

NASD Notice to Members 99-61

SEC Approves Changes
To Rule 4613—Firm
Quotation Requirements;
**Effective Date:
August 2, 1999**

Suggested Routing

- Senior Management
- Advertising
- Continuing Education
- Corporate Finance
- Executive Representatives
- Government Securities
- Institutional
- Insurance
- Internal Audit
- Legal & Compliance
- Municipal
- Mutual Fund
- Operations
- Options
- Registered Representatives
- Registration
- Research
- Syndicate
- Systems
- Trading
- Training
- Variable Contracts

Executive Summary

On June 22, 1999, the Securities and Exchange Commission (SEC) approved changes to National Association of Securities Dealers, Inc. (NASD[®]) Rule 4613(b) regarding quotation updates following execution of an order.

NASD Rule 4613(b), as now amended, will require a Market Maker to disseminate an inferior quote whenever the Market Maker fails to execute the full size of an incoming order that is at least one normal unit of trading greater than the Market Maker's published quotation size. The rule change will also modify IM-4613 to prohibit the use of automatic quote updating in violation of Rule 4613(b).

The NASD and The Nasdaq Stock Market, Inc. (The Nasdaq Stock Market[®]) believe that this change will improve market efficiency by requiring Market Makers to display their true and intended quote size, thereby increasing market transparency and price discovery. This *Notice* is being issued to alert members to the changes involved, which will become effective on August 2, 1999.

Questions concerning this *Notice* may be directed to the Office of General Counsel, The Nasdaq Stock Market, at (202) 728-8294; or the Legal Section, Market Regulation, NASD Regulation, Inc. (NASD Regulation[®]) at (301) 590-6410.

Background And Summary

NASD Rule 4613(b) (Rule) sets forth the requirement that a Market Maker execute an order for at least the number of shares displayed in its quotation at the displayed price. The Rule is being modified to address situations where a Market Maker displays the minimum quotation size required, receives an incoming order larger than its displayed size, fills the

order only up to its displayed size, and remains at the inside quote prepared to accept another order at the minimum size. Although the Market Maker has complied with the current NASD Rule 4613(b) and other applicable quotation requirements (NASD Rule 3320, "Offers at Stated Prices," IM-3320, "Firmness of Quotations," and Exchange Act Rule 11Ac1-1), its continued display of the same price and size indicates that it was actually willing to buy more than the number of shares displayed. This practice creates opportunities for "gaming," hinders price discovery, leads to locked/crossed markets, and increases transactions costs.

To remedy this inefficient trading scenario, subsection (2) is being added to the Rule which will mandate that a Market Maker disseminate an inferior quote whenever it fails to execute the full size of an incoming order that is at least one normal unit of trading greater than its published quotation size. The following scenario best describes the behavior to be mandated under Rule 4613(b)(2):

Market Maker #1 (MM1) is bidding \$10 for 100 shares of ABCD. Order Entry Firm #1 (OE1) sends a preferenced SelectNetSM order to MM1 to sell 1,000 shares of ABCD at \$10. MM1 partially executes OE1's 1,000-share order by buying 100 shares of ABCD.

Prior to implementation of these amendments, it would be permissible for MM1 to continue quoting 100 shares at \$10, thereby forcing OE1 to potentially execute an additional nine transactions to sell the 1,000 shares it offered in the original order. Under the amended Rule, however, MM1 must immediately move its quotation to an inferior price for failing to execute the entire 1,000-share order. However, if OE1's 1,000

shares had been offered as an all-or-none order, MM1 would be permitted to decline the order and remain at its current quotation.¹

IM-4613 is also being modified to prohibit a Market Maker from using an automatic quote updating system in any manner that would violate the Rule, as amended.

The modified text of the Rule and IM-4613, which will become effective on Monday, August 2, 1999, is as follows.

Text Of Amendments

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

4613. Character of Quotations

(a) No changes

(b) Firm Quotations

(1) A market maker that receives an offer to buy or sell from another member of the Association shall execute a transaction for at least a normal unit of trading at its displayed quotations as disseminated in The Nasdaq Stock Market at the time of receipt of any such offer. If a market maker displays

a quotation for a size greater than a normal unit of trading, it shall, upon receipt of an offer to buy or sell from another member of the Association, execute a transaction at least at the size displayed.

(2) If a market maker, upon receipt of an offer to buy or sell from another member of the Association in any amount that is at least one normal unit of trading greater than its published quotation size as disseminated in The Nasdaq Stock Market at the time of receipt of any such offer, executes a transaction in an amount of shares less than the size of the offer, then such market maker shall, immediately after such execution, display a revised quotation at a price that is inferior to its previous published quotation. The failure of a market maker to execute the offer in an amount greater than its published quotation size shall not constitute a violation of subparagraph (b)(1) of this rule.

(c) - (e) No changes

IM-4613. Autoquote Policy

(a) No changes

(b) Exceptions to the General Prohibition - Automated updating of quotations is permitted when: (1) the update is in response to an execution in the security by that firm (such as execution of an order that partially fills a market maker's quotation size), and is in compliance with Rule 4613(b)(2); (2) it requires a physical entry (such as a manual entry to the market maker's internal system which then automatically forwards the update to Nasdaq); (3) the update is to reflect the receipt, execution, or cancellation of a customer limit order; or (4) an electronic communications network as defined in SEC Rule 11Ac1-1(a)(8) is required to maintain a two-sided quotation in Nasdaq for the purpose of meeting Nasdaq system design requirements.

Endnote

¹Please note that while NASD Regulation will fully investigate reports of alleged violations of Rule 4613(b)(2) for future disciplinary action, NASD Regulation will not attempt to obtain contemporaneous trade executions based on such claims.

© 1999, National Association of Securities Dealers, Inc. (NASD). All rights reserved.

NASD Rule Filing Status

Rule Filing Status As
Of July 7, 1999

NASD Rule Filing Status

The following is a list of rule filings by the National Association of Securities Dealers, Inc. (NASD[®] or Association) that are either pending at the Securities and Exchange Commission (SEC) or recently have been approved by the SEC and have not been announced in a *Notice to Members*. The information is current as of July 7, 1999. Copies of rule filings (and any amendments thereto), the SEC release publishing the rule proposal for comment, and the SEC release approving the rule change are available from the SEC Public Reference Room at (202) 942-8090, or from Christopher Leigh, NASD Office of General Counsel, at (202) 728-8236 or via e-mail at leighc@nasd.com (in certain cases a fee may be required). NASD rule changes are not effective until approved by the SEC.

Rule Filings That Have Not Been Published For Comment By The SEC

99-32

Amend Rule 6750 to provide for limited discretionary authority among Nasdaq[®] senior management to reduce the minimum quotation size for certain securities quoted at a price exceeding \$200 in the OTC Bulletin Board.

99-31

Amend Rule 7010 to permit NASD members that currently report trades to the Nasdaq Workstation I to instead use the Nasdaq Automated Confirmation Transaction ServiceSM (ACTSM) Desk to report trades to ACT, provided the members report an average of 20 or fewer trades per day. Amendment No. 1 filed with the SEC on June 17, 1999.

99-29

Amend Rule 7010 to extend the pilot program for an additional six months in order to provide a transaction credit to NASD members that

exceed certain levels of trading activity in exchange-listed securities.

99-26

Amend the NASD Code of Procedure to, among other things: (i) expand the circumstances under which an aggrieved party may request a hearing to challenge an Association action that the party believes constitutes a "denial of access"; (ii) expand the pool of potential hearing panelists in denial of access proceedings, and simplify the process by which panelists are selected; and (iii) establish the General Counsel for the NASD as the custodian of the record in denial of access cases.

99-24

Amend Rule 7010 to establish a one-year pilot program, commencing with the April 1, 1999 billing period, to reduce the fees for Nasdaq Level 1 market to non-professional users by 50 percent on either a per query or monthly basis.

99-05

Amend Rule 2520 relating to margin for exempted borrowers, good faith accounts, joint back office arrangements, and options transactions.

98-74

Amend Rule 3110 to require additional disclosure in pre-dispute arbitration agreements regarding the arbitration process including: possible limits on eligibility of claims and availability of punitive damages; requiring member firms to provide certain information regarding arbitration and pre-dispute arbitration agreements to customers upon request; and clarifying the rule regarding use of choice-of-law provisions in pre-dispute arbitration agreements.

98-55

Amend Section 8 of Schedule A of the NASD By-Laws with respect to the collection of SEC transaction fees (SEC Fees).

98-40

Amend Rule 3350 governing short sales in Nasdaq National Market[®] (NNM) securities to allow Market Makers and broker/dealers to engage in certain customer facilitating, liquidity-providing transactions (Facilitation Exemption).

98-11

Adopt IM-2210-5, Presentation of Mutual Fund and Variable Contract-Related Performance Information, and amend Rule 2210 and IM-2210-2 to permit the presentation of related performance information (other than manager performance information) in mutual fund and variable product sales material, subject to certain conditions designed to make the presentation fair, balanced, and not misleading.

Rule Filings That Have Been Published For Comment But Have Not Been Approved By The SEC

99-23

Amend Rule 4613(e) regarding locked and crossed market conditions that occur prior to the market's opening. Amendment No. 1 filed with the SEC on May 14, 1999. Published for comment by the SEC in Release No. 34-41473 (June 2, 1999); 64 F.R. 31335 (June 10, 1999). Comment period expired July 1, 1999.

99-16

Amend Rules 3320, IM-3320, 4613, 4615, 4623 to: (1) require Market Makers and electronic communication networks (ECNs) to round their quotations to the next minimum quotation increment when the Market Maker or ECN charges another market participant a fee in excess of one-half of one cent to access its quote; and (2) amend certain NASD quotation rules to remove any arguable prohibitions that could prevent Market Makers from charging a fee when their agency quote is accessed.

Amendment No. 1 filed with the SEC on April 22, 1999. Published for comment by the SEC in Release No. 34-41343 (April 28, 1999); 64 F.R. 24430 (May 6, 1999). Comment period expired June 1, 1999.

99-15

Amend Rule 1015 to eliminate the procedures for members of the National Adjudicatory Council to call for review membership decisions until October 31, 1999. Amendment No. 1 filed with the SEC on April 16, 1999. Published for comment by the SEC in Release No. 34-41311 (April 20, 1999); 64 F.R. 20347 (April 26, 1999). Comment period expired May 17, 1999.

99-12

Amend Rule 7010 to establish a fee for a voluntary trading data distribution facility, named Nasdaq Post DataSM, accessible to NASD members, buy-side institutions (Qualified Institutional Buyers [QIBs]¹) and market data vendors through its "NasdaqTrader.com" Web Site. Amendment No. 1 filed with the SEC on March 23, 1999. Published for comment by the SEC in Release No. 34-41244 (April 1, 1999); 64 F.R. 17429 (April 9, 1999). Comment period expired April 30, 1999.

99-11

Amend Rules 4611, 4613, 4618, 4619, 4620, 4632, and Series 4700 to re-establish SelectNetSM as an order delivery and negotiation system for NNM securities and make numerous changes to the current rules relating to the trading of NNM securities. Published for comment by the SEC in Release No. 34-41296 (April 15, 1999); 64 F.R. 19844 (April 22, 1999). Comment period expired June 1, 1999.

99-09

Amend Rule 4613 to permit the separate display of customer orders by Market Makers in Nasdaq through a Market Maker agency identification

symbol. Published for comment by the SEC in Release No. 34-41128 (March 2, 1999); 64 F.R. 12198 (March 11, 1999). Comment period expired April 1, 1999. Comment period extended in SEC Release No. 34-41243 (April 1, 1999); 64 F.R. 17428 (April 9, 1999). Comment period expired June 1, 1999.

99-08

Amend Rules 10201 and 10202, and adopt new Rule 3080 and new Rule Series 10210 to enhance the dispute resolution process for the handling of employment discrimination disputes, and to expand disclosure to employees concerning the arbitration of all disputes. Amendment No. 1 filed with the SEC on May 7, 1999. Published for comment by the SEC in Release No. 34-41461 (May 27, 1999); 64 F.R. 30081 (June 4, 1999). Comment period expired June 25, 1999.

99-07

Submission of proposed *Discovery Guide* for use in arbitration proceedings to improve the discovery process in NASD-sponsored securities arbitrations. The *Discovery Guide* consists of introductory and instructional text, and 14 document production lists. Amendment No. 1 filed with the SEC on March 23, 1999. Amendment No. 2 filed with the SEC on April 9, 1999. Published for comment by the SEC in Release No. 34-41302 (April 16, 1999); 64 F.R. 20036 (April 23, 1999). Comment period expired May 14, 1999.

99-04

Adopt new Rule 2315, which would require members to review current issuer information prior to recommending a transaction to a customer in an over-the-counter (OTC) equity security. Additionally, the proposed rule change would amend NASD Rule 6740 to permit members to submit a certification to the Association that states that the member has conducted a review of specified information and has fulfilled

its SEC Rule 15c2-11 obligations for documents that currently reside on the SEC's EDGAR database. Published for comment by the SEC in Release No. 34-41075 (February 19, 1999); 64 F.R. 10037 (March 1, 1999). Comment period expired March 22, 1999.

99-02

Amend IM-2110-1 and Rule 2720 to clarify the definition of "public offering" to include all offerings of securities exempt from SEC registration under SEC Rule 504. Published for comment by the SEC in Release No. 34-41519 (June 11, 1999); 64 F.R. 32907 (June 18, 1999). Comment period expired July 9, 1999.

98-85

Adopt new Rules 4990 through 4998 to establish the Nasdaq Application, a new electronic trading system based on the innovative information processing technology provided by OptiMark Technologies, Inc. Published for comment by the SEC in Release No. 34-40835 (December 28, 1998); 64 F.R. 549 (January 5, 1999). Comment period expired January 26, 1999.

98-80

Adopt Rule 9800 Series to establish procedures to enable NASD Regulation to issue temporary cease and desist orders. The proposed rule change also would grant NASD Regulation authority to take expedited disciplinary actions when temporary or permanent cease and desist orders are violated. Amendment No. 1 filed with the SEC on December 5, 1998. Published for comment by the SEC in Release No. 34-40826 (December 22, 1998); 63 F.R. 71984 (December 30, 1998). Comment period expired March 1, 1999.

98-61

Amend Rule 6420 to eliminate an unnecessary provision relating to the reporting of transactions in

exchange-listed securities traded in the third market. Published for comment by the SEC in Release No. 34-40360 (August 21, 1998); 63 F.R. 46267 (August 31, 1998). Comment period expired September 25, 1998.

98-49

Amend Rule 10335 to make it a permanent part of the Code of Arbitration. Amendment No. 1 filed with the SEC on September 9, 1998. Amendment No. 2 filed with the SEC on September 10, 1998. Amendment No. 3 filed with the SEC on December 3, 1998. Published for comment by the SEC in Release No. 34-40441 (September 15, 1998); 63 F.R. 50611 (September 22, 1998). Comment period expired October 13, 1998.

98-44

Amend Rule 1060 and create new Interpretative Material, IM-3010, to codify existing practice by exempting from registration persons whose securities business is limited to certain limited marketing activities and specify supervisory requirements for members concerning such unregistered persons. Published for comment by the SEC in Release No. 34-40784 (December 15, 1998); 63 F.R. 70173 (December 18, 1998). Comment period expired January 8, 1999.

98-32

Amend Rule 2210 to exclude independently-prepared research reports from the filing requirements of Rule 2210. Amendment No. 1 filed with the SEC on May 13, 1998. Published for comment by the SEC in Release No. 34-40074 (June 4, 1998); 63 F.R. 32690 (June 15, 1998). Comment period expired July 6, 1998. Amendment No. 2 filed with the SEC on June 29, 1999.

98-18

Adopt a new membership Rule 1150 that would provide NASD members with qualified immunity in arbitration proceedings for statements made in

good faith in certain disclosures filed with the NASD on Forms U-4 and U-5. Published for comment by the SEC in Release No. 34-39892 (April 21, 1998); 63 F.R. 23321 (April 28, 1998). Comment period extended in SEC Release No. 34-40005 (May 19, 1998); 63 F.R. 29050 (May 27, 1998). Comment period expired June 19, 1998.

98-17

Amend Rules 4611, 4613, 4618, 4619, 4620, 4632, 4642, and adopt new Rule Series 4900 to establish an integrated order delivery and execution system. The new system would replace the existing Small Order Execution SystemSM (SOESSM) and SelectNet, while retaining certain features of each in a combined infrastructure. It also will feature a voluntary limit order book. In addition, a component of the new system will permit institutions to obtain direct electronic access to The Nasdaq Stock Market[®] through a sponsored arrangement with a Nasdaq Market Maker. Amendment No. 1 filed with the SEC on March 3, 1998. Published for comment by the SEC in Release No. 34-39718 (March 4, 1998); 63 F.R. 12124 (March 12, 1998). Comment period expired April 2, 1998. Comment period extended in SEC Release No. 34-39794 (March 25, 1998); 63 F.R. 15471 (March 31, 1998). Comment period expired May 8, 1998.

98-14

Amend Rules 2820 and 2830 to: 1) provide maximum aggregate sales charge limits for fund of funds arrangements; 2) permit mutual funds to charge installment loads; 3) prohibit loads on reinvested dividends; 4) impose redemption order requirements for shares subject to contingent deferred sales loads; and 5) eliminate duplicative prospectus disclosure. Amendment No. 1 filed with the SEC on March 12, 1998. Amendment No. 2 filed with the SEC on June 10, 1998. Published for comment by the SEC in Release No. 34-40310 (August 7,

1998); 63 F.R. 43974 (August 17, 1998). Comment period expired September 8, 1998.

98-08

Amend trade reporting Rules 4623, 4632, 4652, 6420, and 6620. The proposals would: 1) implement a new trade report modifier to identify trades effected at a prior reference price; 2) eliminate the 10,000-share limitation on individual trades that may be "bunched" for trade reporting purposes; 3) require ECNs to be responsible for reporting all trades executed within the ECN; and 4) address risk-less principal trades involving exchange-listed securities traded in the third market. Published for comment by the SEC in Release No. 34-40047 (June 2, 1998); 63 F.R. 30791 (June 5, 1998). Comment period expired June 26, 1998.

97-89

Adopt a new interpretation to Rule 2210 to permit the use by members and associated persons of bond mutual fund volatility ratings in supplemental sales literature on an interim 18-month pilot basis. Published for comment by the SEC in Release No. 34-40627 (November 2, 1998); 63 F.R. 60431 (November 9, 1998). The comment period expired November 30, 1998.

97-61

Adopt new IM-2240-2: Application of the NASD Mark-Up Policy to Transactions in Government and Other Debt Securities. Published for comment by the SEC in Release No. 34-40511 (September 30, 1998); 63 F.R. 54169 (October 8, 1998). Comment period expired December 7, 1998.

97-58

Amend Rule 3350 to implement Short Sale Rule on a permanent basis. Published for comment by the SEC in Release No. 34-38979 (August 26, 1997); 62 F.R. 46537 (September 3, 1997). Comment period expired September 24, 1997.

97-47

Adopt new Rule 10336 to the Code of Arbitration Procedure to cap punitive damages at the lesser of twice compensatory damages or \$750,000. Amendment No. 1 filed with the SEC on October 17, 1997. Amendment No. 2 filed with the SEC on November 14, 1997. Published for comment by the SEC in Release No. 34-39371 (November 26, 1997); 62 F.R. 64428 (December 5, 1997). Comment period expired December 29, 1997.

97-44

Amend Rule 10304 of the Code of Arbitration Procedure (Eligibility Rule) to retain current six-year eligibility rule, provide that all claims shall be eligible for arbitration unless challenged, eliminate involuntary bifurcation of claims, and eliminate election of remedies. Amendment No. 1 filed with the SEC on July 14, 1997. Amendment No. 2 filed with the SEC on July 18, 1997. Amendment No. 3 filed with the SEC on December 3, 1997. Amendment No. 4 filed with the SEC on December 18, 1997. Published for comment by the SEC in Release No. 34-39487 (December 23, 1997); 63 F.R. 588 (January 6, 1998). Comment period expired January 27, 1998.

97-12

Amend Rule 2340 relating to the disclosure of values for direct participation program and real estate investment trust securities on customer account statements. Published for comment by the SEC in Release No. 34-38451 (March 27, 1997); 62 F.R. 15945 (April 3, 1997). Comment period expired April 24, 1997. Amendment No. 1 filed with the SEC on June 26, 1997. Submission dated June 26, 1997, responds to comments. Amendment No. 2 filed with the SEC on July 7, 1997.

96-47

Amend Rule 10304, Code of Arbitration Procedure, to establish

interim policy of referring eligibility determinations to the arbitrators and to eliminate eligibility determinations by the staff pending adoption of final eligibility rule. Published for comment by the SEC in Release No. 34-38060 (December 18, 1996); 61 F.R. 68081 (December 26, 1996). Comment period expired January 16, 1997.

96-43

Amend Rules 4613, 4623, 4710, 4730, 6330, and IM-4613 to modify SOES and SelectNet to implement the SEC's Order Handling Rules. Published for comment by the SEC in Release No. 34-38008 (December 2, 1996); 61 F.R. 64549 (December 5, 1996). Comment period expired December 26, 1996. Amendment No. 1 filed with SEC on January 9, 1997. Partial approval granted by the SEC in Release No. 34-38156 (January 10, 1997); 62 F.R. 2415 (January 16, 1997).

Rule Filings Approved By The SEC

99-30

Amend Rule 4510 Entry Fee and Annual Fee for Foreign Issuers Quoted on the Nasdaq National Market. Notice of filing and immediate effectiveness published by the SEC in Release No. 34-41547 (June 22, 1999); 64 F.R. 34836 (June 29, 1999). Comment period expires July 20, 1999.

99-28

Amend Rule 1140 to make it consistent with the newly developed Web CRDSM and to implement the Rule on the planned date of deployment of Web CRD, which is August 16, 1999. Approved by the SEC in Release No. 34-41575 (June 29, 1999); 64 F.R. 36728 (July 7, 1999).

99-27

Amend Rule 10335 to extend the effectiveness of the Pilot Injunctive relief rule until January 3, 2000. Notice of filing and immediate

effectiveness published by the SEC in Release No. 34-41532 (June 16, 1999); 64 F.R. 33335 (June 22, 1999). Comment period expired July 13, 1999.

99-25

Amend Rule 7010 to establish a one-year pilot program, commencing with the April 1, 1999 billing period, to reduce by 50 percent the fees for Nasdaq Level 1 market to non-professional users on either a per query or monthly basis. Notice of filing and immediate effectiveness published by the SEC in Release No. 34-41499 (June 9, 1999); 64 F.R. 32910 (June 18, 1999). Comment period expired on July 9, 1999.

99-22

Amend Rule 7010 to rescind the Limited Usage Fee (paragraph (f)). Published for comment by the SEC in Release No. 34-41432 (May 20, 1999); 64 F.R. 29075 (May 28, 1999). Comment period expired June 18, 1999. Approved by the SEC in Release No. 34-41571 (June 28, 1999); 64 F.R. 36415 (July 6, 1999).

99-19

Amend IM-10100 of the Code of Arbitration Procedure to facilitate use of dispute resolution programs offered by providers other than self-regulatory organizations. Notice of filing and immediate effectiveness published by the SEC in Release No. 34-41339 (April 28, 1999); 64 F.R. 23887 (May 4, 1999). Comment period expired on May 26, 1999.

99-18

Amend Section 5.2 of the Nasdaq By-Laws to increase the maximum size of the Nasdaq Listing and Hearing Review Council from 11 to 18 members. Amendment No. 1 filed with the SEC on April 7, 1999. Notice of filing and immediate effectiveness published by the SEC in Release No. 34-41287 (April 14, 1999); 64 F.R. 19573 (April 21, 1999). Comment period expired May 12, 1999.

99-17

Amend Rule 7010(l) to extend, through March 31, 2000, the fees currently charged for the execution of transactions in SelectNet. Notice of filing and immediate effectiveness published by the SEC in Release No. 34-41314 (April 20, 1999); 64 F.R. 22664 (April 27, 1999). Comment period expired May 18, 1999.

99-14

Adopt IM-4300 to advise issuers of the Nasdaq rules to consider when issuing securities that convert into common stock based a conversion rate (Future Priced Securities). Notice of filing and immediate effectiveness published by the SEC in Release No. 34-41337 (April 27, 1999); 64 F.R. 23889 (May 4, 1999). Comment period expired May 26, 1999.

99-13

Amend Rule 7010 to establish a pilot program to provide a transaction credit to NASD members that exceed certain levels of trading activity in exchange-listed securities. Notice of filing and immediate effectiveness published by the SEC in Release No. 34-41174 (March 17, 1999); 64 F.R. 14034 (March 23, 1999). Comment period expired April 13, 1999.

98-96

Amend Form U-4, the Uniform Application for Securities Industry Registration or Transfer, and Form U-5, the Uniform Termination Notice for Securities Industry Termination. Comments solicited in *Notice to Members (NtM) 98-101*. Amendment No. 1 filed with the SEC on March 30, 1999. Amendment No. 2 filed with the SEC on April 7, 1999. Amendment No. 3 filed with the SEC on April 15, 1999. Published for comment by the SEC in Release No. 34-41326 (April 22, 1999); 64 F.R. 23366 (April 30, 1999). Comment period expired May 17, 1999. Amendment No. 4 filed with the SEC on April 28, 1999. Published by the SEC in Release No. 34-41371 (May

5, 1999); 64 F.R. 25945 (May 13, 1999). Comment period expired May 28, 1999. Amendment No. 5 filed with the SEC on June 8, 1999. Amendment No. 6 filed with the SEC on June 18, 1999. Approved by the SEC in Release No. 34-41560 (June 25, 1999); as of press time, this approval has not been published in the *Federal Register*.

98-88

Amend NASD Rule Series 4800: Code of Procedures for review of Nasdaq Listing Determinations. Published for comment by the SEC in Release No. 34-40874 (December 31, 1998); 64 F.R. 1258 (January 8, 1999). Comment period expired January 29, 1999. Approved by the SEC in Release No. 34-41367 (May 4, 1999); 64 F.R. 25942 (May 13, 1999).

98-59

Amend the trade reporting Rules 4632, 4642, 4652, 6620 with respect to "risk-less" principal transactions by Market Makers. Published for comment by the SEC in Release No. 34-40382 (August 28, 1998); 63 F.R. 47337 (September 4, 1998). Comment period expired September 25, 1998. Approved by the SEC in Release No. 34-41208 (March 24, 1999); 64 F.R. 15386 (March 31, 1999).

98-20

Amend Rule 11860 to permit members to use the facilities of a Qualified Electronic Vendor for electronic confirmation and affirmation of depository eligible transactions. Published for comment by the SEC in Release No. 34-39831 (April 6, 1998); 63 F.R. 18057 (April 13, 1998). Comment period expired May 4, 1998. Comment period extended by the SEC in Release No. 34-39944 (May 1, 1998); 63 F.R. 25531 (May 8, 1998). Comment period expired June 3, 1998. Approved by the SEC in Release No. 34-41390 (May 12, 1999); 64 F.R. 27016 (May 18, 1999).

Endnote

¹For purposes of this service, Nasdaq will rely on the definition of “Qualified Institutional Buyer” found in Rule 144A of the Securities Act of 1933.

© 1999, National Association of Securities Dealers, Inc. (NASD). All rights reserved.

Disciplinary Actions

Disciplinary Actions Reported For July

NASD Regulation, Inc. (NASD Regulation®) has taken disciplinary actions against the following firms and individuals for violations of National Association of Securities Dealers, Inc. (NASD®) rules; federal securities laws, rules, and regulations; and the rules of the Municipal Securities Rulemaking Board (MSRB). Unless otherwise indicated, suspensions will begin with the opening of business on Monday, July 19, 1999. The information relating to matters contained in this *Notice* is current as of the end of June 22, 1999.

Firm And Individuals Suspended

Talley King & Co., Inc. (CRD #31043, Irvine, California), Paul Douglas King (CRD #1794109, Registered Principal, Irvine, California), and Richard William Talley, (CRD #442208, Registered Principal, Santa Barbara, California) submitted an Offer of Settlement pursuant to which they were censured and fined \$90,000, jointly and severally, and suspended from participating in direct participation program offers and/or sales for 30 days. In addition, the firm was required to offer rescission to certain investors and provide proof of the rescission offers to the NASD, and to retain an independent consultant to review the firm's procedures and policies, recommend appropriate corrective measures, and submit a final report setting forth all procedures adopted and implemented to ensure compliance with the NASD's rules. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting under the direction and control of King, effected securities transactions and induced the purchase and sale of securities when the firm failed to maintain sufficient net capital. Also the firm, acting under the direction and control of King and Talley, offered and sold investments in a

contingent offering of limited partnership interests, failed to deposit and retain customer funds in separate escrow accounts until the minimum number of units had been sold, and offered and sold securities to public customers for which a registration statement was not filed and in effect with the Securities and Exchange Commission (SEC) and for which no exemptions were applicable. The findings also stated that the firm, acting under the direction and control of King, failed to maintain and preserve required records and failed to establish written supervisory procedures reasonably designed to carry out the firm's business, specifically its direct participation programs. **(NASD Case #C02980071)**

Firm And Individual Fined

Pryor, McClendon, Counts & Co., Inc. (CRD #11002, Philadelphia, Pennsylvania) and Malcolm Dermott Pryor, Sr. (CRD #368534, Registered Principal, Villanova, Pennsylvania) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which they were censured and fined \$15,000, 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 Pryor, failed to evaluate and prioritize its training needs and failed to develop a written training plan as required by the NASD's Continuing Education Requirements, failed to administer Firm Element Continuing Education to all employees subject to such training, and failed to maintain adequate records documenting the content of programs administered pursuant to the Firm Element Continuing Education Requirements. The findings also stated that, in connection with its participation as an underwriter in offerings of securities that traded at an immediate premium in the secondary market, the firm effected sales to

investment partnership or corporation accounts without complying with one of the two alternatives under NASD IM-2110-1(f)(1), and the firm and Pryor failed to ensure that the firm had obtained the information for the accounts required by one of the two alternatives before the trades were executed. Furthermore, the firm sold securities issued in a public offering that traded at an immediate premium in the secondary market to an account prohibited from purchasing any "hot issue", and the firm, acting through Pryor, failed to establish and maintain adequate written supervisory procedures pertaining to the Firm Element provisions of the NASD's Continuing Education Requirement and the NASD Board of Governors' Free-Riding and Withholding Interpretation. **(NASD Case #C9A990015)**

Firms Fined

American Fronteer Financial Corporation (CRD #1398, Denver, Colorado) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which the firm was censured and fined \$10,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it reported transactions to the Fixed Income Pricing SystemSM (FIPS[®]) in violation of applicable securities laws and regulations regarding trade reporting and failed to establish, maintain, and enforce written supervisory procedures reasonably designed to achieve compliance with applicable securities laws and regulations regarding FIPS. **(NASD Case #CMS990047)**

Black & Company, Inc. (CRD #95, Portland, Oregon) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which the firm was censured and fined \$32,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that the firm, while acting in the capacity of lead manager in an

initial public offering (IPO), and acting through various registered representatives, obtained checks from public customers on deposit for the purchase of shares of common stock in the IPO prior to the effective date of registration of the stock. The findings also stated that the firm reflected the time of execution on order tickets as a time later than the time the transactions were reported to Nasdaq[®], and executed transactions for its own inventory account at the same price or at a price better than pending customer limit orders. In addition, the NASD determined that the firm failed to reflect immediately customer limit orders in its market-making quotations. **(NASD Case #C3B990015)**

Comprehensive Capital Corp., (CRD #6215, Boca Raton, Florida) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which the firm was censured, fined \$33,500, required to submit revised written supervisory procedures to the NASD, and ordered to pay restitution to public customers in the amount of \$1,052.24, plus interest. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it reported transactions to the Automated Confirmation Transaction ServiceSM (ACTSM) in violation of applicable securities laws and regulations regarding trade reporting and recordkeeping. The findings also stated that the firm failed to use reasonable diligence to ascertain the best inter-dealer market so that the resultant price to the customer was as favorable as possible under prevailing market conditions. The NASD also determined that the firm failed to establish, maintain, and enforce adequate written supervisory procedures regarding ACT compliance, annual review/internal audits, best execution, limit order protection, SEC order execution rules, registration of traders and supervisors, trade reporting, the Small Order Execution SystemSM

(SOESSM), anti-competitive issues, books and records, and locked and crossed markets. **(NASD Case #CMS990048)**

GFI Group, Inc. (CRD #19982, New York, New York) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which the firm was censured and fined \$15,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it reported transactions to ACT in violation of applicable securities laws and regulations regarding trade reporting and recordkeeping. **(NASD Case #CMS990046)**

Legg Mason Wood Walker, Inc. (CRD #6555, Baltimore, Maryland) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which it was censured and fined \$16,500. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it reported transactions to ACT in violation of applicable securities laws and regulations regarding trade reporting and recordkeeping. The findings also stated that the firm failed, where it acted as principal for its own account, to provide written notification disclosing to its customers the correct reported trade price, the price to the customer, and the difference, if any, between the reported trade price and the price to the customer, and also failed to provide written notification disclosing its capacity in transactions. In addition, the NASD determined that the firm failed to contemporaneously execute customer limit orders after it traded each subject security for its own market-making account at prices that would satisfy each customer limit order, and failed to immediately publish in its public quotation customer limit orders, each of which were at a price that would improve its public quote in each security. Furthermore, the NASD found that the firm failed to use reasonable diligence to ascertain the

best inter-dealer market for each subject security, and buy and sell in such market so that the resultant price to its customers was as favorable as possible under the prevailing market conditions. The firm also failed to establish, maintain, and enforce adequate written supervisory procedures reasonably designed to achieve compliance with applicable rules regarding trade reporting, recordkeeping, the SEC's Order Handling Rules, Limit Order Protection Interpretation, best execution, the use of SOES, and anti-competitive practices. **(NASD Case #CMS990040)**

Olde Discount Corporation (CRD #5979, Detroit, Michigan) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which the firm was censured, fined \$38,500, and ordered to pay restitution to public customers in the total amount of \$580.63, plus interest. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it failed to contemporaneously execute protected customer limit orders after it transacted in each security for its own market-making account at a price that was equal to or better than each such customer limit order, and, in the execution of customer orders, failed to use reasonable diligence to ascertain the best inter-dealer market for the securities so that the resultant price to its customers was as favorable as possible under prevailing market conditions. The findings also stated that the firm failed to display customer limit orders in its public quote immediately, where each such order was at a price better than the firm's public quote or at a price equal to its public quote when such quote was priced equal to the national best bid or offer in such security and that order represented more than a de minimis change in relation to the size associated with the firm's bid or offer. In addition, the NASD determined that the firm failed to establish, maintain, and enforce written

supervisory procedures reasonably designed to achieve compliance with applicable securities laws, regulations, and the NASD rules concerning trade reporting, limit orders, ACT reporting requirements, the conducting of an annual review and internal audits, best execution requirements, limit order protection, the SEC's Order Handling Rules, the registration of associated persons with the NASD, trade reporting, the use of SOES, recordkeeping, locked and crossed markets, and the issues identified in the SEC's 21(a) Report concerning the NASD. **(NASD Case #CMS990050)**

Triad Securities Corporation (CRD #11363, New York, New York) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which the firm was fined \$12,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it reported transactions to ACT in violation of applicable securities laws and regulations regarding trade reporting. The findings also stated that the firm failed to establish, maintain, and enforce adequate written supervisory procedures to ensure compliance with the NASD rules regarding trade reporting. **(NASD Case #CMS990045)**

Individuals Barred Or Suspended

Donna Marie Andres (CRD #1892251, Registered Representative, St. Louis, Missouri) submitted an Offer of Settlement pursuant to which she was censured, fined \$17,500, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Andres received checks totaling \$1,500 payable to her member firm, and without the knowledge or consent of her firm, endorsed the checks, deposited them into a bank account she controlled, and

converted the funds to her own use and benefit. **(NASD Case #C04990017)**

William Henry Ball (CRD #1924039, Registered Representative, Lisbon, New York) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$30,000, and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Ball consented to the described sanctions and to the entry of findings that he collected a total of \$3,190.76 in cash from insurance policyholders for the payment of premiums, provided the policyholders with receipts, but failed to apply the money to pay the premiums on variable and other insurance products. The NASD found that, instead, Ball misappropriated the funds and improperly converted the funds for his own use and benefit. **(NASD Case #C11990019)**

Anthony Joseph Barbera, Jr. (CRD #2404631, Registered Representative, Ocean Township, New Jersey) submitted an Offer of Settlement pursuant to which he was censured, fined \$10,000, and suspended from association with any NASD member in any capacity for five days. Without admitting or denying the allegations, Barbera consented to the described sanctions and to the entry of findings that he effected transactions in the accounts of public customers without the customers' prior authorization, and misrepresented to a customer that he would not pay sales charges on transactions in his account. The findings also stated that Barbera made misstatements to the NASD in connection with an investigation. **(NASD Case #C3A970019)**

Milton Royal Barnes III (CRD #1427439, Registered Principal, Phoenix, Arizona) submitted an Offer of Settlement pursuant to which he was censured, suspended from

association with any NASD member in any capacity for nine months, and required to pay restitution in the amount of \$115,000 to public customers. Without admitting or denying the allegations, Barnes consented to the sanctions and to the entry of findings that he effected transactions in the account of a public customer that were excessive in size and frequency, made recommendations to public customers that were unsuitable for them in view of their financial situation and needs, and offered to settle with the customers financially without advising his member firm of that offer. **(NASD Case #C3A960030)**

Tyrone Antoine Bennett (CRD #2783238, Associated Person, Downingtown, Pennsylvania) was censured, fined \$25,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Bennett failed to respond to NASD requests for information. **(NASD Case #C9A980045)**

Emanuele Robert Cardaci (CRD #2592992, Registered Principal, Farmingville, New York) submitted an Offer of Settlement pursuant to which he was censured, fined \$25,000, and suspended from association with any NASD member in any capacity for one year. Without admitting or denying the allegations, Cardaci consented to the described sanctions and to the entry of findings that he made material misrepresentations and omitted to disclose material information to public customers in connection with his solicitation of customers to purchase securities. The findings also stated that Cardaci, in connection with his solicitation of customers to purchase securities, predicted the future prices of securities without having a reasonable basis, effected transactions in public customer accounts without the customer's prior authorization, and failed to execute a

public customer's sell order. Furthermore, the NASD found that Cardaci engaged in a series of securities transactions that were not economically beneficial to the customer but were economically beneficial to Cardaci. **(NASD Case #C3A990013)**

Darren Joseph Dietrich (CRD #1814017, Registered Representative, Plant City, Florida) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$2,500, and suspended from association with any NASD member in any capacity for 10 business days. Without admitting or denying the allegations, Dietrich consented to the described sanctions and to the entry of findings that he exercised discretion in a public customer's account without obtaining prior written authorization from the customer to exercise said discretion, or having the account accepted in writing as a discretionary account by his member firm. **(NASD Case #C07990034)**

Victor Joseph Difrisco (CRD #1922218, Registered Representative, Gaithersburg, Maryland) submitted an Offer of Settlement pursuant to which he was censured and suspended from association with any NASD member in any capacity for 90 days. Without admitting or denying the allegations, Difrisco consented to the sanctions and to the entry of findings that he made baseless and improper price predictions as to speculative securities to public customers and required that customers purchase aftermarket shares as a condition of purchasing IPO units. **(NASD Case #CAF980031)**

Douglas Arthur Dill (CRD #2097574, Registered Representative, Lakewood, Ohio) was censured, fined \$25,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings

that Dill failed to respond to NASD requests for information. **(NASD Case #C8B980023)**

Anthony John DiMaria (CRD #2288257, Registered Representative, Bronx, New York) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, DiMaria consented to the described sanctions and to the entry of findings that he had an impostor take and complete the Series 62 exam on his behalf. **(NASD Case #C10990067)**

John Arthur Eastin (CRD #2682834, Registered Representative, Joplin, Missouri) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$20,000, and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Eastin consented to the described sanctions and to the entry of findings that he received a \$2,000 cashier's check from a public customer to purchase securities, failed to invest the monies as instructed, and without the knowledge or consent of the customer, converted the funds to his own use and benefit. The findings also stated that Eastin received an \$8,000 check from the customer, misused the funds in that he failed to make the investment as directed and retained the uncashed check until a later date, without the knowledge or consent of the customer. **(NASD Case #C04990022)**

Matthew Barry Eliscu (CRD #2739848, Registered Representative, Chicago, Illinois) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$5,000, and suspended from association with any NASD member in any capacity for 10 business days. Without admitting or denying the

allegations, Eliscu consented to the sanctions and to the entry of findings that he purchased call option contracts in his personal cash account at his member firm at a total cost of \$1,824.50, failed to have sufficient funds to pay for the transactions at the time they were effected, and failed to make full payment for the transactions until a later date. **(NASD Case #C8A990042)**

Todd Alan Endicott (CRD #2561038, Registered Representative, Golden, Colorado) was censured, fined \$25,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Endicott paid approximately \$20,000 to an employee of two affiliated insurance companies as a reward for the referral of her employers' securities business to him. **(NASD Case #C3A980060)**

Joseph John Esposito, Jr. (CRD #2811005, Registered Principal, Howard Beach, New York) submitted an Offer of Settlement pursuant to which he was censured, fined \$25,000, suspended from association with any NASD member in any capacity for two years, and, in the event he becomes registered with a member firm after his suspension, he shall not be permitted to continue such association unless that firm has adopted and implemented compliance programs and procedures with respect to Esposito which include monitoring his phone conversations and correspondence and reviewing his order tickets and account documentation for 12 months. Without admitting or denying the allegations, Esposito consented to the described sanctions and to the entry of findings that he failed to respond to NASD requests for information and documentation. **(NASD Case #C10990019)**

Garvey William Fox, Jr. (CRD #2166036, Registered

Representative, New York, New York), Matthew John Kehoe (CRD #2509976, Registered Representative, New York, New York), Glen O'Hare (CRD #2202811, Registered Representative, Staten Island, New York), and Matthew Jed Hirsch (CRD #2166037, Registered Representative, New York, New York) submitted Offers of Settlement pursuant to which Fox was censured, fined \$76,000, and barred from association with any NASD member in any capacity. Kehoe and O'Hare were each censured, fined \$5,000, and suspended from association with any NASD member in any capacity for 10 business days, and Hirsch was censured, fined \$10,000, and 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 Fox, Kehoe, O'Hare, and Hirsch purchased securities for the accounts of public customers without the knowledge or consent of the customers and in the absence of written or oral authorization to exercise discretion in said accounts. The findings also stated that Fox failed to follow customers' instructions to sell securities. **(NASD Case #C8A970017)**

Philip Sidney Gassman (CRD #1569242, Registered Representative, Miami, Florida) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$5,000, and suspended from association with any NASD member in any capacity for 10 business days. Without admitting or denying the allegations, Gassman consented to the described sanctions and to the entry of findings that he exercised discretionary power in a public customer's account without obtaining prior written authorization from the customer, and without having the account accepted as a discretionary account by his member firm. **(NASD Case #C07990028)**

Noah Peter Grassi (CRD #2928628, Registered Representative, Ardmore, Pennsylvania) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$25,000, and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Grassi consented to the described sanctions and to the entry of findings that he failed to respond to NASD requests for information concerning matters relating to the termination of his employment by a member firm. **(NASD Case #C9A990020)**

Andrew Todd Greene (CRD #1943281, Registered Principal, New York, New York) submitted an Offer of Settlement pursuant to which he was censured, suspended from association with any NASD member in a supervisory capacity for 50 days, and required to requalify by passing the Series 24 exam prior to serving in a supervisory capacity with a member firm. Without admitting or denying the allegations, Greene consented to the described sanctions and to the entry of findings that he failed to exercise his supervisory obligations adequately by failing to require that persons under his control prepare scripts that presented a fair and balanced picture of risk factors or negative information relating to investments in securities. **(NASD Case #CAF990003)**

Ronald Ira Gross (CRD #860452, Registered Principal, Paradise Valley, Arizona) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$15,000, suspended from association with any NASD member in any capacity for 45 days, and required to requalify as a Series 6 investment company and variable contracts products representative. Without admitting or denying the allegations, Gross consented to the sanctions and to the entry of findings that he engaged in private securities transactions and business activities outside the scope of his relationship with his member firm without giving

his firm prior written notice. **(NASD Case #C3A990032)**

Eliezer Gurfel (CRD #1409216, Registered Representative, Washington, DC) was censured and barred from association with any NASD member in any capacity. The SEC affirmed the findings of the National Adjudicatory Council (NAC) that Gurfel forged, or caused to be forged, the signature of the firm's president on commission checks totaling \$9,625.64, and converted the proceeds to his own use.

Gurfel has appealed this action to the U.S. Court of Appeals for the D.C. Circuit and the sanctions, other than the bar, are not in effect pending consideration of the appeal. **(NASD Case #C9B950010)**

Alfred Robert Heiman (CRD #1962530, Registered Representative, Oklahoma City, Oklahoma) submitted an Offer of Settlement pursuant to which he was censured, fined \$7,500, suspended from association with any NASD member in any capacity for three months, and ordered to pay disgorgement of \$31,606. Without admitting or denying the allegations, Heiman consented to the described sanctions and to the entry of findings that he was the recipient of stock in IPOs through accounts in which he had a beneficial interest and these securities later traded at a premium in the secondary market (hot issues). The findings also stated that Heiman opened securities accounts with other member firms, and prior to opening such accounts or placing initial orders, failed to notify his member firm in writing that he had established and maintained such accounts, and failed to inform the executing firms in writing of his association with a member firm. Heiman also failed to notify his member firm that he had established securities accounts with an investment adviser prior to the execution of the initial transactions in these accounts. **(NASD Case #C05990006)**

Roy Wayne Helgeson (CRD #2662543, Registered Representative, St. Helens, Oregon) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$8,000, and suspended from association with any NASD member in any capacity for 20 days. Without admitting or denying the allegations, Helgeson consented to the described sanctions and to the entry of findings that he signed and submitted a Form U-4 that contained a false answer in that he did not disclose a bankruptcy petition, and failed to file amendments to his Form U-4 to disclose an investigation by the state of Oregon, a civil action that alleged violations of federal and state securities laws, and the bankruptcy petition. **(NASD Case #C3B990016)**

Wayne Ralph Horne (CRD #1740513, Registered Principal, Boca Raton, Florida) submitted an Offer of Settlement pursuant to which he was censured, fined \$5,000, and suspended from association with any NASD member in any supervisory capacity for 15 days. Without admitting or denying the allegations, Horne consented to the described sanctions and to the entry of findings that he failed to supervise an individual adequately so as to be able to detect the unsuitable recommendations the individual made with respect to public customers. **(NASD Case #C07980045)**

Stuart Gordon Horowitz (CRD #2942375, Registered Representative, Boca Raton, Florida) submitted an Offer of Settlement pursuant to which he was censured and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Horowitz consented to the described sanctions and to the entry of findings that he failed to amend a Form U-4 to disclose that he was the subject of an investigation by the Florida bar and his license to practice law had

been suspended. Horowitz also failed to respond to NASD requests for information. **(NASD Case #C07980027)**

Frank James Hutton (CRD #2357906, Registered Representative, Brandon, Mississippi) was censured, fined \$757,500, barred from association with any NASD member in any capacity, and ordered to pay restitution in the amount of \$101,525.11. The sanctions were based on findings that Hutton sold stock out of the joint account of public customers, without the authorization of the customers, and forged their signatures on a check for almost the entire proceeds of the sale in the amount of \$29,971.70. The findings also stated that in order to conceal his conversion of these funds, Hutton caused the customers' address to be changed in his member firm's records so that they would not receive their account statement, prepared a fictitious account statement that failed to disclose the sale of the securities from their account, and mailed it to the customers. Furthermore, Hutton effected withdrawals totaling \$96,552.40 from the joint account of other public customers, converted the funds to his own use and benefit by forging the customers' signatures on checks, and maintaining possession of the funds, without the customers' knowledge or consent. Hutton also put through a false change of address for the customers in his firm's records and told the customers they would be receiving account statements only every six weeks. In addition, Hutton failed to respond to NASD requests for information. **(NASD Case #C05980017)**

Christopher John Kelley (CRD #2267149, Associated Person, Denver, Colorado) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$5,000, and barred from association with any NASD

member in any capacity. Without admitting or denying the allegations, Kelley consented to the described sanctions and to the entry of findings that he completed and signed a Form U-4 and failed to answer truthfully all of the questions asked of him. According to the findings, when asked if he had ever been arrested or charged with a felony, Kelley answered in the negative when, in fact, he was arrested, charged, and pleaded guilty to two felonies. **(NASD Case #C3A990028)**

Daniel Ray Kirkley (CRD #1167528, Registered Representative, Tuscaloosa, Alabama) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$155,000, and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Kirkley consented to the described sanctions and to the entry of findings that he received \$11,000 from a public customer for the purpose of investing in mutual funds, failed and neglected to execute the purchases on the customer's behalf, and instead, converted the \$11,000 to his own use and benefit, without the customer's knowledge or consent. **(NASD Case #C05990015)**

Alan Edward Koeneman (CRD #273104, Registered Representative, Tucson, Arizona) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Koeneman consented to the described sanctions and to the entry of findings that he engaged in private securities transactions without giving his member firm prior written notice of his activities. The findings also stated that Koeneman engaged in business activities outside the scope of his employment with a member firm without providing prompt written

notice of these activities to his firm. **(NASD Case #C3A990030)**

Warren Howard Lamond, Jr. (CRD #1251644, Registered Representative, Brookline, Massachusetts) was censured, fined \$25,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Lamond failed to respond to NASD requests for information in connection with a customer complaint. **(NASD Case #C11980005)**

Luanne Christine Lembo (CRD #2469080, Registered Representative, Orlando, Florida) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which she was censured, fined \$2,500, and suspended from association with any NASD member in any capacity for 60 days. Without admitting or denying the allegations, Lembo consented to the described sanctions and to the entry of findings that she signed the name of a public customer to a letter requesting the wire transfer of funds, without the customer's knowledge or consent. **(NASD Case #C9B990001)**

Pier Luccarelli (CRD #1902896, Registered Principal, Fairfax, Virginia) was censured, fined \$25,000, and suspended from association with any NASD member in any capacity for one year. The sanctions were based on findings that, on several occasions, Luccarelli falsely told a public customer that the value of securities accounts as set forth in the customer's monthly account statements was incorrect, and misled the customer as to the true current value of the accounts. **(NASD Case #C07980077)**

Gregory Paul Maggipinto (CRD #1042789, Registered Representative, San Jose, California) was censured, fined \$25,000, suspended from association with any NASD member

in any capacity for six months, and required to requalify by exam in all capacities. The NAC imposed the sanctions following appeal of a San Francisco District Business Conduct Committee (DBCC) decision. The sanctions were based on findings that Maggipinto effected securities transactions in the account of a public customer without the prior knowledge or consent of the customer.

Maggipinto has appealed this action to the SEC and the sanctions are not in effect pending consideration of the appeal. **(NASD Case #C01970025)**

Salvatore Charles Marchiano (CRD #1395812, Registered Principal, Morganville, New Jersey) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$25,000, and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Marchiano consented to the sanctions and to the entry of findings that he failed to cooperate with an NASD investigation concerning allegations that he had an impostor sit for and complete the Series 24 exam on his behalf. **(NASD Case #C10990079)**

Jeffrey Tod Marshall (CRD #2043618, Registered Representative, Atlanta, Georgia) was censured, fined \$35,750, barred from association with any NASD member in any capacity, and ordered to pay \$150 in restitution. The sanctions were based on findings that Marshall received a \$150 check with an application from an individual to become associated with his member firm. Rather than submitting the application and check to his member firm, Marshall cashed the check and converted the proceeds to his own use and benefit. Marshall also failed to respond to NASD requests for information. **(NASD Case #C07980066)**

John Anthony Miller (CRD #1985176, Registered Representative, Cape Coral, Florida) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$520,000, barred from association with any NASD member in any capacity, and ordered to pay \$99,794.42 in restitution to his member firm. Without admitting or denying the allegations, Miller consented to the described sanctions and to the entry of findings that he recommended to public customers that they invest in a fixed rate annuity through a life insurance company, made misrepresentations to the customers regarding the rate of return of the investment, and received checks totaling \$100,236.52 from the customers for the annuities. The NASD determined that Miller deposited the checks in a bank account he had created in the name of the insurance company, made several monthly interest payments to some of the customers, and converted the remainder of the customers' funds to his own use. **(NASD Case #C07990039)**

Richard Vu Nguyen (CRD #2488905, Registered Representative, Fullerton, California) was censured, fined \$75,000, barred from association with any NASD member in any capacity, and ordered to pay \$32,499 in restitution to public customers. The sanctions were based on findings that Nguyen executed transactions through a member firm while not registered with the NASD. Nguyen also failed to respond completely to NASD requests for information and failed to appear for an interview with the NASD staff. **(NASD Case #C02980028)**

Gregory John Pocock (CRD #1060326, Registered Principal, Roswell, Georgia) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$5,000, and barred

from association with any NASD member in any capacity. Without admitting or denying the allegations, Pocock consented to the sanctions and to the entry of findings that he forged his estranged wife's signature on checks totaling \$12,375, drawn from their joint brokerage account. **(NASD Case #C07990030)**

Neil Randolph Post (CRD #1423171, Registered Principal, Douglaston, New York) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$5,393, suspended from association with any NASD member in any capacity for 10 business days, and required to requalify by exam in all capacities. If Post fails to requalify, he will be suspended from acting in each such capacity until each exam is successfully completed. Without admitting or denying the allegations, Post consented to the described sanctions and to the entry of findings that he accepted trades for a public customer's account at his member firm from a third party whom he believed had the authority to enter trades for that account, failed to receive a written power of attorney conveying authority to the third person, and should not have accepted these trades and executed them. The findings also stated that Post prepared and entered into a written agreement with the public customer, without his member firm's knowledge or approval, to settle the customer's complaints regarding alleged losses which resulted from the aforementioned securities transactions. **(NASD Case #C10990078)**

Terry Don Rader (CRD #369900, Registered Principal, Dallas, Texas) was censured, fined \$25,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Rader failed to respond to NASD requests for information. **(NASD Case #C06980015)**

Rene Reyes (CRD #2063715, Registered Representative, New Orleans, Louisiana) submitted an Offer of Settlement pursuant to which he was censured, fined \$50,000, and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Reyes consented to the described sanctions and to the entry of findings that he received a check for \$5,000 from a public customer to invest in IPOs, failed to invest these funds on the customer's behalf, and instead, converted the funds to his own use and benefit, without the customer's knowledge or consent. The findings also stated that Reyes failed to notify his member firm, in writing, that he had established and maintained securities accounts with other member firms, and failed to inform those firms of his association with a member firm. Reyes also failed to respond to NASD requests for information. **(NASD Case #C05980007)**

Fernando Patricio Rodriguez (CRD #1587712, Registered Principal, Long Beach, California) submitted an Offer of Settlement pursuant to which he was censured, fined \$14,000, and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Rodriguez consented to the sanctions and to the entry of findings that a public customer brought cash payments totaling \$800 to Rodriguez for the purpose of paying Individual Retirement Account fixed annuity premiums. The NASD determined that, instead, Rodriguez converted the \$800 to his personal use. **(NASD Case #C02990032)**

Timothy Lee Rose (CRD #2314205, Registered Representative, Maryland Heights, Ohio) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$25,000, and barred from association with any NASD member in any capacity. Without admitting or denying the allegations,

Rose consented to the described sanctions and to the entry of findings that he failed to respond to NASD requests for information in writing concerning his apparent negotiation of checks received from a public customer. **(NASD Case #C9A990024)**

Kirk Francis Ruffler (CRD #2580976, Registered Representative, Perrineville, New Jersey) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$110,000, barred from association with any NASD member in any capacity, and ordered to pay \$42,988.50 in restitution to public customers. Without admitting or denying the allegations, Ruffler consented to the described sanctions and to the entry of findings that he effected securities transactions in the accounts of public customers without the knowledge, consent, or authorization of the customers. Ruffler also failed to follow customer orders to sell securities and failed to respond to NASD requests for information and/or documentation. **(NASD Case #C10990082)**

Ricardo Mario Saltalamachea (CRD #1825946, Registered Principal, Staten Island, New York) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$1,000, and suspended from association with any NASD member in any capacity for 10 business days. Without admitting or denying the allegations, Saltalamachea consented to the sanctions and the entry of findings that, in an attempt to obtain a public customer's decision concerning a miscommunicated purchase and sale order, he made misstatements about his ability to cancel and re-bill a purchase into his own account, as well as repeatedly calling the customer and his wife in an attempt to resolve the matter. **(NASD Case #C10990080)**

Robert John Savala (CRD #2261797, Registered Principal, Holmdel, New Jersey) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Savala consented to the sanctions and to the entry of findings that he solicited public customers to invest approximately \$96,686.12 with a non-member entity for the stated purpose of investing in short-term U.S. Treasury Bills and for purchasing investment company shares. Savala deposited the customers' funds in a bank account he controlled and used the proceeds for his own purposes. The findings also stated that Savala prepared false statements for the accounts of public customers reflecting investment positions when, in fact, no such investment positions existed. **(NASD Case #C10990073)**

Robert Andrew Saxe (CRD #2435726, Registered Representative, St. Petersburg, Florida) was censured, fined \$35,000, suspended from association with any NASD member in any capacity for 30 business days, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Saxe misrepresented the rating of certain municipal securities to a public customer in connection with the purchase of municipal securities and failed to respond to NASD requests for information.

Saxe's suspension commenced with the opening of business on June 21, 1999, and will conclude at the close of business on August 2, 1999. **(NASD Case #C07980048)**

David Harris Shapiro (CRD #2586431, Registered Principal, New York, New York) submitted an Offer of Settlement pursuant to which he was censured, fined \$100,000, and barred from association with any

NASD member in any capacity. Without admitting or denying the allegations, Shapiro consented to the described sanctions and to the entry of findings that a former member firm, acting through Shapiro, solicited customers for the purchase of an IPO, received payments for the purchase of interests in the IPO prior to the effective date of the offering, failed to ensure that individuals were qualified and registered in the appropriate capacity with the firm prior to permitting them to engage in the investment banking or securities business and to function as representatives, failed to comply with the terms of its restrictive agreement by participating in the solicitation of a firm commitment underwriting of an IPO offering, and operated a branch office without notifying the NASD. The findings also stated that the firm, acting through Shapiro, entered into an agreement with another member firm whereby orders or indications for the purchase of the IPO would be executed by the other firm without written discretionary authorization of the public customers. The NASD also determined that the firm, acting through Shapiro, failed to record these customer orders on its blotters or make any other records. In addition, the former firm failed to maintain the minimum required net capital, prepared inaccurate trial balances and net capital computations, and filed an inaccurate FOCUS Part IIA Report with the NASD. **(NASD Cases #C8A980097 and C8A990014)**

Frederick Douglass Smith (CRD #2167780, Registered Representative, Los Angeles, California) was censured, fined \$151,431.35, barred from association with any NASD member in any capacity, and ordered to pay \$14,286.27, plus interest, in restitution to public customers. The sanctions were based on findings that Smith received funds totaling \$14,286.27 from public customers for investment purposes, failed to invest

the customers' funds, and instead, converted the funds to his personal use and benefit. **(NASD Case #C02980070)**

Timothy A. Smith (CRD #2263079, Registered Representative, St. Cloud, Florida) was censured, fined \$40,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Smith breached his member firm's internal policies by accepting \$2,000 in cash from a public customer for an investment in a mutual fund, failed to record the transactions on the branch office trade blotter, and failed to process the transaction through his firm's headquarters. Smith also caused his member firm's books and records to be inaccurate by failing to follow the firm's internal policies and procedures regarding the receipt, recording, and processing of customer funds. **(NASD Case #C07980080)**

Edward James Stock, Jr. (CRD #2379991, Registered Representative, Nesconset, New York) submitted an Offer of Settlement pursuant to which he was censured, fined \$5,000, and suspended from association with any NASD member in any capacity for 30 days. Without admitting or denying the allegations, Stock consented to the described sanctions and to the entry of findings that he caused unauthorized transactions to be made in the account of a public customer, and required that another customer purchase aftermarket shares as a condition of purchasing IPO units.

Stock's suspension began July 1, 1999 and will conclude at the close of business on July 30, 1999. **(NASD Case #CAF980031)**

David Lewis Swartzendruber (CRD #2185516, Registered Representative, Telford, Pennsylvania) submitted a Letter of

Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$10,000, and suspended from association with any NASD member in any capacity for four months. Without admitting or denying the allegations, Swartzendruber consented to the described sanctions and to the entry of findings that while employed with a member firm, he opened a securities account in his name with another member firm, and failed to notify his employing firm in writing that he had opened the account, and failed to disclose to the executing member firm his association with another firm. The findings also stated that Swartzendruber made false and misleading statements to his member firm regarding the disposition of certain securities held in a personal brokerage account. **(NASD Case #C9A990023)**

Robert Courtney Temple II (CRD #2499499, Registered Representative, Salina, Kansas) was censured, fined \$25,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Temple failed to respond to NASD requests for information. **(NASD Case #C04980074)**

Donald Lewis Turney (CRD #2409226, Registered Representative, Babylon Village, New York) was censured, fined \$70,000, barred from association with any NASD member in any capacity, and ordered to pay \$64,849.50, plus interest, in restitution to a public customer. The sanctions were based on findings that Turney solicited members of the public to become customers and to purchase securities by making material misrepresentations and by omitting to disclose material information about the securities. Turney also projected the future price of a security to a customer without having a reasonable basis, and executed unauthorized

transactions in the accounts of public customers. Turney also failed to follow a customer's instructions to sell stock. **(NASD Case #C3A970071)**

Christiaan Pieter Van Der Put (CRD #2921664, Associated Person, Pittsburgh, Pennsylvania) was censured, fined \$25,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Van Der Put forged and falsified a document concerning the duration and nature of his employment with a member firm and his salary for the purpose of obtaining credit. **(NASD Case #C9A980035)**

Victor Ming Wang (CRD #1982694, Registered Principal, New York, New York) and **Gregg Adam Thaler (CRD #1836166, Registered Principal, New York, New York)** were each censured, fined \$25,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Wang and Thaler failed to appear for on-the-record interviews and to provide testimony. **(NASD Case #CAF980030)**

Louis Alberto Williams, Jr. (CRD #2120870, Registered Representative, Tucson, Arizona) submitted an Offer of Settlement pursuant to which he was censured, fined \$10,000, and suspended from association with any NASD member in any capacity for 10 business days. Without admitting or denying the allegations, Williams consented to the described sanctions and to the entry of findings that he executed transactions in the accounts of public customers without written authorization and acceptance of the accounts as discretionary. The findings also stated that Williams entered erroneous information on order tickets with respect to certain transactions in which he exercised discretion without written authority. **(NASD Case #C3A970028)**

Individual Fined

Drew Edgar Schaefer (CRD #1199891, Registered Principal, Manasquan, New Jersey) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured and fined \$25,000. Without admitting or denying the allegations, Schaefer consented to the sanctions and to the entry of findings that he failed to report to the NASD statistical and summary information regarding customer complaints that his member firm had received. **(NASD Case #C10990061)**

Decisions Issued

The following decisions have been issued by the DBCC or the Office of Hearing Officers and have been appealed to or called for review by the NAC as of June 11, 1999. The findings and sanctions imposed in the decision may be increased, decreased, modified, or reversed by the NAC. Initial decisions whose time for appeal has not yet expired will be reported in the next *Notices to Members*.

Cressida Capital, Inc. a/k/a Norfolk Securities Corp. (CRD #32352, New York, New York) and Jeffrey Allen Van Blarcom (CRD #1971041, Registered Principal, Mahwah, New Jersey) were censured and fined \$50,000, jointly and severally. Van Blarcom was fined an additional \$50,000, individually, and barred from association with any NASD member in any capacity. The sanctions were based on findings that the firm, acting through Van Blarcom, failed to timely report or otherwise inform the NASD of statistical and summary information regarding customer complaints. In addition, the firm, acting through Van Blarcom, failed to establish, maintain, and enforce written supervisory procedures designed to ensure compliance with the NASD customer complaint reporting requirements, and failed to

respond to NASD requests for documents. Furthermore, the firm, acting through Van Blarcom, permitted individuals to continue to perform duties as registered persons when they had failed to comply with the Regulatory and Firm Elements of the NASD's Continuing Education rules. Moreover, the firm, acting through Van Blarcom, failed to delegate responsibility for compliance with the Firm and Regulatory Elements; failed to maintain written procedures for compliance with the Firm and Regulatory Elements; failed to maintain written supervisory procedures that would mandate an annual needs analysis, a written training plan, and implementation plan; and failed to maintain books and record to demonstrate compliance with the Firm Element, including the maintenance of a written needs analysis, a written training plan, the materials used in training, and a list of dates of training sessions.

The action has been called for review by the NAC and Van Blarcom appealed this action to the NAC. The sanctions are not in effect pending consideration of the appeal. **(NASD Cases #C10960043, C10960161, and C10970019)**

Edward Michael Gabbert (CRD #2798883, Registered Representative, Wilmington, Delaware) was censured, fined \$25,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Gabbert failed to respond to NASD requests for information.

Gabbert has appealed this action to the NAC and the sanctions are not in effect pending consideration of the appeal. **(NASD Case #C9A980044)**

Edwin Leslie Lawrence, Jr. (CRD #2282684, Registered Representative, Dix Hills, New

York) was censured, fined \$75,000, barred from association with any NASD member in any capacity, and ordered to pay restitution of \$76,639.75, plus interest, to public customers. The sanctions were based on findings that Lawrence executed transactions in the accounts of public customers without the knowledge or consent of the customers, and in the absence of written or oral authorization to exercise discretion in the accounts.

Lawrence has appealed this action to the NAC and the sanctions are not in effect pending consideration of the appeal. **(NASD Case #C10980088)**

Michael Allen Usher (CRD #734581, Registered Principal, Greeley, Colorado) was censured, fined \$25,000, barred from association with any NASD member as a general securities principal, and ordered to disgorge \$3,914.70, plus interest, in commissions. The sanctions were based on findings that Usher conducted a securities business while his and his broker/dealer's registrations were suspended.

Usher has appealed this action to the NAC and the sanctions are not in effect pending consideration of the appeal. **(NASD Case #C3A980069)**

Complaints Filed

The following complaints were issued by the NASD. Issuance of a disciplinary complaint represents the initiation of a formal proceeding by the NASD in which findings as to the allegations in the complaint have not been made, and does not represent a decision as to any of the allegations contained in the complaint. Because these complaints are unadjudicated, you may wish to contact the respondents before drawing any conclusions regarding the allegations in the complaint.

Kent Anderson (CRD #2717386, Registered Representative, Waterford, Michigan) was named as a respondent in an NASD complaint alleging that he instructed a public customer to endorse a \$2,958 refund check "Payable to the Equitable," with the understanding that the check would be applied as the initial premium for a variable life insurance policy with Anderson's member firms. The complaint alleges that Anderson then cashed the refund check, and used the funds for his own benefit or for the benefit of someone other than the customer, without the customer's knowledge or authorization. The complaint also alleges that Anderson failed to respond to NASD requests for information. **(NASD Case #C8A990053)**

Neil Howard Brauner (CRD #2571484, Registered Representative, New York, New York) was named as a respondent in an NASD complaint alleging that he induced the purchase or sale of shares of stock by means of a manipulative, deceptive, or other fraudulent device or contrivance in that he made misstatements of material facts in connection with the offer and sale of shares of stock. The complaint also alleges that Brauner guaranteed a customer against loss by repeatedly assuring a public customer that he would not lose any money on his potential investment and promising to return the customer's original investment amount in the event that the securities depreciated in value or if the securities were not profitable. The complaint alleges that Brauner executed transactions in the account of a public customer without the knowledge or consent of the customer, and in the absence of the customer's written or oral authorization to Brauner to exercise discretion in the account. The complaint also alleges that Brauner failed to respond truthfully to NASD requests for information. **(NASD Case #C10990081)**

D.L. Cromwell Investments, Inc. (CRD #37730, Boca Raton, Florida), Denise Lynn Crowley-DelRossi (CRD #2308457, Registered Representative, Boca Raton, Florida), Lloyd Sylvester Martin Beirne (CRD #1982417, Registered Principal, Boca Raton, Florida) and Matthew Greenwald (CRD #229262, Registered Principal, Boca Raton, Florida) were named as respondents in an NASD complaint alleging that Crowley-DelRossi recommended and implemented a course of unsuitable trading in the accounts of public customers based upon the customers' age, disability, income needs, trading inexperience, investment objectives, financial situation, and the concentration of positions. The complaint alleges that Beirne and Greenwald failed to supervise Crowley-DelRossi adequately so as to detect the unsuitable recommendations made with respect to public customers. The complaint alleges that the firm failed to establish and maintain a supervisory system to supervise each of its registered representatives that was reasonably designed to achieve compliance with applicable securities laws, regulations, and the NASD rules. **(NASD Case #C07990037)**

Gerard Joseph D'Amaro (CRD #2385619, Registered Representative, Boca Raton, Florida) was named as a respondent in an NASD complaint alleging that he provided to a public customer correspondence in the form of letters, facsimile transmissions, and telexes written by D'Amaro, containing false and misleading representations. The complaint also alleges that D'Amaro failed and neglected to obtain prior approval of the correspondence from a principal of his member firm when he knew or should have known that prior approval of outgoing correspondence was required pursuant to the NASD rules. **(NASD Case #C05990019)**

Vincent Grieco (CRD #1568462, Registered Principal, West Islip, New York) was named as a respondent in an NASD complaint alleging that he directly and/or indirectly, singly and in concert with numerous registered representatives under his control and direction, engaged in fraudulent practices with much of the conduct occurring at Grieco's direction or with his encouragement, or, at a minimum, with his tacit approval. The complaint alleges that this fraudulent conduct included making baseless and improper price predictions, omitting or negating materially negative or cautionary information about the security being recommended, making false statements asserting knowledge of inside information, making material misrepresentations regarding specific issuers, engaging in unauthorized trading in public customer accounts without having discretionary trading authority for the relevant accounts, and refusing or failing to execute sell orders. The complaint alleges that by Grieco's own conduct, and through those registered representatives under his direction and control, induced the purchase or sale of securities by means of manipulative, deceptive and other fraudulent devices, and contrivances. **(NASD Case #CAF990008)**

Keith Taylor Hamilton (CRD #1281968, Registered Representative, Tallahassee, Florida) was named as a respondent in an NASD complaint alleging that he caused proceeds in the amount of \$14,033.97 to be withdrawn from a public customer's IRA account, without her knowledge or consent, misrepresented to the customer that these funds would be deposited in an IRA rollover account, and failed and neglected to effect the rollover of the funds into an IRA account. The complaint also alleges that Hamilton received \$31,352.27 from public customers for the purpose of establishing and contributing to individual IRA rollover

accounts, and failed and neglected to either establish the rollover IRA accounts on the customers' behalf or to deposit the funds appropriately. **(NASD Case #C05990017)**

Lakeside Trading (CRD #39418, Metairie, Louisiana) and **(Thomas Griswold Russell, CRD #2669033, Registered Principal, Metairie, Louisiana)** were named as respondents in an NASD complaint alleging that the firm, acting through Russell, its president and sole principal, improperly used public customer funds in that Russell executed transactions in the account of a customer, then directed the trading profits from the customer's account to the firm by placing excessive commissions on certain trades. The complaint alleges that Russell effected discretionary trades in the account of the customer without obtaining written discretionary authority from the affected customer, and guaranteed the customer against losses in a securities account maintained at his firm by telling the customer that only profitable transactions would be placed in his account. The complaint also alleges that Russell caused the execution of transactions in his personal account maintained at his firm's clearing firm, for which transactions he knowingly did not have the financial resources to settle, nor the ability to meet the initial margin requirements, and failed to disclose to the clearing firm his inability to pay for these transactions. The complaint also alleges that Russell effected unauthorized transactions totaling approximately \$275,225 in the account of a public customer with the intention of transferring gains in that account to his own account; the transactions resulted in eventual realized losses to the customer of approximately \$97,430. The complaint further alleges that Russell willfully misled representatives of his clearing firm by misrepresenting that he had sold over \$1.7 million in unsecured positions in the stock in his personal

account, and by so doing, prevented the clearing firm from taking action to limit losses in the account, so that he could continue to maintain the positions in anticipation that the values would increase. The complaint alleges that the firm, acting through Russell, failed to timely file its FOCUS Part IIA and Schedule I with the NASD, and failed to file audited annual financial statements for a one-year period. The complaint also alleges that the firm, acting through Russell, employed its initial advertisement in the form of an Internet Web site, without having previously filed such material with the NASD prior to use, and continuously revised such advertisements without filing prior to use as required by the NASD. The complaint further alleges that the firm, acting through Russell, employed advertising, in the form of an Internet Web site, that failed to provide a sound basis for evaluating the services provided by the firm and included exaggerated and unwarranted statements that were potentially misleading. The complaint also alleges that Russell failed to respond to NASD requests for information. **(NASD Case #C05990018)**

Mark Alan McGee (CRD #2422551, Registered Representative, Newcastle, Washington) was named as a respondent in an NASD complaint alleging that he received a check in the amount of \$5,079 from a public customer for investment purposes, and the customer did not receive either the shares of stock he intended to purchase, nor did McGee return the funds to him. The complaint also alleges that McGee received a total of \$26,000 from public customers for investment in a fund they were told by McGee was managed by a group of financial advisors in the firm's Seattle office, when in fact, there was no such product provided by the firm, and the customers' funds were not placed in a bona fide investment, nor did McGee return the funds to them. The

complaint also alleges that McGee failed to respond to NASD requests for information. **(NASD Case #C3B990017)**

Erwin Allen Porges (CRD #1222183, Registered Representative, Boca Raton, Florida) was named as a respondent in an NASD complaint alleging that he caused securities to be purchased in a joint account maintained by public customers, even though such purchase of securities had not been authorized by the affected customers. The complaint also alleges that Porges failed to respond to NASD requests to provide testimony. **(NASD Case #C8A990056)**

John Richard Russell (CRD #1320693, Registered Representative, Albuquerque, New Mexico) was named as a respondent in an NASD complaint alleging that he received \$2,435.54 of a public customer's mutual fund proceeds, failed to promptly invest the proceeds in any investment or place the proceeds in an account in the name of the customer, maintained possession and control of the funds, and when confronted by the customer, issued the customer a personal check in the amount of \$2,400. The complaint also alleges that Russell failed to respond completely to NASD requests for information and documentation. **(NASD Case #C3A990039)**

Gregory John Shultis (CRD #1934789, Registered Representative, Rochester, New York) was named as a respondent in an NASD complaint alleging that he received a \$400 check made payable to Shultis from a public customer for a financial planning fee, cashed the check, and deposited the proceeds in his checking account when his member firm's policy required all client checks to be made out to the company and expressly prohibited the deposit of client funds in a representative's personal

account. The complaint alleges that had Shultis properly handled the customer's funds, he would have been entitled, at most, to compensation equaling 33 percent of the fee, or \$132, and by retaining the full \$400 for his own use and benefit. Shultis converted \$268 in funds properly belonging to his member firm and to which he was not entitled. (NASD Case #C8B990016)

Firms Expelled For Failing To Pay Fines, Costs, And/Or Provide Proof Of Restitution In Connection With Violations

The Glaser Capital Corp.,
Cincinnati, Ohio (June 17, 1999)

Kronos Investments Limited,
Oklahoma City, Oklahoma (May 14, 1999)

Pellett Investments, Inc., Missoula,
Montana (May 14, 1999)

Firms Suspended/Canceled

The following firms were suspended/canceled 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 suspensions/cancellations 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.

Bob Moore Investment Securities, Inc., West Palm Beach, Florida (May 14, 1999 - May 24, 1999)

CDH Capital Corporation, Irving,
Texas (June 4, 1999)

Income Network Company, Irvine,
California (May 14, 1999)

Lakeside Trading, Metairie,
Louisiana (May 14, 1999)

Qwon Investment Consultants, Inc., Denver, Colorado (June 4, 1999)

W.J. Askins & Company, Inc.,
Washington, DC (May 19, 1999 -
June 11, 1999)

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

Coffey, Stephen M., Cincinnati,
Ohio (June 17, 1999)

Dalton, Lance R., Los Angeles,
California (June 17, 1999)

Fang, Kai, Flushing, New York
(May 14, 1999)

Feintuch, Ira B., Englewood, New
Jersey (May 14, 1999 - May 21,
1999)

Gerhauser, Jr., William C.,
Brentwood, New York (May 14,
1999)

Gerhauser, Sr., William H., Surrey,
Great Britain (May 14, 1999)

Kelleher, Michael A., Boston,
Massachusetts (May 14, 1999)

Pellett, Ronald N., Missoula,
Montana (May 14, 1999)

Perry, Sean M., Rancho
Cucamonga, California (June 17,
1999)

Peters, James Basil, Oxnard,
California (May 14, 1999)

Pritula, James S., Orlando, Florida
(May 14, 1999)

Shvarts, Aleksandr, Brooklyn, New
York (June 17, 1999)

Van Ahn, Thomas K., Oshkosh,
Wisconsin (June 17, 1999)

Whitman, Jr., Bruce N., Stamford,
Connecticut (June 17, 1999)

Individuals Suspended Pursuant To NASD Rule Series 9510 For Failure To Pay Arbitration Awards

Shui, Amy, Long Branch, New
Jersey (June 1, 1999 - June 17,
1999)

Zimmerman, June Sayer, San
Diego, California (June 1, 1999)

NASD Regulation Censures And Fines Lehman Brothers \$100,000 For Short Sale, Confirmation Disclosure, And Free-Riding Violations

NASD Regulation announced that Lehman Brothers, Inc., of New York, NY, has been censured and fined \$100,000 after settling charges that it violated NASD rules regarding the execution and reporting of short sales, mutual fund confirmation disclosure, and free-riding and withholding requirements.

Lehman Brothers, while neither admitting nor denying the findings, was also cited for inadequate supervision over the areas in which the violations occurred during periods from February 1995 through February 1997. The violative conduct was uncovered during an examination of the firm by NASD Regulation's Seattle District Office.

NASD Regulation found that the firm executed 50 impermissible short sale transactions on 14 days and also failed to properly designate the reports of the transactions with a short sale modifier. The NASD's Short Sale Rule prohibits broker/dealers from placing short sale transactions in Nasdaq National Market stocks at the bid price or below the bid price, when it is below the preceding inside bid. The Short Sale Rule was designed to prohibit market destabilizing and

abusive short sales in declining markets.

Lehman Brothers was also sanctioned for failing to include required disclosure language on over 4,100 confirmations mailed to customers who had purchased over \$165 million of mutual funds which were subject to sales charges. NASD rules require prominent disclosure on each confirmation informing the customer that he or she may pay a sales charge on the sale of the shares.

NASD Regulation further found violations of its Free-Riding Rule. The Free-Riding Rule ensures brokerage firms make a bona fide public distribution of "hot" IPOs – those that trade at a premium in the

market immediately after trading begins. The Rule prohibits some individuals from purchasing these "hot" IPOs entirely, and prohibits others from IPO purchases without the requisite documentation. The purpose of the Rule is to protect the integrity of the public offering system by ensuring that shares are sold to the general public and that broker/dealers do not withhold the securities for their own benefit or use them to reward persons who are in a position to direct future business to the broker/dealer. The Rule also assures that members do not take unfair advantage of their "insider position" in the industry to the detriment of public investors.

NASD Regulation found that from January 1996 through October 1996,

Lehman Brothers sold over 1 million shares, worth over \$16 million, to restricted persons or to conditionally restricted accounts, without making an appropriate inquiry about the customers or documenting in writing the permissibility of the sales. The firm also filed inaccurate information with the NASD regarding the sales.

Finally, NASD Regulation found that Lehman Brothers failed to take reasonable steps to ensure that adequate supervision in each of these areas was being carried out, and that failures in these areas were noted and addressed in a timely manner.

© 1999, National Association of Securities Dealers, Inc. (NASD). All rights reserved.

Audio Tape Order Form • NASD Regulation, Inc. • Spring Securities Conference

May 19-21, 1999 • Sheraton New Orleans Hotel • New Orleans, Louisiana

1999 Dispute Resolution Program

- 599D01 **Status of and New Developments in the NASD Dispute Resolution Program**
Linda D. Fienberg
George H. Friedman
- 599D02 **Neutral List Selection System**
- 599D03 **Avoiding Common Mistakes**
- 599D04 **Sticky Issues that Arise in Arbitration**
- 599D05 **Mediation Session**
Double Tape
- 599D06 **Arbitration Session**
Double Tape

1999 Spring Securities Conference

- 599S01 **General Session Keynote Address**
State of the SRO Mary L. Schapiro
General Session Panel: Open Forum with Senior Regulatory Staff
- 599S02 **Communications With The Public**
- 599S03 **Impact Of Technology On Markets**
- 599S04 **Effective Supervision**
- 599S05 **Examination Program: Process & Priorities**
- 599S06 **Best Practices In Broker/Dealer Regulatory Technology**
- 599S07 **A Look Inside The Disciplinary Process**
- 599S08 **Fixed Income Securities**
- 599S09 **Small Broker/Dealer Compliance Issues**
- 599S10 **Dynamics of Customer Complaints**
- 599S11 **Continuing Education**
- 599S12 **Modernized CRD System And CRD/Public Disclosure Issues**
- 599S13 **Open Forum With District Directors**
- 599S14 **Year 2000 Contingency Planning**
- 599S15 **Market Regulation Issues**
- 599S16 **New And Continuing Member Application Process**
- 599S17 **Securities Law**
- 599S18 **Market Volatility And Associate Trading Issues**
- 599S19 **Independent Contractors/Financial Planners/Investment Advisers**
- 599S20 **Q&A with NASDR Senior Staff**
- 599S21 **Year 2000 Q & A Session I**
- 599S22 **OATS Q & A Session I**

Please Check Selection Numbers

Complete To Order

Single Tape Session	_____	x	\$12.00	= \$	_____
Double Tape Session (599D05 and 599D06 only)	_____	x	\$19.00	= \$	_____
Discount when 8 or more sessions purchased	\$ _____	x	5%=<\$ _____	> = \$	_____
Dispute Resolution Program	_____	x	\$77.40	= \$	_____
Spring Securities Conference	_____	x	\$224.40	= \$	_____

Session Charges

\$ _____

Sales Taxes: Orders shipped to Maryland Addresses Only

\$ _____ x 5%= \$ _____

Shipping Cost:

\$2.25 for the 1st session \$ 2.25

\$1.50 for each additional session (Max. \$21.00) # _____ x \$1.50 = \$ _____

Shipments outside of the US Postal Service an Additional \$18.50 \$ _____

Shipping Charges

\$ _____

US Dollars Only

Grand Total \$ _____

Your Name _____

Company _____

Street Address _____ MS/FI/Suite/Apt. # _____ City _____

State _____ Zip Code _____ Day Phone _____ Fax _____ E-mail _____

For Mail or Fax Charge Card Orders:

Visa MasterCard Discover American Express Check (payable to A.V.E.R. Associates)

Cardholder Name _____ Card Number _____

Card Expiration Date _____ Cardholder Signature _____

Mail or Fax completed form and payment to:
A.V.E.R. Associates, 6974 Ducketts Lane, Elkridge, MD 21075, Phone 410-796-8940, Fax 410-796-8962

Received _____ Auth # & Date _____ Shipped _____ Updated _____

For Your Information

Registration Fee Changes

Registration fees have changed recently in the following jurisdictions: Utah, the Chicago Board of Options Exchange, North Dakota, and Nebraska. These registration fees are processed through the Central Registration Depository (CRDSM) and the changes went into effect on **July 1, 1999**.

Utah

<i>Fee Description</i>	<i>New Amount</i>
• UT Individual Registration Fee	\$45.00
• UT Transfer Fee	\$45.00
• UT Individual Renewal Fee	\$45.00

Any questions concerning these fee changes should be directed to Joseph Eschler, Utah Department of Commerce, Securities Division, at (801) 530-6600.

Chicago Board of Options Exchange

<i>Fee Description</i>	<i>New Amount</i>
• CBOE Individual Registration Fee	\$35.00
• CBOE Transfer Fee	\$30.00
• CBOE Individual Renewal Fee	\$30.00

Any questions concerning these fee changes should be directed to Emily Schmitz, Chicago Board of Options Exchange, at (312) 786-7056.

North Dakota

<i>Fee Description</i>	<i>New Amount</i>
• ND Individual Registration Fee	\$60.00
• ND Transfer Fee	\$60.00
• ND Individual Renewal Fee	\$60.00

Any questions concerning these fee changes should be directed to Diane Kambeitz, North Dakota Securities Commission, at (701) 328-2910.

Nebraska

Nebraska will change participation in the CRD system by requiring CRD to collect the \$250 Nebraska Broker/Dealer registration fee.

In doing so, Nebraska joins other jurisdictions that allow the CRD to both process and deduct fees for BD registration filings. Any firm that submits a Form BD requesting Nebraska registration will automatically have the fees deducted from the firm's CRD account. Payment should no longer be sent to the state of Nebraska.

Any questions concerning this change should be directed to Holly Vierk, Nebraska Securities Bureau, at (402) 471-3445.

Announcement - Upcoming District 2 Compliance Seminars

The 1999 District 2 Compliance Seminars will be held this month in the following three locations:

- Los Angeles on July 27, 1999
- Orange County on July 28, 1999
- San Diego on July 29, 1999

Members of the NASD Regulation staff, as well as industry members,

will be available to discuss current industry issues and offer insights and best practices on regulatory and compliance matters. Featured topics include discussions on branch office supervision and compliance issues; continuing education; Order Audit Trail System (OATSSM) implementation; on-line trading; and recent regulatory trends. There will also be an online tutorial of the newly redesigned CRD system.

To register or for more details, call Kelly Mosley, NASD Regulation, at (213) 627-2122. For more information, see the NASD Regulation Web Site (www.nasdr.com).

© 1999, National Association of Securities Dealers, Inc. (NASD). All rights reserved.

Special NASD Notice to Members 99-62

Nominees For District Committees And District Nominating Committees

Suggested Routing

- Senior Management
- Advertising
- Continuing Education
- Corporate Finance
- Executive Representatives
- Government Securities
- Institutional
- Insurance
- Internal Audit
- Legal & Compliance
- Municipal
- Mutual Fund
- Operations
- Options
- Registered Representatives
- Registration
- Research
- Syndicate
- Systems
- Trading
- Training
- Variable Contracts

National Association of Securities Dealers, Inc. Notice Of Nominees

The purpose of this *Special Notice to Members* is to advise members of the nominees to fill vacancies on the District Committees and the District Nominating Committees except for those in District 10 (New York). Scheduling commitments precluded the ability of all District 10 Nominating Committee members to convene for the purpose of finalizing its slate of candidates. It is anticipated that the District 10 Nominating Committee will meet shortly for that purpose and the results will be communicated under separate cover. Therefore, in accordance with the National Association of Securities Dealers, Inc. (NASD®) By-Laws, this *Special Notice to Members* is being issued to announce the candidates from Districts 1, 2, 3, 4, 5, 6, 7, 8, 9, and 11. The individuals identified in this *Special Notice to Members* have been nominated for three-year terms on the District Committees and for one-year terms on the District Nominating Committees which begin in January 2000.

We appreciate the interest shown by many of you in participating in the District Committees. We look forward to your participation in the matters of the Districts during the coming year. Following is a general description of the procedures pertaining to this stage of the election.

- If an officer, director, or employee of an NASD member is interested in being considered as an additional candidate, he/she must indicate his/her interest to the District Director within fourteen (14) calendar days of the date of this *Special Notice to Members*. The District Director shall make a written record of the time and date of such notification.

If an additional candidate does not come forward after the 14 days, the election of the committee is complete.

If an additional candidate does come forward within the 14 calendar days, the Secretary of NASD Regulation® will provide a list of all NASD members eligible to vote in the District and their Executive Representatives to the additional candidate immediately following receipt of the additional candidate's notice by the District Director.

- Additional candidate(s) may be nominated if a petition signed by the Executive Representative of at least 10 percent of the members eligible to vote in the District is filed with the District Nominating Committee within 30 calendar days from the mailing date of the list of members eligible to vote, unless the Secretary of NASD Regulation grants additional time for good cause shown. Only an Executive Representative may sign a petition on behalf of an NASD member.
- If no additional candidate(s) are nominated within the 30-calendar day period, then the candidates nominated by the District Nominating Committee shall be considered duly elected, and the District Committee shall certify the election to the Board of Directors of NASD Regulation.

Questions concerning this *Special Notice* may be directed to:

Joan C. Conley
Corporate Secretary
National Association of Securities Dealers, Inc.
1735 K Street, N.W.
Washington, D.C. 20006-1500
(202) 728-8381

National Association of Securities Dealers, Inc.
District Committee Nominees And District Nominating Committee Nominees

The following persons have been nominated to serve on District Committees and District Nominating Committees.

District 1

Elisabeth P. Owens, District Director
John J. Sanders, Jr., District Nominating
Committee Chair
525 Market Street, Suite 300
San Francisco, CA 94105
(415) 882-1200

Northern California (the counties of Monterey, San Benito, Fresno, and Inyo, and the remainder of the state north or west of such counties), northern Nevada (the counties of Esmeralda and Nye, and the remainder of the state north or west of such counties), and Hawaii

District Committee Nominees

Sally G. Aelion
Emmett A. Larkin Company, Inc.
San Francisco, CA

David A. Baylor
Thomas Weisel Partners LLC
San Francisco, CA

Henry W. Carter
E*Trade Securities, Inc.
Menlo Park, CA

District Nominating Committee Nominees

Nicholas C. Cochran
American Investors Company
Dublin, CA

Deborah R. Gatzek
Franklin/Templeton Distributors
San Mateo, CA

John F. Luikart
Sutro & Co. Incorporated
San Francisco, CA

John E. Schmidt
Credit Suisse First Boston
San Francisco, CA

William A. Svoboda
Morgan Stanley Dean Witter
San Jose, CA

District 2

Lani M. Sen Woltmann, District Director
George H. Casey, District Nominating Committee Chair
300 South Grand Avenue, Suite 1600
Los Angeles, CA 90071
(213) 627-2122

Southern California (that part of the state south or east of the counties of Monterey, San Benito, Fresno, and Inyo), southern Nevada (that part of the state south or east of the counties of Esmeralda and Nye), and the former U.S. Trust Territories

District Committee Nominees

Kellen M. Flanigan
Dabney Flanigan, LLC
Los Angeles, CA

William H. Howard, Jr.
Hagerty, Stewart & Associates, Inc.
Irvine, CA

James R. Kruger
Dreyfus Brokerage Services, Inc.
Beverly Hills, CA

Stephen P. Maguire
Maguire Investments, Inc.
Santa Maria, CA

District Nominating Committee Nominees

Carl E. Lindros
Santa Barbara Securities, Inc.
Santa Barbara, CA

Robert L. Winston
American Funds Distributors, Inc.
Los Angeles, CA

Jerry M. Gluck
Jefferies & Company, Inc.
Los Angeles, CA

Kaye M. Woltman
Girard Securities
San Diego, CA

Joan B. Seidel
Morton Seidel & Company, Inc.
Beverly Hills, CA

District 3

Frank J. Birgfeld, District Director
Richard Royse, District Nominating Committee Chair
Republic Plaza Building
370 17th Street, Suite 2900
Denver, CO 80202-5629
(303) 446-3100

Arizona, Colorado, New Mexico, Utah, and Wyoming

James G. Dawson, District Director
Two Union Square
601 Union Street, Suite 1616
Seattle, WA 98101-2327
(206) 624-0790

Alaska, Idaho, Montana, Oregon, and Washington

District Committee Nominees

Bruce Kramer
Prudential Securities, Inc.
Seattle, WA

J. Pamela Dawson
WM Financial Services, Inc.
Seattle, WA

Steven Fishbein
American Fronteer Financial Corporation
Denver, CO

John Hinfey
United Planners' Financial Services of America,
a Limited Partner
Scottsdale, AZ

District Nominating Committee Nominees

Anthony Petrelli
Neidiger, Tucker, Bruner, Inc.
Denver, CO

J. Wendeli Garrett
J. W. Garrett & Company, Inc.
Phoenix, AZ

James Kerr
Ragen MacKenzie, Inc.
Seattle, WA

Steven Larson
Richards, Merrill & Peterson, Inc.
Spokane, WA

Douglas Strand
Strand, Atkinson, Williams & York, Inc.
Portland, OR

District 4

Jack Rosenfield, District Director
Edward J. Berkson, District Nominating Committee Chair
120 W. 12th Street, Suite 900
Kansas City, MO 64105
(816) 421-5700

*Iowa, Kansas, Minnesota, Missouri, Nebraska, North
Dakota, and South Dakota*

District Committee Nominees

E. John Moloney
Moloney Securities Company
St. Louis, MO

Rodger O. Riney
Scottsdale Securities, Inc.
St. Louis, MO

Gail Werner-Robertson
GWR Investments, Inc.
Omaha, NE

Jeffrey A. Schuh
Offerman & Company
Minneapolis, MN

District Nominating Committee Nominees

Todd W. Miller
Miller, Johnson & Kuehn, Incorporated
Minneapolis, MN

John D. Cleland
Security Distributors, Inc.
Topeka, KS

Colleen Curran
American Express Financial Advisors Inc.
Minneapolis, MN

Albert W. Lauth
First St. Louis Securities, Inc.
St. Louis, MO

Wayne H. Peterson
Washington Square Securities, Inc.
Minneapolis, MN

District 5

Warren A. Butler, Jr., District Director
 James C. Bradford, Jr., District Nominating
 Committee Chair
 1100 Poydras Street
 Energy Centre, Suite 850
 New Orleans, LA 70163-0802
 (504) 522-6527

*Alabama, Arkansas, Kentucky, Louisiana, Mississippi,
 Oklahoma, and Tennessee*

District Committee Nominees

David A. Daugherty
 James Baker & Associates
 A Limited Partnership
 Oklahoma City, OK

James M. Rogers
 J.J.B. Hilliard, W.L. Lyons, Inc.
 Louisville, KY

W. Lucas Simons
 J. C. Bradford & Co.
 Nashville, TN

District Nominating Committee Nominees

Jerry Roberts
 Sterne, Agee & Leach, Inc.
 Little Rock, AR

J. French Hill
 J.F. Hill & Company, Inc.
 Little Rock, AR

William T. Patterson
 Morgan Keegan & Company, Inc.
 Jackson, MS

David S. Patrick
 Wheat, First Securities, Inc.
 Montgomery, AL

Miguel Uria
 Oro Financial, Inc.
 New Orleans, LA

District 6

Bernerd Young, District Director
 George Stark, District Nominating Committee Chair
 12801 N. Central Expressway, Suite 1050
 Dallas, TX 75243
 (972) 701-8554

Texas

District Committee Nominees

G. Clyde Buck
 Harris Webb & Garrison, Inc.
 Houston, TX

Richard L. Sandow
 Southlake Capital, L.L.C.
 Southlake, TX

Bryan T. Forman
 First Financial Investment Securities, Inc.
 Austin, TX

District Nominating Committee Nominees

William B. Madden
 Madden Securities Corp.
 Dallas, TX

Paul L. Larkin
 Vista Securities, Inc.
 Dallas, TX

Robert G. Gunn III
 Gunn and Company, Inc.
 San Antonio, TX

Jane Bates
 The Variable Annuity Marketing Company
 Houston, TX

William D. Connally
 Greenman Parker Connally Greenman, Inc.
 Fort Worth, TX

District 7

Alan M. Wolper, District Director
Richard V. McGalliard, District Nominating
Committee Chair
One Securities Centre, Suite 500
3490 Piedmont Road, NE
Atlanta, GA 30305
(404) 239-6100

*Florida, Georgia, North Carolina, South Carolina,
Virginia, Puerto Rico, the Canal Zone, and the Virgin
Islands*

District Committee Nominees

Collie W. Lehn
A.G. Edwards & Sons, Inc.
Laurens, SC

Michael D. Hearn, Esq.
Wachovia Securities, Inc.
Charlotte, NC

John W. Waechter
William R. Hough & Co.
St. Petersburg, FL

Charles E. Scarlett, Esq.
J. W. Genesis Securities, Inc.
Boca Raton, FL

District Nominating Committee Nominees

Franklin C. Golden
James M. Myers and Co.
Charlotte, NC

Stuart J. Knobel
Edgar M. Norris & Co., Inc.
Anderson, SC

R. Charles Shufeldt
SunTrust Banks
Atlanta, GA

Robert J. Brietz
Marion Bass Securities Corp.
Charlotte, NC

David G. Pittinos
Dean Witter Reynolds, Inc.
Tallahassee, FL

District 8

Carlotta A. Romano, District Director
Earl Clifford Oberlin, III, District Nominating
Committee Chair
10 South LaSalle, 20th Floor
Chicago, IL 60603-1002
(312) 899-4400

Illinois, Indiana, Michigan, and Wisconsin

William H. Jackson, Jr., District Director
Renaissance on Playhouse Square
1350 Euclid Avenue, Suite 650
Cleveland, OH 44115
(216) 694-4545

*Ohio and part of upstate New York (the counties of
Monroe, Livingston, and Steuben, and the remainder
of the state west of such counties)*

District Committee Nominees

Carol Podesta Foley
Podesta & Company
Chicago, IL

Christine E. Monical
Conseco Financial Services, Inc.
Conseco Equity Sales, Inc.
Carmel, IN

Renee M. Rombaut
Sage, Rutty & Co., Inc.
Rochester, NY

District Nominating Committee Nominees

Leonard L. Anderson
Anderson & Company, Inc.
Grand Haven, MI

Robert T. Clutterbuck
McDonald Investments, Inc.
Cleveland, OH

Paul F. Murin
David A. Noyes & Company
Chicago, IL

William H. Richardson
Trubee, Collins & Co., Inc.
Buffalo, NY

G. Donald Steel
Planned Investment Co., Inc.
Indianapolis, IN

District 9

John P. Nocella, District Director
 John J. Gray, District Nominating Committee Chair
 11 Penn Center
 1835 Market Street, Suite 1900
 Philadelphia, PA 19103
 (215) 665-1180

Delaware, Pennsylvania, West Virginia, District of Columbia, Maryland, and the part of southern New Jersey in the immediate Philadelphia vicinity

Gary K. Liebowitz, District Director
 581 Main Street, 7th floor
 Woodbridge, NJ 07095
 (732) 596-2000

New Jersey (except southern New Jersey in the immediate Philadelphia vicinity)

District Committee Nominees

James D. Lamke
 Spear, Leeds & Kellogg
 Jersey City, NJ

Lance A. Reihl
 1717 Capital Management Co.
 Wilmington, DE

John P. Meegan
 Parker/Hunter Incorporated
 Pittsburgh, PA

Lenda P. Washington
 GRW Capital Corporation
 Washington, DC

District Nominating Committee Nominees

Allen S. Jacobson
 Gibraltar Securities Co.
 Florham Park, NJ

William F. Rienhoff IV
 BT Alex. Brown Incorporated
 Baltimore, MD

James J. Malespina
 Herzog, Heine, Geduld, Inc.
 Jersey City, NJ

Mark W. Cresap
 Cresap, Inc.
 Radnor, PA

Robert A. Woeber
 Arthurs, Lestrangle & Company Incorporated
 Pittsburgh, PA

District 11

Willis H. Riccio, District Director
 Mary Toumpas, District Nominating Committee Chair
 260 Franklin Street, 16th Floor
 Boston, MA 02110
 (617) 261-0800

Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont, and New York (except for the counties of Monroe, Livingston, and Steuben; and the five boroughs of New York City)

District Committee Nominees

Elena Dasaro
 H.C. Wainwright & Co., Inc.
 Boston, MA

John D. Lane
 Westport Resources Investment Services, Inc.
 Westport, CT

Deborah G. Ullman
 American Skandia Marketing, Inc.
 Shelton, CT

Peter T. Wheeler
 Commonwealth Equity Services
 Waltham, MA

District Nominating Committee Nominees

Edward L. Sherr
 Carl P. Sherr & Company
 Worcester, MA

Stephanie Brown
 Linsco/Private Ledger Corp.
 Boston, MA

Harry H. Branning
 Advest, Inc.
 Hartford, CT

Francis W. Murphy
 Moors & Cabot
 Boston, MA

Wilson G. Saville
 Barrett & Company
 Providence, RI

Special Notices to Members are published on an accelerated basis and distributed independently of monthly *Notices to Members* newsletters. Numerical sequencing may thus appear to contain gaps during a given monthly publication cycle. Such temporary gaps reflect a priority in the production process and will disappear at the conclusion of monthly electronic posting and print distribution.

© 1999, National Association of Securities Dealers, Inc. (NASD). All rights reserved.

NASD is a registered service mark of the National Association of Securities Dealers, Inc. Central Registration Depository (CRD) is a service mark of the NASD and the North American Securities Administrators Association, Inc. (NASAA). NASD Regulation is a registered service mark of NASD Regulation, Inc.

NASD Notices to Members is published monthly by NASD Corporate Communications, Kim Dineen, Editor, NASD Editorial Services Department, 1735 K Street, NW, Washington, DC 20006-1500, (202) 728-6370. No portion of this publication may be copied, photocopied, or duplicated in any form or by any means, except as described below, without prior written consent of the NASD. Members of the NASD are authorized to photocopy or otherwise duplicate any part of this publication without charge only for internal use by the member and its associated persons. Nonmembers of the NASD may obtain permission to photocopy for internal use through the Copyright Clearance Center (CCC) for a \$3-per-page fee to be paid directly to CCC, 222 Rosewood Drive, Danvers, MA 01923.

NOTE: As of January 1999, there has been a change in *Notices to Members* distribution: Members no longer receive complimentary copies of *Notices to Members*. Each Executive Representative is entitled to one annual subscription at cost (\$15 per year). Additional annual subscriptions are available for \$225; single issues cost \$25. Send a check or money order (payable to the National Association of Securities Dealers, Inc.) to NASD MediaSource, P.O. Box 9403, Gaithersburg, MD 20898-9403, or to phone in an order using American Express, MasterCard, or Visa charge, call (301) 590-6142, Monday to Friday, 9 a.m. to 5 p.m., Eastern Time. Back issues may be ordered by calling MediaSource at (301) 590-6142.

NASD Notices to Members (December 1996 to current) are also available on the Internet at www.nasdr.com.