

Notices to Members

YEAR 2000 UPDATE



NASD[®]
NASDAQ AMEX
NASD
REGULATION

October 1999

Contingency Planning Activities

Although most businesses have worked, and are continuing to work, diligently to ensure that their Year 2000-related issues will be resolved in time, everyone must anticipate that some things may be overlooked, ignored, or not completed on or before December 31, 1999. In addition, businesses should consider events beyond their control that could impact various entities in 2000. One important way to be prepared is through the development and execution of a well-defined and tested contingency plan—meaning having an alternate means of recovering from mission-critical Year 2000 failures.

Contingency plans are never final. It is important to test and revise your plan, detailing results and preparing business contingency operations throughout the remainder of 1999. Since your plan will include information not only about your firm's preparedness, but the preparedness of other entities external to your organization, your plan must continually assess for possible changes in status. For example, contingency plans should include alternatives in the event that scheduled software releases or additional product retirements are changed by your vendors.

Many firms have requested copies of contingency plans of key business partners. In that regard, the National Association of Securities Dealers, Inc. (NASD[®]) is developing a contingency action matrix for all business partners. This matrix will include NASD systems, failure events, impact, and suggested actions by members. This information is expected to be completed and posted on the Year 2000 Web Pages of the NASD and NASD Regulation, Inc. (NASD RegulationSM) Web Sites (www.nasd.com and www.nasdr.com) by November 15, 1999.

It is also important that your firm have plans in place to provide any mandated reports to the NASD (such as the Millennium Transition Questionnaire).¹ Even if your firm is not mandated to complete these reports, you will want to check the NASD's Year 2000 Web Pages for information. The Web Pages will also contain links to other relevant industry status reports.

¹This questionnaire is provided by the Securities and Exchange Commission, which the NASD and other designated examining authorities will require selected clearing and market-making firms to complete at scheduled times throughout the transition period of December 29, 1999 - January 7, 2000.

NASD Readiness Initiative

The NASD Year 2000 Readiness Program will allow members to display a Year 2000 readiness statement on the NASD and NASDR Web Sites (www.nasd.com and www.nasdr.com, respectively). These letters are intended to provide information that will serve to assure the investing public of their broker/dealers' ability to handle Year 2000 problems and keep their money and assets safe. Visitors to the Year 2000 Web Pages on these Web Sites will be able to search by firm name or broker/dealer number. This is a voluntary effort.

The program guidelines and a letter template were distributed last month and are available on the NASD Year 2000 Web Pages. The NASD Year 2000 Program Office has already collected over 100 letters that will be published

next month. It is not too late for your firm to submit information. While most firms have used the template provided by the NASD, many firms have included:

- Details on the completion of major milestone dates.
- Firm contact information to address Year 2000 inquiries.
- Internet site addresses to view the particular firm's Year 2000 readiness efforts in more detail.

Please send your readiness information to:
National Association of Securities Dealers, Inc.
15201 Diamondback Drive
Rockville, MD 20850
ATTN: Y2K Program Office

If you have questions regarding any of these or other issues, please contact the NASD Year 2000 Program Office by e-mail at y2k@nasd.com or by calling our toll-free number at (888) 227-1330.

Year 2000 Education And Events

The NASD Year 2000 Program Office is continuing to offer Virtual Workshops—conference call-in sessions. The NASD strongly encourages registration for these sessions by calling (888) 567-0578. After placing the call, listen to the greeting, and provide the following information when prompted: firm name, Broker/Dealer #, and workshop date. On the day of the session, call (800) 857-7323 and indicate the password and confirmation number provided for the specific workshop. See below for a list of these specific workshops organized by date of session, as well as a brief summary of the issues to be discussed.

OCTOBER

October 19 State of the Securities Industry

Password: Industry
Conf. #: 3117632

Issues to be covered:

- ◆ Industry summary and overview
- ◆ A look at clearing firms
- ◆ A look at Market Makers
- ◆ A look at introducing firms
- ◆ In-depth look at where your firm should be in achieving Year 2000 readiness

October 26 Legal Review for Broker/Dealers

Password: Review
Conf. #: 3117647

Issues to be covered:

- ◆ A review of legal issues for 1998 and 1999
- ◆ Current broker/dealer trends reviewed
- ◆ Checklist of what your firm may need to do with the little time remaining

NOVEMBER

November 2 Day Zero Preparations

Password: Day Zero
Conf #: 3117656

Issues to be covered:

- ◆ Day zero scenarios - the new year
- ◆ Broker/dealer strategic scenarios
- ◆ Helpful hints on day zero

November 10 Contingency Planning and Reporting Requirements

Password: Trends
Conf. #: 3117664

Issues to be covered:

- ◆ Developments in contingency planning trends
- ◆ Step-by-step guide to completing mandatory reporting to the SROs during the transition timeframes
- ◆ Global view

November 17 Contingency Planning and Reporting Requirements

Password: Trends
Conf. #: 3117677

Issues to be covered:

- ◆ Developments in contingency planning trends
- ◆ Step-by-step guide to completing mandatory reporting to the SROs during the transition timeframes
- ◆ Global view

DECEMBER

December 9 Day Zero Preparations

Password: Day Zero
Conf. #: 3117691

Issues to be covered:

- ◆ Day zero scenarios—the new year
- ◆ Broker/dealer strategic scenarios
- ◆ Helpful hints on day zero

December 14 Beyond Year 2000

Password: Beyond
Conf. #: 3117699

Issues to be covered:

- ◆ The Millennium—Doing business summary
- ◆ Resources
- ◆ Record retention and maintenance issues

Year 2000 Education And Events

NASD Year 2000 Event Calendar

Topic	Location	Date	Time
State of the Securities Industry	Virtual	Oct. 19	11:00 a.m., ET
Legal Review for Broker/Dealers	Virtual	Oct. 26	11:00 a.m., ET
Day Zero Preparations	Virtual	Nov. 2	11:00 a.m., ET
Contingency Planning and Reporting Requirements	Virtual	Nov. 10	11:00 a.m., ET
Contingency Planning and Reporting Requirements	Virtual	Nov. 17	11:00 a.m., ET
Day Zero Preparations	Virtual	Dec. 9	11:00 a.m., ET
Beyond Year 2000	Virtual	Dec. 14	11:00 a.m., ET

Securities Industry Association Y2K Web Site

To access all areas of the SIA's Year 2000 Contingency Planning Web Site, firms must first register as a user of this Web Site. To register, follow these steps:

- Go to the SIA Year 2000 Contingency Planning Web Site (www.sia2k.com/contingency).
- Under registration, click on Information.
- Scroll down to New Registrants, click on Registration Request.
- Complete steps 1, 2, and 3.

The SIA will contact firms with their registration information. For help registering, call the SIA at (888) Y2K-4SIA.

More Information/Questions

NASD Year 2000 Program Office

e-mail: y2k@nasd.com

phone: (888) 227-1330

or visit the...

Year 2000 Web Pages:

www.nasd.com

or

www.nasdr.com

NASD Notice to Members 99-84

INFORMATIONAL

Arbitration Fees

NASD To Send Only One Written Notice Before Deducting Delinquent Arbitration Fees From CRD Account

SUGGESTED ROUTING

The Suggested Routing function is meant to aid the reader of this document. Each NASD member firm should consider the appropriate distribution in the context of its own organizational structure.

- Internal Audit
- Legal & Compliance
- Senior Management

KEY TOPICS

- Arbitration
- CRD Account

Executive Summary

Effective November 1, 1999, the National Association of Securities Dealers, Inc. (NASD[®]) will deduct delinquent arbitration fees from funds maintained in a member's Central Registration Depository (CRDSM) account 60 calendar days after the date on a single invoice informing the member that the arbitration fees are due. If the member is represented by outside counsel which is the counsel of record, the single invoice will only be sent to the outside counsel.

Members previously were sent two invoices. The new practice of providing one invoice will streamline operations at the NASD and save staff resources, yet still give members 60 calendar days in which to remit the fees before they are deducted from the firm's CRD account.

Questions/Further Information

Questions regarding this *Notice* may be directed to Dorothy Popp, Director of Operations, Office of Dispute Resolution, NASD Regulation, Inc., (NASD RegulationSM) at (212) 858-3950, or Louise Corso, Assistant General Counsel, Office of General Counsel, NASD Regulation, at (202) 728-6939.

Background

Once an arbitration claim has been filed, members must pay certain fees. These fees include, but are not limited to, member surcharges, process fees, and forum fees (collectively, "arbitration fees").¹ Arbitration fees are due at various stages of the arbitration process. For example, member surcharges are due at the time a claim is served, while hearing process fees are due when parties are notified of

the date and location of the first hearing session. Other arbitration fees are allocated by the arbitrators in the award and are due upon service of the award. The Office of Dispute Resolution bills member surcharges and processing fees during the course of the proceeding. It sends an invoice at the end of a proceeding to collect other fees, including forum fees and administrative fees.

The NASD has had an ongoing problem with unpaid fees resulting from arbitration proceedings. Since January 1998, the NASD has used funds deposited in a member's CRD account to pay delinquent arbitration fees, in an effort to reduce the amount of unpaid fees.² The NASD has provided members with two invoices and 60 calendar days to pay the fees before deducting funds from the firm's CRD account.

Deduction From Member's CRD Account

Effective for invoices issued on and after November 1, 1999, the NASD will send out only one invoice informing members that the arbitration fees are due. If the NASD does not receive payment 60 calendar days after the date on the invoice, it will deduct funds for delinquent arbitration fees from the member's CRD account.

The NASD has covered delinquent arbitration obligations with members' on-deposit funds since January 1998. The NASD believes that sending firms one invoice gives members reasonable notice of their obligations to pay the fees.

The NASD will continue to send to the member's compliance officer written confirmation of each deduction of funds from the CRD account to cover unpaid arbitration

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fees. The member is thereafter responsible for replenishing the funds on deposit to ensure that there are no delays in processing registration applications or any other CRD-related obligations.

Suspension/Cancellation Of Membership Or Registration

On occasion, a member's CRD account is depleted before all delinquent fees can be collected. If the NASD does not receive payment within 60 calendar days after the date on the invoice, and there are insufficient funds on deposit to cover the unpaid fees, and the member has not made other payment arrangements, the NASD will pursue the suspension or cancellation of the member's membership pursuant to Article VI, Section 3 of the NASD By-Laws. The NASD, after a 15-day notice in writing, may suspend or cancel the membership of any member that is delinquent in the payment of arbitration fees, unless the member acts pursuant to applicable law to file, for example, a timely motion to vacate or to modify the award which has not been denied.

Joint And Several Responsibility For Payment Of Fees

All parties against whom arbitration fees have been assessed jointly and severally receive an invoice for the entire obligation, with notice that there is joint and several liability. Each party is equally liable for the satisfaction of the entire obligation. Satisfaction of the outstanding fees releases all parties from the outstanding liability. However, if the balance remains unpaid 60 calendar days after the date on the invoice, the NASD will deduct funds from the CRD accounts of active member firms against which the arbitrators have assessed fees jointly and severally. When multiple active member firms are held jointly and severally liable for fees in a proceeding, the NASD will divide the remaining balance equally among the active members and deduct an equal amount from each member's respective CRD account.

Endnotes

¹ Member surcharges are assessed against member firms when they are named in an arbitration proceeding, or when an associated person employed by the firm at the time of the events which gave rise to the

claim is named in an arbitration proceeding. See Code of Arbitration Procedure, Rule 10333. *Process fees* are charged to members at several stages of an arbitration proceeding. Members are charged a prehearing process fee which covers activities in the case from the filing of the claim until the parties are given the names of arbitrators to select. If the matter does not settle before notification of the date of the first hearing session, the member must also pay a hearing process fee which covers activities relating to the evidentiary hearing, award, and case closing. See Rule 10333. See also *Notice to Members 98-1*. *Forum fees* are the fees assessed against parties by the arbitration panel based on the number of prehearing and hearing sessions that occurred in the arbitration proceeding. See Rules 10205 and 10332.

² See *Notice to Members 97-71* which established the practice of deducting delinquent arbitration fees from member CRD accounts. The practice was limited to balances originating after January 1, 1998. *Special Notice to Members 98-61* extended the practice to include fees originating prior to January 1, 1998 that were still unpaid.

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NASD Notice to Members 99-85

ACTION REQUIRED
Renewal fees for the year 2000 for all participating regulators are due NO LATER than December 10, 1999.

Broker/Dealer And Agent Renewals

Broker/Dealer And Agent Renewals For 2000; CRD Fee Changes

SUGGESTED ROUTING

The Suggested Routing function is meant to aid the reader of this document. Each NASD member firm should consider the appropriate distribution in the context of its own organizational structure.

- Executive Representatives
- Legal & Compliance
- Operations
- Registered Representatives
- Registration
- Senior Management

KEY TOPICS

- Registration
- Renewals
- Web CRD

Executive Summary

The National Association of Securities Dealers, Inc. (NASD®) broker/dealer and agent registration renewal cycle for the year 2000 will begin November 1, 1999. This year, with the implementation of Web CRDSM, hard-copy Initial Renewal Statements and rosters will no longer be mailed to member firms. The Initial Renewal Statements and rosters will be available electronically for viewing and printing on the new Web CRD system.

In addition, the NASD Board of Governors approved changes to Schedule A of the NASD By-Laws that affect the Central Registration Depository fee structure and will be reflected in the Initial Renewal Statements. The changes, which were approved by the Securities and Exchange Commission (SEC), are:

- The \$20 Form U-4 and Form U-5 amendment fee is eliminated effective January 1, 2000.
- A \$30 annual processing fee, which covers the cost of NASD registration renewal and all amendment filings for the year, is established, effective January 1, 2000, and will be assessed in the November Initial Renewal Invoices. It replaces the \$15 renewal processing fee.

This annual renewal program simplifies the registration renewal process through the payment of one amount, reflected on the member firm's Initial Renewal Statement, that will include fees for NASD personnel assessments, NASD system processing fees, NASD branch offices, New York Stock Exchange (NYSE), American Stock Exchange (Amex®), Chicago Board Options Exchange (CBOE), Pacific Exchange (PCX), and

Philadelphia Stock Exchange (PHLX) maintenance fees. The Initial Renewal Statement also includes state agent renewal fees and state broker/dealer renewal fees. Members should read this *Notice* and any instructions posted to the NASD Regulation Web Site, www.nasdr.com, or mailed to ensure continued eligibility to do business in the states effective January 1, 2000. Any renewal processing changes subsequent to the publishing of this *Notice to Members* will be provided to you in a *Special Notice to Members*.

Questions concerning this *Notice* may be directed to the CRD/PD Gateway Call Center at (301) 869-6699.

Initial Renewal Statements

On November 1, 1999, Initial Renewal Statements will be available on Web CRD for all member firms. The statements will include fees for NASD personnel assessments, NASD system processing fees, NASD branch office fees, NYSE, Amex, CBOE, PCX, and PHLX maintenance fees, state agent renewal fees, and state broker/dealer renewal fees. The NASD must receive full payment of the November statement no later than December 10, 1999.

NASD personnel assessments and system processing fees for 2000 will be based on the number of registered personnel with an approved NASD license (that includes Approved Pending Prints, Inactive-Prints, Temporary Registration, and Inactive-Continuing Education) on or before December 31, 1999. That personnel assessment is currently \$10 per person. The system processing fee, which covers the renewal of NASD registration and amendment activity for a registered

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person for the coming year, is \$30. The NASD branch office assessment fee is \$75 per branch based on the number of active branches as of December 31, 1999.

Agent renewal fees for NYSE, Amex, CBOE, PCX, PHLX, and state affiliations are listed in the statement on Web CRD. A matrix, which includes a list of broker/dealer renewal fees for states that participate in the broker/dealer renewal program, is posted to the CRD Internet Page on the NASDR Web Site under the License Renewal Information menu selection. NYSE, Amex, CBOE, PCX, and PHLX maintenance fees—collected by the NASD for firms that are registered with those exchanges as well as the NASD—are based on the number of NYSE, Amex, CBOE, PCX, and PHLX registered personnel employed by the member.

If a state does not participate in this year's broker/dealer renewal program, members registered in that state must contact the state directly to ensure compliance with renewal requirements. In addition, some participating states may require steps beyond the payment of renewal fees to complete the broker/dealer renewal process. As of October 1, 1999, California is the only state not participating. Members should contact jurisdictions directly for further information on jurisdiction renewal requirements.

Payment of the Initial Renewal Statement should be either in the form of a check made payable to NASD Regulation, Inc. (NASD RegulationSM) or by bank wire transfer. The check should be drawn on the member firm's account, with the firm's CRD number included on the check. Submit the check, along with the

first page of the online statement, and mail to:

NASD Regulation, Inc.
Finance Department - Renewals
15201 Diamondback Drive
Rockville, MD 20850

To ensure prompt processing, the Initial Renewal Statement payment must include the first page of your statement with no other forms or fee submissions. Members are advised that failure to return full payment to the NASD by the December 10, 1999, deadline could cause a member to become ineligible to do business in the jurisdictions effective January 1, 2000.

Filing Forms U-5

Members may avoid paying unnecessary renewal fees by electronically filing Forms U-5 via Web CRD for agents terminating in one or more jurisdiction affiliations. Due to the positive feedback received by the NASD by its member firms that have used post-dated Forms U-5 for renewals, the NASD will again accept post-dated agent termination notices on the Forms U-5. From November 1 to December 23, the NASD will electronically accept and process Forms U-5 (both partial and full terminations) with a post-dated termination date of December 31, 1999. Under this procedure, if the Form U-5 indicates a termination date of December 31, 1999, an agent may continue doing business in a jurisdiction until the end of the calendar year without being assessed renewal fees for that jurisdiction. Please ensure that Forms U-5 are filed electronically by the renewal deadline date of 8:00 p.m., Eastern Time (ET), on December 23, 1999. Also, in Web CRD, post-dated Forms U-5 can only contain a date of termination of December 31, 1999.

Members should exercise care when submitting post-dated Forms U-5. The NASD will systematically process these forms as they are received but cannot withdraw a post-dated termination once processed. To withdraw a post-dated termination, a member would have to file electronically a new Form U-4 after December 31, 1999.

Filing Forms BDW

The CRD Phase II program, now in its 10th year, allows firms requesting terminations (either full or jurisdiction only) to electronically file their Forms BDW with the CRD to avoid the assessment of renewal fees in those jurisdictions that are designated on the Form BDW, provided that the jurisdiction is a CRD Phase II participant. Currently, there are four regulators that are not participating in Phase II. They are:

- State of Michigan
- American Stock Exchange
- New York Stock Exchange
- Pacific Exchange

Firms requesting termination in any of the above-listed jurisdictions must submit a paper Form BDW directly to the regulator as well as electronically to Web CRD.

The deadline for electronic filing of Forms BDW for firms that want to terminate an affiliation before year-end 1999 is 8:00 p.m., ET, on December 23, 1999. This deadline also applies to the filing of Forms BDW with the jurisdictions that are not participating in Phase II. Post-dated Forms BDW filed with Web CRD will be accepted and processed in the same manner as post-dated Forms U-5.

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Removing Open Registrations

This year, the rosters, posted on Web CRD, will include firm agents whose NASD registration is either terminated or expired (please note that the expired registrations will be reflected as "purged" on the report) due to the existence of a deficient condition, but who have an approved registration with a state. This roster should aid in the reconciliation of personnel registrations prior to year's end. Firms may terminate obsolete state registrations through the submission of Forms U-5 or reinstate the NASD licenses through the filing of Page 1s of Forms U-4. The Non-NASD Registered Individuals Roster will only be available on Web CRD if a firm has agents within this category.

Final Adjusted Statements

On January 24, 2000, the NASD will make available Final Renewal Statements to its members. These statements will reflect the final status of firm and agent registrations as of December 31,

1999. Any adjustments in fees owed as a result of registration terminations or approvals subsequent to the Initial Renewal Statement will be made in this final reconciled statement on Web CRD. If a member has more agents and/or branch offices registered at year's end than it did on the Initial Renewal Statement, additional fees will be assessed. If a member has fewer agents and/or branch offices registered at year's end than it did in November, a credit/refund will be issued.

Members will also need to access the Reports tab for member renewal rosters that will list all renewed personnel with the NASD, NYSE, Amex, CBOE, PCX, PHLX, and each jurisdiction. Persons whose registrations are approved in any of these jurisdictions during November and December will be included in this roster, while registrations that are pending approval or are deficient at year's end will not be included in the renewal process. Firms will also see an NASD Renewal Branch

Office Roster that lists all branches for which they have been assessed.

This year's renewal rosters, located on Web CRD, will also include two reports: a Billing Code Summary Report and a Billing Code Detail Report. These reports will aid firms in their internal research and allocation of fees.

Firms then will have approximately two months in which to reconcile any discrepancies on the renewal rosters. All jurisdictions should be contacted directly in writing. Specific information and instructions concerning the final statements and rosters will appear in the January 2000 issue of *Notices to Members*. Firms may also refer to the renewal edition of the *CRD/PD Bulletin* for details concerning the renewal process.

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INFORMATIONAL

Imposition And Collection Of Monetary Sanctions

NASD Regulation Adopts Policy Regarding Imposition And Collection Of Monetary Sanctions

SUGGESTED ROUTING

The Suggested Routing function is meant to aid the reader of this document. Each NASD member firm should consider the appropriate distribution in the context of its own organizational structure.

- Legal & Compliance
- Senior Management

KEY TOPICS

- Disciplinary Actions

Executive Summary

The purpose of this *Notice to Members* is to give National Association of Securities Dealers, Inc. (NASD[®]) members notice of the policies adopted by the National Adjudicatory Council (NAC) at its June 1999 meeting regarding the imposition and collection of monetary sanctions imposed in disciplinary matters. This policy applies to all Letters of Acceptance, Waiver, and Consent (AWCs) and Offers of Settlement executed by respondents beginning on November 1, 1999, and to all NAC, Hearing Panel, and default decisions decided and issued on or after November 1, 1999. Members are directed to attach this *Notice to Members* as an amendment to the *NASD Sanction Guidelines*.

Questions/Further Information

Questions concerning this *Notice to Members* may be directed to Shirley H. Weiss, Associate General Counsel, Office of General Counsel, NASD Regulation, Inc., (NASD RegulationSM) at (202) 728-8844.

Discussion

The NAC has adopted policies regarding the imposition and collection of monetary sanctions (restitution, disgorgement of ill-gotten gains, and fines). As discussed in the *NASD Sanction Guidelines*, the overriding and ultimate purpose of any disciplinary sanction is to remedy misconduct, deter future misconduct, and protect the investing public. The policies adopted by the NAC, which apply equally to both settled¹ and litigated disciplinary matters, identify the circumstances under which NASD Regulation (including staff and adjudicators) will impose and collect monetary sanctions.

The policies described in this *Notice to Members* are guided by the following principles:

- * In certain categories of cases, if an individual is barred, NASD Regulation generally will not impose a fine.
- * Where quantifiable customer harm has been demonstrated, or a respondent has been unjustly enriched, NASD Regulation generally will order restitution or disgorgement.
- * In sales practice cases where there has been widespread, significant, and identifiable customer harm or the respondent has retained substantial ill-gotten gains, NASD Regulation generally will require the payment of restitution and disgorgement and will also pursue the collection of any fine.
- * Where there has been no widespread customer harm, and individuals are barred or suspended, NASD Regulation may forego the imposition of a fine and require that any order of restitution or disgorgement be satisfied upon the individual's re-entry into the securities industry. This will allow NASD Regulation to act quickly to get those persons out of the securities industry.
- * As required by the Securities and Exchange Commission, NASD Regulation will consider a respondent's inability to pay when imposing monetary sanctions.

The policies described in this *Notice to Members* will be applied in a manner consistent with the *NASD Sanction Guidelines*, that is, they are advisory and are intended

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to provide direction to NASD staff and adjudicators in determining appropriate sanctions consistently and fairly.

NASD Regulation will consider the following factors in determining the imposition and collection of monetary sanctions.

Monetary Sanctions

In the following types of cases, if an individual is barred and there has been no customer loss, NASD Regulation generally will not impose a fine:

- failure to respond violations under Rule 8210
- exam cheating cases
- private securities transactions of an associated person under Rule 3040 (in which no disgorgement or restitution is ordered)

In the following types of cases, if an individual is barred, NASD Regulation generally will order restitution or disgorgement of ill-gotten gains where appropriate, but generally will not otherwise impose a fine.

- conversion
- forgery
- sales practice and private securities transaction cases where only one or a small number of customers are harmed

NASD Regulation generally will require the payment of restitution and disgorgement and will also pursue the collection of any fine in sales practice cases, even if an individual is barred, if:

- there has been widespread, significant, and identifiable customer harm; or
- the respondent has retained substantial ill-gotten gains

In other sales practice cases and in cases involving violations other than those mentioned above, NASD Regulation may exercise its discretion and make a monetary sanction payable when a respondent re-enters the securities industry. NASD Regulation will consider such factors as whether:

- the respondent is suspended or not in the industry at the time the sanction is imposed
- only one or a small number of customers are harmed

In such cases, the respondent will not be eligible for association with a member firm until the monetary sanction is satisfied.

NASD Regulation staff and adjudicators will have the discretion to impose post-judgment interest on restitution.

Inability To Pay Monetary Sanctions

NASD Regulation will consider a respondent's inability to pay in imposing monetary sanctions under the following circumstances:

- Respondents will be required to document their financial status at the time the settlement is negotiated or at the Hearing Panel level if litigated. NASD Regulation staff will provide standard documents to respondents for this purpose.
- If respondents do not raise the issue of inability to pay at the

time the settlement is negotiated (or in a litigated matter during the proceedings before a Hearing Panel), they will be considered to have waived the issue, and they will not be permitted to raise the issue of inability to pay at a later time.

- If NASD Regulation staff or adjudicators determine that a respondent has demonstrated an inability to pay part or all of a monetary sanction, they may modify the monetary sanction.
- Settlement documents and decisions will indicate whether a monetary sanction was modified on the basis of a respondent's demonstrated financial inability to pay.

Payment

- A respondent who is permitted to use an installment plan will also be required to execute a promissory note that tracks the installment plan. Installment plans generally will be limited to two years. In extraordinary cases, installment plans may be extended to not more than five years. The amount and timing of installment payments will be set forth in the settlement documents.
- Respondents may also charge monetary sanctions to a credit card.

These policies apply to all AWCs, Minor Rule Violation plan settlements, and Offers of Settlement executed by respondents beginning on November 1, 1999, and to all NAC, Hearing Panel decisions, and default decisions decided and issued on or after November 1, 1999.

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Members are directed to attach this *Notice to Members* as an amendment to their *NASD Sanction Guidelines*.

Endnote

¹Settlements include Letters of Acceptance, Waiver, and Consent; Offers of Settlement; and settlements under the Minor Rule Violation plan.

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INFORMATIONAL

FIPS Changes

Fixed Income Pricing
System Additions,
Changes, And Deletions
As Of August 23, 1999

SUGGESTED ROUTING

The Suggested Routing function is meant to aid the reader of this document. Each NASD member firm should consider the appropriate distribution in the context of its own organizational structure.

- Corporate Finance
- Legal & Compliance
- Municipal/Government Securities
- Operations
- Senior Management
- Trading & Market Making

KEY TOPIC

- FIPS

As of August 23, 1999, the following bonds were added to the Fixed Income Pricing SystemSM (FIPS[®]).

Symbol	Name	Coupon	Maturity
AKS.GC	AK Steel Corp.	7.875	02/15/09
AVBH.GA	Avalon Cable Holdings LLC	11.875	12/01/08
AVBM.GA	Avalon Cable Holdings LLC	9.375	12/01/08
AVDO.GA	Avado Brands Inc.	11.750	06/15/09
AVGF.GA	Advanced Glassfiber Yarn LLC	9.875	01/15/09
AXAS.GA	Abraxas Petroleum Corp. Series B	12.875	03/15/03
BOSS.GA	Building One Services	10.500	05/01/09
BUR.GA	Burlington Industries Inc. New	7.250	09/15/05
BUR.GB	Burlington Industries Inc. New	7.250	08/01/27
BVWB.GA	Bay View Bank	10.000	08/31/09
CKE.GA	Carmike Cinemas Inc. Series B	9.375	02/01/09
FAGC.GA	Fairfield Mfg Co. Inc.	9.675	10/15/08
FLC.GG	R & B Falcon Corp.	12.250	03/15/06
FOB.GA	Boyds Collection Ltd.	9.000	05/15/08
GKYD.GA	Golden Sky DBS Inc.	13.500	03/01/07
GSNP.GC	Garden State Newspaper Inc.	8.625	07/01/11
HGRU.GA	Holt Group Inc.	9.750	01/15/06
HYPT.GC	Hyperion Telecommunications Inc.	12.000	11/01/07
IMTN.GC	Iron Mountain Inc. Del	8.250	07/01/11
LSNU.GA	Louisiana Casino Cruises Series B	11.000	12/01/05
LUII.GA	Luigino's Inc.	10.000	02/01/06
LYO.GA	Lyondell Chemical Co.	10.875	05/01/09
LYO.GB	Lyondell Chemical Co. Series A	9.625	05/01/07
MCLL.GC	Metrocall Inc.	11.000	09/15/08
MSXI.GA	MSX International Inc.	11.375	01/15/08
NTK.GF	Nortek Inc. Series B	8.875	08/01/08
NWSP.GA	National Wines & Spirits	10.125	01/15/09
OBTI.GB	Orbital Imaging Corp. Series D	11.625	03/01/05
PRTL.GC	Primus Telecom Group Inc.	11.250	01/15/09
RWKS.GA	Railworks Corp.	11.500	04/15/09
TMPO.GA	True Temper Sports Inc. Series B	10.875	12/01/08
TVUI.GA	TV Guide Inc.	8.125	03/01/09
WAB.GB	Westinghouse Air Brake Series B2	9.375	06/15/05
WSII.GA	Waste Systems Intl Series B	11.500	01/15/06

NASD Notice to Members 99-87

As of August 23, 1999, the following bonds were deleted from FIPS.

Symbol	Name	Coupon	Maturity
BDGM.GA	Building Materials Corp.	11.750	07/01/04
BDI.GA	Bayard Drilling Tech Inc.	11.000	06/30/05
CE.GD	Calenergy Co.	7.630	10/15/07
DTC.GA	Domtar Inc.	12.000	04/15/01
GEOG.GA	Gerrity Oil & Gas Corp.	11.750	07/15/04
KR.GF	Kroger Co.	9.875	08/01/02
PEZL.GA	Pennzoil Co.	9.625	11/15/99
PEZL.GB	Pennzoil Co.	10.625	06/01/01
PEZL.GC	Pennzoil Co.	10.125	11/15/09
PEZL.GD	Pennzoil Co.	10.250	11/01/05
PNM.GH	Public Service Co. New Mexico	7.500	08/01/18
PNM.GI	Public Service Co. New Mexico	7.100	08/01/05
RIGS.GB	Riggs Natl Corp. Wash DC	8.500	02/01/06
STBR.GB	Stater Bros Hldgs. Inc.	9.000	07/01/04
URCH.GA	Uniroyal Chemical Inc.	9.000	09/01/00
VHT.GA	Venture Holdings Trust	9.750	04/01/04

All bonds listed above are subject to trade-reporting requirements. Questions pertaining to FIPS trade-reporting rules should be directed to Patricia Casimates, Market Regulation, NASD RegulationSM, at (301) 590-6447.

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

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NASD Notice to Members 99-88

INFORMATIONAL

Trade Date— Settlement Date

Veterans Day And Thanksgiving Day: Trade Dates—Settlement Dates Schedule

SUGGESTED ROUTING

The Suggested Routing function is meant to aid the reader of this document. Each NASD member firm should consider the appropriate distribution in the context of its own organizational structure.

- Internal Audit
- Legal & Compliance
- Municipal/Government Securities
- Operations
- Trading & Market Making

KEY TOPIC

- Holiday Trade Date—Settlement Date Schedule

Veterans Day And Thanksgiving Day: Trade Dates—Settlement Dates Schedule

The schedule of trade dates—settlement dates below reflects the observance by the financial community of Veterans Day, Thursday, November 11, 1999, and Thanksgiving Day, Thursday, November 25, 1999. On Thursday, November 11, The Nasdaq Stock Market® and the securities exchanges will be open for trading. However, it will not be a settlement date because many of the nation's banking institutions will be closed in observance of Veterans Day. All securities markets will be closed on Thursday, November 25, in observance of Thanksgiving Day.

<u>Trade Date</u>	<u>Settlement Date</u>	<u>Reg. T Date*</u>
Nov. 5	Nov. 10	Nov. 12
8	12	15
9	15	16
10	16	17
11	16	18
12	17	19
19	24	29
22	26	30
23	29	Dec. 1
24	30	2
25	Markets Closed	—
26	Dec. 1	3

Note: November 11, 1999, is considered a business day for receiving customers' payments under Regulation T of the Federal Reserve Board.

Transactions made on November 11 will be combined with transactions made on the previous business day, November 10, for settlement on November 16. Securities will not be quoted ex-dividend, and settlements, marks to the market, reclamations, and buy-ins and sell-outs, as provided in the Uniform Practice Code, will not be made and/or exercised on November 11.

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

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NASD Notice to Members 99-89

INFORMATIONAL

District Committees And District Nominating Committees

NASD Informs Members Of Election Results For District Committees And District Nominating Committees

SUGGESTED ROUTING

The Suggested Routing function is meant to aid the reader of this document. Each NASD member firm should consider the appropriate distribution in the context of its own organizational structure.

- Executive Representatives
- Legal & Compliance
- Senior Management

KEY TOPICS

- District Committee Membership

Executive Summary

Through this *Notice*, the National Association of Securities Dealers, Inc. (NASD[®]) announces the election results for the 2000 District Committees and the District Nominating Committees. The Committees' members are included in Exhibit I.

Questions/Further Information

Questions concerning this *Notice* may be directed to the District Director noted or to Joan Conley, Corporate Secretary, NASD, at (202) 728-8381.

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EXHIBIT I

NASD Notice to Members 99-89

DISTRICT 1

Elisabeth P. Owens, District Director
525 Market Street, Suite 300
San Francisco, CA 94105
(415) 882-1200

District Committee Members

To Serve Until January 2001

Steven R. Aaron

Hambrecht & Quist LLC, San Francisco, CA

Janet W. Campbell

Protected Investors of America, Walnut Creek, CA

Douglas C. Heske

U.S. Bancorp Piper Jaffray, San Francisco, CA

To Serve Until January 2002

John H. Chung

First Security VanKasper, San Francisco, CA

Steven D. Piper

Volpe Brown Whelan & Co., LLC, San Francisco, CA

To Serve Until January 2003

Sally G. Aelion

Emmett A. Larkin Co., 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 Members

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

NASD Notice to Members 99-89

DISTRICT 2

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

District Committee Members

To Serve Until January 2001

James B. Guillou, Sr.

Sutro & Co., Incorporated, La Jolla, CA

Andrew E. Haas

Bear Stearns & Co., Inc., Los Angeles, CA

Richard E. Wiseley

CIBC Oppenheimer & Co., Inc., Los Angeles, CA

Richard P. Woltman

Spelman & Co., Inc., San Diego, CA

To Serve Until January 2002

Margaret M. Black

Morgan Stanley Dean Witter, Beverly Hills, CA

Diane P. Blakeslee

Blakeslee and Blakeslee, Inc., San Luis Obispo, CA

Jack R. Handy, Jr.

Financial Network Investment Corporation, Torrance, CA

Dean A. Holmes

American General Financial Group, Anaheim, CA

To Serve Until January 2003

Kellen M. Flanigan

Dabney Flanigan, LLC, Los Angeles, CA

William H. Howard, Jr.

Hagerty, Stewart & Associates, Irvine, CA

James R. Kruger

Dreyfus Brokerage Services, Inc., Beverly Hills, CA

Stephen P. Maguire

Maguire Investments, Inc., Santa Maria, CA

District Nominating Committee Members

Jerry M. Gluck

Jefferies and Company, Inc., Los Angeles, CA

Carl E. Lindros

Santa Barbara Securities, Inc., Santa Barbara, CA

Joan B. Seidel

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

Robert L. Winston

American Funds Distributors, Inc., Los Angeles, CA

Kaye M. Woltman

Girard Securities, Inc., San Diego, CA

NASD Notice to Members 99-89

DISTRICT 3

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

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

District Committee Members

To Serve Until January 2001

Thomas R. Hislop
Peacock, Hislop, Staley & Given, Inc., Phoenix, AZ

Gerald Meyer
D.A. Davidson & Co., Great Falls, MT

John Morton
Morton Clarke Fu & Metcalf, Inc., Seattle, WA

Terry Richards
PaineWebber, Inc., Salt Lake City, UT

To Serve Until January 2002

James Barnyak
Salomon Smith Barney, Inc., Seattle, WA

David Griswold
Frank Russell Securities, Inc., Tacoma, WA

James E. Stark
Charles Schwab & Co., Phoenix, AZ

Thomas Williams
TIAA/CREF, Denver, CO

To Serve Until January 2003

J. Pamela Dawson
WM Financial Services, Seattle, WA

Steven M. Fishbein
American Fronteer Financial Corp., Denver, CO

John K. Hinfey
United Planners' Financial Services of America, LTD.
Scottsdale, AZ

Bruce Kramer
Prudential Securities, Seattle, WA

District Nominating Committee Members

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

James Kerr
Ragen MacKenzie, Inc., Seattle, WA

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

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

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

NASD Notice to Members 99-89

DISTRICT 4

Jack Rosenfield, District Director
120 W. 12th Street, Suite 900
Kansas City, MO 64105
(816) 421-5700

District Committee Members

To Serve Until January 2001

Antonio J. Cecin

Piper Jaffray Inc., Minneapolis, MN

Cheryl Cook-Schneider

Edward Jones, St. Louis, MO

Robert J. Goodmanson

Robert W. Baird & Co. Inc., St. Paul, MN

Brent M. Weisenborn

Security Investment Company of Kansas City
Kansas City, MO

To Serve Until January 2002

Robert M. Chambers

Chambers Martin & Co., Des Moines, IA

John R. Lepley

Princor Financial Services Corp., Des Moines, IA

William M. Lyons

American Century Investment Services, Inc.
Kansas City, MO

Nancy E. Varner

Mercantile Investment Services Inc., St. Louis, MO

To Serve Until January 2003

E. John Moloney

Moloney Securities Company, St. Louis, MO

Rodger O. Riney

Scottsdale Securities, Inc., St. Louis, MO

Jeffrey A. Schuh

Offerman & Company, Minneapolis, MN

Gail Werner-Robertson

GWR Investments, Inc., Omaha, NE

District Nominating Committee Members

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

Todd W. Miller

Miller, Johnson & Kuehn, Incorporated
Minneapolis, MN

Wayne H. Peterson

Washington Square Securities, Inc., Minneapolis, MN

NASD Notice to Members 99-89

DISTRICT 5

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

District Committee Members

To Serve Until January 2001

Benjamin D. Capshaw, III

Morgan Stanley Dean Witter, New Orleans, LA

James S. Jones

Crews & Associates, Inc., Little Rock, AR

Dene R. Shipp

SunTrust Equitable Securities, Nashville, TN

John C. West

EVEREN Securities, Inc., Memphis, TN

To Serve Until January 2002

James D. Hudgins

SouthTrust Securities, Inc., Birmingham, AL

LeRoy H. Paris, II

Invest Linc Securities, Inc., Jackson, MS

Duncan F. Williams

Duncan-Williams, Inc., Memphis, TN

To Serve Until January 2003

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., Memphis, TN

District Nominating Committee Members

J. French Hill

Delta Trust Investments, Inc., Little Rock, AR

David S. Patrick

Wheat, First Securities, Inc., Montgomery, AL

William T. Patterson

Morgan Keegan & Company, Inc., Jackson, MS

Jerry Roberts

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

Miguel Uria

Oro Financial, Inc., New Orleans, LA

NASD Notice to Members 99-89

DISTRICT 6

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

District Committee Members

To Serve Until January 2001

Daniel C. Dooley

May Financial Corp., Dallas, TX

Ronald J. Gard

Salomon Smith Barney, Inc., Dallas, TX

Jim G. Rhodes

Rhodes Securities, Inc., Ft. Worth, TX

To Serve Until January 2002

Fredrick W. McGinnis

PaineWebber Inc., Houston, TX

Sue H. Peden

Brokers Transaction Services, Inc., Dallas, TX

Joseph H. Storthz

Transamerica Financial Resources, Houston, TX

To Serve Until January 2003

George C. Buck

Harris Webb & Garrison, Inc., Houston, TX

Bryan T. Forman

First Financial Investment Securities, Inc., Austin, TX

Richard L. Sandow

Southlake Capital, L.L.C., Southlake, TX

District Nominating Committee Members

Jane Bates

The Variable Annuity Marketing Co., Houston, TX

William D. Connally

Greenman Parker Connally Greenman, Inc.
Ft. Worth, TX

Robert G. Gunn III

Gunn and Company, Inc., San Antonio, TX

Paul L. Larkin

Vista Securities, Inc., Dallas, TX

William B. Madden

Madden Securities Corporation, Houston, TX

NASD Notice to Members 99-89

DISTRICT 7

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

District Committee Members

To Serve Until January 2001

Robert M. Balentine

Balentine & Company, Atlanta, GA

James J. Buddle

Capital Brokerage Corporation, Richmond, VA

M. Anthony Greene

Raymond James Financial Services, Inc., Atlanta, GA

J. Lee Keiger, III

Davenport & Company, LLC, Richmond, VA

Raymond W. Snow

Deutsch Banc Alex. Brown, Palm Beach, FL

To Serve Until January 2002

James W. Hamilton, Jr.

Prudential Securities Incorporated, Atlanta, GA

Edward R. Hipp, III

Centura Securities, Inc., Rocky Mount, NC

Roark A. Young

Young, Stovall and Company, Miami, FL

To Serve Until January 2003

Michael D. Hearn, Esq.

Wachovia Securities, Inc., Charlotte, NC

Collie W. Lehn

A. G. Edwards & Sons, Inc., Laurens, SC

Charles E. Scarlett, Esq.

J. W. Genesis Securities, Inc., Boca Raton, FL

John W. Waechter

William R. Hough & Co., St. Petersburg, FL

District Nominating Committee Members

Robert J. Brietz

Marion Bass Securities Corp., Charlotte, NC

Franklin C. Golden

James M. Myers & Co., Charlotte, NC

Stuart J. Knobel

Edgar M. Norris & Co., Inc., Anderson, SC

David G. Pittinos

Dean Witter Reynolds, Inc., Tallahassee, FL

R. Charles Shufeldt

SunTrust Banks, Atlanta, GA

NASD Notice to Members 99-89

DISTRICT 8

Carlotta A. Romano, District Director
10 South LaSalle, 20th Floor
Chicago, IL 60603-1002
(312) 899-4400

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

District Committee Members

To Serve Until January 2001

William C. Alsover

Centennial Securities Company, Inc.
Grand Rapids, MI

Wallen L. Crane

Salomon Smith Barney, Inc., Farmington Hills, MI

Alan H. Newman

J.J.B. Hilliard, W.L. Lyons, Inc., Evansville, IN

Bruce J. Young

Mesirow Financial, Inc., Chicago, IL

To Serve Until January 2002

R. Jack Conley

VESTAX Securities Corporation, Hudson, OH

Mary D. Esser

Cressman Esser Securities, Inc., Naperville, IL

Glen Hackmann

Robert W. Baird & Co., Inc., Milwaukee, WI

Robert A. Perrier

Butler, Wick & Co., Inc., Cleveland, OH

Kathleen A. Wieland

William Blair & Company, LLC, Chicago, IL

To Serve Until January 2003

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 Members

Leonard L. Anderson

Anderson & Company, Inc., Grand Haven, MI

Robert T. Clutterbuck

McDonald Investments Inc., Cleveland, OH

Paul E. 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

NASD Notice to Members 99-89

DISTRICT 9

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

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

District Committee Members

To Serve Until January 2001

Victor M. Frye

Calvert Distributors, Inc., Bethesda, MD

Phillip C. Graham

Legg Mason Wood Walker, Incorporated
Philadelphia, PA

Jerome J. Murphy

Janney Montgomery Scott, Inc., Philadelphia, PA

To Serve Until January 2002

A. Louis Denton

Philadelphia Corporation for Investment Services
Philadelphia, PA

Thomas W. Neumann

Sherwood Securities Corp., Jersey City, NJ

Joseph S. Rizzello

Vanguard Marketing Corporation, Malvern, PA

Gregory R. Zappala

RRZ Public Markets, Inc., Cranberry Township, PA

To Serve Until January 2003

James D. Lamke

Spear, Leeds & Kellogg Capital Markets, Inc.
Jersey City, NJ

John P. Meegan

Parker/Hunter Incorporated, Pittsburgh, PA

Lance A. Reihl

1717 Capital Management Co., Newark, DE

Lenda P. Washington

GRW Capital Corporation, Washington, DC

District Nominating Committee Members

Mark W. Cresap

Cresap, Inc., Radnor, PA

Allen S. Jacobson

Gibraltar Securities Co., Florham Park, NJ

James J. Malespina

Herzog, Heine, Geduld, Inc., Jersey City, NJ

William F. Rienhoff IV

BT Alex. Brown Incorporated, Baltimore, MD

Robert A. Woeber

Arthurs, Lestrangle & Company Incorporated
Pittsburgh, PA

NASD Notice to Members 99-89

DISTRICT 10

David A. Leibowitz, District Director
NASD Financial Center
33 Whitehall Street
New York, NY 10004
(212) 858-4000

District Committee Members

To Serve Until January 2001

Herbert Ackerman

Neuberger & Berman, LLC, New York, NY

Arthur S. Ainsberg

Brahman Securities Inc., New York, NY

William P. Behrens

Ernst & Co., New York, NY

Laurence H. Bertan

Sanford C. Bernstein & Co. Inc.
New York, NY

Mark D. Madoff

Bernard L. Madoff Investment Securities
New York, NY

Stuart L. Sindell

Datek On-Line Brokerage Services Corp., Edison, NJ

To Serve Until January 2002

John Iachello

ING Baring Furman Selz, New York, NY

Philip V. Oppenheimer

Oppenheimer & Close Inc., New York, NY

Gary Salamone

Schroder & Co. Inc., New York, NY

Eugene A. Schlanger

Nomura Securities International Inc., New York, NY

Lawrence F. Sherman

MONY Securities Corporation, New York, NY

Tom M. Wirtshafter

Nathan & Lewis Securities Inc., New York, NY

To Serve Until January 2003

Kevin J. Browne

Banc of America Securities, New York, NY

Judith R. MacDonald

Rothschild, Inc., New York, NY

Stephen C. Strombelline

Barclays Capital Inc., New York, NY

District Nominating Committee Members

Ralph J. Costanza

Salomon Smith Barney Inc., New York, NY

Joan S. Green

BT Brokerage Corporation, New York, NY

Vicki Z. Holleman

Loeb Partners Corporation, New York, NY

Norman H. Pessin

Neuberger & Berman, New York, NY

Stuart J. Voisin

Stuart Coleman & Co. Inc., New York, NY

NASD Notice to Members 99-89

DISTRICT 11

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

District Committee Members

To Serve Until January 2001

Michael J. Dell'Olio

Investment Management and Research, Inc.
South Portland, ME

Frank V. Knox, Jr.

Fidelity Distributors Corporation, Boston, MA

Laurie Lennox

SunLife of Canada (U.S.) Distributors, Inc., Boston, MA

Kenneth Unger

Boston Capital Services, Inc., Boston, MA

To Serve Until January 2002

Stephen O. Buff

BancBoston Robertson Stephens, Boston, MA

James P. Rybeck

The RYBECK
Division of Fechtor, Detwiler & Co., Inc., Meriden, CT

Dennis R. Surprenant

Cantella & Co., Inc., Boston, MA

To Serve Until January 2003

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 Members

Harry H. Branning

Advest, Inc., Hartford, CT

Stephanie Brown

Linsco/Private Ledger Corp., Boston, MA

Francis W. Murphy

Moors & Cabot, Boston, MA

Wilson G. Saville

Barrett & Company, Providence, RI

Edward L. Sherr

Carl P. Sherr & Company, Worcester, MA

Disciplinary Actions

Disciplinary Actions Reported For October

NASD Regulation, Inc. (NASD RegulationSM) 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, October 18, 1999. The information relating to matters contained in this *Notice* is current as of the end of September 27, 1999.

Firm Fined, Individuals Sanctioned

LT Lawrence & Co., Inc. (CRD #31956, New York, New York), Lawrence Principato (CRD #1676061, Registered Principal, New York, New York), and Todd Edward Roberti (CRD #1693023, Registered Principal, Florham Park, New Jersey) submitted an Offer of Settlement pursuant to which the firm was fined \$23,000, and Principato and Roberti were each fined \$25,000 and suspended from association with any NASD member in any capacity for one year. Without admitting or denying the allegations, the firm, Principato, and Roberti consented to the described sanctions and to the entry of findings that the firm failed to file, or to file in a timely manner, complaints required to be reported on Form U-4 or Form U-5 and failed to report disclosure event items and quarterly reported complaints. In addition, the firm failed to develop a written training plan aligned with the business activities of the firm, failed to ensure that covered registered representatives participated in the training program, and exceeded its inventory limitations to which it was obligated in a Restrictive Agreement. The findings also

stated that Roberti failed to create either written supervisory procedures or a supervisory system reasonably designed to achieve compliance with applicable securities laws, regulations, and NASD rules. Roberti also failed to prepare and maintain procedures setting forth the titles, registration statuses, dates, and responsibilities of supervisory personnel relating to the business lines of the firm. Principato failed to supervise individuals who were named and/or functioned as chief compliance officers of the firm to ensure that they properly carried out their responsibilities and should have known that his delegation of supervisory responsibility to these individuals was unreasonable based upon the nature of the firm's business, the short tenure of each chief compliance officer, the limited staff available to each officer, and the number of customer complaints that were received by the firm in connection with the firm's sales activities. By his failure to supervise the firm's chief compliance officers, Principato failed to ensure that customer complaints alleging unauthorized trading were timely investigated and that appropriate action was taken against the registered persons involved in the trades at issue. **(NASD Case #C3B990014)**

Firm And Individual Fined

The Minneapolis Company, Inc. (CRD #38859, Melville, New York) and Susan Georgette Penn (CRD #1104422, Registered Principal, Huntington Station, New York) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which they were censured, fined \$29,789, jointly and severally, and required to demonstrate that an offer of rescission had been made to purchasers of securities. Without admitting or denying the

allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Penn, effected transactions in a penny stock without complying with requirements of the Securities and Exchange Commission (SEC) penny stock rules. In addition, the firm, acting through Penn, violated the terms of its NASD Membership Agreement and NASD rules by effecting penny stock transactions. **(NASD Case #C3A990051)**

Firms Fined

Baird, Patrick & Co., Inc. (CRD #1149, New York, New York) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which the firm was censured and fined \$25,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it reported securities transactions in violation of applicable securities laws, regulations, and NASD rules regarding trade reporting, and reported transactions in Nasdaq National Market[®] securities, Nasdaq SmallCap[®] securities, eligible securities, and OTC equity securities as late to the Automated Confirmation Transaction ServiceSM (ACTSM) in violation of applicable securities laws and regulations regarding trade reporting. The findings also stated that the firm prepared order tickets with inaccurate time stamps and failed to maintain the order tickets for other transactions. In addition, the NASD determined that the firm failed to establish, maintain, and enforce adequate written supervisory procedures with respect to quality of markets and order handling rules. **(NASD Case #C10990137)**

Cambridge Capital, L.L.C. (CRD #41464, Garden City, New York) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which the firm was censured and fined \$12,500. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it failed to identify an aggregated transaction report in Nasdaq National Market securities by including the appropriate “.B” modifier, failed to properly report Nasdaq National Market, Nasdaq SmallCap, and Consolidated Quotation SystemSM (CQSSM) transactions through ACT in violation of applicable securities laws and regulations regarding trade reporting. The findings also stated that the firm executed transactions for the firm’s proprietary account and a transaction for a restricted account through the Small Order Execution SystemSM (SOESSM); failed to report riskless principal transactions in Fixed Income Pricing SystemSM (FIPSSM) securities; and failed to establish, maintain, and enforce adequate written supervisory procedures that included the Bank Secrecy Act, SOES, transaction and volume reporting, front running, telemarketing activities, customer communications, and MSRB rules. In addition, the NASD determined that the firm, in connection with the Firm Element of the Continuing Education requirement, failed to maintain adequate records documenting the content of the training and completion of the program by the firm’s covered registered persons. **(NASD Case #C10990149)**

Tri-Star Financial (CRD #32458, Houston, Texas) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which the firm was censured and fined \$12,500. Without admitting or denying the

allegations, the firm consented to the described sanctions and to the entry of findings that it failed to ensure that certain persons actively engaged in the firm’s investment banking or securities business were properly registered as general securities representatives with the NASD and permitted a registered person to continue to perform duties as a registered person when such person was deemed inactive for failing to complete the Regulatory Element of the Continuing Education requirement. The findings also stated that the firm failed to designate to the NASD a properly registered limited financial and operations principal. **(NASD Case #C06990014)**

Individuals Barred Or Suspended

David Alvarado (CRD #2560284, Registered Principal, Setauket, New York) submitted an Offer of Settlement pursuant to which he was fined \$25,000, suspended from association with any NASD member in any capacity for one year, and required to pay \$213,906 in restitution to public customers. Without admitting or denying the allegations, Alvarado consented to the described sanctions and to the entry of findings that he made material misrepresentations, omitted to disclose material facts, and predicted the future prices of speculative securities in connection with the offer and sale of securities. The findings also stated that Alvarado effected transactions in customer accounts without having obtained the customers’ prior authorization, and in connection with an unauthorized transaction, represented that he would sell the purchased securities if the price declined to a specified price but failed to do so.

Alvarado's suspension began October 1, 1999, and will conclude at the close of business on September 29, 2000. **(NASD Case #C8A990012)**

Peter Anthony Babajko (CRD #2018182, Registered Representative, Brooklyn, New York) submitted an Offer of Settlement pursuant to which he was censured, fined \$75,000, and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Babajko consented to the described sanctions and to the entry of findings that he employed an impostor to take the Series 7 exam on his behalf. The findings also stated that Babajko failed to respond to NASD requests to appear for a staff interview and to produce documents. **(NASD Case #C10980063)**

Richard Irwin Balber (CRD #1507939, Registered Principal, Hollywood, Florida) submitted an Offer of Settlement pursuant to which he was fined \$25,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Balber consented to the described sanctions and to the entry of findings that he failed to respond to an NASD request to appear and give testimony. **(NASD Case #C10990076)**

Clifford Wayne Bernstein (CRD #1871597, Registered Representative, Paramus, 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 one year. Without admitting or denying the allegations, Bernstein consented to the described sanctions and to the entry of findings that he participated in the

execution of unauthorized purchases of securities in public customer accounts. The findings also stated that the gross amount of the purchases in one customer account exceeded \$217,000. **(NASD Case #C8A970017)**

Christian William Blake (CRD #2216784, Registered Representative, Brooklyn, New York) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$5,000, suspended from association with any NASD member in any capacity for 10 business days, and ordered to requalify as a general securities representative. If Blake fails to requalify, he will be suspended from acting in such capacity until the exam is completed. Without admitting or denying the allegations, Blake consented to the described sanctions and to the entry of findings that he purchased shares of a security in the account of public customers without their prior knowledge or consent. **(NASD Case #C10990134)**

Janice Sue Borth (CRD #2828975, Registered Representative, Monaville, West Virginia) was fined \$25,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Borth failed to respond to NASD requests for information concerning misappropriation. **(NASD Case #C9A990013)**

Sameer Yousuf Butt (CRD #2693405, Registered Representative, New York, New York) was fined \$15,000, suspended from association with any NASD member in any capacity for 60 days, and ordered to requalify by exam in all capacities before re-associating with any member firm. The sanctions were

based on the findings that Butt executed an unauthorized transaction for the account of a public customer. **(NASD Case #C10990039)**

David Stanley Callan (CRD #1747734, Registered Representative, Chalfont, Pennsylvania) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$25,000, and suspended from association with any NASD member in any capacity for six months. Without admitting or denying the allegations, Callan consented to the described sanctions and to the entry of findings that he recommended and engaged in purchase and sale transactions in the accounts of public customers and did not have reasonable grounds for believing his recommendations and resultant transactions were suitable for the customers on the basis of their financial situation, investment objectives, and needs. The findings also stated that Callan caused false information regarding a customer's net worth to be entered on her New Account Form and pursuant to verbal authority, exercised discretion in the customer's account without having obtained prior written authorization from the customer and prior written acceptance of the account as discretionary by his member firm. **(NASD Case #C9A990036)**

Gregory Alan Casady (CRD #2029799, Registered Principal, Kansas City, Missouri) was fined \$80,000, suspended from association with any NASD member in any capacity for 30 days for free-riding in his personal account, and barred from association with any NASD member in any capacity for unauthorized trading and for failing to respond to NASD requests for information. The sanctions were

based on findings that Casady purchased and sold securities for public customers without their approval or consent, engaged in free-riding in his personal securities account, and failed to respond to NASD requests for information. **(NASD Case #C04980047)**

Thomas Owen Combs (CRD #51651, Registered Representative, Memphis, Tennessee) was fined \$120,000, barred from association with any NASD member in any capacity, and ordered to pay \$4,229.04, plus interest, in restitution to a member firm. The sanctions are based on findings that Combs received checks totaling \$4,000 from a public customer for investment in variable annuity contracts, failed to follow her instructions, deposited the checks in his own account, and failed to secure the variable annuity contracts, thereby converting the customer's funds to his own use. The findings also stated that Combs effected unauthorized transactions on behalf of another public customer and misused her funds in purchasing a variable life insurance policy. Combs also failed to respond to NASD requests for information. **(NASD Case #C05980043)**

Michael Anthony Doyle (CRD #71513, Registered Principal, Cape Elizabeth, Maine) 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, Doyle consented to the described sanctions and to the entry of findings that he participated in private securities transactions involving public customers who invested a total of \$295,000 without giving prior written notice to, or receiving prior written permission

from, his member firm. **(NASD Case #C11990034)**

Alvaro Fabian Dumancella (CRD #2489579, Registered Principal, Baldwin, New York) 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, Dumancella consented to the described sanctions and to the entry of findings that he intervened in a conversation between a cold calling representative and a prospective client and gave the name of the supervising registered representative when the prospective client asked for the name of the cold caller. **(NASD Case #C10990132)**

Louis Richard Facchini, Jr. (CRD #2372533, Registered Representative, New York, New York) submitted an Offer of Settlement pursuant to which he was censured, fined \$2,500, and suspended from association with any NASD member in any capacity for 30 days. Without admitting or denying the allegations, Facchini consented to the described sanctions and to the entry of findings that he participated in the execution of unauthorized purchases of securities in the account of a public customer. The findings also stated that the gross amount of purchases in the customer's account exceeded \$87,000. **(NASD Case #C8A970017)**

Harold Bailey Gallison, Jr. (CRD #1040211, Registered Principal, Las Vegas, Nevada) was censured, fined \$100,000, barred from association with any NASD member in any principal or

supervisory capacity, and ordered to requalify by exam in any capacity. The SEC upheld the NASD sanctions following appeal of a February 1998 National Adjudicatory Council (NAC) decision. The findings stated that Gallison failed to properly establish, maintain, and enforce written supervisory procedures concerning registered personnel in a branch office. **(NASD Case #CMS950110)**

David Joseph Gariano (CRD #1559378, Registered Representative, Burlington, North Carolina) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was fined \$35,000, and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Gariano consented to the described sanctions and to the entry of findings that he failed to amend properly his Form U-4 as required to disclose the existence of tax liens that had been placed against him. The findings also stated that Gariano failed to respond to NASD requests for information. **(NASD Case #C07990058)**

Adam Goldman (CRD #1492830, Registered Representative, Brooklyn, New York) was fined \$75,500 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Goldman stole company checks from his member firm, wrote checks payable to himself in the total amount of \$4,100, forged the signature of an official of the firm on each of the checks, and cashed them, thereby converting \$4,100 from his member firm. In addition, Goldman failed to respond to NASD requests for information. **(NASD Case #C10990040)**

Ronald Mark Harris (CRD #1907496, Registered Principal, Mooreland, Oklahoma) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was fined \$250,000, barred from association with any NASD member in any capacity, and ordered to pay \$259,143.20, plus interest, in restitution. Without admitting or denying the allegations, Harris consented to the described sanctions and to the entry of findings that he received funds totaling \$259,143.20 from public customers for investment purposes, failed to execute purchases of securities on the customers' behalf, and instead, deposited the funds in an account that he controlled, thereby converting the funds to his own use and benefit, without the customers' knowledge or consent. **(NASD Case #C05990036)**

Dirk Paul Hausauer (CRD #1529323, Registered Representative, Bismarck, North Dakota) was fined \$25,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Hausauer failed to respond to NASD requests for information. **(NASD Case #C04990021)**

Hannibal Kwewe Hosang (CRD #2570874, Associated Person, Staten Island, New York) was fined \$25,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Hosang failed to respond to NASD requests for information and to appear for testimony. **(NASD Case #C10980085)**

Leonard Charles Hotkowski (CRD #2631855, Registered Representative, Sarver, Pennsylvania) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was

fined \$20,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Hotkowski consented to the described sanctions and to the entry of findings that he signed the names of public customers to applications for variable life insurance without the customers' knowledge or consent. **(NASD Case #C9A990043)**

David Macks Hutchinson (CRD #2923655, Registered Representative, Baltimore, Maryland) was fined \$25,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Hutchinson failed to respond to NASD requests for information. **(NASD Case #C9A990014)**

Michael Anthony Iavarone, Sr. (CRD #2377723, Registered Representative, Holbrook, New York) submitted an Offer of Settlement pursuant to which he was censured, fined \$7,500, and suspended from association with any NASD member in any capacity for 10 business days. Without admitting or denying the allegations, Iavarone consented to the described sanctions and to the entry of findings that he executed unauthorized transactions which exceeded \$22,000 in the accounts of public customers. **(NASD Case #C8A970017)**

Ellis Keith Ings (CRD #2411137, Registered Representative, New York, New York) was fined \$25,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Ings failed to respond to NASD requests for information. **(NASD Case #C11980022)**

Gary Paul Johnson (CRD #1607866, Registered Representative, Calabasas, California) submitted an Offer of Settlement pursuant to which he was fined \$25,000 and suspended from association with any NASD member in any capacity for two years. Without admitting or denying the allegations, Johnson consented to the described sanctions and to the findings that he failed to respond to NASD requests for information and testimony. **(NASD Case #C02990041)**

Charles Paul Kateridge (CRD #2481595, Registered Representative, Huntington Square, New York) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was fined \$15,000, suspended from association with any NASD member in any capacity for 30 business days, and ordered to requalify as a general securities representative. If Kateridge fails to requalify, he will be suspended until such examination is successfully completed. In addition, Kateridge is ordered to pay restitution in the amount of \$20,000 to a public customer under terms negotiated with, and acceptable to, the customer. Without admitting or denying the allegations, Kateridge consented to the described sanctions and to the entry of findings that he engaged in trading in the account of a public customer that was excessive in light of the customer's financial situation and investment objectives. Kateridge also misrepresented the significance of an activity letter when he told the customer that he had to sign the letter in order to make money. **(NASD Case #C10990131)**

Leslie Rhodes Koonce (CRD #1131758, Registered Representative, South San

Francisco, California) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was fined \$5,000 and suspended from association with any NASD member in any capacity for 60 days. Without admitting or denying the allegations, Koonce consented to the described sanctions and to the entry of findings that he signed the name of a public customer to an authorization to release medical information and submitted the authorization to an insurance company and signed another public customer's name to an Authorization to Transfer Retirement account form and submitted it to a member firm.

Koonce's suspension began with the opening of business on October 1, 1999, and will conclude at the close of business on November 29, 1999. **(NASD Case #C01990015)**

Dean Llewellyn Kroenke (CRD #2192632, Registered Representative, Rochester, Minnesota) was fined \$62,200 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Kroenke persuaded a public customer to cancel one or more life insurance policies and apply the cash surrender value to the purchase of a new variable life insurance policy. Kroenke instructed the customer to issue a check payable to him in the amount of \$1,440 to be applied to the new policy, and, instead, deposited the check in his own account, converting the funds to his own use. In addition, Kroenke failed to respond to NASD requests for information. **(NASD Case #C04990012)**

Charles Sheldon Lichter (CRD #1331488, Registered Principal, Woodland Hills, California) 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 one year. Without admitting or denying the allegations, Lichter consented to the described sanctions and to the entry of findings that he participated in private securities transactions without providing prior written notice to his member firm describing the proposed transactions and his proposed role therein. **(NASD Case #C02990048)**

Martin R. Linzmaier (CRD #3072427, Registered Representative, Garden City, Michigan) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was fined \$5,000 and barred from association with any NASD member. Without admitting or denying the allegations, Linzmaier consented to the described sanctions and to the entry of findings that he failed to disclose on his Form U-4 that he had been convicted of a felony. **(NASD Case #C8A990064)**

Lewis Liu (CRD #2491191, Registered Representative, Chicago, Illinois) was fined \$40,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Liu received \$6,036.50 in cash from public customers as premium payments for life insurance policies, failed to apply \$2,448.61 toward premium payments, and, instead, misused the \$2,448.61, thereby commingling policyholder funds with his personal funds. Liu also failed to respond to NASD requests for information. **(NASD Case #C8A990031)**

Paul Matthew Lulic (CRD #2464573, Registered Representative, South St. Paul,

Minnesota) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was fined \$10,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Lulic consented to the described sanctions and to the entry of findings that he affixed the signatures of public customers to documents authorizing the transfer of the customers' accounts to another member firm, without the customers' knowledge or consent. **(NASD Case #C04990039)**

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 prior to association with a member firm. The NAC imposed the sanctions following the review of an appeal of a San Francisco District Business Conduct Committee (DBCC) decision. The decision became final following Maggipinto's dismissed appeal to the SEC. The sanctions were based on findings that Maggipinto effected unauthorized transactions in a public customer's account. **(NASD Case #C01970025)**

Alan Jerry Mandel (CRD #2044942, Registered Principal, New York, New York) submitted an Offer of Settlement pursuant to which he was fined \$1,000, suspended from association with any NASD member as a general securities principal for six months, and required to requalify by exam as a general securities principal. If Mandel fails to requalify, he will be suspended from acting as a general securities principal until the exam is successfully completed. Without

admitting or denying the allegations, Mandel consented to the described sanctions and to the entry of findings that, while acting as a sales supervisor, he received customer complaints about the sales practices of certain registered representatives at his member firm, reported this information to his superiors, but failed to follow up to ascertain what, if any, measures were taken by these senior managers to address the issues he had raised. **(NASD Case #C10970143)**

Edward Michael McKeown (CRD #1808724, Registered Representative, Santa Ana, California) was fined \$10,000, suspended from association with any NASD member in any capacity for 60 days, ordered to disgorge \$236.94 in ill-gotten gains, and ordered to requalify by exam as a general securities representative. The sanctions were based on findings that McKeown effected transactions in a public customer's account without the customer's knowledge, authorization, or consent and without the customer's oral or written discretionary authority. **(NASD Case #C02990015)**

Shirley Ann McKinney (CRD #1731628, Registered Principal, Naperville, Illinois) submitted an Offer of Settlement pursuant to which she was fined \$25,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, McKinney consented to the described sanctions and to the entry of findings that she failed to respond to NASD requests for information and documentation. **(NASD Case #C8A990022)**

Patrick John McVicar (CRD #2182305, Registered Representative, Jersey City, New

Jersey) was fined \$65,560.61, suspended from association with any NASD member in any capacity for four years for unauthorized trading and for sending unapproved correspondence to a customer, barred from association with any NASD member in any capacity for failing to respond to NASD requests for information, and ordered to pay \$15,000 in restitution to a member firm. The sanctions were based on findings that McVicar executed unauthorized purchase transactions in the account of a public customer, sent correspondence to the customer without the prior review or approval of his supervisor, and failed to respond to NASD requests for information. **(NASD Case #C05990011)**

Elie Mellul (CRD #2126020, Registered Principal, Great Neck, New York) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$50,000, barred from association with any NASD member in any capacity, and ordered to pay \$39,192 in restitution to public customers. Without admitting or denying the allegations, Mellul consented to the described sanctions and to the entry of findings that he effected transactions in the accounts of public customers without their knowledge, consent, or authorization. The findings also stated that Mellul refused to cooperate with the NASD's request for information and/or documentation. **(NASD Case #C10990143)**

Eric Douglas Miltsch (CRD #2252444, Registered Representative, Pittsford, New York) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was fined \$75,000 and barred from association with any NASD

member in any capacity. Without admitting or denying the allegations, Miltsch consented to the described sanctions and to the entry of findings that he caused \$13,000 to be wired from his grandmother's savings account to his personal bank account and used the funds for his own benefit, without his grandmother's knowledge or consent. **(NASD Case #C8B990025)**

Frank Virgilio Mollo (CRD #2342435, Registered Representative, Long Beach, New York) submitted an Offer of Settlement pursuant to which he was fined \$135,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Mollo consented to the described sanctions and to the entry of findings that he allowed an impostor to take the Series 7 exam on his behalf and permitted the passing score to be entered into the NASD Central Registration Depository (CRDSM) as his exam record. The findings also stated that Mollo failed to appear and give testimony in connection with the NASD investigation that led to the issuance of the complaint in this case. In addition, Mollo effected unauthorized transactions in public customer accounts. **(NASD Case #C10990085)**

Joel Dean Moore (CRD #2025699, Registered Principal, Redding, California) was censured, fined \$25,000, suspended from association with any NASD member in any capacity for 10 business days, and required to requalify by exam as a general securities representative. The NAC imposed the sanctions following review of a San Francisco DBCC decision. The sanctions were based on findings that Moore made unsuitable recommendations to

public customers in that he failed to understand the risks associated with a security he recommended and failed to make a customer-specific suitability determination prior to making recommendations. **(NASD Case #C01970001)**

Pasquale Morello (CRD #2469753, Registered Representative, Lynbrook, New York) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was fined \$25,000, barred from association with any NASD member in any capacity, and ordered to disgorge \$278,717.38 to the NASD. Without admitting or denying the allegations, Morello consented to the described sanctions and to the entry of findings that he had an impostor take and complete the Series 7 exam on his behalf. **(NASD Case #C10990145)**

John David Morgan (CRD #1593396, Registered Representative, Dunedin, Florida) was censured, fined \$10,000, and suspended from association with any NASD member in any capacity for 10 business days. The NAC imposed the sanctions following review of an Atlanta DBCC decision. The sanctions were based on findings that Morgan effected unauthorized transactions in the account of a public customer.

Morgan's suspension commenced at the beginning of business on September 13, 1999, and concluded at the close of business on September 24, 1999. **(NASD Case #C07980019)**

Michael Brad Newman (CRD #2124869, Registered Representative, New York, New York) submitted an Offer of Settlement pursuant to which he was fined \$15,000 and suspended

from association with any NASD member in any capacity for 120 days. Without admitting or denying the allegations, Newman consented to the described sanctions and to the entry of findings that he made baseless and improper price predictions as to speculative securities to public customers, failed to execute a customer order to sell a security, and required that public customers purchase aftermarket shares as a condition of purchasing initial public offering units. **(NASD Case #CAF980031)**

Charles Christopher Ocera, Jr. (CRD #2690022, Registered Representative, Brooklyn, New York) submitted an Offer of Settlement pursuant to which he was fined \$5,000, suspended from association with any NASD member in any capacity for one year, and ordered to provide testimony as previously requested by the NASD in connection with an investigation. Without admitting or denying the allegations, Ocera consented to the described sanctions and to the entry of findings that he failed to respond to an NASD request to provide testimony. **(NASD Case #C10990075)**

Steven Joseph Orandello (CRD #2098840, Registered Representative, Seaford, New York) submitted an Offer of Settlement pursuant to which he was fined \$15,000, suspended from association with any NASD member in any capacity for 120 days, and prohibited for a period of one year from September 1, 1999, from associating with any NASD member unless that member shall agree in writing to tape record all conversations between Orandello and public customers. The firm must also agree to maintain those tape recordings for a period of three years. Without admitting or denying

the allegations, Orandello consented to the described sanctions and to the entry of findings that he made baseless and improper price predictions as to speculative securities to public customers, failed to execute a customer order to sell a security, caused an unauthorized transaction to be made in the account of a customer, and required that customers purchase aftermarket shares as a condition of purchasing initial public offering units. **(NASD Case #CAF980031)**

Rafael Pinchas (CRD #1233899, Registered Representative, Hillcrest, New York) was censured, fined \$199,821, and barred from association with any NASD member in any capacity. The SEC sustained the foregoing sanctions following appeal of a June 1998 NAC decision. The findings stated that Pinchas made unsuitable recommendations to public customers and engaged in excessive trading in the customers' accounts. **(NASD Case #C10930017)**

Benjamin Dewayne Pitts (CRD #1861540, Registered Representative, Baltimore, Maryland) submitted an Offer of Settlement pursuant to which he was fined \$25,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Pitts consented to the described sanctions and to the entry of findings that he failed to respond to NASD requests for information. **(NASD Case #C9A990018)**

Susan Michelle Pribik (CRD #3073767, Registered Representative, Pittsburgh, Pennsylvania) was fined \$25,000 and barred from association with any NASD member in any capacity.

\$350,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Wise permitted a statutorily disqualified person to be associated with and participate in the management of his member firm without obtaining proper regulatory approvals, and failed to disclose on Form U-4 and MC-400 applications the person's business or financial activity with a non-member firm within 10 business days. In addition, Wise was found to have permitted non-exempt sales of a penny stock to public customers to be effected without the necessary suitability determinations and disclosures. He also failed to inquire and determine the applicability of the penny stock rules to sales of a common stock during the selling period, and failed to adequately supervise his member firm's sales staff to ensure adherence to requirements. Furthermore, Wise executed sales of a penny stock on behalf of public customers in violation of his member firm's restriction agreement with the NASD. Wise also engaged in an unregistered public distribution of a common stock, and effected and induced others to effect transactions at unfair and fraudulently excessive prices while failing to disclose on customers' confirmations that his member firm was acting as principal and the amount of remuneration it received. Wise also falsified his member firm's records to reflect that certain transactions were executed by a registered individual when, in fact, such transactions were executed by an unregistered individual. Wise also failed to adopt written supervisory procedures and systems that would have enabled his member firm to achieve compliance with the Regulatory and Firm Elements of the NASD's Continuing Education rules. (NASD Case #C10970141)

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 September 10, 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*.

Howard Richard Perles (CRD #1174341, Registered Principal, Staten Island, New York) and Laurence Mark Geller (CRD #1533947, Registered Representative, Demarest, New Jersey). Perles was fined \$25,000, suspended from association with any NASD member in any capacity for one year, and ordered to requalify by exam as a general securities representative. Geller was fined \$25,000, and suspended from association with any NASD member in any capacity for 30 business days. The sanctions were based on findings that Perles and Geller engaged in prearranged (or wash and matched) trading and failed to reflect accurately the prearranged trades on the books and records of their respective firms.

The NASD Department of Enforcement has appealed this matter as to Perles and Geller to the NAC; Perles and Geller have cross-appealed this action to the NAC. The sanctions are not in effect pending consideration of the appeals. (NASD Case #CAF980005)

Marlowe Robert Walker, III (CRD #1328130, Registered Representative, Hauppauge, New York) was fined \$200,000, barred from association with any NASD member in any capacity, and

ordered to disgorge \$11,250. The sanctions were based on findings that Walker associated with a member firm while subject to statutory disqualification, and submitted false, misleading, and inaccurate information to the NASD on his MC-400 application and Form U-4. In addition, Walker caused his member firm to make commission payments to him, a person subject to statutory disqualification, through a company he owned. Walker also made false statements during his on-the-record interview.

Walker has appealed this action to the NAC and the sanctions are not in effect pending consideration of the appeal. (NASD Case #C10970141)

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.

James Edward Bassano (CRD #2736206, Registered Representative, North Bellmore, New York) was named as a respondent in an NASD complaint alleging that he effected transactions on the behalf of public customers without their authorization or consent. (NASD Case #C02990053)

Michael Caso (CRD #2222058, Registered Principal, Brooklyn,

The sanctions were based on findings that Pribik failed to respond to NASD requests for information regarding possible conversion of customer funds. **(NASD Case #C9A990001)**

Toney Lee Reed (CRD #372632, Registered Principal, Miami, Florida) was censured, fined \$25,000, suspended from association with any NASD member as a principal for one year, and required to requalify by examination as a principal. In addition, Reed was required to pay \$36,746.60 in restitution to public customers. This remand proceeding resulted from an order entered in November 1997 by the SEC denying the request of the NASD for reconsideration of the SEC's August 1996 order vacating the restitution order imposed on Reed and remanding the proceeding for a determination of Reed's financial ability to pay restitution to the NASD. The sanctions were based on findings that a former member firm, acting through Reed, failed to comply with the NASD's Mark-Up Policy in that it effected corporate securities transactions as principal with retail customers at prices that were unfair and unreasonable. In addition, the firm, acting through Reed, allowed individuals to function as representatives of the firm before the effective date of their registration with the NASD, and understated the assessable income on its 1989 Assessment Report. Also, the firm, acting through Reed, failed to comply with the NASD's Rules of Fair Practice relating to supervision in that a principal had not approved in writing certain correspondence and transactions in private direct participation programs. Furthermore, the firm, acting through Reed, failed to maintain inventory account statements, a principal trade blotter,

and principal transaction order tickets. In addition, the firm, acting through Reed, failed to fully perform due diligence in connection with direct participation programs sold by the firm, maintained principal registrations for individuals who were not acting in a principal capacity, and permitted another individual to engage in the securities business of the firm and to receive commissions without being registered in any states.

Reed's suspension commenced with the opening of business June 20, 1994, and concluded at the close of business June 20, 1995. **(NASD Case #C06910024)**

Francis Emile Renner (CRD #2664117, Registered Representative, Brooklyn, New York) submitted an Offer of Settlement pursuant to which he was fined \$25,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Renner consented to the described sanctions and to the entry of findings that he failed to respond to NASD requests for documents and information. **(NASD Case #C10990068)**

Daniel Mathew Skjonsberg (CRD #1590579, Registered Representative, Seattle, Washington) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was fined \$50,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Skjonsberg consented to the described sanctions and to the entry of findings that he obtained a total of \$437,967 from public customers, a portion of which was intended for eventual investment in security products and the remainder to be held for the

benefit of the customers. The findings stated that Skjonsberg deposited \$411,141 of the funds into his checking account, thereby commingling customer funds with his own. **(NASD Case #C3B990028)**

Dolores Ann Stamps (CRD #1394755, Registered Representative, Fayetteville, Arkansas) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which she was fined \$15,727.25 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Stamps consented to the described sanctions and to the entry of findings that she received \$1,998 in monthly installments from a public customer, deposited the payments in an account she controlled, and was to draw on the account in six-month intervals to pay semi-annual premiums on a life insurance policy that she had sold to the customer. The findings stated that Stamps failed and neglected to pay the premiums, allowed the customer's insurance policy to lapse, and retained \$1,145.45 until a later date, thereby converting that amount to her own use and benefit without the knowledge or consent of the customer. **(NASD Case #C05990037)**

Steven Ross Stecklow (CRD #2111105, Registered Representative, Roslyn, New York) submitted an Offer of Settlement pursuant to which he was fined \$7,500 and suspended from association with any NASD member in any capacity for 90 days. Without admitting or denying the allegations, Stecklow consented to the described sanctions and to the entry of findings that he made improper price predictions as to speculative securities to public customers. The findings also stated

that Stecklow solicited aftermarket shares of stock before the completion of the distribution of the initial public offering. **(NASD Case #CAF980031)**

Simuel Emanuel Stevenson, Jr. (CRD #1944019, Registered Representative, Staten Island, New York) submitted an Offer of Settlement pursuant to which he was fined \$50,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Stevenson consented to the described sanctions and to the entry of findings that he arranged to have an impostor take the Series 7 exam on his behalf and permitted the passing score to be entered into CRD as his exam record. Stevenson also failed to appear and give investigative testimony that had been requested by the NASD. **(NASD Case #C10990066)**

Joseph Timothy Sword (CRD #1312600, Registered Principal, Conyngham, Pennsylvania) submitted an Offer of Settlement pursuant to which he was suspended from association with any NASD member in any capacity for two years and required to requalify by exam for any capacity in which he is to be registered after the end of the suspension period. Without admitting or denying the allegations, Sword consented to the described sanctions and to the entry of findings that he engaged in the sale of debt securities outside of the regular course or scope of his association with his member firms and failed to provide prior written notice to, or to receive the approval of, his member firms. **(NASD Case #C9A990019)**

Brian Keith Taylor (CRD #2079960, Registered Representative, Rockford,

Illinois) was fined \$25,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Taylor failed to respond to NASD requests for information and documents relating to his termination and allegations of private security transactions. **(NASD Case #C8A990034)**

Raymond Alvarez Valentino, II (CRD #2474078, Registered Representative, Los Angeles, California) was fined \$25,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Valentino failed to respond to NASD requests for information. **(NASD Case #C02980086)**

Marc Andrew Varricchone (CRD #2262533, Registered Principal, Elmsford, New York) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was fined \$65,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Varricchone consented to the described sanctions and to the entry of findings that he recommended and engaged in purchase and sale transactions in the account of a public customer and did not have reasonable grounds for believing that these recommendations and resultant transactions were suitable for the customer on the basis of his financial situation, investment objectives, and needs. The findings also stated that in connection with sales to numerous public customers, Varricchone intentionally or recklessly employed devices to defraud the customers by making untrue statements of material facts or omitting to state material facts necessary to make the statements, in light of the circumstances in which they were

made, not misleading. In addition, Varricchone destroyed or hid documents from regulators so as to impede their compliance examinations at his member firm and made false statements to the regulators with respect to the use of sales scripts by the firm's employees. **(NASD Case #C9B990026)**

Thomas Edward Wadding (CRD #1340445, Registered Representative, Butler, Pennsylvania) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was fined \$10,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Wadding consented to the described sanctions and to the entry of findings that he submitted documents to his member firm purporting to be copies of a premium check for \$2,840.67 issued by a policyholder. Such documents were false in that the policyholder had not issued a check in that amount, or on that date, in payment of a premium. **(NASD Case #C9A990044)**

Allen Harvey Watford (CRD #1574596, Registered Representative, Charleston, South Carolina) was fined \$100,000, barred from association with any NASD member in any capacity, and ordered to pay \$55,260.08 in restitution to his former member firm. The sanctions were based on findings that Watford effected unauthorized transactions in the accounts of public customers and failed to respond to NASD requests for information. **(NASD Case #C07980065)**

Maurice Dana Wise (CRD #737189, Registered Principal, Hauppauge, New York) was fined

New York) was named as a respondent in an NASD complaint alleging that he engaged in fraudulent conduct by misleading public customers into investing in securities by making materially false and misleading statements and omissions concerning the price and safety of the securities and employing other "boiler room" sales techniques such as telephone solicitations, high pressure sales tactics, and recommendations of speculative securities. The complaint alleges that Caso executed trades in the accounts of public customers without the authorization of the customers and failed to execute a customer request to liquidate his account and send him the proceeds. The complaint also alleges that Caso induced the purchase or sale of securities by means of manipulative, deceptive, and other fraudulent devices and contrivances and made a recommendation to a customer without reasonable grounds for believing that the recommendation was suitable for the customer based on his other security holdings, financial situation, and needs. Furthermore, the complaint alleges that Caso failed to respond to NASD requests for information and to appear for an on-the-record interview. **(NASD Case #CAF990019)**

Gale Reich Donovan (CRD #70260, Registered Representative, New York, New York) was named as a respondent in an NASD complaint alleging that she made unsuitable recommendations to a public customer in that she executed numerous option trades and trades on margin without consulting with the customer prior to each trade. The complaint also alleges that Donovan did not have a reasonable basis to believe that her

recommendations and the resultant transactions were suitable in light of the customer's financial situation, investment objectives, and needs, and that her course of trading in the customer's account was excessive in light of the size, type, and frequency of the transactions as well as the customer's age, financial situation, needs, and stated investment objectives. The complaint alleges that Donovan exercised discretion in the customer's accounts without having obtained prior written authorization from the customer and prior written acceptance of the account as discretionary by her member firms. The complaint also alleges that Donovan solicited and signed her name to new account forms, solicited and completed order tickets, and earned approximately \$5,400 in commissions while not properly registered with the NASD. The complaint further alleges that Donovan failed to respond to NASD requests to appear for an on-the-record interview. **(NASD Case #C10990142)**

Arthur Vincent Gunning, Jr. (CRD #2493535, Registered Representative, Brooklyn, New York) was named as a respondent in an NASD complaint alleging that he purchased and sold securities in the account of a public customer without the customer's prior knowledge or consent. The complaint also alleges that Gunning purchased warrants for the account of a public customer that exceeded the equity in the customer's account in contravention of the customer's instructions and without his prior knowledge, authorization, or consent. The complaint also alleges that Gunning effected transactions in, or induced the purchase or sale of, securities by means of manipulative, deceptive, or other fraudulent device or contrivance in that he made

baseless and improper price and performance predictions in highly speculative investments without an adequate, accurate, or reasonable basis in fact. The complaint further alleges that Gunning guaranteed a customer against loss in an investment. **(NASD Case #C10990141)**

Albert Douglas Lassak (CRD #1633765, Registered Principal, West Palm Beach, Florida) was named as a respondent in an NASD complaint alleging that he engaged in unsuitable transactions in the account of a public customer. The complaint alleges that Lassak engaged in excessive trading, the use of margin and options, and the purchase and sale of speculative stocks in the customer's account. The complaint also alleges that Lassak effected transactions in the customer's account without her written authorization and without approval of the account as discretionary by his member firm. In addition, the complaint alleges that Lassak failed to respond to NASD requests for information. **(NASD Case #C07990062)**

Shailesh Babubhai Patel (CRD #2610523, Registered Principal, Huntington Beach, California) was named as a respondent in an NASD complaint alleging that he received \$40,000 from public customers for investment purposes. Instead of using the funds to purchase bonds or any other type of investment, the complaint alleges that Patel used the funds for purposes other than for the benefit of the customers. **(NASD Case #C02990052)**

Doyle Lardell Randall, Sr. (CRD #2462237, Registered Representative, Dix Hills, New York) was named as a respondent in an NASD complaint alleging that he made misrepresentations and

omissions of material fact to a public customer to induce the customer to purchase securities offered in an initial public offering. The complaint also alleges that Randall engaged in securities activities when he was not registered with the NASD and failed to appear for an on-the-record interview as requested by the NASD. **(NASD Case #C10990162)**

Edward Thomas Rush (CRD #812872, Registered Representative, Hampton Bays, New York) was named as a respondent in an NASD complaint alleging that he recommended and engaged in purchase and sale transactions in the IRA accounts of public customers and the personal account of one customer that resulted in losses of \$131,188.40 and gross commissions paid of \$102,108 when he did not have reasonable grounds for believing that these recommendations and resultant transactions were suitable for the customers on the basis of their financial situations, investment objectives, and needs. The complaint also alleges that Rush exercised discretion in the accounts without prior written authorization from the customers and prior written acceptance of the accounts as discretionary by his member firm. The complaint also alleges that Rush failed to respond to NASD requests for information. **(NASD Case #C05990043)**

Ali Safavi (CRD #1958071, Registered Representative, McLean, Virginia) was named as a respondent in an NASD complaint alleging that he caused loans to be applied against insurance policies of public customers without their knowledge or consent, changed the addresses of record on the policies, and received at least \$215,133.28 in checks issued by his firm to the customers. The complaint also alleges that Safavi forged the

customers' endorsements on the checks, and made the checks payable to himself or his wife, thereby converting the proceeds totaling at least \$215,133.28 to his own use or benefit. In addition, the complaint also alleges that Safavi failed to respond to NASD requests for information. **(NASD Case #C07990060)**

Malek Paul Tawil (CRD #2329493, Registered Principal, Palm Beach Gardens, Florida) was named as a respondent in an NASD complaint alleging that he effected unauthorized transactions in the accounts of public customers without the prior knowledge or authorization of the customers. The complaint also alleges that Tawil failed to respond to NASD requests for information concerning unauthorized trades and other sales practice abuses. **(NASD Case #C07990053)**

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

JWE Securities, Inc. Danville, California (August 20, 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.

A.S. Goldman & Co., Inc., Atlanta, Georgia (August 31, 1999)

Kensington, Bentley & Barnes, Inc., Dallas, Texas (September 3, 1999 - September 10, 1999)

Spectrum Securities, Inc., Agoura Hills, California (September 3, 1999)

Tuschner & Company, Inc., Minneapolis, Minnesota (September 15, 1999)

Suspension Lifted

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

Chadbourn Securities, Inc., Jacksonville, Florida (August 31, 1999)

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

Anthony DiMaria, Bronx, New York (September 16, 1999)

Raymond A. Frias, Merrick, New York (August 20, 1999)

Stephen K.M. Gourlay, Jr., Hicksville, New York (September 16, 1999)

James R. Laymac, Resewell, Georgia (August 20, 1999)

Pier Luccarelli, Fairfax, Virginia (August 20, 1999)

Bruce Dean Moutaw, Jr., San Diego, California (August 20, 1999)

Matthew J. Samul, Henderson, Nevada (August 20, 1999)

Edward J. Stock, Jr., Nesconset, New York (September 16, 1999)

NASD Regulation Charges Premier Capital Management, Firm President, And Broker With Stock Touting And Fraudulent Advertising

NASD Regulation announced that it issued a complaint charging Premier Capital Management, Inc., Dallas, TX; its president and owner, Bryan James O'Leary; and a former registered representative, Ryan Mark Reynolds, with fraud. Acting on behalf of Premier, O'Leary and Reynolds placed materially misleading advertisements in national publications, used a false research report to tout Continental Investment Corporation (OTCBB:CICG) and failed to disclose compensation received from Continental.

In the complaint, NASD Regulation alleges that O'Leary and Reynolds placed in *Mutual Funds Magazine* a materially misleading advertisement purporting to be a research report regarding Continental, and disseminated the report to prospective and current customers. The report, which made a "Very Strong Buy/Accumulate" recommendation, contained misrepresentations regarding Continental's business prospects and market value, including statements that Premier believed that "[Continental] is potentially in a position to dominate the waste disposal business in the entire southeastern U.S. (and beyond)"; "that the discounted net present value of [Continental's] assets and future cash flows is in excess of \$250 per share"; and that "even if 99 percent of all stocks are dragged

down with the overall market, in our opinion, [Continental] will be an extremely profitable exception."

In violation of federal securities laws and NASD rules, Premier, O'Leary, and Reynolds failed to disclose compensation for touting Continental. In particular, the complaint alleges that Continental paid Premier and/or O'Leary approximately \$200,000 to cover printing and publication costs associated with the *Mutual Funds Magazine* advertisement, the research report, and several additional one-page ads which appeared in various national magazines. Premier and O'Leary received \$10,000 to reimburse them for a fine imposed upon them by the NASD Regulation for net capital and books and records violations related to the publication and printing of the advertisements and research report. In addition, the complaint alleges that Reynolds received from Continental 10,000 shares of Continental stock as compensation for his role in publishing, printing, and distributing the advertisements and research report. Neither the advertisements nor the research report disclosed the receipt of any consideration from Continental. According to the complaint, Premier and O'Leary also failed to file the advertisements with NASD Regulation.

The issuance of a disciplinary complaint represents the initiation of a formal proceeding by NASD Regulation 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 this complaint is adjudicated, the respondents should be contacted before drawing any conclusion regarding the allegations in the complaint.

NASD Regulation Fines And Expels The Harriman Group, Inc.

NASD Regulation announced that The Harriman Group, Inc. (HGI) has been fined \$12.3 million and expelled from the NASD.

In the decision, the Hearing Officer determined that HGI, acting as an underwriter of three securities – Sims Communications, Inc., Natural Health Trends Corp., and International Cutlery, Ltd., defrauded investors and made approximately \$12.3 million in illicit profits and excessive, undisclosed underwriter compensation.

HGI illegally profited by purchasing stock at below-market prices to cover large short positions the firm had intentionally created in its inventory. In each offering, the firm purchased the covering shares from shareholders who had received their securities prior to the initial public offerings (IPOs) through private placements and bridge financing arrangements.

The registration statements and amendments filed by Sims Communications, Inc., Natural Health Trends Corp., and International Cutlery, Ltd. with the Securities and Exchange Commission reflect that the shares owned by selling shareholders were restricted and therefore could not be sold for up to two years after the IPO, without the permission of the lead underwriter. However, HGI engaged in fraud by failing to disclose the private, below-market transactions with the selling shareholders; the firms' plans to distribute the selling shareholders' securities to the public; and the receipt by HGI of \$12.3 million in excessive underwriting compensation.

Previously, NASD Regulation had sanctioned two of HGI's senior executives, Brian Scanlon and Mark Hanna – along with Maidstone Financial Inc., and two of its senior executives, Marshall Bernstein and Stuart Litman – in connection with fraud in the underwriting of three securities. Maidstone, which was expelled, and the four individuals, all of whom were barred, were fined a total of \$14.8 million.

This case was brought by NASD Regulation's New York District Office with assistance from the Corporate Financing Department in Washington, D.C. HGI, Inc. does not currently operate a securities business. In September 1997, HGI, which was then based in Jericho, N.Y., withdrew from the NASD.

NASD Regulation And The State Of Connecticut Announce Disciplinary Actions Against Merit Capital And Its Chairman

A coordinated investigation by NASD Regulation's Boston District Office and the state of Connecticut has resulted in fines totaling \$180,000 assessed jointly against Merit Capital and Associates, of

Westport, CT, and its Chairman, Russell W. Newton. Additionally, NASD Regulation has censured Merit Capital and suspended Newton as a principal for 30 days and required him to requalify by examination.

From January 1996 to April 1997, NASD Regulation found that Russell W. Newton, on behalf of Merit Capital, made commission payments of over \$167,000 for securities transactions to individuals who were known to the firm and Newton to be statutorily disqualified from the securities industry. NASD Regulation also found that Merit Capital's registered representatives used sales scripts, letterhead, and business cards that did not comply with NASD's advertising rules. Additionally, in the execution of securities transactions, the firm failed to comply with confirmation disclosure and ACT reporting requirements. Finally, Merit Capital and Newton were found to have failed to reasonably supervise the activities of its registered representatives.

In a separate action, the state of Connecticut's Banking Commissioner made findings that Merit Capital violated Connecticut state law by employing agents who

transacted business without the benefit of registration; using inappropriate sales materials; and failing to establish and maintain an adequate supervisory system. The state of Connecticut also found that Merit Capital's affiliate employed investment adviser agents who were not properly registered. Merit Capital was fined \$75,000 by the state of Connecticut and, pursuant to the coordinated actions by both regulators, such payment to Connecticut will be credited by NASD Regulation toward the payment of its fine.

Both disciplinary actions were resolved through settlements, in which Merit Capital and Newton neither admitted nor denied the allegations. Merit Capital has retained an independent consultant to review each area identified above. Under the terms of the settlements, the independent consultant must submit a report to both regulators with a summary of recommendations made and a plan of implementation.

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