUD BACHE DIVERSIF FUTURES
YYDJH	POLARIS AIRCRAFT IV 02-C	YYDWO	PRUD BACHE ENERGY GRO G-01
YYDJI	POLARIS AIRCRAFT IV 02-D	YYDWP	PRUD BACHE ENERGY GRO G-03
ZZDBI	POLARIS IND INVESTORS (REIT)	YYDWQ	PRUD BACHE ENERGY GRO G-04
ZZGHC	POLLOCK CASPIAN TECH CTR INV	YYDWS	PRUD BACHE ENERGY INC 1983-P1
ZZIZB	POLOKA JV-09	YYDZS	PRUD BACHE TAX CREDIT PROP
ZZFZK	POPLAR RIDGE APTS OF FT WAYNE	YYDWB	PRUD BACHE/A.G. SPANOS 01
ZZDEG	PORT CRESCENT APT CO 02	YYDWC	PRUD BACHE/A.G. SPANOS GENES 1

Symbol	DPP Security
YYDZW	PRUD BACHE/WATSON&TAYLOR 01
YYDZX	PRUD BACHE/WATSON&TAYLOR 02
YYDZY	PRUD BACHE/WATSON&TAYLOR 03
ZZBBJ	PRUDENTIAL ACQUISITION FUND 01
ZZFXU	PRUDENTIAL BACHE ENRGY GR FD02
ZZBVQ	PRUDENTIAL ENERGY INC FD 4 P16
ZZCDT	PRUDENTIAL ENERGY INC FD 6 P24
ZZBVR	PRUDENTIAL ENERGY INC FD 6 P25
ZZBVY	PRUDENTIAL REALTY ACQ FD 02
ZZBWA	PRUDENTIAL REALTY TR INC SHRS
ZZBBK	PRUDENTIAL SEC AGGRESSIVE GR
ZZFYA	PRUDENTIAL SEC OPTIMAX FUTURES
ZZGDK	PRUDENTIAL/WATSON & TAYLOR 04
YYEBA	PRUTECH RESEARCH & DEVELOP 01
YYEBE	PRUTECH RESEARCH & DEVELOP 02
YYEBG	PRUTECH RESEARCH & DEVELOP 03
YYECD	PS MARINAS 01
YYECE	PS MARINAS 03
YYECM	PS PARTNERS 01
YYECF	PS PARTNERS 02
YYECG	PS PARTNERS 03
YYECI	PS PARTNERS 05
YYECL	PS PARTNERS 08
YYEDA	PSH MASTER 01
YYEEM	PUBLIC STORAGE 19
ZZBWB	PUBLIC STORAGE BUSINESS PARKS
ZZEDC	PUBLIC STORAGE INC FD 05
ZZHLE	PUBLIC STORAGE INC FUND 02
ZZAMF	PUBLIC STORAGE INVESTORS 12
YYEEP	PUBLIC STORAGE PREFER YLD 01
YYEEX	PUBLIC STORAGE PROPERTIES 04
ZZHWT	PUBLIC STORAGE/IR REALTY FD 01
ZZGEU	PUBLIC STORAGE/IR REALTY FD 02
ZZHLD	PUBLIC STORAGE/IR REALTY FD 03
ZZHYP	PUEBLO VILLAS ASSOCIATES
ZZFNV	PV
ZZGHS	PYRAMID RANCH COMPANY
ZZGAA	PYRO REALTY ASSOCIATES 01
ZZGZB	PYRO REALTY ASSOCIATES 02

Q

ZZBWE	QSR INCOME PROPRTIES
ZZFNP	QUAIL RUN ASSOCIATES
ZZATV	QUALIFIED REAL ESTATE FUND
ZZHVO	QUATERRA COMM CORP
ZZGIB	QUEENSTON PLAZA ASSOCIATES
YYEJC	QUEST HEALTH CARE FD 01
YYEJA	QUEST HEALTH CARE FD 07
YYEJB	QUEST HEALTH CARE FD 08
ZZBWJ	QUINOCO INC PROGRAM (82-85)
ZZBWK	QUINOCO PENSION PROGRAM 84A-85

Symbol	DPP Security
R	
ZZGSR	R A M S ASSOCIATES
ZZHYF	R B W, SANTA ANA
ZZHYE	R B W/FULLERTON
ZZFYE	R C S 111
ZZCWK	R D O LAND COMPANY
ZZHXU	R I V P A C
ZZGAZ	R O B C O
ZZICY	R P FINANCIAL
ZZBWL	RAC MORTGAGE INV CORP
ZZGTK	RACINE HOUSING PARTNERS
ZZHUL	RACQUETBALL WORLD-FOUNTAIN VAL
ZZJAM	RADNOR VENTURE PARTNERS
ZZFFB	RAINES LENDERS
ZZFDS	RAINES ROAD
ZZGDW	RAL INCOME+EQUITY GROWTH 05
ZZFDT	RAL YIELD & EQUITY PARTNERS 02
ZZFBT	RAL YIELD & EQUITY PARTNERS 03
YYEOA	RAL YLD & EQ PARTNERS 04
YYEPA	RAMADA ASSURED INC ASSOC
ZZFRT	RAMONA ESTATES
ZZDPF	RANCHO CONSULTANTS 01-05
ZZFUE	RANCHO DEL ORO
ZZGGR	RANCHO DRIVE TULE SPRINGS RD
ZZFXK	RANCHO INDUSTRIAL
ZZBWO	RANCON CURRENT YIELD 12 PLUS
YYEQB	RANCON INCOME FD 01
ZZGSK	RANCON MEDICAL OFFICE PROP
ZZHMM	RANCON ONTARIO FREEWAY PROP
ZZDGN	RANCON PACIFIC REALTY
YYEQC	RANCON REALTY FD 01
YYEQD	RANCON REALTY FD 02
YYEQE	RANCON REALTY FD 03
YYEQF	RANCON REALTY FD 04
ZZFVG	RANDEVCO
ZZGDB	RANDOLF INCOME FUND 01
YYERA	RAYONIER TIMBERLANDS
YYESA	RC APARTMENT PARTNERS
YYETC	REAL EST ASSOC LTD 02
YYETG	REAL EST ASSOC LTD 06
YYETI	REAL EST INC PARTNERS 03
ZZGJU	REAL ESTATE INC PROGRAM 86-01
ZZCVC	REAL ESTATE INC PROGRAM 92-01
ZZBWP	REAL ESTATE INCOME PARTNERS 01
ZZBWQ	REAL ESTATE INCOME PARTNERS 02
ZZBWR	REAL ESTATE INV TRUST C A L
ZZHSO	REAL ESTATE LOAN FUND
ZZBWS	REAL ESTATE SEC INC FUND
ZZGHV	REAL PROPERTY FUND SERIES 02
ZZBAG	REAL-EQUITY PARTNERS
ZZABR	REALCO-CULPEPPER
ZZACC	REALCO-FALLS RUN PLAZA

Symbol	DPP Security	Symbol	DPP Security
ZZACN	REALCO-GAINSVILLE	ZZEJS	RESUN PARTNERS 09
ZZACL	REALCO-GAINSVILLE 02	ZZHWD	RESUN PARTNERS 10
ZZABH	REALCO-ROUTE 03	ZZFOA	RESUN PARTNERS 22
ZZACR	REALCO-VIRGINIA COMMONS	ZZHLX	RESUN PAWNEE 19
YYEUB	REALMARK PPTY INVEST 02	ZZHLW	RESUN PORTFOLIO
YYEUC	REALMARK PPTY INVEST 03	ZZFNZ	RESUN SEQUOIA 14
YYEUE	REALMARK PPTY INVEST 05	ZZDIP	RETAIL EQUITY PARTNERS
YYEWA	REALTY BUSINESS PTRNS LIQ	YYCBM	RETAIL PROPERTY INVESTORS INC
ZZHZR	REALTY INVESTMENT FUND	YYFQA	RETIREMENT LIVING TX EXEM MTG
ZZHZS	REALTY INVESTMENT FUND 04	ZZHWB	RIBS OF MANSFIELD
ZZHZT	REALTY INVESTMENT FUND 05	ZZGJF	RICHARD ROBERTS REAL
ZZHVZ	REALTY INVESTMENTS LTD 02-1978	ZZGLL	RICHMOND APARTMENT ASSOCIATES
ZZBWY	REALTY PARKING PROPERTIES 01	ZZFYT	RIDGE PARK APTS SECTION SEVEN
ZZBWZ	REALTY PARKING PROPERTIES 02	ZZHMF	RIDGEWOOD ELECTRIC POWER TR 01
ZZBXA	REALTY REFUND (REIT)	ZZGFN	RIDGEWOOD ELECTRIC POWER TR 02
YYEYB	REALTY SOUTHWEST FD 03	ZZGFO	RIDGEWOOD ELECTRIC POWER TR 03
ZZFPB	RED BUTTE CREEK ASSOCIATES	ZZGFP	RIDGEWOOD ELECTRIC POWER TR 04
ZZFCU	RED EAGLE 90-B	ZZGKX	RIDGEWOOD ENERGY 87-3 DRILL
YYFAA	RED LION INNS	ZZHUV	RIDGEWOOD ENERGY 88-3 DRILL
ZZAXU	REDWOOD CENTER VENTURE	ZZHXN	RIDGEWOOD ENERGY 90-2 DRILLING
YYFEB	REDWOOD MORTGAGE INV 07	ZZHXD	RIDGEWOOD ENERGY 90-3 DRILLING
ZZDPL	REDWOOD MORTGAGE INVESTORS 05	ZZGFQ	RIDGEWOOD ENERGY 92-1 ERGY TR
ZZDPM	REDWOOD MORTGAGE INVESTORS 08	ZZGFZ	RII TIMBERLAND PARTNERS 02
ZZHYD	REGAL LANES	ZZICJ	RILEY LAND PART 04
ZZBXE	REGAL PETROLEUM	ZZBXW	RILEY RIDGE
ZZFVM	REGAL REALTY ASSOCIATES	ZZGBH	RIO MAR ASSOCIATES
ZZHYY	REGENCY AT SOUTH SHORE	ZZFXQ	RIO RANCHO
ZZHLZ	REGENT ASSOCIATES	ZZIBZ	RITA COMMERCE
ZZBAA	RENAISSANCE CAP PARTNERS 2 LTD	ZZALU	RITA RANCH INDUSTRIAL
ZZAZY	RENAISSANCE CAPITAL PARTNERS	ZZGGS	RITTENHOUSE SQUARE
ZZAYK	RENKEN ASSOCIATES 11	ZZECV	RIVER CENTER
ZZAYL	RENKEN ASSOCIATES 15	ZZIAL	RIVER CITIES CAPITAL FUND
ZZBXJ	REO PRODUCTION INC 01-C	ZZFKD	RIVER RANCH 27 LAND TRUST
ZZBXN	REO PRODUCTION INC 01-F	ZZFXP	RIVERCHASE INVESTORS 01
ZZBXP	REO PRODUCTION INC 01-H	ZZFMD	RIVERSHIRE
YYFLA	REPLIGEN CLINIC PARTNERS	ZZDJM	RIVERSIDE PARK ASSOCIATES
ZZFMV	REPUBLIC CAP 89 PFD ROYAL INC	ZZHKU	RIVERWALK
ZZBXR	RES-COM LIMITED	ZZFGL	RJ OIL & GAS ASSOCIATES LTD
ZZBXS	RESORT INCOME INVESTORS (REIT)	ZZGSB	ROBERT HOOKE & PARTNERS
YYFOA	RESOURCES ACCRUED MTG INV 02	ZZHZC	ROBERTS PROPERTIES BENTLEY PL
YYFOB	RESOURCES ACCRUED MTG INV 86	ZZBXY	ROC COMMUNITIES INC (REIT)
ZZBXT	RESOURCES MORTGAGE CAP (REIT)	ZZALW	ROC MOBILE HOME 01
ZZBXU	RESOURCES PENSION SHARES 01	ZZHWR	ROCHELLE ASSOCIATES
ZZBXV	RESOURCES PENSION SHARES 02	ZZBXZ	ROCKEFELLER CENTER PROPERTIES
ZZDOK	RESOURCES PENSION SHARES 03	ZZFQB	ROGERS CENTRE FOR COMMERCE
YYFPB	RESOURCES PENSION SHS 05	ZZFQC	ROGERS CENTRE FOR COMMERCE E
ZZGNT	RESTON ICE FORUM	ZZFQD	ROGERS CORPORATE PARK
ZZFNY	RESUN CHEROKEE 12	ZZGDZ	ROMULUS LTD DIVIDEND HOUSING
ZZHXJ	RESUN CHEROKEE 18	ZZHVM	ROOSTER'S ROCK
ZZGSW	RESUN INCOME TRUST 1987-01	ZZHUN	ROSS PLAZA ASSOCIATES
ZZHXL	RESUN NAVAJO 17	ZZEDA	ROSWELL SQUARE 01
ZZBAB	RESUN PARTNERS 02	ZZAFW	ROTOR TOOL

Symbol	DPP Security	Symbol	DPP Security
ZZBYB	ROUSE COMPANY	YYGWA	SCA TAX EXEMPT FUND SERIES 02
ZZGAH	ROY A SCHNEBELEN & ASSOC	ZZGDI	SCHAAF FARMS ASSOCIATES
ZZHZK	ROYAL HIGHLAND ASSOC	ZZCLP	SCHRIMSHER LAND FUND 05
YYGHA	ROYAL PALM BEACH COLONY LP	ZZCLQ	SCHRIMSHER LAND FUND 08
ZZFXR	ROYALTY MORTGAGE 02	ZZGDQ	SCHRIMSHER SHOPPING CENTERS
ZZBYD	ROYALTY MORTGAGE INC FUND 01	ZZFXS	SCOTT FINANCIAL SERVICES 01
ZZBYC	ROYALTY MORTGAGE INC FUND 02	ZZFYG	SCOTT FINANCIAL SERVICES 02
ZZBYE	ROYALTY MORTGAGE INC FUND 03	ZZFYF	SCOTT FINANCIAL SERVICES 03
ZZBYF	ROYALTY MORTGAGE INC FUND 04	ZZGHZ	SCOTT'S SEAFOOD HAWAII PTNRS
ZZBYH	ROYALTY MORTGAGE INC FUND 05	YYGZA	SCOTTSDALE LAND TRUST
ZZFOZ	ROYCE RESEARCH & DEVELOPMENT	ZZFOO	SEA LAND DEVELOPMENT COMPANY
ZZBYI	RPJ ENERGY	ZZBYX	SEAGULL ENERGY CORP
ZZDIQ	RPS GROWTH & INCOME FUND	ZZAJF	SEASONED PARTNERSHIPS LTD
ZZBYK	RPS REALTY TRUST	ZZHLR	SEASON'S ASSOCIATES 02 OHIO
ZZFMR	RUNAWAY BAY 02-OXFORD ASSOC	ZZHUS	SECTOR STRATEGY FUND 02
YYGJA	RWB MEDICAL INC PROPERTIES 01	ZZFZR	SECTOR STRATEGY FUND 04
ZZHWK	RXI HOLDING INCOME	ZZFPO	SECTOR STRATEGY FUND 06
ZZBYN	RYMAC MORTGAGE INV CORP	YYHDA	SECURED EQUITY LEASING PLUS
		YYHDC	SECURED INSVT RES FUND 01
		ZZDGQ	SECURED INV RES FUND 03
		ZZFYO	SECURED REALTY INV FUND LTD 01
		ZZGJS	SEDONA RED ROCK LAND
		ZZGTJ	SEDONA TREE FARM
		YYHOG	SEI 02
		ZZGHY	SEMINOLE DRILLING PARTNERS
		YYHOM	SENIOR INCOME FUND
		ZZFNL	SERO PROP LTD & ROWAN PARTNERS
		ZZADO	SERONO DIAGNOSTIC PARTNERS
		ZZHWI	SERV O MATIC INCOME
		YYHIA	SERVICEMASTER
		ZZGRF	SESSIONS RES PARTNERS
		ZZGFD	SHARON GREEN ASSOC
		YYHOW	SHEARSON & RELATED HSING PRPTS
		YYHOP	SHEARSON MURRAY REAL EST FND02
		YYHOQ	SHEARSON MURRAY REAL EST FND03
		YYHOS	SHEARSON MURRAY REAL EST FND05
		YYHOT	SHEARSON MURRAY REAL EST FND06
		YYHOX	SHEARSON SELF-SVC STORAGE PTRN
		ZZGBA	SHELCO
		ZZFSC	SHELTER PROP 03
		YYHQA	SHELTER PROPERTIES 01
		YYHQD	SHELTER PROPERTIES 04
		YYHQE	SHELTER PROPERTIES 05
		YYHQF	SHELTER PROPERTIES 06
		YYHQG	SHELTER PROPERTIES 07
		ZZIAS	SHELTER REALTY PARTNERS 02
		ZZHXA	SHELTER REALTY PARTNERS 03
		ZZGLY	SHELTERED ACQUISITIONS LTD 83A
		YYHTB	SHOPCO REGIONAL MALLS
		YYHVI	SHURGARD INCOME PROPERTIES 06
		YYHVP	SHURGARD INCOME PROPERTIES 14
		YYHVQ	SHURGARD INCOME PROPERTIES 16
S			
ZZHSY	S PLAZA ASSOCIATES		
ZZHTC	S.A.MOBILE INC		
YYHCA	S.E.C.T.O.R. STRATEGY FUND		
ZZHTE	S.E.MOBILE INC		
ZZFYK	SAC VALLEY RES PTNRS TER DOWNS		
ZZDLE	SACRAMENTO HOTEL PARTNERS		
ZZGGW	SACRAMENTO PARTNERS		
ZZFYH	SACRAMENTO VALLEY VIEW		
ZZIAG	SAFEGUARD INCOME FUND		
ZZGEP	SALLING HANSON CO		
ZZBYO	SALOMON PHILBRO OIL TRUST		
ZZFVX	SALTZMAN & DEVOE T/A TICES COR		
ZZGBX	SAMMAMISH VIEW ASSOCIATES		
ZZBYQ	SAMSON PROPERTIES (OIL&GAS)		
ZZHUW	SAN BERNARDINO PFD INCOME		
ZZGQZ	SAN DIEGO HARBORSIDE INN		
ZZCGR	SAN GABRIEL RETIREMENT VILLA		
ZZGGT	SAN LUIS PLAZA ASSOC		
ZZFMY	SAN RAMON INV COMPANY		
ZZFMZ	SAN RAMON SHELL		
ZZBYS	SANTA ANITA REALTY		
ZZFYI	SANTA CRUZ GARDENS		
YYGRA	SANTA FE ENERGY PARTNERS		
YYGQA	SANTA FE PAC PIPELINE PRTNRS P		
ZZBYT	SARASOTA ENERGY ASSOCIATES		
ZZGFC	SARATOGA CITY CENTER PARTNERS		
ZZBYV	SAUL CENTERS INC (REIT)		
ZZIAC	SAW		
ZZGSM	SAWIK MOUNTAIN		
ZZFVH	SAYBO		
YYGWB	SCA TAX EXEMPT FUND SERIES 01		

Symbol	DPP Security	Symbol	DPP Security
YYHVR	SHURGARD INCOME PROPERTIES 18	ZZHXW	SOUTHEAST ASIA FRONTIER FUND
ZZGSX	SHURLOCK 01	ZZCAW	SOUTHEASTERN INC PROP 01
ZZBZO	SIERRA CAPITAL REALTY TRUST 08	ZZHVQ	SOUTHERN EQUITY
ZZGGX	SIERRA INTL CURRENCY FUND	ZZCAY	SOUTHERN REALTY
YYHWA	SIERRA PAC DEV FD 01	ZZCAZ	SOUTHERN TIMBER PARTNERS 02
YYHWB	SIERRA PAC DEV FD 02	ZZGRU	SOUTHFORK INVESTMENT FD 87
YYHWC	SIERRA PAC DEV FD 03	ZZFIP	SOUTHFORK-DENTON ASSOC
YYHWF	SIERRA PAC INSTL PPTYS 05	ZZIDD	SOUTHLAND FARM INVESTORS
YYHWG	SIERRA PAC PENSION INVST 84	YYIHA	SOUTHMARK CRCA HEALTH CARE
ZZBZY	SIERRA REAL ESTATE EQUITY TR84	ZZCBD	SOUTHMARK ENVICON 02
ZZICX	SIERRA SURGI CENTER ASSOC	YYHIF	SOUTHMARK EQUITY PARTNERS 03
ZZIAV	SIERRA-CERES PLAZA	YYIHD	SOUTHMARK EQUITY PTNRS 1
ZZCAB	SIGNATURE 01 LTD	YYIHF	SOUTHMARK EQUITY PTNRS LTD
ZZASV	SIGNATURE 04 LTD	ZZCBG	SOUTHMARK INCOME INVESTOR
ZZCAF	SIGNATURE 06 LTD	ZZGJQ	SOUTHMARK PUB SYND HIGH EQTY02
ZZCAI	SIGNATURE 09 LTD	ZZHYR	SOUTHRIDGE INVESTORS
ZZCAJ	SIGNATURE 10 LTD	ZZHST	SOUTHSIDE CT PARTNERS
ZZFDX	SIGNATURE 12 LTD	ZZHSS	SOUTHSIDE MRI PARTNERS
ZZCAL	SIGNATURE 13	ZZHWM	SOUTHVEST LBO FUND
ZZCAM	SIGNATURE 14 LTD	ZZADW	SOUTHVIEW TERRACE
ZZCAN	SIGNATURE 15	ZZGTL	SOUTHWEST FLORIDA WTRFRNT LOTS
ZZCAO	SIGNATURE 16	ZZGCC	SOUTHWEST INCOME PLUS
ZZCAQ	SIGNATURE 18	ZZYCQ	SOUTHWEST ROYAL INST INC FD09B
ZZCAR	SIGNATURE 19	ZZCYP	SOUTHWEST ROYAL INST INC FD10B
ZZCAS	SIGNATURE 20	ZZCBN	SOUTHWEST ROYALTIES INST 10-C
ZZCAT	SIGNATURE 21 LTD	YYJKF	SOUTHWEST ROYALTIES INSTL 11-A
ZZGHW	SILVER QUEEN PROJECT 04	ZZCBO	SOUTHWESTERN PROPERTY TR REIT
YYHZA	SILVER SCREEN PARTNERS	ZZHUY	SOVEREIGN GP 85-2 GRANTOR EQUIP
YYHZA	SILVER SCREEN PARTNERS 02	ZZHWQ	SOVEREIGN REALTY ASSOC
ZZHUM	SILVERNAIL SHOPPING CNTR ASSOC	ZZHZO	SOVEREIGN TELECOMM FUND
ZZHLK	SILVERTHORN APARTMENTS	ZZICR	SOVRAN STRATEGIC
ZZGNR	SINGING HILLS ACRES	ZZCBQ	SPALDING PARTNERS
ZZGRH	SITHE/INDEPENDENCE POWER PARTN	ZZEJY	SPALDING SQUARE 04
ZZAMQ	SIXTY-SIX ASSOC	ZZCBR	SPALDING SQUARE 05 LTD
ZZCAU	SIZELER PROPERTY INV(REIT)	ZZHWJ	SPI PACKAGING CORP
ZZHSN	SKYLINE ELCTRIC & MANUF	ZZFPV	SPRING-CYPRESS PROPERTIES
ZZFZS	SLB MID WEST FUTURES FUND	ZZGAC	SPRINGDALE ARMS COMPANY
ZZGJE	SLB SENIOR INC FUND	ZZDGV	SPRINGHILL LAKE INVESTORS
ZZFYX	SMITH BARNEY SHEARSON DVRSFD	ZZFQI	ST.CROIX COUNTY REALTY GP
ZZHWG	SMITH'S HOME FURNISHINGS INC	ZZHZH	ST.RESIDENTIAL
YYKKR	SNOWED IN IN TWEED	ZZANQ	STALNAKER FAMILY
ZZGEO	SOBEY OAKS INVESTORS	YYJQA	STAMFORD TOWERS
ZZGSU	SONG OF THE SEA 02	YYJRA	STANDARD PACIFIC
ZZIAF	SONOMA CUTRER VINEYARDS INC	YYJSA	STAR PARTNERS 01
ZZEFD	SOURCE ENERGY 1983B INC FD	ZZHLA	STAR PARTNERS 03
ZZEFE	SOURCE ENERGY 1983C INC FD	ZZHXR	STENTON JERSEY PARTNERS
ZZGIA	SOUTH CORONA	ZZHSR	STERLING ABC PARTNERS
ZZFTA	SOUTH END ASSOC	ZZDBG	STERLING GAS DRILLING FD 81
ZZDBV	SOUTH HERTFORDSHIRE UTD KGDM	ZZDBH	STERLING GAS DRILLING FD 82
ZZFYS	SOUTH OAKS LTD	ZZGAF	STERLING HEIGHTS ASSOCIATES
ZZIFY	SOUTH SEAS PROP CO	ZZCBW	STERLING HISTORIC INV 85 PTNRS
ZZDKL	SOUTHEAST ACQUISITION 03	ZZCBX	STERLING HISTORIC INV 86 PTNRS

Symbol	DPP Security	Symbol	DPP Security
ZZHSQ	STERLING INV PARTNERSHIP 03	ZZAUK	SWIFT ENERGY MGD PENSION 88-1
ZZAMZ	STERLING PROPERTIES LTD	ZZCYY	SWIFT ENERGY MGD PENSION 88-2
ZZGTV	STOCKFIELD ASSOCIATES	ZZCYZ	SWIFT ENERGY MGD PENSION 88-A
ZZGFJ	STONE POINTE VILLAGE	ZZCZC	SWIFT ENERGY MGD PENSION 89-1
ZZGJX	STONE RIDGE MEADOWS ASSOC	ZZCZD	SWIFT ENERGY MGD PENSION 89-2
ZZGSP	STONERIDGE ASSOCIATES	ZZCZF	SWIFT ENERGY MGD PENSION 89-A
ZZGIC	STONEWOOD APARTMENTS	ZZCZG	SWIFT ENERGY MGD PENSION 89-B
ZZCBY	STORAGE EQUITIES	ZZCZH	SWIFT ENERGY MGD PENSION 89-C
ZZGDR	STORAGE EQUITY PARTNERS 01	ZZCZI	SWIFT ENERGY MGD PENSION 89-D
ZZGDS	STORAGE EQUITY PARTNERS 02	ZZCZN	SWIFT ENERGY MGD PENSION 90-C
ZZCBZ	STORAGE PROPERTIES INC	ZZCZO	SWIFT ENERGY MGD PENSION 90-D
ZZGBO	STORAGEMASTER OF MORRIS COUNTY	ZZEAP	SWIFT ENERGY MGD PENSION 91-A
ZZGDJ	STRAT-BELL ASSOCIATES	ZZCZP	SWIFT ERGY PENSION PTNRS 91-A
ZZGEA	SUBURBAN ASSOCIATES	ZZCZQ	SWIFT ERGY PENSION PTNRS 91-B
ZZFKF	SUMMERLIN PARK TRUST	ZZCCS	SWIFT ERGY PENSION PTNRS 91-C
ZZGCH	SUMMERPLACE III ASSOCIATES	ZZCCT	SWIFT ERGY PENSION PTNRS 92-A
ZZCCB	SUMMIT HEALTH LTD	ZZCCU	SWIFT ERGY PENSION PTNRS 92-B
YYKAB	SUMMIT INSURED EQUITY 01	ZZEAN	SWIFT ERGY PENSION PTNRS 92-D
YYKAC	SUMMIT INSURED EQUITY 02	ZZFVQ	SWP COMPANY
YYKAF	SUMMIT TAX EXEMPT 03	ZZGEM	SWS INDEX ARBITRAGE
YYKAE	SUMMIT TAX EXEMPT BOND	ZZHVX	SWV INC
YYKCA	SUN ENERGY PARTNERS	ZZAOJ	SYCAMORE COURT
ZZAOH	SUNBELT ASSOCIATES	ZZCAV	SYNDER OIL PARTNERS
ZZGLX	SUNRISE FUTURES FUND	ZZAOL	SYNTHETIC INDUSTRIES
ZZHSP	SUNRISE RESIDENT CARE FACIL		
YYKHA	SUPER 8 ECONOMY LODGING 04	T	
YYKHB	SUPER 8 MOTELS 3	YYKMB	T ROWE PEICE REALTY INCOME 02
YYKHD	SUPER 8 MOTELS NORTHWEST 02	YYKMA	T ROWE PRICE REALTY INCOME 01
YYKHC	SUPER 8 MOTELS NORTHWEST 01	YYKMC	T ROWE PRICE REALTY INCOME 03
YYKHG	SUPER 8 MOTELS TEXAS	YYKMD	T ROWE PRICE REALTY INCOME 04
ZZGEN	SUSSEX PIERSON APARTMENTS	ZZGEQ	T.ROWE PRICE RENAISSANCE FD
ZZGRV	SWARTHMAORE MRI ASSOCIATES	ZZGGO	TACTICAL FUTURES FUND 02
YYKKB	SWIFT ENERGY 1983-A	ZZGGC	TACTICAL FUTURES FUND 03
YYKKH	SWIFT ENERGY INC PTNRS 1985A	ZZEBR	TAMPA INTERSTATE PARTNERS
YYKKJ	SWIFT ENERGY INC PTNRS 1985C	ZZHWN	TARA HILLS DRIVE
YYKKL	SWIFT ENERGY INC PTNRS 1986B	ZZCDA	TAUBMAN CENTERS (REIT)
YYKKM	SWIFT ENERGY INC PTNRS 1986C	ZZGHE	TAUNTON GREEN ASSOCIATES
YYKKN	SWIFT ENERGY INC PTNRS 1986D	ZZCDB	TCA CABLE TV
YYKKQ	SWIFT ENERGY INC PTNRS 1987-C	ZZAEO	TCC EQUIP INC FUND 01
YYKKO	SWIFT ENERGY INC PTNRS 1987A	ZZHVL	TCW EMERGING MARKETS
YYKKP	SWIFT ENERGY INC PTNRS 1987B	ZZFRP	TECHNOLOGY FUNDING MED PTNRS 1
YYKKS	SWIFT ENERGY INC PTNRS 1988-A	YYKQA	TECHNOLOGY FUNDING PARTNERS 01
YYKKT	SWIFT ENERGY INC PTNRS 1988-B	ZZCDC	TECHNOLOGY FUNDING PARTNERS 02
YYKKU	SWIFT ENERGY INC PTNRS 1988-C	ZZAOR	TECHNOLOGY FUNDING PARTNERS 03
YYKKX	SWIFT ENERGY INC PTNRS 1989-02	YYKQE	TECHNOLOGY FUNDING SEC INVT 01
YYKKW	SWIFT ENERGY INC PTNRS 1989-A	YYKQF	TECHNOLOGY FUNDING SEC INVT 02
ZZFYF	SWIFT ENERGY INC PTNRS 86-A	ZZCVL	TECHNOLOGY PARK PARTNERS
ZZDNY	SWIFT ENERGY INC PTNRS 88-02	ZZCVK	TECNOLOGY FUNDING SEC INV 03
ZZCYU	SWIFT ENERGY INC PTNRS 89-B	ZZCDD	TECNOLOGY FUNDING VENT PTNRS 5
ZZCYV	SWIFT ENERGY INC PTNRS 90-A	ZZFAQ	TELECOMM GROWTH & INC FUND
ZZCYX	SWIFT ENERGY INC PTNRS 90-C	ZZFAR	TELECOMM INC FUND 09
YYKKZ	SWIFT ENERGY MG PEN ASST 1988B		

Symbol	DPP Security	Symbol	DPP Security
ZZFAC	TELECOMM INC FUND 10	ZZHUT	TM OHIO HOUSING
ZZFYM	TELEGRAPH JEFFERSON INVESTORS	ZZCDZ	TMC MORTGAGE INVESTORS
ZZHLL	TENAYA ASSOCIATES	ZZCEC	TMI INCOME PLUS
YYKTA	TEPPCO PARTNERS MLP	ZZDHB	TMP INLAND EMPIRE 07
ZZIXB	TERRA NITROGEN COMPANY	ZZHVJ	TMP TUSCANY OAKS
ZZGIG	TEXAS AMERICAN SYNDICATE	ZZCVI	TMS LIMITED A
ZZGDD	TEXAS ECONOMICS	ZZFGW	TODD BROOKS PARTNERSHIP
ZZCDH	TEXAS MERIDEN RESOURCES LTD	ZZFZJ	TOLEDO PLAZA 02
ZZCDI	TEXAS PACIFIC LAND TRUST	ZZFIV	TOLEDO TELEVISION INVESTORS
ZZDMN	TEXTAINER EQUIP INC FD 03	ZZHWU	TOLLESON INVESTMENT PROPERTY
ZZFSF	TEXTAINER EQUIP INC FD 05	ZZIBE	TOMPKINS PARK ST MARKS ASSOC
ZZHYS	THE 5TH & F STREET	ZZHUR	TORO 80
ZZHWP	THE ACACIA APARTMENTS	ZZGDE	TOWER PLAZA ASSOC
ZZFXW	THE ANNEX MALL LTD	ZZFVL	TOWN & COUNTRY ASSOCIATES
ZZHUF	THE B.F.DILLINGHAM COMPANY	ZZCEI	TOWN & COUNTRY TRUST (REIT)
ZZHVK	THE BALANCED OPPORTUNITY FUND	ZZHYQ	TOWNE OAKS INVESTORS
ZZIXQ	THE BELLEVILLE GROUP	ZZCEJ	TOWNER PETROLEUM COMPANY
ZZHWS	THE BULLFINCH FUND 01	ZZDHC	TPI LAND DEVELOPMENT 03
ZZFHT	THE CATHBILL	ZZGQQ	TPI LAND DEVELOPMENT 04
ZZJBH	THE CLAIREMONT HLTHCARE PTNRS	ZZFSR	TPI LAND INVESTORS 02
ZZGOU	THE COUNTRY APTS COMPANY	ZZGEK	TREMONT ON THE COMMON REALTY
ZZHWO	THE DAY SURGERY CENTER	ZZGEB	TRIGGER ASSOCIATES
ZZGFW	THE FORESTER COMPANY	ZZCEM	TRINET CORP REALTY TRUST REIT
ZZFYY	THE FOUR SEASONS FUND 02	ZZCEN	TRION FUND 02
ZZGQN	THE GLOBAL OPPORTUNITY FUND	ZZCEQ	TRITON GROUP LIMITED
ZZGAX	THE GREEN FUND REALTY	ZZGQO	TRIUMPHE LEASING
ZZGLZ	THE GREEN KIDS-PLAY	ZZDMP	TRIUMPHE LEASING 08
ZZHLY	THE LANDINGS APTS ASSOC	ZZGQP	TRIUMPHE LEASING 09
ZZGRE	THE MILBURN CURRENCY FUND 02	ZZIBA	TRIVEST EQUITY PARTNERS 02
ZZBMV	THE MORT BANC FUND OF AMERICA	ZZIBB	TRIVEST INVESTORS FUND
ZZHYA	THE MOUNTAIN COMPANY	ZZHVN	TRO MANUFACTURING CO INC
ZZFYL	THE REGENCY LIMITED PARTNERS	ZZGGM	TRUMBULL ASSOCIATES
ZZFXT	THE TROY INVESTMENT FUND	ZZFZU	TRUMP TAJ MAHAL ASSOC
ZZCDK	THOMPSON REALTY EQUITY FD 02	ZZCER	TUCKER PROPERTIES CORP (REIT)
ZZCDJ	THOMPSON REALTY EQUITY FUND	ZZGIW	TUCSON DOWNTOWN HOTEL PARTNERS
ZZCDL	THORNBURG MORTGAGE ASSET REIT	ZZGQR	TUDOR FUND FOR EMPLOYEES
ZZCDM	THREE RIVERS ENERGY PTNRS 80-1	ZZHZG	TULSA INTERSTATE 244
ZZCDN	THREE RIVERS ENERGY PTNRS 81-1	ZZCES	TUTWILER HOTEL LIMITED
ZZCDO	THREE RIVERS ENERGY PTNRS 81-2	ZZAPA	TWENTY SECOND BELVEDERE
ZZDPR	THREE RIVERS ENERGY PTNRS 81-3	ZZFTV	TWIN ARK VALLEY
ZZCDP	THREE RIVERS ENERGY PTNRS 81-4	ZZCET	TWIN CREEK EXPLORATION CO
ZZCDQ	THREE RIVERS ENERGY PTNRS 82-1	ZZGGL	TWIN INCOME PARTNERS
ZZCDR	THREE RIVERS ENERGY PTNRS 83-1	ZZGGQ	TWIN OAKS MORTGAGE INV CO
ZZCDS	THREE RIVERS ENERGY PTNRS 83-3	ZZCVM	TYLERLAND PARTNERS INV CO
ZZCDV	THREE RIVERS ENERGY PTNRS 84-1		
ZZCDW	THREE RIVERS ENERGY PTNRS 86-1		
ZZCDU	THREE RIVERS PTNRS 1984-01	U	
ZZCDX	TIDELANDS ROYALTY TRUST B	YYLRA	U S RLTY PARTNRS LTD
ZZGAJ	TIGER PLAZA	ZZCGA	U.S.APPRECIATION PROPERTIES
ZZGSE	TIME WARNER ENT CO	ZZGHJ	U.S.TOOL & DIE
ZZHWY	TIMUCUAN FUND	ZZCEU	UDC UNIVERSAL DEVELOPMENT
ZZCDY	TIS MORTGAGE INV CO	ZZGIM	UNDERWOOD TOWERS

Symbol	DPP Security	Symbol	DPP Security
ZZCEW	UNILEASE ASSOCIATES	ZZHWZ	VENTURE CAPITAL FUND
ZZGQK	UNION BANK FREY BUILDING CO	ZZAEU	VERMONT ASSOCIATES
ZZFRC	UNION COMMERCE ASSOCIATES	ZZGRX	VESTCO PROPERTIES 03
ZZALE	UNION SQUARE HOTEL PARTNERS	ZZHXB	VETERANS CENTRAL ASSOCIATES
YYLBB	UNIPROP MANU HSG COM INC FD 01	ZZGLE	VICTOR CAPITAL GROWTH 07
ZZHWV	UNITED ENERGY 93 PROD FD	ZZGLO	VICTOR VALLEY MORTGAGE INC
ZZDHE	UNITED INVESTORS GRTH PROP 01	ZZGFI	VICTORIA INVESTORS
ZZGQJ	UNITED INVESTORS GRTH PROP 02	ZZHKT	VICTORIA INVESTORS
ZZCFG	UNITED INVESTORS INC PROP 01	YYMQA	VICTORY TAX EXEMPT RLTY INC FD
ZZCFH	UNITED INVESTORS INC PROP 02	ZZCGJ	VIKING INVESTORS 86
ZZGCP	UNITED PARTNERSHIP INVEST 77-F	ZZHSZ	VILLAGE SHOPS ASSOCIATES
ZZDIU	UNITED REALTY GP LP CL B SER 1	ZZCGU	VINLAND PROPERTY TRUST (REIT)
ZZCFJ	UNITED REALTY GP LP CL B SER 2	ZZGIE	VINTAGE AUTO PARTNERS 01
ZZCFL	UNITED STATES EQUITY & MORT TR	YYMUA	VIPONT ROYALTY INC FUND
ZZDIV	UNITED STORAGE ASSOC 85-01	ZZEDB	VIRGINIA SELF STORAGE PTNRS 04
ZZDIW	UNITED STORAGE ASSOC 86-01	ZZHLQ	VISION
ZZHLO	UNITS RTS STORAGE	ZZCGV	VISTA 01-82
YYMAB	UNIVERSAL MEDICAL BLDG LP	ZZCGW	VISTA 02-83
ZZCFN	UNIVERSITY HIGH EQUITY FD 01	ZZGSQ	VLADIMIR COMRADES 02
ZZCFO	UNIVERSITY HIGH EQUITY FD 02	ZZDLC	VMS NATIONAL HOTEL PARTNERS
ZZCFP	UNIVERSITY HIGH EQUITY FD 03	ZZEIN	VMS NATIONAL HOTEL PORT 01
ZZCFU	UNIVERSITY REAL ESTATE FD 03	ZZGKW	VMS NATIONAL RES PORT
ZZHXI	UNIVERSITY REAL ESTATE FD 12	ZZCHE	VMS SHORT TERM INC TR
ZZCFQ	UNIVERSITY REAL ESTATE FD 73	ZZCHH	VMS SHORT TERM INC TR
YYMDC	UNIVERSITY REAL ESTATE FUND 10	ZZEIX	VOLADOR EQUITY INC FD 86-87
ZZBAY	URBAN IMPROVEMENT FD LTD 73	ZZFVB	VOORHESS GOLF FARM
ZZDIX	URBAN IMPROVEMENT FD LTD 73-2		
ZZAPD	URBAN IMPROVEMENT FD LTD 74		
ZZGEY	URBAN IMPROVEMENT FUND		
ZZGRG	URBAN PROPERTIES		
ZZCFX	URBAN SHOPPING CENTER INC		
ZZGRW	UREF 04		
ZZGBE	US RADIO INC		
ZZCGC	US REALTY INCOME PARTNERS		
ZZCGF	US THRIFT OPPORTUNITY PARTNERS		
ZZCFY	USA CAFES		
YYMID	USAA INCOME PROPERTIES 03		
YYMIA	USAA REAL ESTATE INC INV 01		
ZZCFZ	USAA REAL ESTATE INC INV 02		
ZZGDO	USASSETS MIDWEST		
ZZCGB	USP REALTY INV TRUST		
ZZGIF	UTAH PACIFIC		
ZZCFF	UTD DOMINION REALTY TR INC		
ZZIBU	UTILITY INVESTMENTS		
V		W	
ZZHVY	VAL VISTA LAND PARTNERS	ZZGIN	WAINAKU LYMAN PARTNERS
ZZFWG	VALENCIA PARK ASSOCIATES	ZZCVN	WALDEN INVESTORS
ZZCGH	VALLEY ASSOCIATES	ZZHLJ	WALNUT ACRES APTS CO PH 02
ZZFKV	VARDAMAN TIMBER PARTNERS 01	ZZHXY	WALNUT CREEK ASSOCIATES
ZZDHI	VENETIAN PARK ASSOC LTD	ZZHUO	WALNUT GROVE ASSOCIATES
		ZZGLP	WALNUT STORAGE APRTNERS
		ZZGBY	WALNUT TRAILS
		ZZCHL	WASHINGTON REAL EST INV TR
		ZZGGK	WATERFALL PARTNERS
		ZZHMN	WATERFORD SHORES ASSOCIATES
		ZZCHM	WATERFORD TAX CREDIT
		ZZGID	WATKINS & ASSOCIATES
		ZZHMA	WAVERLY PLACE SUMMIT PARTNERS
		ZZHLP	WDC/DLC FAIRWAYS CLASS A
		ZZFJW	WEBSTRAND
		ZZCVP	WEDGEWOOD 1
		ZZHMP	WEDGEWOOD FUND 10
		ZZCHP	WEINGARTEN REALTY INVESTORS
		ZZAUR	WEISS PECK GREER VENTURE ASSOC
		YYNCA	WELLESLEY LEASE INCOME 01B
		YYNCC	WELLESLEY LEASE INCOME 01D
		YYNCD	WELLESLEY LEASE INCOME 02A
		YYNCE	WELLESLEY LEASE INCOME 02B

Symbol	DPP Security	Symbol	DPP Security
YYNCF	WELLESLEY LEASE INCOME 02C	YYNNA	WINTHROP FINANCIAL ASSOCIATES
YYNCG	WELLESLEY LEASE INCOME 02D	YYNNB	WINTHROP GROWTH INVESTORS 01
YYNCH	WELLESLEY LEASE INCOME 03-A	YYNNC	WINTHROP INDIAN RIVER CITRUS
YYNCI	WELLESLEY LEASE INCOME 03-B	YYNNG	WINTHROP PARTNERS 79
YYNCK	WELLESLEY LEASE INCOME 03-D	YYNNH	WINTHROP PARTNERS 80
YYNCL	WELLESLEY LEASE INCOME 04	YYNNI	WINTHROP PARTNERS 81
YYNDA	WELLS REAL ESTATE FUND 01	YYNNK	WINTHROP RESIDENTIAL ASSOC 01
YYNDC	WELLS REAL ESTATE FUND 02	YYNNL	WINTHROP RESIDENTIAL ASSOC 02
YYNDE	WELLS REAL ESTATE FUND 02 OW	YYNNM	WINTHROP RESIDENTIAL ASSOC 03
YYNDG	WELLS REAL ESTATE FUND 03		
ZZBAC	WELLS REAL ESTATE FUND 5		
ZZCHU	WELLS REAL ESTATE FUND 6	Y	
ZZCHR	WELLSFORD RESIDENTIAL PPTY TR	ZZDJU	YAGER KUESTER PUBLIC FD
ZZFTR	WELLSTREAM COMPANY	ZZSFP	YORK INVESTMENT
XXWBD	WENDT BRISTOL DIAGNOSTICS L P	ZZIWP	YORK RIDGE APARTMENT ASSOC
ZZGBD	WENDY'S OF WEST MICHIGAN	ZZCIQ	YOUR ATTIC NATL PARTNERS 84
ZZHML	WEST LEBANON MORTGAGE INVS		
YYNIA	WESTIN HOTELS	Z	
YYNFA	WESTMED VENTURE PARTNERS 01	ZZFVD	ZAVERI & REEVES DRILLING 1984
YYNFB	WESTMED VENTURE PARTNERS 02	ZZGRY	ZERO STAGE CAP 2-CENTRAL PENN
YYNLA	WINDSOR PARK PROPERTIES 02	ZZGIK	ZOND WINDSYSTEM PTNRS 85-C
YYNLB	WINDSOR PARK PROPERTIES 03	ZZGIL	ZOND WINDSYSTEMS PARTNERS
YYNLC	WINDSOR PARK PROPERTIES 04	ZZFYB	ZOND-PANAERO WINDSYSTEM PTNRS
YYNLD	WINDSOR PARK PROPERTIES 05	ZZAQD	ZRS ASSOCIATES
YYNLE	WINDSOR PARK PROPERTIES 06		
YYNMC	WINGATE GOVERNMENT MORTGAGE 02		

NASD NOTICE TO MEMBERS 97-24

“Limited Edition” Treasury Securities

Suggested Routing

- Senior Management
- Advertising
- Corporate Finance
- Government Securities
- Institutional
- Internal Audit
- Legal & Compliance
- Municipal
- Mutual Fund
- Operations
- Options
- Registration
- Research
- Syndicate
- Systems
- Trading
- Training

Executive Summary

The Department of the Treasury recently informed the NASD[®] that there are certain foreign individuals and groups attempting to defraud entities by offering to sell and structure transactions in non-existent United States Treasury securities. Broker/dealers have been approached with a proposal to purchase and resell a fictitious instrument referred to as “Limited Edition” U.S. Treasury securities. As part of this scheme, broker/dealers and other entities are being sought to act as fiduciaries for the transactions.

Treasury staff confirmed with the NASD that there is no such security as a “Limited Edition” Treasury security.

Discussion

The bogus “Limited Edition” Treasury securities are represented as having the following features: a 10-year term; a 6 percent annual interest rate; a \$100 million minimum purchase amount; an unspecified offering amount (i.e., the securities are represented as being available for sale until “exhausted”); and an initial price of 57 percent of the face value. In addition, the “Limited Edition” Treasury securities are issued in physical (paper) form. The proposal makes numerous other misrepresentations about the way marketable U.S. Treasury securities may be bought or sold, and it also misrepresents the role that the Department of the Treasury plays in the original sale and issuance of Treasury securities.

If domestic members are approached by individuals offering such a transaction, they should immediately contact Mr. Jim Kramer-Wilt of the Treasury’s legal staff at (304) 480-5190. If contact is made at the member’s foreign affiliate, the appropriate local law enforcement authority should be notified.

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NASD NOTICE TO MEMBERS 97-25

NASD Interpretive Position—NASD Rule 3050—Transactions For Or By Associated Persons

Suggested Routing

- Senior Management
- Advertising
- Corporate Finance
- Government Securities
- Institutional
- Internal Audit
- Legal & Compliance
- Municipal
- Mutual Fund
- Operations
- Options
- Registration
- Research
- Syndicate
- Systems
- Trading
- Training

Executive Summary

The Office of General Counsel, NASD Regulation, Inc. (NASD RegulationSM) is issuing this *Notice* to provide interpretive guidance to members regarding NASD[®] Rule 3050 and, in particular, paragraph (d) of the Rule. Rule 3050 was designed to obligate members to use reasonable diligence in determining whether executed transactions in the accounts of associated persons of another member firm, or accounts in which the associated person has discretionary authority, will adversely affect the interests of the employer member.

Paragraph (d) of the Rule sets forth requirements of associated persons that maintain accounts with nonmembers. As to paragraph (d), the staff has provided interpretive guidance to make clear that accounts of associated persons, or accounts in which associated persons maintain discretionary authority, held with nonmember foreign broker/dealers, are subject to this paragraph. Therefore, associated persons are obligated to follow the provisions of paragraph (d) and provide written notification of such accounts to their employer member firm, and assure that the organization maintaining the accounts will provide the employer member the specific information as set forth in paragraph (d)(2) of the Rule.

Background

Recently, NASD Regulation's Office of General Counsel (OGC) was presented with an interpretive question regarding paragraph (d) of Rule 3050. The interpretive question involved the issue of whether accounts maintained by associated persons of a member firm at a foreign broker/dealer were subject to the

Rule and, in particular, paragraph (d) of the Rule. The staff of the OGC issued its interpretive opinion that accounts maintained at nonmember foreign broker/dealers by associated persons would be subject to paragraph (d) of the Rule.

Paragraph (c) of the Rule sets forth requirements of associated persons that maintain accounts with other member firms. Paragraph (d) of the Rule governs the requirements that apply when associated persons maintain accounts with nonmembers. Specifically, it provides that associated persons must notify their member firms and receive assurances from organizations maintaining the accounts that the employer member will receive certain information regarding the accounts. The organizations identified in paragraph (d) include domestic or foreign investment advisers, banks, and other financial institutions. The staff has determined that paragraph (d) of the Rule was intended to cover nonmember financial services entities. In particular, the staff believes that the term "financial institutions" in this context should be broadly interpreted to cover various types of financial service providers that may maintain securities accounts. This interpretation best effectuates the intent of the Rule to provide prompt notification to member firms of the securities activities of their associated persons and also recognizes that in foreign countries a variety of integrated financial services often are provided by a single entity.

Questions regarding this *Notice* may be directed to John Ramsay or David A. Spotts, Office of General Counsel, NASD Regulation, at (202) 728-8071.

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NASD NOTICE TO MEMBERS 97-26

NASD Regulation Files Amendment To Bank Broker/Dealer Rule With The SEC

Suggested Routing

- Senior Management
- Advertising
- Corporate Finance
- Government Securities
- Institutional
- Internal Audit
- Legal & Compliance
- Municipal
- Mutual Fund
- Operations
- Options
- Registration
- Research
- Syndicate
- Systems
- Trading
- Training

Executive Summary

On March 24, 1997, NASD Regulation, Inc. (NASD RegulationSM) filed with the Securities and Exchange Commission (SEC) for its approval Amendment No. 4 to proposed NASD[®] Rule 2350, which specifies requirements applicable to broker/dealers operating on the premises of financial institutions (bank broker/dealer Rule). Amendment No. 4 responds to public comments received by the SEC on the original proposed bank broker/dealer Rule filed with the SEC in December 1995. Among other things, NASD Regulation is proposing to: (1) delete the provision restricting the use of confidential financial information; (2) delete the provision governing compensation of unregistered persons; and (3) revise the provisions regarding setting and communications with the public. NASD Regulation is separately soliciting public comment on proposed rules relating to the use and release of confidential financial information and compensation of unregistered persons that would apply to all members. The SEC has published Amendment No. 4 to the proposed bank broker/dealer Rule in the *Federal Register* for comment.¹ **The revised Rule will not become effective until approved by the SEC.**

Background

NASD Regulation is publishing this Notice to alert members that Amendment No. 4 to the proposed bank broker/dealer Rule was submitted to the SEC on March 24, 1997. The amendment has been published by the SEC for public comment in the *Federal Register*.² Members should review the *Federal Register* release and submit comments directly to the SEC.

The bank broker/dealer Rule was originally published for member comment in *NASD Notice to*

Members 94-94. The proposed Rule was revised substantially in response to the 284 comment letters that were received by the NASD. The proposed bank broker/dealer Rule was filed for approval with the SEC on December 28, 1995 (original proposal or original proposed bank broker/dealer Rule).³

The SEC published the original proposal for comment in the *Federal Register* in March 1996 (March *Federal Register* Release).⁴ The SEC received 98 comment letters on the original proposal. About one-third of the comment letters expressed support for the original proposal. While a few commenters supported the original proposal as published, most were generally supportive of the original proposal's goals but suggested modifications to the proposed Rule. More than half of the commenters opposed some or all of the provisions of the original proposal. Amendment No. 4 responds to public comments received by the SEC.

Amendments To The Bank Broker/Dealer Proposal

The original proposed bank broker/dealer Rule was substantially revised to respond to the comments received by the SEC. The following is a brief discussion of some of the revisions to the original proposal. Members should not rely on this *Notice* as a basis for developing comments but, rather, should review Amendment No. 4 to the proposed Rule as published in the *Federal Register*.

Setting. This provision in the original proposed bank broker/dealer Rule specified certain requirements, including physical separation, designed to reduce customer confusion between deposit taking and securities activities. The overwhelming majority of the commenters that addressed the original proposal criticized language in the March *Federal*

Register Release that indicated that there may be certain business settings where the member may not be able to comply with the Rule and may, therefore, be prevented from conducting business in such a location. These commenters indicated that this position conflicts with the 1994 *Interagency Statement on Retail Sales of Nondeposit Investment Products (Interagency Statement)*⁵ and have requested a clarification that this provision would not prohibit a member from conducting a brokerage business in a one-person branch as long as adequate safeguards are adopted, including adequate disclosure and signage.

In response, the proposed Rule has been revised to clarify that the bank broker/dealer Rule will impose the same standards on broker/dealers as are imposed on financial institutions by the *Interagency Statement* and require only that sales of non-deposit products should be conducted in a physically distinct location **wherever practical**. Where a physically distinct location is not practical, the broker/dealer would not be prohibited from conducting business in this manner. However, the location must be identified in a manner that clearly distinguishes the broker/dealer services from the activities of the financial institution, and the member's name must be clearly displayed in the area in which the member conducts its broker/dealer services.

Compensation of Registered/Unregistered Persons. A provision in the original proposal stipulated that members may not provide cash or non-cash compensation to financial institution employees in connection with referring customers of the financial institution to the member. A related provision required that networking and brokerage affiliate agreements between a member and a financial institution stipulate that transaction-related cash or non-cash

compensation to unregistered financial institution employees for referrals is prohibited. Strenuous opposition to these referral fee provisions was expressed by many of the commenters on the original proposal. Commenters also were concerned with language in the March *Federal Register* Release that stated that an NASD member may not do indirectly what it is prohibited from doing directly, by compensating employees of a financial institution for referrals through payments directed in the first instance to a financial institution. Commenters were particularly concerned that this provision should be clarified to ensure that the NASD is not attempting to regulate a financial institution's compensation practices with respect to its own employees, practices that are subject to regulation by the banking agencies. Finally, commenters maintain that including provisions in the bank broker/dealer Rule prohibiting referral fee payments and not prohibiting such payments by all member firms would create a competitive disadvantage to bank broker/dealers.

In response, these provisions have been deleted, and NASD Regulation has solicited comment on a proposed rule governing compensation of unregistered persons that would apply to all members.⁶

Customer Disclosure and Written Acknowledgment. This provision specifies the disclosures a member must make when a customer opens an account, and also requires members to make reasonable efforts to obtain a written acknowledgment of the required disclosures during the account-opening process. Many of the commenters on the original proposal have asked the NASD to consider allowing the use of abbreviated disclosures allowed by the banking agencies under a 1995 interpretation of the *Interagency Statement (1995 Interpretation)* under appropriate cir-

cumstances.⁷ Other commenters have argued that NASD-required disclosure and the disclosure required by the banking agencies (as reflected in the *Interagency Statement*) should be the same.

The *Interagency Statement* requires the longer, written disclosures contained in the proposed Rule when an account is opened. Accordingly, this provision has not been revised, since as currently drafted it is consistent with banking agency guidelines. However, to ensure that the proposed Rule is consistent with the 1995 *Interpretation*, a new paragraph has been added to the 'Communications with the Public' provision of the proposed Rule to permit the use of abbreviated disclosures under limited circumstances (*see* discussion below). In addition, NASD Regulation has issued an interpretive *Notice to Members* reminding member firms of their risk disclosure obligations in connection with the sale of insured products and uninsured securities products under existing NASD rules and soliciting comment on whether a new rule, prescribing point-of-sale disclosure in specified circumstances, should be adopted.⁸

Use of Confidential Financial Information. This provision in the original proposal stated that an NASD member shall not use confidential financial information provided by the financial institution regarding its customer unless prior written approval has been granted to the financial institution by the customer to release the information. Most of the commenters who addressed this provision expressed significant objections to the proposed restriction on the use of confidential financial information, stating that this provision should either be deleted or substantially revised. Most of these commenters are of the opinion that, to the extent there are special concerns when a bank provides confidential

financial information to a broker/dealer, the concerns are properly the subject of federal and state banking and privacy laws, and the NASD has no jurisdiction to regulate a financial institution's use of customer information.

The commenters also believe that a member should be able to use such information, provided proper disclosure is made and consent has been obtained in accordance with applicable law, which the commenters state does not require written consent. Commenters believe that, alternatively, a member should be able to rely on a representation by the financial institution that customer consent was obtained. Further, the commenters state that it would be an operational burden to comply with this provision. Also, many commenters believe that customers expect and welcome this sharing of information.

As with other provisions of the proposed Rule, commenters stated that this provision is discriminatory and anti-competitive, noting that restrictions regarding the use of confidential financial information are not applied similarly to broker/dealers who are not operating on the premises of a financial institution. Commenters also believe that any rule adopted by the NASD to regulate the use of confidential information should apply to all members.

In response, this provision has been deleted, and the NASD Regulation Board has issued a *Notice to Members* soliciting comment on a proposed rule governing the use and release of confidential financial information that would apply to all members.⁹

Communications With the Public.

This provision in the original proposal set forth requirements for all communications with customers, including account statements, advertisements, and sales literature. Sever-

al of the commenters who addressed this provision have asked whether the disclosures required by the Rule may be provided in the abbreviated format allowed by the *1995 Interpretation*. Several commenters also stated that the requirements of the provision are duplicative of requirements in existing NASD rules.

In response, those provisions of the proposed Rule that duplicated existing NASD advertising rules have been deleted. Also, several new provisions have been added to clarify the circumstances under which abbreviated risk disclosures may be used and when such disclosures are not required.

Termination for Cause. The original proposed Rule specified that networking and brokerage affiliate agreements must contain a provision requiring a member to notify a financial institution if a dual employee of the member and the financial institution is terminated for cause by the member. This provision has been deleted from the paragraph of the bank broker/dealer Rule pertaining to matters that must be addressed by networking and brokerage affiliate agreements and has been made into a separate affirmative requirement to emphasize the importance of this requirement.

The text of the revised Rule as filed with the SEC on March 24 is set forth below. This *Notice* is not a request for submission of comments to NASD Regulation. Members should review the text of the Rule as well as a description of the revisions to the original proposal in Amendment No. 4 as published in the *Federal Register*. **Any comments should be submitted directly to the SEC.**

Questions concerning this *Notice* should be directed to R. Clark Hooper, Senior Vice President, Office of

Disclosure and Investor Protection, NASD Regulation, at (202) 728-8325; or Mary N. Revell, Assistant General Counsel, NASD Regulation, at (202) 728-8203.

Text Of Proposed NASD Rule 2350

(Note: All language is new.)

2350. Broker/Dealer Conduct on the Premises of Financial Institutions

(a) Applicability

This section shall apply exclusively to those broker/dealer services conducted by members on the premises of a financial institution where retail deposits are taken. This section does not alter or abrogate members' obligations to comply with other applicable NASD rules, regulations, and requirements, nor those of other regulatory authorities that may govern members operating on the premises of financial institutions.

(b) Definitions

(1) For purposes of this section, the term "financial institution" shall mean federal and state-chartered banks, savings and loan associations, savings banks, credit unions, and the service corporations of such institutions required by law.

(2) "Networking arrangement" and "brokerage affiliate arrangement" shall mean a contractual arrangement between a member and a financial institution pursuant to which the member conducts broker/dealer services for customers of the financial institution and the general public on the premises of such financial institution where retail deposits are taken.

(3) "Affiliate" shall mean a company that controls, is controlled by, or is under common control with a member as defined in Rule 2720.

(4) "Broker/dealer services" shall mean the investment banking or securities business as defined in paragraph (l) of Article I of the By-Laws.

(c) Standards for Member Conduct

No member shall conduct broker/dealer services on the premises of a financial institution where retail deposits are taken unless the member complies initially and continuously with the following requirements:

(1) Setting

Wherever practical, the member's broker/dealer services shall be conducted in a physical location distinct from the area in which the financial institution's retail deposits are taken. In all situations, members shall identify the member's broker/dealer services in a manner that is clearly distinguished from the financial institution's retail deposit-taking activities. The member's name shall be clearly displayed in the area in which the member conducts its broker/dealer services.

(2) Networking and Brokerage Affiliate Agreements

Networking and brokerage affiliate arrangements between a member and a financial institution must be governed by a written agreement that sets forth the responsibilities of the parties and the compensation arrangements. The member must ensure that the agreement stipulates that supervisory personnel of the member and representatives of the Securities and Exchange Commission and the Association will be permitted access to the financial institution's premises where the member conducts broker/dealer services in order to inspect the books and records and other relevant information maintained by the member with respect to its broker/dealer services.

(3) Customer Disclosure and Written Acknowledgment

At or prior to the time that a customer account is opened by a member on the premises of a financial institution where retail deposits are taken, the member shall:

(A) disclose, orally and in writing, that the securities products purchased or sold in a transaction with the member:

(i) are not insured by the Federal Deposit Insurance Corporation (FDIC) or other deposit insurance;

(ii) are not deposits or other obligations of the financial institution and are not guaranteed by the financial institution; and

(iii) are subject to investment risks, including possible loss of the principal invested; and

(B) make reasonable efforts to obtain from each customer during the account opening process a written acknowledgment of the disclosures required by paragraph (C)(3)(A).

(4) Communications With the Public

(A) All member confirmations and account statements must indicate clearly that the broker/dealer services are provided by the member.

(B) Advertisements and other promotional and sales material that announce the location of a financial institution where broker/dealer services are provided by the member, or that are distributed by the member on the premises of a financial institution, must disclose that securities products: are not insured by the FDIC or other applicable deposit insurance; are not deposits or other obligations of the financial institution and are not guaranteed by the financial institu-

tion; and are subject to investment risks, including possible loss of the principal invested. The shorter, logo format described in paragraph (c)(4)(C) may be used to provide these disclosures.

(C) The following shorter, logo format disclosures may be used by members in visual media, such as television broadcasts, Automated Teller Machine (ATM) screens, billboards, signs, posters, and in written advertisements and promotional materials, such as brochures, to comply with the requirements of paragraph (c)(4)(B), provided that such disclosures are displayed in a conspicuous manner:

- Not FDIC Insured
- No Bank Guarantee
- May Lose Value

(D) As long as the omission of the disclosures required by paragraph (c)(4)(B) would not cause the advertisement or sales literature to be misleading in light of the context in which the material is presented, such disclosures are not required with respect to messages contained in:

- radio broadcasts of 30 seconds or less;
- electronic signs, including billboard and similar signs, but excluding messages contained on television, on-line computer services, or ATMs; and
- signs, such as banners and posters, when used only as location indicators.

(5) Notifications of Terminations

The member must promptly notify the financial institution if any associated person of the member who is employed by the financial institution is terminated for cause by the member.

Endnotes

¹ See Release No. 34-38506 (April 14, 1997), 62 FR 19378 (April 21, 1997), requesting comments by **May 12, 1997**.

² *Id.*

³ See File No. SR-NASD-95-63; *NASD Notice to Members 96-3*.

⁴ See Release No. 34-36980 (March 15, 1996), 61 FR 11913 (March 22, 1996).

⁵ The *Interagency Statement* was issued on February 15, 1994, by the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision (the banking agencies).

⁶ See *NASD Notice to Members 97-11*.

⁷ See letter from the banking agencies to

Sarah A. Miller, American Bankers Association, dated September 12, 1995.

⁸ See *NASD Notice to Members 97-29*.

⁹ See *NASD Notice to Members 97-12*.

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NASD NOTICE TO MEMBERS 97-27

Application Of NASD Conduct Rules To Group Variable Contracts And Other Exempted Securities

Suggested Routing

- Senior Management
- Advertising
- Corporate Finance
- Government Securities
- Institutional
- Internal Audit
- Legal & Compliance
- Municipal
- Mutual Fund
- Operations
- Options
- Registration
- Research
- Supervisory Personnel
- Syndicate
- Systems
- Trading
- Training

Executive Summary

On August 20, 1996, the Securities and Exchange Commission (SEC) approved amendments to the NASD[®] Conduct Rules (Conduct Rules) giving NASD Regulation, Inc. (NASD RegulationSM) expanded sales-practice authority over exempted securities. This *Notice* clarifies that this expanded sales-practice authority permits NASD Regulation to apply the Conduct Rules to members and their registered representatives who sell or distribute group variable contracts and other securities exempted under the Securities Exchange Act of 1934 (Exchange Act), other than municipal securities, and that such securities are now subject to the Conduct Rules.

Discussion Background

Before enactment by Congress of the Government Securities Act Amendments of 1993 (GSAA),¹ NASD Regulation was statutorily precluded under the Exchange Act from applying the Conduct Rules to transactions in exempted securities as defined in Section 3(a)(12) of the Exchange Act.² The GSAA eliminated this statutory limitation, thus permitting NASD Regulation to apply the Conduct Rules to transactions in all exempted securities, except municipal securities.³ Subsequent to the enactment of the GSAA amendments, NASD Regulation filed proposed amendments with the SEC to implement this expanded sales-practice authority. The SEC requested public comment on the proposed amendments and approved them on August 20, 1996. NASD Regulation announced the SEC's approval in *NASD Notice to Members 96-66* (NTM 96-66). The amendments announced in NTM 96-66 expanded the authority of NASD Regulation to apply the Conduct Rules to transactions in all exempted securities, except municipal securities.

While the primary focus of these changes was the application of sales-practice rules to government securities (one category of exempted securities under Section 3(a)(12) of the Exchange Act), they also applied to most other exempted securities under Section 3(a)(12), including interests in certain qualified retirement plans that use as funding vehicles variable life insurance and annuity contracts issued and distributed by life insurance companies (Group Variable Contracts).⁴ When *NASD Notice to Members 94-62* solicited member comment on the proposed amendments, commenters' responses focused on issues relating solely to government securities. Since the publication of NTM 96-66, however, NASD Regulation has received requests regarding whether, and to what extent, the Conduct Rules apply to sales of Group Variable Contracts by NASD members and their associated persons.

This *Notice* clarifies that under the expanded sales-practice authority granted to NASD Regulation pursuant to the GSAA, the Conduct Rules as approved in amended form by the SEC apply to the sale of Group Variable Contracts and other exempted securities (other than municipal securities) by NASD members and their registered representatives.⁵

Group Variable Contracts

Many life insurance companies create variable annuity and life insurance contracts and distribute such products to qualified retirement plans directly, or through broker/dealers. Qualified retirement plans permit plan participants, through employer and/or employee contributions, to accumulate tax-deferred savings paid out upon retirement or termination of employment.

Insurance companies structure variable annuity and life insurance con-

tracts to provide investment options or life insurance benefits for qualified retirement plans, typically at the discretion of the plan participant rather than the employer. The investment options may consist of underlying stock and bond investment portfolios, the values of which fluctuate with the market value of the securities in the portfolio. Through the use of variable life insurance contracts, the insurance company may also provide a death benefit for the contractholder or plan participant. The types of customers who purchase Group Variable Contracts vary from large corporations to small businesses.

NASD Regulation believes that Group Variable Contracts present many of the investor protection concerns presented by other types of securities, and that the Conduct Rules must apply to sales of these products by members and their registered representatives. For example, registered representatives should perform a thorough suitability analysis and should provide adequate disclosure to their customers concerning Group Variable Contracts. In addition, member firms should have the same opportunity to supervise transactions by their registered representatives in Group Variable Contracts. Because of similar investor protection issues, NASD Regulation has

long applied its Conduct Rules to sales by members and their registered representatives of individual variable annuities, variable life insurance, and mutual funds. The Conduct Rules apply only to sales of Group Variable Annuity Contracts by NASD members and their registered representatives.

Therefore, NASD members whose registered representatives sell or distribute Group Variable Contracts must review, and amend if necessary, their existing supervisory and compliance systems, policies, and procedures to ensure that sales practices relating to Group Variable Contracts are properly addressed in the member's oversight and regulation of such sales practices. NASD Regulation will include a review for compliance in those areas during its examinations and, to the extent needed, will provide future interpretive guidance on the scope of the application of individual rules.

Questions concerning this *Notice* may be directed to Thomas M. Selman, Director, Advertising/Investment Companies Regulation, NASD Regulation, at (202) 728-8068; or Robert J. Smith, Senior Attorney, Office of General Counsel, NASD Regulation, at (202) 728-8176.

Endnotes

¹ Government Securities Act Amendments of 1993, Pub. L. No. 103-202, § 1(a), 107 Stat. 2344 (1993).

² Before enactment of the GSAA, Section 15A(f) of the Exchange Act prevented registered securities associations from exercising authority over transactions by a registered broker or dealer in any exempted security.

³ Rules for municipal securities are promulgated by the Municipal Securities Rulemaking Board.

⁴ Section 3(a)(12)(A)(iv) includes as an exempted security "... any security arising out of a contract issued by an insurance company, which...security is issued in connection with a qualified plan as defined in subparagraph (c) of this paragraph."

⁵ Other exempted securities under Section 3(a)(12) include: any interest in a single trust fund or a collective trust fund maintained by a bank issued in connection with a qualified plan; any interest in a pooled income fund, collective trust or investment fund that is excluded from the definition of an investment company under the Investment Company Act of 1940; and any interest in a church plan or account that is excluded from the definition of an investment company under the Investment Company Act of 1940. The Conduct Rules would apply to the sale of such securities by NASD members and their registered representatives.

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NASD NOTICE TO MEMBERS 97-28

Approval Of Investment Company Rankings Amendments

Suggested Routing

- Senior Management
- Advertising
- Corporate Finance
- Government Securities
- Institutional
- Internal Audit
- Legal & Compliance
- Municipal
- Mutual Fund
- Operations
- Options
- Registration
- Research
- Supervisory Personnel
- Syndicate
- Systems
- Trading
- Training

Executive Summary

On March 5, 1997, the Securities and Exchange Commission (SEC) approved amendments to NASD[®] IM-2210-3 (Guidelines) to allow for the use by members and associated persons in advertisements and sales literature of investment company rankings that represent short-, medium-, and long-term performance. The amendments are effective March 5, 1997.

Discussion

In 1994, the SEC approved what is now IM-2210-3 of the NASD Rules, which provides guidelines for the use of rankings in investment company advertisements and sales literature.¹ Among other things, the Guidelines required that all advertisements and sales literature which include rankings to promote non-money market mutual fund performance, include rankings over one, and, if available, five- and ten-year periods. Before the Guidelines, there were no specific standards for the use of rankings, which generally had been selectively provided by members to show the best ranking over a given time period.

Since the approval of the Guidelines, NASD Regulation, Inc. (NASD RegulationSM) has considered whether to allow for greater flexibility in the use of time periods other than those prescribed by the Guidelines. The staff recognized that some ranking entities, because of the criteria and methodologies established and imposed by the entities, do not provide rankings based on the required time periods.

NASD Regulation has determined that performance rankings that use different time periods other than those prescribed by the Guidelines could help investment company investors make informed investment decisions if presented in a way that is not misleading. The Guidelines have

thus been revised to permit the use of different time periods consistent with the original goal to prevent performance selectivity of time periods. These changes have been approved by the SEC.

Description Of Amendments

The amendments revise subparagraphs (2)(B) and (C) to paragraph (d) of IM-2210-3 to provide that the Guidelines apply to rankings that use time periods reflecting short-, medium-, and long-term performance if rankings for the required time periods of one, five, and ten years are not published by the ranking entity. The amendments relax the requirement for standardized time periods but continue to provide that rankings be shown over multiple time periods, thus prohibiting members from portraying performance using just a "snapshot" view. The amendments provide a flexible framework within which member firms can provide ranking information to investors that is not in violation of the Guidelines.

The amendments also replace the phrase "in the category" in subparagraphs (2)(B) and (C) to paragraph (d) of IM-2210-3 with the phrase "relating to the same investment category" to clarify that when members include a total return ranking in advertisements and sales literature, the required rankings for multiple time periods must all be within the same investment category or subcategory as the total return ranking.

Finally, the amendments insert the phrase "other than rankings based on yield" after the word "rankings" in subparagraph (2)(A) to paragraph (d) of IM-2210-3. The language of subparagraph (2)(A) prohibits members from using rankings based on a period of less than one year in advertisements and sales literature. However, subparagraph (2)(C) to paragraph (d) of IM-2210-3 permits rankings based

on yield so long as the current SEC standardized yield is used. The SEC standardized yield requires yield quotations to be calculated on the basis of a 30-day period.² The amendments therefore remove any potential inconsistency between subparagraphs (2)(A) and (2)(C) to paragraph (d) of IM-2210-3.

Questions concerning this *Notice* may be directed to Thomas A. Pappas, Associate Director, Advertising Regulation, NASD Regulation, at (202) 728-8330; or Robert J. Smith, Senior Attorney, Office of General Counsel, NASD Regulation, at (202) 728-8176.

Text Of Amendments

(Note: New language is underlined; deletions are bracketed.)

CONDUCT RULES

2000. BUSINESS CONDUCT

2200. COMMUNICATIONS WITH CUSTOMERS AND THE PUBLIC

2210. Communications With the Public

IM-2210-3. Use of Rankings in Investment Companies Advertisements and Sales Literature

(a) through (c) No change.

(d) Time Periods

(1) Any investment company ranking set forth in an advertisement or sales literature must be, at a minimum, current to the most recent calendar quarter ended, in the case of advertising, prior to the submission for publication, or, in the case of sales literature, prior to use.

(2) Except for money market mutual funds:

(A) advertisements and sales literature must not use any rankings, other than rankings based on yield, based on a period of less than one year.

(B) any investment company ranking based on total return must be accompanied by rankings based on total return for [the] a one year period for investment companies in existence for one year; [the] one and five year periods for investment companies in existence for at least five years; and [the] one, five and ten year periods for investment companies in existence for at least ten years supplied by the same Ranking Entity [in the category], relating to the same investment category, and based on the same time period; provided that, if rankings for such one, five and ten year time periods are not published by the Ranking Entity, then rankings representing short, medium and long term performance must be provided in place of rankings for the required time periods.

(C) an investment company ranking based on yield may be based only on the current SEC standardized yield. An investment company ranking based on the current SEC standardized yield must be accompanied by rankings based on total return for [the] a one year period for investment companies in existence for one year; [the] one and five year periods for investment companies in existence for at least five years; and [the] one, five and ten year periods for investment companies in existence for at least ten years supplied by the same Ranking Entity [in the category], relating to the same investment category, and based on the same time period; provided that, if rankings for such one, five and ten year time periods are not published by the Ranking Entity, then rankings representing short, medium and long term performance must be provided in place of rankings for the required time periods.

(e) through (f) No change.

Endnotes

¹ Securities Exchange Act Release No. 34-34354 (July 12, 1994); 59 FR 36461 (July 18, 1994).

² Rule 482 under the Securities Act of 1933, Advertising by an Investment Company as Satisfying Requirements of Section 10, 17CFR 230.482.

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NASD NOTICE TO MEMBERS 97-29

NASD Regulation
Discusses Member
Disclosure Obligations
And Requests Comment
On The Appropriateness
Of Adopting A Rule
Governing Risk
Disclosure; **Comment
Period Expires June 30,
1997**

Suggested Routing

- Senior Management
- Advertising
- Corporate Finance
- Government Securities
- Institutional
- Internal Audit
- Legal & Compliance
- Municipal
- Mutual Fund
- Operations
- Options
- Registration
- Research
- Syndicate
- Systems
- Trading
- Training

Executive Summary

In the following document, NASD Regulation, Inc. (NASD RegulationSM) requests comment on whether a rule should be adopted creating a requirement to disclose investment risks and the absence of guarantees or insurance related to investing in securities products.

Questions concerning this *Request For Comment* should be directed to R. Clark Hooper, Senior Vice President, Office of Disclosure and Investor Protection, NASD Regulation, at (202) 728-8325; or Mary N. Revell, Assistant General Counsel, Office of General Counsel, NASD Regulation, at (202) 728-8203.

Request For Comment

The NASD encourages all members and other interested parties to respond to the questions raised in this *Notice*. Comments should be mailed to:

Joan Conley
Office of the Corporate Secretary
NASD Regulation, Inc.
1735 K Street, NW
Washington, DC 20006-1500

or e-mailed to:
pubcom@nasd.com.

Comments must be received **by June 30, 1997**. Before becoming effective, any rule change developed as a result of comments received must be adopted by the NASD Regulation Board of Directors, may be reviewed by the NASD Board of Governors, and must be approved by the SEC.

NASD REGULATION REQUEST FOR COMMENT 97-29

Executive Summary

NASD Regulation, Inc. (NASD RegulationSM) reminds members of their disclosure obligations when marketing mutual funds and other securities and requests comment on whether a rule should be adopted creating a requirement to disclose investment risks and the absence of guarantees or insurance related to investing in securities products.

Background

On December 28, 1995, the NASD[®] filed with the Securities and Exchange Commission (SEC) a proposed rule change (NASD Rule 2350) that specifies requirements for broker/dealer conduct on the premises of a financial institution (proposed bank broker/dealer Rule).¹ The purpose of the proposed bank broker/dealer Rule was to address concerns about customer confusion over the distinction between the insured products of financial institutions and the uninsured securities products of broker/dealers operating on the premises of financial institutions and to provide a regulatory framework for regulating bank broker/dealer activities.

The SEC published the proposal in the *Federal Register* on March 22, 1996, requesting comments by May 21, 1996.² The SEC received 98 comments on the proposed Rule. Amendment No. 4 to the proposed Rule, containing revisions responsive to the comments, was filed with the SEC on March 24, 1997.³

The proposed bank broker/dealer Rule specifies the disclosures that a member must make to a customer when the customer opens an account with the member on the premises of a financial institution. Whether the account is opened in person, by telephone, or through some other means, the member must disclose, orally and in writing, that securities products are not insured; are not deposits of, or

guaranteed by, the financial institution; and are subject to investment risks. This disclosure provision was included in the proposed Rule to address concerns over customer assumptions and confusion that the securities purchased from a broker/dealer operating on the premises of a financial institution are either insured or guaranteed against loss of principal.

Some commenters stated that these disclosures should be made by all broker/dealers that sell both insured products and uninsured securities products. They believe that investors who purchase securities through non-financial institution broker/dealers, especially non-financial institution broker/dealers offering Federal Deposit Insurance Corporation (FDIC)-insured products, would benefit equally from these required disclosures. Also, these commenters believe that requiring such disclosure would provide for more equal regulation across different types of member firms.

The NASD Regulation Board of Directors (Board) approved the issuance of this *Notice to Members* discussing disclosure requirements applicable to member sales of insured products and uninsured securities products. The Board also approved seeking public comment on whether a risk disclosure rule is appropriate for all members that sell both FDIC-insured products and uninsured securities products and, if so, how the rule should be structured.

Discussion

The NASD has issued several *Notices to Members* reminding members and their associated persons of their disclosure obligations when recommending the purchase or sale of a mutual fund or any other securities product. *Notices to Members 91-74* and *93-87* discussed a member's obligations to disclose the material

differences between the risks of uninsured securities products and insured depository products to a customer who is seeking to invest the proceeds of a guaranteed or government-insured depository product, such as a maturing Certificate of Deposit or a bank deposit, in an uninsured securities product, such as a mutual fund, collateralized mortgage obligation, or variable insurance product. *Notice to Members 94-16* and *Special Notice to Members 95-80* reminded members of their obligations to disclose all material information to customers when recommending transactions in mutual funds. Members are encouraged to review these *Notices*.

The obligation to disclose all material facts to a customer is related to the member's requirement under NASD rules to attempt to obtain information from the customer sufficient to determine the suitability of any recommendation to purchase or sell a security.⁴ Broker/dealers also have obligations under federal securities laws, as well as common law, fiduciary duties, to advise customers of the risks of securities transactions.⁵ Disclosure of the risks of investing in a particular securities product relative to other investments or the relative risks and rewards of liquidating an insured product to invest in an uninsured securities product is required if the circumstances surrounding the investment decision lead the member to believe the investor would regard the fact as material to his or her investment objectives and financial situation.⁶

Rule

In addition to the disclosures that are discussed in the above-mentioned *Notices*, members that sell both insured products and uninsured securities products are encouraged to make the risk disclosures required by the bank broker/dealer Rule. While not specifically required by rule,

NASD Regulation believes that customers would benefit from clear disclosure of risks and would thereby be able to make informed investment decisions. Also, broker/dealers operating both on and off the premises of financial institutions would be subject to equal regulation.

As discussed above, the proposed bank broker/dealer Rule specifies the disclosures a member would be required to make to a customer who opens an account with the member on the premises of a financial institution where retail deposits are taken. In particular, the bank broker/dealer Rule would require a member to disclose, orally and in writing, at or prior to the time the member opens an account with a customer, that the securities products purchased or sold in a transaction with the member: (1) are not insured by the FDIC or other deposit insurance; (2) are not deposits or other obligations of a financial institution and are not guaranteed by a financial institution; and (3) are subject to investment risks, including possible loss of the principal invested. The member also would be required to make reasonable efforts to obtain from each customer during the account opening process a written acknowledgment of the required disclosures.

Commenters are asked to address whether a similar rule should be adopted creating an affirmative requirement to disclose investment risks and the absence or presence of guarantees related to investing in particular products. In particular, commenters are asked whether the disclosures that are suggested above are so significant that they ought to be required in every case through a protective rule, or whether general disclosure obligations under federal securities laws, common law, and NASD rules are sufficient to address specific concerns about insured versus uninsured products. If com-

menters believe that a rule should be adopted, comments also are requested on whether such disclosures should be required when a customer transfers funds from an insured product to an uninsured securities product or when a member offers a customer the choice between an insured product and an uninsured securities product. Commenters also are asked to discuss whether the appropriate time for the disclosures required by a rule is when a customer account is opened or at the point of sale. Comments also are requested on whether such a rule should apply only to members selling both insured and uninsured products or to all members. Requiring members that sell only uninsured securities products to provide these disclosures, particularly that securities products are subject to investment risks, including fluctuation in value, would benefit customers who are investing in a securities product either for the first time or after liquidating an insured product.

Questions concerning this *Notice* should be directed to R. Clark Hooper, Senior Vice President, Office of Disclosure and Investor Protection, NASD Regulation, at (202) 728-8325; or Mary N. Revell, Assistant General Counsel, Office of General Counsel, NASD Regulation, at (202) 728-8203.

Request For Comment

The NASD encourages all members and other interested parties to respond to the questions raised in this *Request For Comment*. Comments should be mailed to:

Joan Conley
Office of the Corporate Secretary
NASD Regulation, Inc.
1735 K Street, NW
Washington, DC 20006-1500

or e-mailed to:
pubcom@nasd.com.

Comments must be received by **June 30, 1997**. Before becoming effective, any rule change developed as a result of comments received must be adopted by the NASD Regulation Board of Directors, may be reviewed by the NASD Board of Governors, and must be approved by the SEC.

Endnotes

¹ File No. SR-NASD-95-63.

² Release No. 34-36980 (March 15, 1996), 61 FR 11913.

³ See Release No. 34-38506 (April 14, 1997), 62 FR 19378 (April 21, 1997).

⁴ See NASD Rule 2310.

⁵ See Section 10(b) of the Securities Exchange Act and Rule 10b-5 thereunder; *see*

also Leib v. Merrill Lynch, Pierce, Fenner & Smith, 461 F. Supp. 951, 953 (1978) (common law duties associated with non-discretionary accounts).

⁶ See *NASD Notice to Members 94-16*.

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NASD NOTICE TO MEMBERS 97-30

NASD Regulation
Requests Comments On
Amendments To The
Free-Riding And
Withholding Interpretation;
**Comment Period
Expires June 16, 1997**

Suggested Routing

- Senior Management
- Advertising
- Corporate Finance
- Government Securities
- Institutional
- Internal Audit
- Legal & Compliance
- Municipal
- Mutual Fund
- Operations
- Options
- Registration
- Research
- Syndicate
- Systems
- Trading
- Training

Executive Summary

In the following document, NASD Regulation, Inc. (NASD RegulationSM) requests comment on specific amendments to the NASD[®] Free-Riding and Withholding Interpretation, IM-2110-1 (Interpretation) and also is soliciting comment on how the Interpretation could be more generally revised and streamlined. In particular, commenters are asked to consider whether the Interpretation properly reflects current market conditions.

Questions concerning this *Request for Comment* should be directed to Craig L. Landauer, Associate General Counsel, Office of General Counsel, NASD Regulation, at (202) 728-8291.

Request For Comment

The NASD encourages all members and other interested parties to comment on IM-2110-1. Comments can be mailed to:

Joan Conley
Office of the Corporate Secretary
NASD Regulation, Inc.
1735 K Street, NW
Washington, DC 20006-1500

or e-mailed to:
pubcom@nasd.com.

Comments must be received **by June 16, 1997**. Before becoming effective, any rule change developed as a result of comments received must be adopted by the NASD Regulation Board of Directors, may be reviewed by the NASD Board of Governors, and must be approved by the SEC.

NASD REGULATION REQUEST FOR COMMENT 97-30

Executive Summary

NASD Regulation, Inc. (NASD RegulationSM) requests comment on specific amendments to the NASD[®] Free-Riding and Withholding Interpretation, IM-2110-1 (Interpretation) and also is soliciting comment on how the Interpretation could be more generally revised and streamlined. In particular, commenters are asked to consider whether the Interpretation properly reflects current market conditions.

Background

The Interpretation protects the integrity of the public offering system by ensuring that members make a bona fide public distribution of “hot issue” securities and do not withhold such securities for their own benefit or use the securities to reward other persons who are in a position to direct future business to the member. Improperly withholding securities or directing securities to persons who can direct future business to the member leads to an impairment of public confidence in the fairness of the investment banking and securities business. The Interpretation was created and has been amended over the years to ensure there is a bona fide distribution of securities for which there is public demand.

The NASD Regulation Board of Directors (Board), acting upon recommendations of the National Business Conduct Committee (NBCC), considered various proposed amendments to the Interpretation. Specifically, the Board considered whether the Interpretation should apply in the following contexts:

- (1) secondary offerings;
- (2) distributions of rated investment grade debt;

(3) purchases by non-member broker/dealers and their associated persons; or

(4) distributions of shares of foreign mutual funds.

In addition, the Board considered whether the Interpretation should be amended to provide:

(1) a de minimis exemption for restricted persons under paragraph (b)(4) of the Interpretation¹ and small investment vehicles;

(2) an expansion of the type of firm that qualifies as a limited purpose broker/dealer;

(3) a more prescribed manner for a member to verify that a conduit for an undisclosed principal is complying with the Interpretation;

(4) a clarification of which natural persons and entities should be covered by the Interpretation’s definition of “person associated with a member”;

(5) a clarification of whether and under what circumstances a qualified ERISA plan or other type of retirement plan would be considered a restricted person under the Interpretation;

(6) a clarification of certain provisions of the issuer-directed share exception;² and

(7) a mechanism for granting relief from the application of various provisions of the Interpretation.

Finally, the Board decided that it would be appropriate to examine the entire Interpretation in the context of current market conditions and to seek comment on whether the Interpretation could be simplified and made easier to follow while at the same time remaining true to the Interpretation’s intent.

Recommended Changes

1. Treatment of Direct And/Or Indirect Owners of Broker/Dealers Under the Interpretation

Confusion has arisen over how persons or entities that have an ownership or capital interest in a broker/dealer should be treated under the Interpretation. NASD Regulation is proposing that the Interpretation be modified so that, with two exceptions, *all* equity owners or contributors to capital would be considered restricted persons. First, the Interpretation would exempt purchases by passive investors who own or have contributed 10 percent or less of the firm's equity or capital and who purchase from a member other than the member in which they maintain the ownership interest, provided that the member in which they maintain the ownership interest is not in a position to direct issues to the owner or contributor. Second, the Interpretation would exempt purchases by persons who passively own 10 percent or less of the shares of broker/dealers that are traded on an exchange or Nasdaq®.

The definition of the term "associated person" under the NASD By-Laws includes only natural persons. Interpretative issues may arise under the Interpretation when entities (corporations, limited partnerships, and general partnerships) have an ownership interest in a broker/dealer, either in the form of equity ownership or as a contribution to the capital of the broker/dealer. Accordingly, the proposal would create a new definition of "restricted person" to include "any person," which would include an entity that invests in a member firm with ownership or capital contribution interest.

A second issue involves how to treat investors, whether natural persons or entities, that invest indirectly in a broker/dealer. NASD Regulation believes that indirect investors should

be treated for purposes of the Interpretation in the same way as direct investors, and should be precluded, therefore, from purchasing hot issues from the broker/dealer in which they maintain the indirect investment. For purposes of calculating the 10 percent threshold, the proposed Interpretation provides that the percentage of the direct investment is multiplied by the percentage interest in the investing entity. For example, an investor with a 50 percent investment in a investment partnership that in turn owns 50 percent of the equity capital of a broker/dealer would be deemed to own 25 percent of the broker/dealer for the purposes of the Interpretation. Accordingly, the investor would be considered a restricted person because his or her indirect ownership interest would be deemed to have exceeded the 10 percent threshold.

2. Rated Investment Grade Debt

Debt offerings are included in the definition of "public offering" under the Interpretation. NASD Regulation believes that it is appropriate to delete offerings of rated investment grade debt from the Interpretation on the ground that investment grade debt does not raise the same issues that are posed by equities under the Interpretation. In particular, the prices for such debt securities generally fluctuate based on interest rate movements, rather than on excess demand for a particular security. Specifically, the exception would apply to "non-convertible debt securities rated by a nationally recognized statistical rating organization in one of its four highest generic rating categories."

3. Exemptive Authority Under The Interpretation

There is no provision in the Interpretation itself to allow for the NBCC, the Board, or NASD Regulation staff to grant exemptive relief. In the past, the NBCC, relying on the NASD By-

Law's grant of authority to the Board and its Committees, has provided interpretations in certain unique circumstances. NASD Regulation believes that it is important to provide express authority to grant exemptions in individual cases, and is proposing to amend the Interpretation for this purpose.

The Interpretation gives the District Committees and the NASD Board the authority to issue interpretations. The proposed amendments would make this provision consistent with current practice by giving NASD Regulation staff the authority to provide interpretations, after consultation with appropriate persons involved in the securities industry, that would be subject to oversight by the Board.

4. Foreign Mutual Funds

Purchases of shares of investment companies registered under the Investment Company Act of 1940 (1940 Act) are exempt from the restrictions of the Interpretation. The rationale for this existing provision is that the interest of any one restricted person in an investment company ordinarily is *de minimis* and that, because the ownership of investment company shares generally is subject to frequent turnover, determining compliance with the Interpretation would be extremely difficult in this context.

NASD Regulation is proposing to extend this rationale to the purchase of shares of foreign entities that are similar to U.S. investment companies. In particular, NASD Regulation is proposing to allow members to allocate shares to a foreign mutual fund if the fund provides written certification from a U.S. attorney or accountant stating that: (1) the fund has 100 or more shareholders; (2) the fund is publicly offered; (3) no more than 5 percent of the fund's securities

assets are invested in the securities of any one issuer; (4) any person owning more than 5 percent of the shares of the fund is not a restricted person as defined in subparagraphs (b)(1) through (b)(4) of the Interpretation; and (5) the fund is properly registered or authorized to do business in the foreign jurisdiction.

In addition to addressing the above rationale, the amendments seek to create roughly equivalent standards between U.S. and foreign mutual funds, by adding a new definition of foreign investment company that is designed to parallel the existing exemptions for domestic funds. Under the 1940 Act, U.S. investment companies are required to register with the SEC if their shares are publicly offered to more than 100 investors. In addition, the 1940 Act generally requires that no more than 5 percent of diversified fund assets invested in cash and securities be invested in the securities of one issuer. NASD Regulation specifically requests comment on whether this exemption is appropriate, given differences in foreign fund regulation and the nature of investment in such funds.

Other Issues

The NASD and the Board considered, but determined not to propose, the following amendments to the Interpretation:

1. Secondary Offerings

Secondary offerings are included in the definition of "public offering" under the Interpretation. Statistical information reviewed by the Board indicated that approximately 33 percent of secondary offerings trade at a premium, although the premium is generally small. NASD Regulation believes that because a relatively high percentage of secondary offerings trade at a premium, these offer-

ings should continue to be subject to the Interpretation.

2. Non-Member Broker/Dealers And Their Associated Persons

All member and non-member broker/dealers and their associated persons are deemed to be restricted persons under paragraph (b)(2) of the Interpretation.³ Therefore, the Interpretation restricts purchases by firms that are involved solely in executing transactions on the floor of an exchange, including exchange specialists and options Market Makers. NASD Regulation believes that these entities and their associated persons are engaged in activities similar to those of other NASD members that are subject to the Interpretation's restrictions and that they should continue to be considered restricted persons.

3. De Minimis Exemption

In 1994, the NASD considered providing an exemption for purchases that are de minimis in amount by persons identified in paragraph (b)(4) (persons affiliated with certain financial institutions and entities that are not members). The NASD rejected this proposal on the grounds that: (i) any de minimis amount would be an arbitrary figure; and (ii) monitoring accounts to ensure compliance with such a provision would be difficult. The Board considered this matter again based on several requests to reconsider the prior position and has determined not to amend the Interpretation in this respect.

4. Limited Purpose Broker/Dealers

Changes made in 1994 exempted, from the Interpretation, persons associated with broker/dealers whose business is limited to direct participation programs, mutual funds, and variable contracts products. Persons associated with firms engaged solely in proprietary trading or investment

or merchant banking activities have asked that they be included in the limited broker/dealer exemption. NASD Regulation does not believe the exemption should be expanded to such firms because of the difficulty in defining those firms under the Interpretation, and because such broker/dealers may influence or be involved in various aspects of the underwriting process. Further, NASD Regulation is concerned that such firms may enter into reciprocal arrangements with other members that would violate the intent of the Interpretation.

Comment On Specific Provisions Of The Rule

NASD Regulation is not proposing other changes but is requesting comment on the issues identified below:

1. Member Verification Of Conduit For Undisclosed Principal And Compliance With The Interpretation

A member selling a hot issue to an account identified in subparagraphs (b)(7) and (b)(8) of the Interpretation (*i.e.*, accounts managed by an investment advisor and foreign broker/dealers) must follow certain enumerated steps to comply with the Interpretation. One of these steps requires the member to make "an affirmative inquiry" of the conduit that it is not allocating the shares purchased to restricted persons. The term "affirmative inquiry" is not defined in the Interpretation and confusion may exist as to the meaning of this term.

NASD Regulation solicits comment on the adequacy of the existing verification procedure described above and whether a different verification process would be more meaningful.

2. Accounts For Qualified Plans Under The Employment Retirement Income Security Act (Qualified ERISA Plans)

Questions have been raised from various sources relating to the applicability of the Interpretation to the account of a qualified ERISA plan. Two frequently asked questions relate to: (1) whether a qualified ERISA plan is considered an investment partnership or corporation under paragraph (f) of the Interpretation; and (2) whether the "carve out" mechanism⁴ described in paragraph (f) could permit sales to be made to qualified ERISA accounts. NASD Regulation believes as a general rule that a qualified ERISA plan should not be deemed an "investment partnership or corporation" and should not be considered a "restricted account." The NBCC has suggested the following methodology to determine under what circumstances a qualified ERISA plan would be deemed restricted:

(i) Any plan sponsor that is not involved in financial services activities would not be considered restricted even though some plan participants may be restricted.

(ii) Any plan sponsored by a broker/dealer would be deemed *per se* restricted.

(iii) All other financial services plans, including those involving banks, insurance companies, investment advisors, or other money managers, would be exempt unless they had been created to circumvent the purposes of the Interpretation, *e.g.*, where a financial services plan had only restricted persons as beneficiaries. The rationale for this provision is that the intent of any restricted person in such plans is likely to be *de minimis*. NASD Regulation is asking for comment on whether this would be a reasonable solution to handling sales to ERISA accounts.

3. Issuer-Directed Share Exemption

Paragraph (d) of the Interpretation was amended in 1994 to allow members to allocate "hot issue" securities to "restricted" persons who also were employees of the issuer, without having to receive prior approval of the NBCC, as had been required prior to the 1994 amendments. Persons have requested that the language of this exemption be modified so that it is clear that employees of the issuer who are materially supported by a restricted person may purchase and that outside directors be given similar treatment.

NASD Regulation believes that the intent of the 1994 amendments was to allow all employees and directors of the issuer to purchase securities of the issuer, regardless of status as a restricted person. NASD Regulation is asking for comment on the appropriate nature and scope of such an exemption.

Questions concerning this *Request for Comment* should be directed to Craig L. Landauer, Associate General Counsel, Office of General Counsel, NASD Regulation, at (202) 728-8291.

Request For Comment

The NASD encourages all members and other interested parties to comment on IM-2110-1. Comments can be mailed to:

Joan Conley
Office of the Corporate Secretary
NASD Regulation, Inc.
1735 K Street, NW
Washington, DC 20006-1500

or e-mailed to:
pubcom@nasd.com.

Comments must be received by **June 16, 1997**. Before becoming effective, any rule change developed as a result of comments received must be adopted by the NASD Regulation Board of

Directors, may be reviewed by the NASD Board of Governors, and must be approved by the SEC.

Text Of Proposed Amendments

(Note: Proposed new language is underlined; deletions are bracketed.)

IM-2110-1. Free-Riding and Withholding

(a) Introduction

(1) No change.

(2) As in the case of any other interpretation issued by the [Board of Governors of the] Association, the implementation thereof is a function of the NASD Regulation staff [District Business Conduct Committee] and the [Board of Governors] NASD Regulation Board of Directors. Thus, the interpretation will be applied to a given factual situation by NASD Regulation staff, subject to oversight by the Board, with staff soliciting input from individuals active in the investment banking and securities business [who are serving on these committees or on the Board. They]. In making such interpretations, staff and the Board will construe this interpretation to effectuate its overall purpose to assure a public distribution of securities for which there is a public demand.

(3) through (4) No change.

(5) The NASD Regulation staff, upon written request, may, taking into consideration all relevant factors, provide an exemption either unconditionally or on specified terms from any or all of the provisions of this interpretation upon a determination that such exemption is consistent with the purposes of the interpretation, the protection of investors, and the public interest. Any person aggrieved by such staff determination may appeal such decision to the National Busi-

ness Conduct Committee of NASD Regulation, Inc.

(b) Violations of Rule 2110

(1) No change.

(2) Sell any of the securities to any officer, director, general partner, employee or agent of the member or of any other broker/dealer, or to a person associated with the member or with any other broker/dealer, or to a restricted person as defined in paragraph (1)(1) of this interpretation, or to a member of the immediate family of any such person; provided however, that:

(A) This prohibition shall not apply to a person in a limited registration category as that term is defined below; and

(B) The prohibition shall not apply to sales to a member of the immediate family of a person associated with a member or a restricted person defined in paragraph (1)(1) of this interpretation who is not supported directly or indirectly to a material extent by such person if the sale is by a broker/dealer other than that employing the restricted person and the restricted person has no ability to control the allocation of the hot issue.

(3) through (7) No change.

(f) Investment Partnerships and Corporations

(1) A member may not sell a hot issue to the account of any investment partnership or corporation, domestic or foreign (except companies registered under the Investment Company Act of 1940 and foreign investment companies as defined herein) including but not limited to hedge funds, investment clubs, and other like

accounts unless the member complies with either of the following alternatives:

(2) No change.

(g) through (k) No change.

(1) Explanation of Terms

(Delete existing paragraph and replace as follows.)

(1) Restricted Person

(A) The term "restricted person" shall include: any person who owns, directly or indirectly, any class of equity securities of, or who has made a contribution of capital to, a member, other than any such person whose ownership or capital interest is passive and amounts to not more than 10% of the equity or capital of the member, provided that:

(i) such member (a) does not sell securities to such person and (b) is not in a position by virtue of its participation in a distribution of securities to direct the allocation of securities to such person; or

(ii) the securities of such member are traded on a national securities exchange or the Nasdaq system.

(B) For purposes of this definition, any person with an equity ownership or capital interest in an entity that maintains an investment in a member shall be deemed to have a percentage interest in the member equal to the percentage interest of the entity in the member multiplied by the percentage interest of such person in such entity.

(2) Public Offering

The term public offering shall mean any primary or secondary distribution

of securities made pursuant to a registration statement or offering circular including exchange offers, rights offerings, offerings made pursuant to a merger or acquisition, straight debt offerings, and all other securities distributions of any kind whatsoever except any offering made pursuant to an exemption under Section 4(1), 4(2) or 4(6) of the Securities Act of 1933, as amended. It shall not mean exempted securities as defined in Section 3(a)(12) of the Act or non-convertible debt securities rated by a nationally recognized statistical rating organization in one of its four highest generic rating categories.

(3) through (6) No change.

(7) Foreign Investment Company

The term foreign investment company shall include any fund company organized under the laws of a foreign jurisdiction, which has provided to the member a written certification prepared by counsel admitted to practice law before the highest court of any state of the United States or by an independent certified public accountant licensed to practice in any state of the United States that states that:

(1) the fund has 100 or more investors;

(2) the fund is listed on a foreign exchange or authorized for sale to the public by a foreign regulatory authority;

(3) no more than 5% of the fund assets are to be invested in the securities being offered; and,

(4) any person owning more than 5% of the shares of fund is not a person described in subparagraphs (b)(1), (2), (3) or (4) of the Rule.

Endnotes

¹ Restricted persons under paragraph (b)(4) of the Interpretation include senior officers of banks, savings and loans, insurance companies, investment companies, investment advisory firms, managers of investment partnerships or hedge funds, and any other person whose activities involve buying or selling securities on behalf of an institutional account.

² Paragraph (d) of the Interpretation allows an issuer to direct shares in a public offering, without limitation, to employees, directors, and potential employees and directors under specified conditions.

³ Restricted persons under paragraph (b)(2) of the Interpretation include any officer, director, general partner, employee or agent of the member or of any other broker/dealer, or a person associated with the member or with any other broker/dealer.

⁴ Paragraph (f) of the Interpretation allows a member to sell a hot issue of the account of any investment partnership or corporation that establishes a separate brokerage account in which no restricted persons have a beneficial interest.

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NASD NOTICE TO MEMBERS 97-31

NASD Reminds Registered Persons Of Continuing Obligation To Update NASD Records

Suggested Routing

- Senior Management
- Advertising
- Corporate Finance
- Government Securities
- Institutional
- Internal Audit
- Legal & Compliance
- Municipal
- Mutual Fund
- Operations
- Options
- Registration
- Research
- Syndicate
- Systems
- Trading
- Training

Executive Summary

Every person registered with a member of the NASD® must notify the NASD of his or her current mailing address. This obligation exists while a registrant is associated with any NASD member firm, and continues for as long as the NASD retains jurisdiction to bring a disciplinary action against the registrant, which may be up to four years after the registrant's association ends. If you are currently registered, you must notify the NASD of an address change by filing a new Uniform Application for Securities Industry Registration or Transfer (Form U-4). Registrants who are no longer affiliated with an NASD member should notify the NASD's Membership Services Department of any address changes.

Discussion

The NASD Regulation, Inc. (NASD RegulationSM) National Business Conduct Committee (NBCC) has reviewed a number of recent disciplinary actions in which registered persons have claimed that their failure to respond to a request for information made under NASD Rule 8210 was due to a recent change of address which prevented them from receiving the request. NASD Regulation reminds registered persons that they must notify the NASD of any changes to their current addresses and that they may face disciplinary action for failing to respond to requests for information that are mailed to the last known address reflected in the NASD's records. Individuals who are no longer associated with an NASD member firm must continue to notify the NASD of their mailing address for at least two years after they end that association. The consequences of failing to update your mailing address can be serious—please read this *Notice* carefully.

Registered persons are required to comply with the NASD's By-Laws,

rules, and regulations.¹ The NASD By-Laws require that all persons who apply for registration with the NASD must submit a Form U-4 and that those who are already registered must file an amendment to the Form U-4 when information contained on the original Form U-4 changes.² Form U-4 requires applicants for registration to notify the NASD of their current address and to keep all information on Form U-4 current. Thus, registered representatives have a continuing duty to maintain a current address in the NASD's records.

It is imperative, both to registered persons and to the NASD, that registered persons understand this duty in the context of requests for information under Rule 8210. Rule 8210 is the NASD's tool for investigating suspected wrongdoing. It enables a District Business Conduct Committee, Market Regulation Committee, or the NBCC to request any member or registered person to provide the NASD with documents, information, and testimony. Requests for information are mailed to a registered person's last known address as reflected in the NASD's records and are deemed to have been received there, whether or not the individual actually receives them.³ Disciplinary complaints alleging violations of Rule 8210 are also mailed to a registered person's last known address as reflected on the NASD's records and are deemed to have been received there, whether or not the individual actually receives them.

For at least two years **after** an individual's registration has been terminated by the filing of a Uniform Termination Notice for Securities Industry Registration (Form U-5), the NASD may use Rule 8210 to investigate whether that individual violated any of the NASD's rules and may bring a disciplinary action if the individual fails to comply with Rule 8210.⁴ A request for information or a

disciplinary complaint issued by the NASD during this two-year period, will be mailed to the non-affiliated person's last address in the NASD's records and the non-affiliated person is deemed to have received them there, whether or not he or she actually did. Therefore, a person whose registration is terminated must continue to notify the NASD when his or her current mailing address changes.

In fact, the NASD may request information and issue disciplinary complaints for longer than two years after a registrant has been out of the securities industry. The NASD By-Laws state that even if a Form U-5 has been filed, the termination of an individual's registration does not take effect until all disciplinary complaints against them are resolved.⁵ The filing of an amended Form U-5 recommences the running of the two-year period, although the amendment must be filed within two years of the original Form U-5.⁶ Thus, the NASD may retain jurisdiction over a registered individual for four years after the original Form U-5 is filed. Written notice of the filing of an amended Form U-5 must be sent to the affected person.

The consequences of failing to inform the NASD of a change of address can be serious. If the NASD staff sends a request for information or a disciplinary complaint to a registered person's last known address and the registered person fails to receive it because he or she has changed addresses, the registered person is subject to the imposition of sanctions unless he or she has filed an amended Form U-4 or has notified the NASD's Membership Services Department of his or her current mailing address. The NASD Sanction Guidelines recommend the imposition of a censure, a fine of up to \$20,000, and a bar from associating with any member of the NASD for failure to respond to a request for information under Rule 8210.

To fulfill this obligation, a registered person must cause the firm(s) with which he or she is associated to file an amended Form U-4 with the NASD. Persons whose registrations have been terminated, canceled, or revoked should advise the NASD of any changes to the information on their Form U-4 that occur after their registrations have lapsed until such time as the NASD no longer has jurisdiction to file a complaint or

request for information. Letters advising the NASD of such changes should be sent, via certified mail, to:

NASD Membership Services
Department
1390 Piccard Drive
Rockville, Maryland 20850.

Questions concerning this *Notice* should be directed to Jeffrey Davis, Attorney, Office of General Counsel, NASD Regulation, at (202) 728-8461.

Endnotes

¹ Article IV, Section 2(a)(1) of the NASD By-Laws. *See also* Form U-4.

² Article IV, Section 2 of the NASD By-Laws.

³ NASD Rule 9134 states that "[a]ny person shall be deemed to have received notice to which he is entitled under any provision of this Code by the mailing of the notice to that person at his last known address as reflected on the Association's records."

⁴ Article IV, Sections 3 and 4 of the NASD By-Laws.

⁵ Article IV, Section 3(a) of the NASD By-Laws.

⁶ Article IV, Section 4(a) of the NASD By-Laws.

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NASD NOTICE TO MEMBERS 97-32

NASD Regulation Files Proposed Changes To Disciplinary, Election, And Membership Procedures With The SEC

Suggested Routing

- Senior Management
- Advertising
- Corporate Finance
- Government Securities
- Institutional
- Internal Audit
- Legal & Compliance
- Municipal
- Mutual Fund
- Operations
- Options
- Registration
- Research
- Syndicate
- Systems
- Trading
- Training

Executive Summary

On April 18, 1997, NASD Regulation, Inc. (NASD RegulationSM) filed with the Securities and Exchange Commission (SEC) for its approval a comprehensive proposed rule change that will address three primary issues: (1) how an entity or person becomes a member of the NASD[®] (membership procedures); (2) how the NASD may discipline a member or a person associated with a member for misconduct (disciplinary procedures); and (3) how NASD and NASD Regulation nominations and elections for certain board and committee positions are conducted (election procedures). The proposal is contained in rule filing number SR-NASD-97-28.

The SEC will publish the proposed rules in the *Federal Register*, indicating a time period when members and other interested parties may comment. Comment letters should be submitted directly to the SEC once the rule proposal is published in the *Federal Register* to ensure that the SEC receives all comments. **The proposed rules will not become final until approved by the SEC.**

NASD Regulation is publishing this *Notice* to alert members to the fact that this proposed rule change has been filed with the SEC. Those interested in reviewing and/or commenting on the proposed changes to the disciplinary, election, and membership procedures should look for publication of the proposal in the *Federal Register* and should submit comments to the SEC by the date indicated in the *Federal Register* Release.

Questions concerning this *Notice* should be directed to Sharon Zackula or Mary Dunbar, Office of General Counsel, NASD Regulation, at (202) 728-8985 or (202) 728-8252, respectively.

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NASD NOTICE TO MEMBERS 97-33

Fixed Income Pricing
System Additions,
Changes, And Deletions
As Of April 24, 1997

Suggested Routing

- Senior Management
- Advertising
- Corporate Finance
- Government Securities
- Institutional
- Internal Audit
- Legal & Compliance
- Municipal
- Mutual Fund
- Operations
- Options
- Registration
- Research
- Syndicate
- Systems
- Trading
- Training

As of April 24, 1997, the following bonds were added to the Fixed Income Pricing SystemSM (FIPSSM).

Symbol	Name	Coupon	Maturity
OIL.GC	Triton Energy Corp	8.750	4/15/02
OIL.GD	Triton Energy Corp	9.250	4/15/05
MAT.GA	Mattel Inc	10.125	8/15/02
BG.GB	Brown Group Inc	9.500	10/15/06
TWI.GA	Titan Wheel Int'l Inc	8.750	4/1/07
GTCO.GA	Great American Cookie	10.875	1/15/01
HPSC.GA	HPSC Inc	11.000	4/1/07
CLNP.GA	Callon Petroleum	10.000	12/15/01
BELW.GA	Bellwether Exploration Co	10.875	4/1/07
HWMT.GA	Howmet Corp Del	10.000	12/1/03
TXPC.GA	Texas Petrochemicals Corp	11.125	7/1/96
CDS.GA	Alliance Entertainment Corp	11.250	7/15/05
CAI.GA	Continental Airlines Inc	9.500	12/15/01

As of April 24, 1997, the following bonds were deleted from FIPS.

Symbol	Name	Coupon	Maturity
SMBA.GA	Smith Barney Holdings	6.625	6/1/00
TTL.GA	Tyco Toys Inc	10.125	8/15/02
LFI.GA	Levitz Furniture Corp	12.375	4/15/97
RDM.GA	Roadmaster Industry Inc	11.750	7/15/02

All bonds listed above are subject to trade-reporting requirements. Questions pertaining to FIPS trade-reporting rules should be directed to Stephen Simmes, NASD RegulationSM Market Regulation, at (301) 590-6451.

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

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DISCIPLINARY ACTIONS

Disciplinary Actions Reported For May

NASD Regulation, Inc. (NASD RegulationSM) has taken disciplinary actions against the following firms and individuals for violations of NASD[®] rules; federal 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, May 19, 1997. The information relating to matters contained in this *Notice* is current as of April 24, 1997. Information received subsequent to April 24 is not reflected in this edition.

Firms Fined, Individuals Sanctioned

Alaron Securities Corporation (Chicago, Illinois), Henry J. Coleman, IV (Registered Principal, Chicago, Illinois), Michael A. Greenberg (Registered Principal, Chicago, Illinois), and Steven Greenberg (Associated Person, Winnetka, Illinois) submitted Offers of Settlement pursuant to which the firm was fined \$25,000. S. Greenberg was fined \$10,000 and suspended from association with any NASD member in any capacity for 30 days, and M. Greenberg was fined \$50,000, suspended from association with any NASD member in any capacity for five years, and barred from association with any NASD member in any principal capacity. Coleman was fined \$100,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Coleman and M. Greenberg, effected securities transactions while failing to maintain its minimum required net capital and allowed individuals to engage in the securities business without proper qualifications or registration. The NASD also found that the firm, acting through M. Greenberg and Cole-

man, failed to establish, maintain, and enforce adequate supervisory procedures. The findings also stated that the firm, acting through Coleman, maintained inaccurate net capital computations, filed inaccurate FOCUS Part I and II reports, and failed to abide by the terms of its restrictive agreement with the NASD in that the firm failed to receive approval from the NASD to change its clearing arrangements.

Furthermore, the NASD determined that the firm, acting through Coleman, failed to execute customers' orders to purchase or sell securities; failed to execute customers' trades at the prices, on the dates, or for the number of shares ordered by the customers; and falsely confirmed both verbally and in writing to the customers that their trades were executed as ordered. Moreover, the NASD found that the firm, acting through Coleman, charged customers commissions on trades that were not executed and margin interest calculated on money balances for trades that were not executed, misused customer funds by taking \$61,843.02 out of customers' accounts without their knowledge or consent, and used the funds for some purpose other than for the benefit of the customers. The findings also stated the firm, acting through Coleman, failed to comply with Securities and Exchange Commission (SEC) Rule 15c3-3 in that it accepted and held customer funds without setting up or making deposits in a special reserve bank account for the exclusive benefit of customers, and failed to notify the NASD or SEC of its failure to maintain such an account or to prepare a reserve computation. The NASD also determined that the firm, acting through Coleman, used letterhead that violated NASD standards and S. Greenberg engaged in the securities business without being qualified and registered.

Aragon Financial Services, Inc. (Brea, California), Douglas L. Lish (Registered Principal, Anaheim, California), and Thomas Cannon (Registered Representative, Pembroke Pines, Florida) submitted Offers of Settlement pursuant to which the firm and Lish were fined \$10,000, jointly and severally, and Lish was required to requalify by exam as a general securities principal. In addition, the firm was required to retain an independent consulting firm to conduct a review of its compliance and supervisory procedures to determine their adequacy. Cannon was suspended from association with any NASD member in any capacity for three months, required to requalify by exam as a general securities representative, and required to disgorge \$3,000 in commissions to a public customer. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that Cannon recommended securities transactions to a public customer without having reasonable grounds for believing such recommendations were suitable for the customer based on facts disclosed by the customer regarding her tax status, investment objectives, financial situation, and needs. The findings also stated that Lish failed to detect that Cannon had made a series of allegedly unsuitable recommendations to a public customer. Furthermore, the NASD determined that the firm, acting through Lish, failed to establish or maintain adequate written supervisory procedures pertaining to the oversight of sales practices involving unsuitable recommendations.

Duke & Co, Inc. (New York, New York), Lawrence A. Rosenberg (Registered Principal, Brooklyn, New York), and Salvatore Saporito (Registered Representative, Brooklyn, New York). The firm and Saporito submitted an Offer of Settlement pursuant to which the firm was fined

\$25,000 and ordered to implement supervisory procedures. Saporito was fined \$25,000 and suspended from association with any NASD member in any capacity for six months. In a separate decision, Rosenberg was fined \$5 million and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, the firm and Saporito consented to the described sanctions and to the entry of findings that the firm, acting through Saporito and Rosenberg, manipulated trading in a security that created actual and apparent active trading in the security and raised the price of the security for the purpose of inducing the purchase or sale of the security by others. The findings also stated that the firm, acting through Saporito and Rosenberg, actively bid for, purchased, and solicited securities while the firm was acting as broker or dealer participating in a distribution of securities. Furthermore, the NASD determined that the firm and Rosenberg failed to establish and maintain an effective supervisory system and failed to enforce supervisory procedures.

Jason MacKenzie Securities, Inc. (Atlanta, Georgia), J. Paul Jason (Registered Principal, Atlanta, Georgia) and James S. Heitzer (Registered Principal, Atlanta, Georgia) submitted an Offer of Settlement pursuant to which the firm and Jason were fined \$60,000, jointly and severally, and the firm, Jason, and Heitzer were ordered to offer refunds to customers of excess markups. Jason was barred from association with any NASD member in any principal or supervisory capacity, with the right to reapply after five years, and Heitzer was fined \$10,000. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Jason, conducted a securities business while failing to maintain its minimum required net

capital, failed to maintain complete, current, and accurate books and records, and filed materially inaccurate FOCUS reports. The NASD also determined that the firm, acting through Jason, prepared inaccurate net capital computations, filed late annual audited financial reports, and failed to give notice to the NASD and the SEC of its net capital deficiencies. The findings also stated that the firm, acting through Jason, made improper use of customer funds, failed to timely transmit payment for a customer's securities purchases, failed to transmit promptly customer payment of mutual fund shares, and failed to supervise the pricing of customer purchases adequately.

Furthermore, the NASD found that the firm, acting through Jason, failed to disclose on customer confirmations the markups charged to customers with respect to 35 principal transactions, failed to record on order tickets either the time of entry or the time of execution, or both, failed to prepare order memoranda, and participated in 58 firm commitment underwritings in contravention of the terms of its restriction agreement with the NASD. The findings also stated that the firm, acting through Jason, failed to supervise a registered representative who effected transactions in his personal account that were beyond his financial means and that resulted in substantial violations of Regulation T and NASD margin rules. The NASD also found that the firm, acting through Heitzer, effected sales of common stock to public customers at unfair prices.

Firms And Individuals Fined World Equity Group, Inc. (Arlington Heights, Illinois) and John H. Mathues (Registered Principal, Lake Zurich, Illinois) submitted a Letter of Acceptance, Waiver and Consent pursuant to which they were fined \$18,000, 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 Mathues, engaged in sales of common stock to public customers, failed to obtain signed suitability statements from the customers, and failed to provide risk disclosure documents to customers. The findings also stated that the firm, acting through Mathues, failed to establish, maintain, and enforce written supervisory procedures to prevent a violation of SEC Rule 15g.

Firms Fined

Hamilton Investments, Inc. (Chicago, Illinois) was fined \$10,000. The National Business Conduct Committee (NBCC) imposed the sanction following appeal of a Chicago District Business Conduct Committee (DBCC) decision. The sanction was based on findings that the firm failed to supervise a registered representative properly.

Noble International Investments, Inc. (Boca Raton, Florida) submitted a Letter of Acceptance, Waiver and Consent pursuant to which the firm was fined \$5,000 and ordered to pay \$24,167.33 in restitution to customers. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it effected 11 principal transactions with public customers involving foreign corporate bonds at prices, with markups ranging from 5.53 to 90 percent, that were unfair and excessive taking into consideration all relevant circumstances.

Phoenix Equity Planning Corporation (Enfield, Connecticut) submitted a Letter of Acceptance, Waiver and Consent pursuant to which the firm was fined \$100,000. Without admitting or denying the allegations, the firm consented to the described

sanctions and to the entry of findings that it failed to register at least three individuals who were functioning in a principal capacity.

Individuals Barred Or Suspended **Joshua A. Ader (Registered Representative, Long Beach, New York)**

was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Ader failed to respond to NASD requests to provide documents, information, and testimony.

David A. Arnold (Registered Representative, Wexford, Pennsylvania) submitted an Offer of Settlement pursuant to which he was fined \$100,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Arnold consented to the described sanctions and to the entry of findings that he falsely represented to customers that a mailing address he had established was the business address of his employer. Furthermore, the NASD found that Arnold affixed to three withdrawal request forms a public customer's signature, without authorization, and thereafter submitted the requests to his member firm. The findings also stated that Arnold falsified a public customer's endorsement on checks totaling \$14,900 and deposited the checks in his personal bank account. Arnold also failed to respond to NASD requests for information.

James C. Arnold (Registered Representative, Starkville, Mississippi) was fined \$100,000, barred from association with any NASD member in any capacity, and required to pay \$50,957.93 in restitution. The NBCC imposed the sanctions following appeal of a New Orleans DBCC decision. The sanctions were based on findings that Arnold effected unauthorized transactions in cus-

tomers accounts and converted customer funds totaling \$50,957.93 to his own use and benefit without the knowledge or consent of the customers. Furthermore, Arnold misused \$2,000 in customer funds without the knowledge or consent of the customers.

Robert James Baptist, Jr. (Registered Representative, Southport, Connecticut) submitted an Offer of Settlement pursuant to which he was fined \$15,000 and suspended from association with any NASD member in any capacity for 20 business days. Without admitting or denying the allegations, Baptist consented to the described sanctions and to the entry of findings that he executed unauthorized transactions in the accounts of public customers.

Dale Lavern Bartz (Registered Representative, Marshall, Minnesota) submitted a Letter of Acceptance, Waiver and Consent pursuant to which she was fined \$42,500 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Bartz consented to the described sanctions and to the entry of findings that she received from a public customer three checks totaling \$8,500 made payable to her member firm with instructions to apply the proceeds of the checks to the purchase of single premium annuity contracts. The NASD found that Bartz did not apply the funds as directed by the customer, and instead, without the knowledge or consent of the customer, wrongfully deposited the checks into her business bank account until she repaid the funds in full with interest at a later date.

Glen Jeff Bennett (Associated Person, New York, New York) was fined \$50,000 and barred from association with any NASD member in any capacity. The sanctions were

based on findings that Bennett arranged to have an imposter take the Series 7 exam on his behalf. Bennett also failed to respond to NASD requests for information.

DuSean Berkich (Registered Principal, Irvine, California) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$2,500 and suspended from association with any NASD member in any capacity for 30 business days. Without admitting or denying the allegations, Berkich consented to the described sanctions and to the entry of findings that a former member firm, acting through Berkich, determined that customer funds would be used to offset receivables from a general partner of an issuer instead of forwarding the funds promptly to the issuer. According to the findings, the funds were intended for investment in a limited partnership but instead, were deposited into the firm's general account.

Richard Michael Berlin (Registered Representative, West Bloomfield, Michigan) submitted an Offer of Settlement pursuant to which he was fined \$140,795, barred from association with any NASD member in any capacity, and required to pay \$24,159 in restitution. Without admitting or denying the allegations, Berlin consented to the described sanctions and to the entry of findings that he obtained customer checks totaling \$25,019.02 intended for the purchase of insurance policies, but retained the funds by signing the customers' names to the checks and deposited the funds in a bank account without their knowledge or consent. The findings also stated that Berlin failed to respond to NASD requests for information.

Brian Bond (Registered Representative, Woodbury, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to

which he was fined \$5,000, suspended from association with any NASD member in any capacity for five business days, and required to disgorge \$1,050 in commissions. Without admitting or denying the allegations, Bond consented to the described sanctions and to the entry of findings that he purchased warrants in a public customer's account without the customer's prior knowledge or consent.

J. Paul Boyle (Registered Principal, Bala Cynwyd, Pennsylvania) was fined \$30,000, suspended from association with any NASD member in all securities principal capacities for two years, and required to requalify by exam as a general securities principal. The NBCC imposed the sanctions following appeal of a Philadelphia DBCC decision. The sanctions were based on findings that Boyle failed to exercise reasonable care to verify his member firm's purported capital contributions and assets that resulted in the filing of inaccurate FOCUS Part I and IIA reports with the NASD. Moreover, Boyle failed to give timely notice of his firm's net capital deficiencies, failed to timely retain a financial and operations principal for his firm, and failed to file a Form U-5 for an individual within the required 30-day period.

Michael F. Burke (Registered Representative, Rye, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$10,000, suspended from association with any NASD member in any capacity for 45 days, and required to requalify by exam as a general securities representative. Without admitting or denying the allegations, Burke consented to the described sanctions and to the entry of findings that he exercised discretion in the account of public customers without first obtaining written authorization from the customers. The findings also stated that

Burke failed to properly mark customer order tickets in that the tickets were marked "unsolicited" when they should have been marked "discretionary."

James M. Burness (Registered Representative, Dublin, Ohio) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$4,500 and suspended from association with any NASD member in any capacity for five days. Without admitting or denying the allegations, Burness consented to the described sanctions and to the entry of findings that knowing of a system problem which he did not report to his firm, he repeatedly placed orders for customers over his firm's proprietary trading system over a three-day period at limit prices that he knew, or had reason to believe, were extremely advantageous to the customers and extremely disadvantageous to the firm.

Robert E. Chason (Registered Representative, Orlando, Florida) was fined \$20,000 and suspended from association with any NASD member in any capacity for 90 days and thereafter suspended until he requalifies by exam. The sanctions were based on findings that Chason made representations to a public customer and on behalf of a public customer regarding the value of the customer's account without having a factual basis for such representations.

Twila Lee Cherry (Registered Representative, Littleton, Colorado) was fined \$15,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Cherry filed a Form U-4 with the NASD in which she failed to disclose a felony conviction.

Donald Eugene Childers (Registered Representative, Leawood, Kansas) was barred from association with any NASD member in any

capacity. The sanction was based on findings that he received a \$63,550 check from public customers made payable to a corporation he owned and controlled with instructions to invest the funds in securities products. Without the customers' knowledge and consent, Childers converted \$10,250 of the funds to his own use and benefit by paying various expenses of the corporation.

George W. Cole (Registered Representative, Oklahoma City, Oklahoma) submitted an Offer of Settlement pursuant to which he was fined \$15,000, suspended from association with any NASD member in any capacity for four weeks, and required to pay \$13,298 in restitution to a customer. Without admitting or denying the allegations, Cole consented to the described sanctions and to the entry of findings that he failed to exercise due diligence in the offering of certain non-rated municipal bonds to two public customers by failing to ensure that the price paid for the securities was fair and reasonable in relation to the prevailing market conditions. The findings also stated that Cole recommended and engaged in certain purchase and sale transactions in the account of a public customer without having reasonable grounds for believing that the recommendations and resultant transactions were suitable for the customer on the basis of the customer's financial situation, investment objectives, and needs. Furthermore, the NASD found that Cole sent sales literature to prospective customers that had not been approved by a principal of his firm.

Richard D. Collner (Registered Principal, Cape Canaveral, Florida) submitted an Offer of Settlement pursuant to which he was fined \$25,000, suspended from association with any NASD member in any capacity for 10 days, suspended from soliciting or effecting retail trades for

six months, and required to requalify by exam as a general securities representative. Without admitting or denying the allegations, Collner consented to the described sanctions and to the entry of findings that he recommended that public customers embark on a series of trades in their trust account without having reasonable grounds for believing that the recommendations were suitable based on the facts they disclosed as to their tax status, investment objective, financial situation, and needs.

Collner's suspensions began May 5, 1997. The 10-day suspension concluded May 14, 1997, and the 6-month suspension will conclude November 5, 1997.

Kerri A. Cox (Associated Person, Brooklyn, New York) was fined \$2,000 and suspended from association with any NASD member in any capacity for six months. The sanctions were based on findings that Cox failed to respond to NASD requests for information and to appear for an on-the-record interview.

Crisanto M. Delgado (Registered Representative, Alpharetta, Georgia) was fined \$108,000, barred from association with any NASD member in any capacity, and required to pay \$17,644.81 plus interest in restitution to a customer. The sanctions were based on findings that Delgado converted customer funds totaling \$17,644.81 to his own use and benefit. Delgado also failed to respond to an NASD request for information.

Mark H. A. Drucker (Registered Representative, Henderson, Nevada) was fined \$60,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Drucker converted \$8,000 in customer funds to his own use and benefit. Drucker also failed to respond to NASD requests for information.

David W. Dunlap (Registered Representative, Hammond, Indiana) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Dunlap failed to respond to NASD requests for information.

Craig S. Fischer (Registered Representative, Boca Raton, Florida) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Fischer failed to respond to NASD requests for information.

Ronald Flateau (Registered Representative, Phoenix, Arizona) was fined \$120,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Flateau obtained \$45,756.64 from public customers for investment purposes but only invested \$28,000 of these funds as directed by the customers. Furthermore, Flateau obtained \$1,500 from a public customer by stating that the customer owed him a service fee for his efforts in canceling the customer's annuity and investing the proceeds into another investment, when in fact, Flateau's member firm assessed no such charge for this service. Flateau also failed to respond to NASD requests for information.

Daniel F. Gallagher (Registered Representative, Joliet, Illinois) was fined \$30,500 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Gallagher received a \$2,100 check from a public customer with instructions to invest the funds in a mutual fund. Gallagher failed to purchase shares of the mutual fund and instead, deposited the funds in an account with his member firm in which he had a beneficial interest and used the funds for some purpose other than

for the benefit of the customer. Gallagher also failed to respond to an NASD request for information.

Samantha R. Gallant (Registered Representative, Ferndale, Michigan) was fined \$6,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Gallant participated in the offer and sale of securities to a public customer on a private basis and failed to give prior written notice to and obtain prior written authorization from her member firm to engage in such activities.

H. Richard Gibbs-Tompkins (Registered Representative, Pensacola, Florida) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Gibbs-Tompkins failed to respond to an NASD request for information.

Mark C. Goldner (Registered Representative, Larksville, Pennsylvania) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$125,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Goldner consented to the described sanctions and to the entry of findings that, without the authorization or consent of public customers, he caused his member firm to issue policy loan and dividend checks against the insurance policies of the customers, forged the purported endorsements of the customers on the checks, and deposited the checks in his bank account. The findings also stated that Goldner caused the address of record for the insurance policies of public customers to be changed to that of the office in which he was employed. The NASD also determined that Goldner forged the endorsement of a former employee of his member firm on commission

checks, and negotiated such checks without the employee's knowledge or authorization. Furthermore, the NASD found that Goldner forged a public customer's signature on applications for a life insurance policy and for the conversion of the customer's existing policies, without the authorization or consent of the customer.

Eliezer Gurfel (Registered Representative, Washington, DC) was barred from association with any NASD member in any capacity. The sanction was based on findings that Gurfel forged an individual's endorsement on four checks, negotiated the checks, and converted the proceeds to his own use and benefit.

David J. Hall (Registered Representative, Standish, Maine) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$100,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Hall consented to the described sanctions and to the entry of findings that he engaged in private securities transactions without giving prior written notice to his member firm describing in detail the proposed transactions, his role therein, and whether he received selling compensation in connection with the transactions.

Martin J. Heninger (Registered Representative, Atlanta, Georgia) was fined \$20,000, suspended from association with any NASD member in any capacity for 30 days, required to pay \$25,000 in restitution to a customer, and required to requalify by exam as a general securities representative. The sanctions were based on findings that Heninger made false representations to a customer in response to concerns raised by the customer about an investment Heninger had recommended in a private offering.

Richard Allen Hill (Registered Representative, St. Clair Shores, Michigan) was fined \$21,547.17 and barred from association with any NASD member in any capacity. The sanctions were based on findings that, without the knowledge or consent of public customers, Hill submitted to his member firm applications for life insurance in the customers' names and disbursement request forms authorizing his member firm to disburse funds in the form of loans from existing policies to pay premiums on new policies. Hill also failed to respond to NASD requests for information.

William J. Jakob, Jr. (Registered Principal, Marietta, Georgia) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Jakob failed to respond to an NASD request for information.

Seyed Hassan Jahanmiry (Registered Representative, Casselberry, Florida) was fined \$1,000, suspended from association with any NASD member in any capacity for 90 days, and ordered to requalify by exam as an investment company and variable contracts products representative. The sanctions were based on findings that Jahanmiry, during the course of taking the Series 7 exam, had in his possession unauthorized materials containing formulas and other information relating to the subject matter areas covered by the exam.

Gary Richard Keller (Registered Representative, Apple Valley, Minnesota) submitted an Offer of Settlement pursuant to which he was fined \$15,000 and suspended from association with any NASD member in any capacity for 30 days. Without admitting or denying the allegations, Keller consented to the described sanctions and to the entry of findings

that he failed to respond timely to NASD requests for information. The findings also stated that Keller engaged in private securities transactions without giving prior written notice to and/or receiving approval from his member firm. Furthermore, the NASD determined that Keller altered a document in response to an NASD request for information.

David B. Kistler (Registered Representative, Jacobus, Pennsylvania) submitted an Offer of Settlement pursuant to which he was fined \$10,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Kistler consented to the described sanctions and to the entry of findings that he forged signatures purporting to be those of a customer on two letters authorizing \$500 in payments to him by an insurance company.

David P. Kleber (Registered Principal, Miami, Florida); Helmut Meister (Registered Principal, Sands Point, New York); John P. McAuliffe (Registered Principal, Rochester, New York); Dennis J. Keohane (Registered Representative, San Francisco, California); Innocent K. Okeke (Registered Principal, Plano, Texas); Lindsey C. Riley (Registered Principal, Huntington Beach, California); Ignacio R. Failla (Registered Representative, Astoria, New York); Zeeshan S. Ali (Registered Representative, Iselin, New Jersey); Terry N. Johnson (Registered Representative, Forest Hills, New York); David N. Slavny (Registered Principal, Atlanta, Georgia); Victor S. Delucie (Registered Representative, San Francisco, California); Christopher S. Boggs (Registered Principal, San Francisco, California); Mark F. Reber (Registered Representative, West Chester, Pennsylvania); Thomas R. Garcia (Registered Representative,

Grand Prairie, Texas); and Sean P. Nevett (Registered Representative, LaJolla, California) submitted Offers of Settlement pursuant to which Kleber was fined \$10,000, suspended from association with any NASD member in any capacity for four months, barred from association with any NASD member in any principal or supervisory capacity with a right to reapply after one year, and undertakes that even if he successfully reapplies, he will never act as a supervisor of traders or trading at any member firm. Meister was fined \$8,000, suspended from association with any NASD member in any capacity for five business days, and required to requalify as a general securities principal. McAuliffe was fined \$7,500 and suspended from association with any NASD member in any capacity for five business days. Keohane was fined \$7,000 and suspended from association with any NASD member in any capacity for three business days. Okeke was fined \$5,000 and suspended from association with any NASD member in any capacity for five business days. Riley, Failla, Ali, Johnson, Slavny, Delucie, Garcia, and Boggs were each fined \$2,500 and suspended from association with any NASD member in any capacity for three business days. Reber was fined \$5,000 and suspended from association with any NASD member in any capacity for six months. Nevett was fined \$4,000 and suspended from association with any NASD member in any capacity for four business days.

Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that Meister, McAuliffe, Keohane, Okeke, Riley, Failla, Ali, Garcia, Johnson, Slavny, Delucie, Boggs, and Nevett charged certain retail customers unfair prices, that included excessive markups and gross commissions or sales credits in connection with sales of securities

and received gross commissions or sales credits exceeding 10 percent of the total dollar amount paid by the customers in the transactions. The findings also stated that Kleber and Meister failed to establish, implement, and enforce reasonable procedures designed to prevent the firm's retail customers from being charged unfair and fraudulently excessive markups and markdowns, and unfair and excessive gross commissions or sales credits in common stocks and warrants. Furthermore, the NASD determined that Reber failed to respond to NASD requests for information.

Donald D. LaCoste (Registered Representative, Lafayette, Louisiana) submitted an Offer of Settlement pursuant to which he was fined \$3,000,000, barred from association with any NASD member in any capacity, and required to pay \$593,377.67 in restitution. Without admitting or denying the allegations, LaCoste consented to the described sanctions and to the entry of findings that he converted \$421,451.69 in customer funds to his own use and benefit and forged customer names to checks, change of address forms, surrender request forms, and insurance policy change forms. The findings also stated that LaCoste sent to a public customer a false confirmation reflecting the purchase of municipal bonds and misleading correspondence falsely describing a purchase of municipal bonds by the customer. Furthermore, the NASD determined that LaCoste altered documents to falsely reflect that certain municipal bonds had been purchased for a public customer and failed to amend his Form U-4 to reflect his affiliation with three member firms.

Jay D. Lebowitz (Registered Representative, Pittsburgh, Pennsylvania) submitted an Offer of Settlement pursuant to which he was fined \$30,000 and barred from association with any NASD member in any

capacity. Without admitting or denying the allegations, Lebowitz consented to the described sanctions and to the entry of findings that he participated in private securities transactions without providing written notice to his member firm describing the transactions, his role therein, and stating whether he would receive selling compensation. The findings also stated that Lebowitz failed to respond to NASD requests for information.

Oliver Lu (Registered Representative, New York, New York) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Lu failed to respond to NASD requests for information.

Jules L. Marx (Registered Representative, South Orange, New Jersey) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$7,500, suspended from association with any NASD member in any capacity for five business days, and required to pay \$27,750 plus interest in restitution to public customers. Without admitting or denying the allegations, Marx consented to the described sanctions and to the entry of findings that he effected private securities transactions with public investors without providing prior written notice to and receiving written approval from his member firm. The NASD also found that Marx used his member firm's stationery in connection with the private securities transactions without the firm's prior knowledge or approval.

Timothy Andrew Minich (Registered Representative, W. Lafayette, Indiana) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Minich failed to respond to NASD requests for information.

Douglas W. Minshall (Registered Representative, Macon, Missouri) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$5,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Minshall consented to the described sanctions and to the entry of findings that he submitted fictitious applications for life insurance.

Patrick Blane Mueller (Registered Representative, Overland Park, Kansas) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Mueller failed to respond to NASD requests for information and to appear for an on-the-record interview.

Darryl M. Osler (Registered Representative, Palm Beach Gardens, Florida) submitted an Offer of Settlement pursuant to which he was fined \$3,500 and suspended from association with any NASD member in any capacity for three months. Without admitting or denying the allegations, Osler consented to the described sanctions and to the entry of findings that he failed to respond to NASD requests for information.

Frank S. Pellichino (Registered Representative, Augusta, Georgia) was fined \$10,000 and suspended from association with any NASD member in any capacity for six months. The sanctions were based on findings that Pellichino signed, without customer authorization, the signatures of public customers to forms that are used to evidence the customer's authorization for an agent to receive trailing commissions on property and casualty policies that had been assigned to but not initially sold by the agent.

Russell D. Perlmutter (Registered Representative, Flushing, New

York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$5,000 and suspended from association with any NASD member in any capacity for five business days. Without admitting or denying the allegations, Perlmutter consented to the described sanctions and to the entry of findings that he used a fictitious name when a customer called his member firm to complain about a trade.

Charles Eugene Porter (Registered Representative, Bloomington, Indiana) submitted an Offer of Settlement pursuant to which he was fined \$2,000,000, barred from association with any NASD member in any capacity, and required to pay \$389,891.95 in restitution. Without admitting or denying the allegations, Porter consented to the described sanctions and to the entry of findings that he obtained checks totaling \$299,891.95 made payable to public customers and without the authorization, knowledge, or consent of the customers, he signed or caused their names to be signed to the checks, deposited the checks in an account in which he had an interest or controlled, and used the funds for some purpose other than for the benefit of the customers. The findings also stated that Porter received \$114,874.95 from public customers for investment purposes and, instead, without the knowledge or consent of the customers, used the funds for some purpose other than for the benefit of the customers. Furthermore, the NASD found that Porter failed to respond to NASD requests for information.

Leon E. Procopio (Registered Representative, Glen Cove, New York) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Procopio failed to respond to NASD requests for information.

John J. Puglisi (Registered Representative, New York, New York) submitted an Offer of Settlement pursuant to which he was fined \$30,000, suspended from association with any NASD member in any capacity for 30 business days, required to requalify by exam as a general securities representative, and required to pay \$15,000 to a public customer. Without admitting or denying the allegations, Puglisi consented to the described sanctions and to the entry of findings that he effected in the accounts of public customers purchase and sale transactions without the customers' knowledge, authorization, or consent.

Samuel Gordon Smith, Jr. (Registered Representative, Lincoln, Nebraska) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$93,974.45 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Smith consented to the described sanctions and to the entry of findings that he received five checks totaling \$18,794.89 from a public customer with instructions to apply the proceeds of the checks to the purchase of variable products. The NASD found that Smith failed to apply the funds as instructed, and instead, without the customer's knowledge or consent, deposited the checks into his personal bank account and misused the customer's funds.

Michael A. Solomon (Registered Representative, Tamarac, Florida) was fined \$30,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Solomon failed to pay an arbitration award and failed to respond to an NASD request for information.

Valentin V. Sotir (Registered Representative, Ridgewood, New York)

was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Sotir failed to respond to NASD requests to provide testimony in connection with an ongoing investigation.

Carl W. Spoerer, II (Registered Representative, Tolono, Illinois) was fined \$5,000, suspended from association with any NASD member in any capacity for one year, ordered to disgorge \$8,122.50 to the NASD, and required to requalify by exam. The sanctions were based on findings that Spoerer purchased for his account shares of stocks that traded at a premium in the immediate after-market in contravention of the Board of Governors' Interpretation on Free-Riding and Withholding. Spoerer also opened securities accounts with various member firms and began purchasing and selling securities in the accounts while failing and neglecting to give written notice to his member firms that he was opening the accounts and failed to give written notice of his association with his member firms.

Spoerer's suspension began January 1, 1995, and concluded December 31, 1995.

Nancy A. Swoffer (Registered Representative, Lake Orion, Michigan) submitted a Letter of Acceptance, Waiver and Consent pursuant to which she was fined \$50,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Swoffer consented to the described sanctions and to the entry of findings that she participated in private securities transactions and failed to give written notice to and receive written approval from her member firm prior to engaging in such activities.

Kenneth T. Tripoli (Registered Representative, Boca Raton, Florida) submitted an Offer of Settlement pursuant to which he was fined \$2,500 and suspended from association with any NASD member in any capacity for 30 days. Without admitting or denying the allegations, Tripoli consented to the described sanctions and to the entry of findings that he failed to respond timely to an NASD request for information.

Kathleen Vanhof (Registered Representative, Grand Rapids, Michigan) submitted a Letter of Acceptance, Waiver and Consent pursuant to which she was fined \$145,000, barred from association with any NASD member in any capacity, and required to pay \$24,820.05 in restitution. Without admitting or denying the allegations, Vanhof consented to the described sanctions and to the entry of findings that she wrongfully obtained \$24,820.05 from the accounts of a public customer by obtaining two completed certificate of deposit/withdrawal forms with the customer's signature without the customer's knowledge or consent. The NASD found that Vanhof thereafter deposited the funds in an account in which she had a beneficial interest and used the funds for some purpose other than for the benefit of the customer. The findings also stated that Vanhof failed to respond to NASD requests for information.

Kenneth Winston Wainscott (Registered Representative, Pflugerville, Texas) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Wainscott failed to respond to NASD requests for information.

David Duane White (Registered Representative, Black Earth, Wisconsin) submitted a Letter of Acceptance, Waiver and Consent pursuant

to which he was fined \$259,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, White consented to the described sanctions and to the entry of findings that he obtained \$51,828.38 from public customers by directing certain bank employees to issue to him or an investment club partnership of which he was a partner, and over whose funds he had control, cashier's checks or money orders from portions of customer funds entrusted to him for investment without the knowledge or consent of the customers.

Frederick M. Woolley (Registered Representative, Redlands, California) submitted an Offer of Settlement pursuant to which he was fined \$30,000, suspended from association with any NASD member in any capacity for six months, and required to requalify by exam as a general securities representative. Without admitting or denying the allegations, Woolley consented to the described sanctions and to the entry of findings that he forged his manager's signatures on six separate documents.

Individuals Fined

Christopher M. Finan (Registered Representative, McLean, Virginia) was fined \$10,000 and required to requalify by exam as a general securities representative. The sanctions were based on findings that Finan executed unauthorized transactions in the accounts of public customers.

Alfred E. Landolph, Jr. (Registered Representative, Los Angeles, California) submitted an Offer of Settlement pursuant to which he was fined \$20,455. Without admitting or denying the allegations, Landolph consented to the described sanction and to the entry of findings that, in contravention of the Board of Governors' Free-Riding and Withholding

Interpretation, Landolph purchased shares of stock in initial public offerings in accounts in which he had a beneficial interest that traded at a premium in the secondary market. The findings also stated that Landolph failed to notify his member firm in writing that he had established and maintained 30 securities accounts with 16 different member firms.

Robert W. Morris (Registered Representative, Birmingham, Alabama) submitted an Offer of Settlement pursuant to which he was fined \$10,000. Without admitting or denying the allegations, Morris consented to the described sanction and to the entry of findings that he sent correspondence to public customers that contained false and misleading information. The findings also stated that Morris disseminated misleading municipal securities offering sheets to various member firms that falsely indicated that he was a member of the municipal bond department of his member firm.

Michael G. Murphy (Registered Representative, Pine Hill, New Jersey) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$10,000 and required to requalify by exam as a general securities representative. Without admitting or denying the allegations, Murphy consented to the described sanctions and to the entry of findings that he recommended to public customers and effected in their account purchases of securities that were speculative in nature without having a reasonable basis to believe the securities were suitable for the customers. The findings also stated that Murphy failed to disclose various risks associated with the securities and made a statement regarding future appreciation in the price of a security for which there was no reasonable basis in fact.

Gregory J. Vislocky (Registered Representative, Lake Oswego, Oregon) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$3,500 and ordered to disgorge \$31,472.06. Without admitting or denying the allegations, Vislocky consented to the described sanctions and to the entry of findings that he violated of the Board of Governors' Interpretation on Free-Riding and Withholding by failing to notify the insurer of an offering that he was associated with his member firm, by failing to notify his member firm that he had purchased shares in the conversion offering, and by selling half of his shares and transferring the other half within 150 days of the conclusion of the conversion offering. The findings also stated that Vislocky bought and sold shares in three other conversion offerings through privately negotiated transactions with a public customer and other parties and repaid personal loans made to him by the customer from the profits that resulted when those shares were later sold.

Mark Wallace (Registered Representative, Ballwin, Missouri) was fined \$10,000 and required to requalify by exam. The sanctions were based on findings that Wallace effected purchases of stock in the accounts of public customers without their authorization.

Firm Expelled For Failure To Pay Fines, Costs And/Or Provide Proof Of Restitution In Connection With Violations

Nationwide Securities Corporation, Valrico, Florida

Firms Suspended

The following firms were suspended from membership in the NASD for failure to comply with formal written requests to submit financial informa-

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

AGS Financial Services, Inc., Chicago, Illinois (April 4, 1997)

A.T.A.P. Financial Services, Inc., Leesburg, Florida (April 4, 1997 to April 17, 1997)

Burlington Securities Corp., Chatham, Massachusetts (April 4, 1997)

Cygnat Securities, Inc., Waldwick, New Jersey (April 4, 1997)

Donaldson Securities Incorporated, New York, New York (April 4, 1997 to April 15, 1997)

East Hill Capital Corp., New York, New York (April 4, 1997)

Fimark Securities, Inc., Woodland Hills, California (April 4, 1997)

Genoa Financial Group, Inc., Tampa, Florida (April 16, 1997)

Hartman Securities, Inc., Houston, Texas (March 10, 1997)

Hornblower & Weeks, Inc., New York, New York (April 4, 1997)

International Credit Brokerage Co., Inc., New York, New York (April 4, 1997)

Jess Kent Capital Markets, Inc., Los Angeles, California (April 4, 1997)

Lord & Kendyll Investments, Inc., Irving, Texas (April 17, 1997)

North Star Financial Services, Inc., Dallas, Texas (April 4, 1997)

Pierce & Company, L.P., Chicago, Illinois (April 4, 1997)

The Richman Group Incorporated, Colleyville, Connecticut (March 10, 1997 to April 10, 1997)

Tilden Partners, Inc., Great Neck, New York (April 4, 1997)

William & Co. Capital Markets, New York, New York (April 4, 1997)

Suspensions Lifted

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

Value Line Securities, New York, New York (March 3, 1997)

Wm. B. Austin & Associates, Moulins, France (April 18, 1997)

Individuals Whose Registrations Were Revoked For Failure To Pay Fines, Costs, And/OR Provide Proof Of Restitution In Connection With Violations

Micah C. Douglas, Kingswood, Texas

Michael R. French, Phoenix, Arizona

Edward Guy, Eastlake, Ohio

Gregory J. Hilsenrath, Bethesda, Maryland

Ajay R. Joshi, Winnetka, Illinois

Howard D. Liebreich, Beaverton, Oregon

Manus P. MacLean, Bethlehem, Pennsylvania

Grover C. McCall, III, Kingsport, Tennessee

Patrick T. Montague, Washington, DC

Kevin J. Stelter, Lakewood, Colorado

Dan Scott Taylor, Portland, Oregon

Anthony J. Toscano, Clearwater, Florida

Kevin B. Williams, Fort Worth, Texas

Individual Whose Registration Was Canceled/Suspended Pursuant To NASD Rule 9622 For Failure To Pay Arbitration Award

Thomas Garrett Chenoweth, Lexington Park, Maryland

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FOR YOUR INFORMATION

NASD Creates Two New Exams— Equity Trading And Government Securities

The NASD[®] Board of Governors has approved the creation of two new qualification exams for securities industry personnel. The new exams, one for Equity Securities Traders and the other for Government Securities Representatives, join an existing battery of tests that NASD Regulation, Inc. (NASD RegulationSM) administers to qualify registered representatives to conduct securities business.

Once the exam is approved by the Securities and Exchange Commission (SEC), every individual who functions as an Equity Trader, as defined in the proposed rule, must take and pass the new Limited Representative—Equity Trader Examination (Series 55). The new exam will assure that traders have more consistent understanding of securities industry rules and practices, especially in light of the rapid regulatory and structural changes in the marketplace.

The Series 55 exam is not designed as a stand-alone examination. Individuals requesting registration as an Equity Trader also will be required to satisfy the prerequisite of either the General Securities Representative Examination (Series 7) or the Limited Representative—Corporate Securities Examination (Series 62). If an individual is currently registered, or is eligible to be registered, as a General Securities or Corporate Securities Representative, he or she is not required to pass either the Series 7 or Series 62 a second time. After the SEC approves the Series 55 Exam, those who currently function as traders will be granted a two-year period in which to pass the exam, with a minimum of a 30-day waiting period between attempts. New traders must satisfy the qualification requirement before functioning as an Equity Trader and will be subject to the standard waiting periods of 30

days between attempts for the first three attempts and 180 days thereafter.

Candidates for the Series 55 exam will be given three hours to complete the 90-question examination. The exam has four sections covering a variety of topics.

Section 1 The Nasdaq[®] Market and Market Maker Activities (*40 questions*)

Section 2 Automated Execution and Trading Systems (*10 questions*)

Section 3 Trade Reporting Requirements (*13 questions*)

Section 4 Securities Industry Regulations (*27 questions*)

The proposed new examination for Government Securities Representatives, the Series 72 exam, was developed following Congressional approval of the Government Securities Act Amendments of 1993. Previously the NASD lacked the authority to require a qualification examination of representatives engaged solely in the solicitation and sale of government securities.

The proposed rule allows individuals who have been registered as a Government Securities Representative for more than two years from the effective date of the examination to be grandfathered. Those who do not qualify for grandfathering will be required to pass the Limited Representative—Government Securities Examination (Series 72) or the General Securities Representative Examination (Series 7). All examination candidates are subject to the standard waiting periods of 30 days for the first three attempts and 180 days thereafter.

Candidates for the Government Securities Examination will have

three hours to answer 100 questions. The exam has six sections covering a variety of topics.

Section 1 Government Securities
(25 questions)

Section 2 Mortgage Backed Securities
(25 questions)

Section 3 Other Related Securities and Financial Instruments
(9 questions)

Section 4 Economic Activity, Government Policy, and the Behavior of Interest Rates
(16 questions)

Section 5 Legal Considerations
(10 questions)

Section 6 Customer Considerations
(15 questions)

The new exams will significantly upgrade the qualifications standards necessary for registered representatives who focus on sales or trading in these areas.

Questions regarding the Limited Representative—Equity Trader Examination can be directed to David Frandina, Qualifications & Exams, NASD Regulation, at (301) 208-2787 and questions regarding the Limited Representative—Government Securities can be directed to Peter Murray, Qualifications & Exams, NASD Regulation, at (301) 208-2789.

The Series 55 exam was filed with the SEC on March 25, 1997, and the Series 72 exam was filed on April 8, 1997. It is expected that the SEC will publish these rule filings for industry comment in the very near future. After the SEC comment period has ended and the rules approved, the

NASD will announce the effective date of each examination. At that time, application for the exams can be made through the usual application procedures on Form U-4.

Disciplinary Action Corrections

The following corrections are from the April 1997 *Notices to Members* Disciplinary Actions section.

- Page 172—Joseph Francis Chester, Jr., should have been named, *not* John F. Chester, Jr.
- Page 175—National Investor Services Corporation was incorrectly included in the Firms Suspended section.

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