Notices to Members

May 1999

Notices

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

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

NASD Notice to Members 99-34

NASD Offers Guidance On Complying With New SEC Rule Regarding Alternative Trading Systems; **Rule Effective April 21, 1999**

Suggested Routing

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

Executive Summary

On April 21, 1999, Securities and Exchange Commission (SEC) Rules 3a1-1, 3b-16, and Regulation Alternative Trading System (ATS) will become effective. Regulation ATS establishes certain thresholds for share volume of trading. For ATSs that are National Association of Securities Dealers, Inc. (NASD®) members subject to these requirements, this *Notice* provides information regarding the steps they should take to calculate their volume in order to determine whether they exceed the volume thresholds of Regulation ATS.

Questions regarding this *Notice* may be directed to Eugene A. Lopez, Vice President, Trading & Market Services, The Nasdaq Stock Market, Inc., at (202) 728-6998.

ATS Volume Calculations

ATSs that are NASD members must measure their trading volume on a security-by-security basis for the purpose of determining whether they exceed the thresholds established by Regulation ATS (17 CFR Sec. 242.300-303)[1] and therefore must meet certain regulatory requirements. NASD members operating ATSs should calculate whether they exceed the SEC-imposed thresholds with respect to Nasdaq®-listed securities by following the standards set out below:

1. Need For Uniform Criteria. Volume calculations for broker/dealer-operated ATSs must be performed under uniformly applied criteria. That is, each such ATS must use the same standards in making its volume threshold calculations.

2. Total Nasdaq Volume - the Appropriate Denominator. For purposes of establishing a denominator, ATSs should use the Nasdaq-reported volume figures published monthly by Nasdaq on its NasdaqTrader.com Web Site (*www.nasdaqtrader.com*[2]). The reported volume is provided on a security-by-security basis and includes all trades reported by NASD members and UTP exchanges through the Automated Confirmation Transaction Service℠. The following trades, however, are not included within the monthly figures provided on this Web Site: (1) trades that are reported AS/OF after T+1; (2) broken, canceled, or trades reported in error; (3) declined trades; and (4) trade reports later deemed No/Was.

3. Individual ATS Volume. Each ATS must calculate the share volume that it executes within its own system and use that share volume as the numerator for the purpose of calculating share volume thresholds. Each ATS should calculate its own volume based on the following standards.

A. Trade Reported Volume Should Not Be Used. Based on discussions with the SEC, ATSs should not use the volume that is officially reported pursuant to NASD trade reporting rules. Such rules were developed for regulatory purposes and the standards under which volume is counted capture the volume of trading activity that occurs within some ATSs in a manner from that required by the SEC's ATS Rules. Accordingly, ATSs should not rely on the individual member trade volume figures reflected on the Nasdaq Trader Web Site, because such figures are based on reported volume.

B. Volume To Be Reported - Shares Executed Within the ATS. In calculating its share volume, an ATS must include each trade that occurs as a result of an execution between its subscribers within the ATS. In

addition, an ATS should include within its share volume calculation any execution that results when SelectNet℠ is used to execute against the ATS quote displayed in the Nasdaq quote montage. ATSs that allow subscribers to send SelectNet orders under the MMID of the ATS to access other Market Maker or ECN/ATS quotes should not, however, include as a part of its volume any subsequent execution of such orders. In addition, some ATSs have links with other ATSs or broker/dealers that permit subscribers to send directly to or receive orders from these other entities seeking to access the ATSs' quotations. An ATS should include an execution of an order shipped to it by such means as a part of its volume. An ATS should not include any execution of an order that it ships by such means to another ATS or broker/dealer as its volume. In calculating this volume, an ATS should be counting only share volume for executions that occur within its system as its volume.

4. ATS Activity in non-Nasdaq securities. Certain ATSs permit their subscribers to trade securities that are listed on the New York Stock Exchange (NYSE) or American Stock Exchange (Amex®). These ATSs are required to perform the same sort of calculation for these securities that they perform for Nasdaq securities. These ATSs should consult with the Consolidated Tape Association (CTA) to determine the process by which CTA calculates total share volume.

Endnotes

[1]Specifically, for each Nasdaq and exchange-listed security in which an ATS's share volume is five percent or more of total share volume, an ATS must provide its best-priced order displayed to more than one other ATS subscriber to a national securities exchange or national securities association. In addition, an ATS must meet certain fair access and computer system integrity standards if its volume for any security is 20 percent or more of the total share volume in that security.

[2]To reach the Share Volume figures on *www.nasdaqtrader.com*, navigate from the Homepage by selecting the Trading Data button to reach: *www.nasdaqtrader.com/dynamic/tdhome.htm*. Single issues can be viewed by entering an issue symbol in the white text area, and then selecting the view button. The response will give totals for the issue for the month and a list of MPs trading volume within that issue. For a complete listing of *all* MP volumes in *all* issues, take the following actions: at the above location, find the section entitled **Share Volume Download**; from this location, a text file can be saved and then imported to a spreadsheet or database; the spreadsheet can then be manipulated to calculate Total Volume.

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NASD Notice to Members 99-35

The NASD Reminds Members Of Their Responsibilities Regarding The Sales Of Variable Annuities

Suggested Routing

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

Executive Summary

National Association of Securities Dealers, Inc. (NASD®) Rule 3010 requires each member to establish and maintain a system to supervise the activities of each registered representative and associated person in order to achieve compliance with the securities laws, regulations, and NASD rules. Variable life insurance and variable annuities are securities and their distribution is subject to NASD rules. This *Notice* focuses on deferred variable annuity sales and provides a set of guidelines that are intended to assist members in developing appropriate procedures relating to variable annuity sales to customers.

The guidelines identify areas of concern that NASD Regulation, Inc. (NASD Regulation®) would expect to be addressed in the procedures of members that offer and sell variable annuities. Although the specific procedures described are not mandatory, members should consider supplementing their procedures to ensure that they will be adequately designed to achieve compliance with legal and regulatory requirements.

Questions concerning this *Notice* may be directed to Thomas M. Selman, Vice President, Investment Companies/Corporate Financing, NASD Regulation, at (202) 728-8068; Lawrence Kosciulek, Assistant Director, Advertising/Investment Companies, NASD Regulation, at (202) 728-8329; or Elliot R. Curzon, Assistant General Counsel, Office of General Counsel, NASD Regulation, at (202) 728-8451.

Background

A variable annuity is an insurance contract that is subject to regulation under state insurance and securities laws. Although variable annuities offer investment features similar in many respects to mutual funds, a typical variable annuity offers three basic features not commonly found in mutual funds: (1) tax-deferred treatment of earnings; (2) a death benefit; and (3) annuity payout options that can provide guaranteed income for life.

A customer's premium payments to purchase a variable annuity are allocated to underlying investment portfolios, often termed subaccounts. The variable annuity contract may also include a guaranteed fixed interest subaccount that is part of the general account of the insurer. The general account is composed of the assets of the insurance company issuing the contract. The value of the underlying subaccounts that are not guaranteed will fluctuate in response to market changes and other factors. Because the contract owners assume these investment risks, variable annuities are securities and generally must be registered under the Securities Act of 1933.

The underlying subaccounts that are not guaranteed are funded by a separate account of a life insurance company that, absent an exemption, is required to be registered as an investment company under the Investment Company Act of 1940. Variable annuities assess various fees including fees related to insurance features, *e.g.*, lifetime annuitization and the death benefit. The fees are typically deducted from customer assets in the separate account.

A distributor of variable annuity contracts to individuals is required to register as a broker/dealer under the Securities Exchange Act of 1934 and become a member of the NASD. The distribution of variable annuity contracts is subject to NASD rules.

Typically, variable annuities are designed to be long-term

investments for retirement. Withdrawals before a customer reaches the age of 59 1/2 are generally subject to a 10 percent penalty under the Internal Revenue Code. In addition, many variable annuities assess surrender charges for withdrawals within a specified time period after purchase.

Generally, variable annuities have two phases: the "accumulation" phase when customer contributions are allocated among the underlying investment options and earnings accumulate; and the "distribution" phase when the customer withdraws money, typically as a lump-sum or through various annuity payment options.

The myriad features of variable insurance products make the suitability analysis required under NASD rules particularly complex. NASD Regulation has addressed suitability issues in variable insurance products sales in *Notice to Members 96-86*. In that *Notice*, NASD Regulation stated that when recommending variable annuities or variable life insurance, the member and its registered representatives are required to make reasonable efforts to obtain information concerning the customer's financial and tax status, investment objectives, and such information used or considered reasonable in making recommendations to the customer.[1] In addition, a recent NASD disciplinary action discussed members' responsibilities under Rule 2310 (Suitability Rule) as they apply to the sale of variable life insurance. (*See* In the Matter of DBCC No. 8 v. Miguel Angel Cruz.[2])

Discussion

NASD Regulation has developed the following guidelines that represent a compilation of industry practices in the supervision of the sale of variable annuities. The guidelines do not mandate any specific procedure. Rather, they are designed to assist members in developing appropriate procedures relating to variable annuity sales practices. The guidelines are not comprehensive and are not intended as a substitute for the member's responsibilities under NASD Rule 3010. Moreover, the Suitability Rule requires an associated person of a member to make an independent determination whether an investment is suitable for a particular customer, taking into account the customer's investment objectives and financial needs.

Customer Information

The Suitability Rule requires members and their registered representatives to make reasonable efforts to obtain information concerning a customer's financial and tax status, investment objectives, and such other information used or considered in making recommendations to the customer.

1. When recommending a variable annuity, members and their registered representatives should make reasonable efforts to obtain comprehensive customer information, including the customer's occupation, marital status, age, number of dependents, investment objectives, risk tolerance, tax status, previous investment experience, liquid net worth, other investments and savings, and annual income. Retention of this customer information can be made in conjunction with the maintenance of basic customer account information that is required in NASD Rule 3110.

2. A registered representative should discuss all relevant facts with the customer, including liquidity issues such as potential surrender charges and the Internal Revenue Service (IRS) penalty; fees, including mortality and expense charges, administrative charges, and investment advisory fees; any applicable state and local government premium taxes; and market risk.

3. The registered representative should seek to ensure that the variable annuity application and any other information provided by the customer to the member is complete and accurate, and promptly forwarded to a registered principal for review.

4. When a variable annuity transaction is recommended to a customer, the registered representative and a registered principal should review the customer's investment objectives, risk tolerance, and other information to determine that the variable annuity contract as a whole and the underlying subaccounts recommended to the customer are suitable. The registered principal should compare the information in the account application with other relevant information sources, *e.g.*, an account information form, to check for apparent accuracy and consistency prior to approving the transaction.

Product Information

5. The registered representative should have a thorough knowledge of the specifications of each variable annuity that is recommended, including the death benefit, fees and expenses, subaccount choices, special features, withdrawal privileges, and tax treatment.

6. To the extent practical, a current prospectus should be given to the customer when a variable annuity is recommended. Prospectus information about important factors, such as fees and expenses and the illiquidity of the product, should be discussed with the customer.

7. Under NASD Rule 2210, the registered representative may only use sales material that is approved by a registered principal of the member.

Liquidity And Earnings Accrual

Lack of liquidity, which may be caused by surrender charges or penalties for early withdrawal under the Internal Revenue Code, may make a variable annuity an unsuitable investment for customers who have short-term investment objectives. Moreover, although a benefit of a variable annuity investment is that earnings accrue on a tax-deferred basis, a minimum holding period is often necessary before the tax benefits are likely to outweigh the often higher fees imposed on variable annuities relative to alternative investments, such as mutual funds.

8. The registered representative should inquire about whether the customer has a long-term investment objective and typically should recommend a variable annuity only if the answer to that question, with consideration of other product attributes, is affirmative. In general, the registered representative should make sure that the customer understands the effect of surrender charges on redemptions and that a withdrawal prior to the age of 59 1/2 could result in a withdrawal tax penalty. In addition, the registered representative should make sure that customers who are 59 1/2 or older are informed when surrender charges apply to withdrawals.

9. The member should develop special procedures to screen for any customer whose age may make a long-term investment inappropriate, such as any customer over a specific age. Based on certain contract features, some customers of advanced age may be unsuitable for a variable annuity investment.

Income, Net Worth, And Contract Size Thresholds

10. Members should establish procedures to require a principal's careful review of variable annuity investments that exceed a stated percentage of the customer's net worth, and any contract in which a customer is investing more than a stated dollar amount.

Investment In Tax Qualified Accounts

Some tax-qualified retirement plans (*e.g.*, 401(k) plans) provide customers with an option to make investment choices only among several variable annuities. While these variable annuities provide most of the same benefits to investors as variable annuities offered outside of a tax-qualified retirement plan, they do not provide any additional tax deferred treatment of earnings beyond the treatment provided by the tax-qualified retirement plan itself.

11. When a registered representative recommends the purchase of a variable annuity for any tax-qualified retirement account (*e.g.*, 401(k) plan, IRA), the registered representative should disclose to the customer that the tax deferred accrual feature is provided by the tax-qualified retirement plan and that the tax deferred accrual feature of the variable annuity is unnecessary. The registered representative should recommend a variable annuity only when its other benefits, such as lifetime income payments, family protection through the death benefit, and guaranteed fees, support the recommendation.

12. A member should conduct an especially comprehensive suitability analysis prior to approving the sale of a variable annuity with surrender charges to a customer in a tax-qualified account subject to plan minimum distribution requirements.

Variable Annuity Replacements

13. The member firm may decide to develop an exchange or replacement analysis document or utilize an existing form authorized by a state insurance commission or other regulatory agency. If such a document is used, then (consistent with the requirements of various states) it should be completed for all variable annuity replacements and should include an explanation of the benefits of replacing one contract for another variable contract. The document also should be signed by the customer, the registered representative, and the registered principal.

14. The registered representative and the registered principal should determine, based on the information provided by the customer and their own knowledge of the product features, that replacing the existing contract with a new contract is suitable for the customer. Consideration should be given to such matters as product enhancements and improvements, lower cost structures, and surrender charges.

15. The member firm should consider developing compliance systems, such as computer programs, when available, that can monitor and identify those registered representatives whose clients have a particularly high rate of variable annuity replacements or rollovers. These compliance systems should provide the firm with "red flags" that

the firm can investigate to determine whether some of these replacements are unsuitable.

16. A retail member should adopt other measures reasonably designed to ensure that replacement sales activity by its registered representatives complies with NASD rules. Members that "wholesale" variable annuities are reminded that they are also subject to NASD rules, and that they should avoid marketing strategies that are designed primarily to encourage inappropriate replacement sales. Upon reasonable request and to the extent practical, wholesale members should assist retail broker/dealers in monitoring the replacement activity of their customers.

Endnote

[1]*Notice to Members 96-86* also listed specific factors that could be considered when recommending variable annuities and variable life insurance contracts. These factors are:

- a representation by a customer that his or her life insurance needs were already met;
- the customer's express preference for an investment other than an insurance product, the customer's inability to appreciate fully how much of the purchase payment or premium is allocated to cover insurance or their costs, and a customer's ability to understand the complexity of variable products generally;
- the customer's willingness to invest a set amount on a yearly basis;
- the customer's need for liquidity and short-term investment;
- the customer's immediate need for retirement income; and
- the customer's investment sophistication and whether he or she is able to monitor the investment experience of the separate account.

[2]Complaint No. C8A930048 (NBCC Oct. 31, 1997)

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NASD Notice to Members 99-36

Members Reminded To Report Executive Representative And Address Changes

Suggested Routing

- ■ Senior Management
- ☐ Advertising
- ☐ Continuing Education
- ☐ Corporate Finance
- ■ Executive Representatives
- ☐ Government Securities
- ☐ Institutional
- ☐ Insurance
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- ■ Legal & Compliance
- ☐ Municipal
- ☐ Mutual Fund
- ☐ Operations
- ☐ Options
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Executive Summary

The Office of the Corporate Secretary would like to remind members of the importance of updating Executive Representative information, as well as mailing addresses for main offices and branch offices.

The National Association of Securities Dealers, Inc. (NASD®) By-Laws require each member to appoint and certify to the NASD one "Executive Representative." The Executive Representative of a member firm must be a registered principal and a senior manager within the firm. The individual designated as the Executive Representative will represent, vote, and act in all NASD affairs.

Please note that Executive Representative information must now be updated via the Internet. Making certain that the Central Registration Depository (CRD℠) is updated with changes in address and contact people, ensures that member mailings, *e.g.*, voting information, will be properly directed. The procedures for changing Executive Representative information are as follows:

Go to the NASD Regulation, Inc. (NASD Regulation®) Web Site (*www.nasdr.com*) and make appropriate changes on the NASD Member Firm Contact Questionnaire Web page (go to the "Members Check Here" section and click on "Contact Questionnaire" or go directly to *www.nasdr.com/2695.htm*). You will need your User ID and password to access the Contact Questionnaire. (User IDs and passwords were distributed to members in a mailing earlier this year. Contact the CRD/PD Gateway Phone Center at (301) 869-6699 if you have a problem with your User ID or password or in updating the information.)

To change the address for mailings sent to both main offices and branch offices, or to update the contact name, a properly executed Schedule E of Form BD must be sent to CRD. Notifications submitted on U.S. Post Office address change cards cannot be processed. The Form BD is available at the following Web page: *www.nasdr.com/3420d.htm*

Please note that given the new procedures, the NASD **will not accept** any changes submitted in print form, such as the Executive Representative Form that was included with *Notice to Members 98-53*.

Questions concerning this *Notice* may be directed to Joan C. Conley, Senior Vice President and Corporate Secretary, Office of the Corporate Secretary, at (202) 728-8381.

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NASD Member Benefits

NEW Management Liability Insurance Program

Choose the coverage your firm needs from this complete protection package. And, you can save up to 10% on already discounted premiums.

- **Errors and Omissions (E&O) Insurance**
  Protect your firm from investor allegations involving unsuitable investments, misrepresentations, negligence, unauthorized trading, and more.

- **Employment Practices Liability Insurance (EPLI)**
  Protect your firm against a wide spectrum of employment practice claims. Coverage encompasses claims of sexual harassment, discrimination, and wrongful termination, including violations of local, state, or federal law.

- **Directors and Officers (D&O) Insurance**
  Protect the assets of your firm's directors and officers, and the assets of the corporate entity with coverage for claims arising from a broad range of management liability suits.

- **Employee Benefit Plan Fiduciary Insurance**
  Protect your firm from mismanagement claims against your own firm's employee pension plans. Includes coverage for qualified and non-qualified pension and welfare plans.

Call the NASD program administrator today!

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NASD®

Parent of The Nasdaq-Amex Market Group

NASD Notice to Members 99-37

NASD Reminds Members Of Their Obligations Regarding Electronic Distribution Of Nasdaq And OTC Market Data

Suggested Routing

- ■ Senior Management
- ☐ Advertising
- ☐ Continuing Education
- ☐ Corporate Finance
- ☐ Executive Representatives
- ☐ Government Securities
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- ■ Systems
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- ☐ Training
- ☐ Variable Contracts

Executive Summary

The National Association of Securities Dealers, Inc. (NASD®) requires member firms that distribute Nasdaq®, OTC Bulletin Board®, and/or other OTC market data through on-line trading systems or other electronic distribution media, including the Internet, to follow all Nasdaq market data distribution policies. Electronic media include—but are not limited to—member firm on-line trading systems that provide market data in support of trading activities.

Market data distribution requirements include fulfillment of contractual obligations, accurate and non-misleading display of market data, reporting of fee-liable usage, and administration of subscriber agreements with end users of Nasdaq market data. This *Notice* provides explanations of these policies and requirements as they apply to on-line trading systems, electronic distribution media, and Internet distribution.

Questions concerning this *Notice* may be directed to Nasdaq Trading and Market Services at (202) 728-8480. Additional information and documentation is also available at the Nasdaq Trader℠ Web Site (*www.nasdaqtrader.com*).

Requirements Concerning Market Data Distribution And Display

As broker/dealers enter into the on-line trading environment, it is important to realize that there are specific Nasdaq requirements for the distribution of real-time and delayed market data on the Internet and other electronic media. Most on-line brokerage Web sites provide customers with access to Nasdaq real-time quotes prior to trade execution.

Fulfillment Of Contractual Obligations

All organizations, including on-line brokerage firms, are required to obtain approval from Nasdaq prior to distribution of any real-time or delayed Nasdaq market data via the Internet or other electronic media. Nasdaq must approve the entitlement systems and subscriber agreement administration for all distributors of real-time Nasdaq market data prior to initiation of service. To ensure that the on-line brokerage customers view complete and accurate data when making investment decisions, distributors must demonstrate that they adhere to all mandatory display requirements established by Nasdaq Trading and Market Services. To initiate the approval process for your firm or Internet site, all distributors (both real-time and delayed) are required to submit the *Nasdaq Vendor Agreement* and *Attachment A* (System Description) which is available to view and print on the Nasdaq Trader Web Site (*www.nasdaqtrader.com*).

Fee-Liable Usage Of Nasdaq Market Data

All real-time Nasdaq data, including index data, is considered fee-liable and subject to monthly reporting requirements. Nasdaq requires that all distributors of real-time Nasdaq market data submit monthly reports indicating their usage and distribution of real-time Nasdaq market data. These reports are used to generate Nasdaq invoicing of market data fees. Please refer to *www.nasdaqtrader.com* for a complete listing of Nasdaq market data fees.

Subscriber Agreements

All distributors of real-time Nasdaq market data are required to execute a *Nasdaq Subscriber Agreement* with each customer or subscriber prior to initiation of services. Distributors may choose to execute the *Nasdaq Subscriber Agreement* electronically or by hard copy. On-line administration of the *Nasdaq Subscriber Agreement* can be accommodated upon prior approval

from Nasdaq. For additional information about the *Nasdaq Subscriber Agreement*, please call Nasdaq Trading and Market Services.

If a broker/dealer uses a third-party service to operate its electronic media or Internet site, it is imperative that Nasdaq is fully aware and has approved these arrangements. It is the broker/dealer's responsibility to ensure that all parties are adhering to Nasdaq policies. If you would like to verify that your firm or Internet sites have been approved by Nasdaq, please contact Trading and Market Services at (202) 728-8480.

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NASD Notice to Members 99-38

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

Suggested Routing

- ■ Senior Management
- □ Advertising
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- ■ Corporate Finance
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- □ Training
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As of March 23, 1999, the following bonds were added to the Fixed Income Pricing System℠ (FIPS®).

Symbol	Name	Coupon	Maturity
ABEC.GA	Albecca Inc.	10.750	08/15/08
AFGN.GA	American & Foreign Power Inc.	5.000	03/01/30
AMLU.GA	American Cellular Corp.	10.500	05/15/08
APW.GA	Applied Power Inc.	8.750	04/01/09
AW.GA	Allied Waste Industry Inc.	11.300	06/01/07
BCHO.GA	Birch Telecom Inc.	14.000	06/15/08
BLL.GA	Ball Corp.	7.750	08/01/06
BLL.GB	Ball Corp.	8.250	08/01/08
BVF.GA	Biovail Corp. Int'l New	10.875	11/15/05
CGXE.GB	Cogentrix Energy Inc.	8.750	10/15/08
CIDL.GC	Citadel Broadcasting Co.	9.250	11/15/08
COL.GH	Columbia/HCA Healthcare Corp.	6.910	06/15/05
CPN.GF	Calpine Corp.	7.625	04/15/06
CPN.GG	Calpine Corp.	7.750	04/15/09
CVGC.GA	Convergent Communications Inc.	13.000	04/01/08
ENSO.GC	Envirosource Inc.	9.750	06/15/03
EYRA.GA	Eye Care Centers of America	9.125	05/01/08
FSH.GD	Fisher Scientific Intl Inc.	9.000	02/01/08
FVBD.GA	Favorite Brands Intl Inc.	10.750	05/15/06
GIY.GA	General Physics Corp.	6.000	06/30/04
GKYS.GA	Golden Sky System Inc.	12.375	08/01/06
HAVA.GA	Harvard Industries Inc.	11.125	08/01/05
INTP.GA	Interep Natl Radio Sales Series B	10.000	07/01/08
IRPU.GA	Interpool Capital Trust	9.875	02/15/27
ITCD.GC	ITC Deltacom Inc.	9.750	11/15/08
JFRA.GA	Jafra Cosmetics Intl Inc.	11.750	05/01/08
KNE.GN	KN Energy Inc.	6.450	11/30/01
LCP.GA	Loews Cineplex Entertainment	8.875	08/01/08
LDCI.GA	Longdistance Intl Inc.	12.250	04/15/08
MHX.GA	Meristar Hospitality Corp.	8.750	08/15/07
MLUH.GA	Metallurg Holdings Inc.	12.750	07/15/08
NFF.GC	Neff Corp.	10.250	06/01/08
NTLQ.GC	Natl. Equipment Svs Series D	10.000	11/30/04
NWAC.GE	Northwest Airlines Inc.	8.52	04/07/04
OAC.GB	Ocwen Asset Investment Corp.	11.500	07/01/05
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	11/01/03
PGHN.GA	Paragon Health Networks Inc.	9.500	11/01/07
PGHN.GB	Paragon Health Networks Inc.	10.500	11/01/07
PGTV.GB	Pegasus Communications	9.750	12/01/06
PPE.GA	Park Place Entertainment Corp.	7.875	12/15/05
PR.GC	Price Communication Wireless Series B	9.125	12/15/06
PSIX.GB	Psinet Inc.	11.500	11/01/08
PXD.GA	Pioneer Natural Resource	7.200	01/15/28
PXD.GB	Pioneer Natural Resource	6.500	01/15/08
QWST.GD	Qwest Communications Inc.	7.500	11/01/08

Symbol	Name	Coupon	Maturity
RBHG.GA	Rab Holdings Inc.	13.000	05/01/08
RBID.GA	Rab Enterprises Inc.	10.500	05/01/05
RVSU.GG	Revlon Consumer Products Corp.	9.000	11/01/06
SGO.GC	Seagull Energy Corp.	7.875	08/01/03
SGO.GD	Seagull Energy Corp.	7.500	09/15/27
SPF.GD	Standard Pacific Corp.	8.500	04/01/09
STN.GE	Station Casinos Inc.	8.875	12/01/08
TCOM.GC	Tele-Communications Inc.	11.125	10/01/03
TLLP.GG	Toll Corp.	8.000	05/01/09
TLMU.GA	Telemundo Holdings Inc. Series B	11.500	08/15/08
TRAM.GE	Transamerican Refining Corp. Series B	16.000	06/30/03
UNTA.GC	United Artists Theaters Co.	0.000	10/15/07
VTS.GB	Veritas DGC Inc. Series C	9.750	10/15/03
WLWH.GB	Woolworth Corp.	8.500	01/15/22

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

Symbol	Name	Coupon	Maturity
AW.GA	Allied Waste Industry Inc.	11.300	06/01/07
BCEG.GA	Bank of New England Corp.	8.750	04/01/99
GND.GB	Grand Casinos Inc.	9.000	10/15/04
HART.GA	Heartland Wireless Communications Inc.	13.000	04/15/03
HART.GB	Heartland Wireless Communications Inc.	13.000	04/15/03
HART.GC	Heartland Communications Inc.	14.000	10/15/04
HAVA.GA	Harvard Industry Inc.	11.125	08/01/05
HMHC.GA	Hallmark Healthcare Corp.	10.625	11/15/03
HOA.GA	Showboat Marina CP/Finl	13.500	03/15/03
IK.GA	Interlake Corp.	12.125	03/01/02
KFIN.GC	K&F Industry Inc.	10.375	09/01/04
LFFU.GA	Lifestyle Furnishings Inc.	10.875	08/01/06
MVE.GA	MVE Inc.	12.500	02/15/02
PIDM.HK	Piedmont Aviation Series D	10.000	03/28/99
PIDM.HL	Piedmont Aviation Series E	10.000	03/28/99
PIDM.HM	Piedmont Aviation Series F	10.000	03/28/99
PIDM.HN	Piedmont Aviation Series G	10.000	03/28/99
RCAR.GA	RC/Arby's	9.750	08/01/00
RPNB.GA	Repap New Brunswick Inc.	10.625	04/15/05
SBGI.GA	Sinclair Broadcast Group Inc.	10.000	12/15/03
TLII.GA	Transleasing Intl Inc.	10.500	10/15/02
TLLP.GF	Toll Corp.	9.500	03/15/03
UNTA.GC	United Artists Theaters Co.	0.000	10/15/07
WBC.GA	Westbridge Cap Corp.	11.000	03/01/02

As of March 23, 1999, changes were made to the symbols of the following FIPS bonds:

New Symbol	Old Symbol	Name	Coupon	Maturity
FENY.GA	FEN.GA	Forcenergy Inc.	9.500	11/01/06
FENY.GB	FEN.GB	Forcenergy Inc.	8.500	02/15/07
RIHF.GC	RT.GC	Resorts Intl Hotel Fing Inc.	11.000	09/15/03

All bonds listed above are subject to trade-reporting requirements. Questions pertaining to FIPS trade-reporting rules should be directed to Stephen Simmes, Market Regulation, NASD Regulation®, at (301) 590-6451.

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

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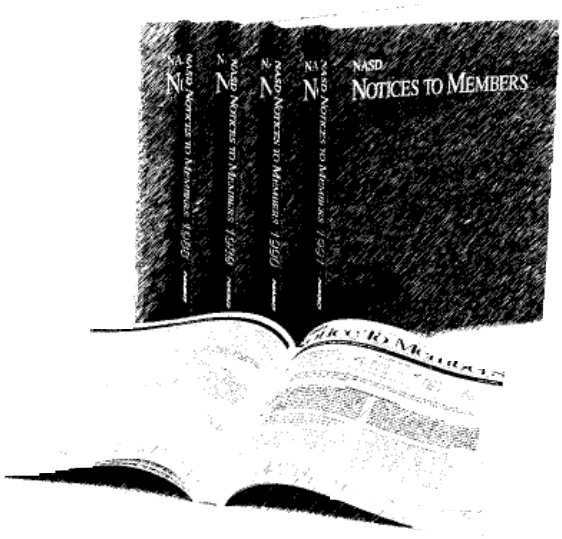

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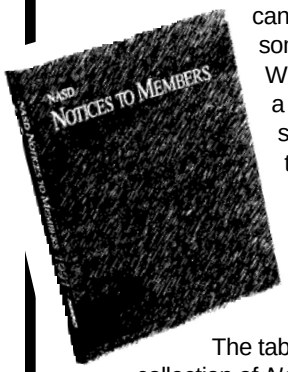

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Disciplinary Actions

Disciplinary Actions Reported For May

NASD Regulation, Inc. (NASD Regulation®) has taken disciplinary actions against the following firms and individuals for violations of National Association of Securities Dealers, Inc. (NASD®) rules; federal securities laws, rules, and regulations; and the rules of the Municipal Securities Rulemaking Board (MSRB). Unless otherwise indicated, suspensions will begin with the opening of business on Monday, May 17, 1999. The information relating to matters contained in this *Notice* is current as of the end of April 22, 1999.

Firm Expelled, Individual Sanctioned

Smith, Benton & Hughes, Inc. (Los Angeles, California) and **Michael Zaman (Registered Principal, Calabasas, California).** The firm was censured and expelled from NASD membership, and Zaman was censured and barred from association with any NASD member in any capacity. The sanctions were based on findings that the firm, acting through Zaman, filed a Form U-5 that contained inaccurate and misleading information, and failed to provide a reasonable basis for the information concerning the circumstances surrounding an associated person's termination.

Firms Fined, Individuals Sanctioned

Mills Financial Services, Inc. (Chicago, Illinois) and **Joseph Edward Kurczodyna (Registered Principal, Lake Bluff, Illinois)** submitted an Offer of Settlement pursuant to which they were censured and fined $12,500, jointly and severally, and Kurczodyna was suspended from acting in a supervisory or managerial capacity for five business days. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Kurczodyna, conducted a securities business despite the fact that the firm did not have an appropriately qualified and registered limited financial and operations principal associated with it. The findings also stated that the firm failed to prepare an annual needs analysis and training plan regarding the Firm Element component of the Continuing Education Program requirement, and failed to evidence having conducted a requisite training program with its covered registered personnel at any time during 1996.

Sutro & Co., Inc. (San Francisco, California) and **Glenn P. Kernweis (Registered Representative, Burbank, California)** submitted Offers of Settlement pursuant to which the firm was censured and fined $60,000. Kernweis was censured, fined $30,000, suspended from association with any NASD member in any capacity for 60 days, and ordered to requalify by exam as a general securities representative. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that Kernweis failed to take appropriate action to prevent unsuitable recommendations that were made to a customer by another registered representative with whom Kernweis did business in a partnership called the KKS Group. Kernweis benefited substantially from the violative trading. Furthermore, the NASD determined that the firm failed to establish, maintain, and/or enforce clear lines of authority and responsibility in response to certain findings relating to its supervision of KKS Group that were cited in a New York Stock Exchange special examination report and the firm's undertakings made in response to the report.

Firms And Individuals Fined

Hattier, Sanford & Reynoir, L.L.P. (New Orleans, Louisiana) and **Gus Anthony Reynoir (Registered Principal, New Orleans, Louisiana)** submitted an Offer of Settlement pursuant to which they were censured and fined $10,000, jointly and severally. In addition, the firm must issue to public customers amended confirmations reflecting correct disclosures for the transactions at issue along with cover letters reviewed and approved by the NASD prior to issuance. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Reynoir, failed and neglected to provide full and complete disclosure on confirmation statements for municipal bond sales transactions with public customers in that the confirmation statements failed to disclose one or more of the following: (i) the lower of the yield to call or yield to maturity; (ii) the fact that the securities were initially offered at an "original issue discount"; (iii) the fact that the securities were subject to the alternative minimum tax; or (iv) the fact that the securities were nonrated.

J.P. Carey Securities, Inc. (Atlanta, Georgia) and **Joseph Carey Canouse (Registered Principal, Alpharetta, Georgia)** submitted a Letter of Acceptance, Waiver, and Consent pursuant to which they were censured and fined $10,000, jointly and severally. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that Canouse functioned, and the firm permitted Canouse to function, as president of the firm while his registration was inactive as a result of his failure to satisfy the Regulatory Element of the NASD's Continuing Education Program.

Firms Fined

BancAmerica Robertson Stephens (San Francisco, California) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which the firm was censured and fined $13,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it reported transactions to the Automated Confirmation Transaction Service℠ (ACT℠) in violation of applicable securities laws and regulations regarding limit orders. The firm also provided written notification to its customers that the price listed was the reported price when the price listed was an average price. The findings also stated that the firm failed to establish, maintain, and enforce written supervisory procedures reasonably designed to achieve compliance with the applicable securities laws and regulations regarding locked and crossed markets, Small Order Execution System℠ (SOES℠), limit orders, and best execution.

Barron Chase Securities, Inc. (Boca Raton, Florida) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which the firm was fined $27,000 and required to submit revised supervisory procedures to the NASD. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it failed to contemporaneously execute customer limit orders after it traded each subject security for its own market-making account at a price that would satisfy each such customer limit order. The NASD also determined that the firm reported transactions to ACT, designating its capacity as principal when it was actually acting as agent. The findings also stated that the firm failed to establish, maintain, and enforce written supervisory procedures regarding ACT compliance, best execution, books and records, limit order protection, SOES order eligibility, order handling, registration of trading personnel, trade reporting, markups/markdowns, locked and crossed markets, and the anti-competitive issues enumerated in the Securities and Exchange Commission's (SEC) 21(a) Report.

M.A. Berman Company (Boca Raton, Florida) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which the firm was censured and fined $29,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it executed short-sale transactions in Nasdaq National Market® (NNM) securities at or below the inside bid when the current inside bid was below the preceding inside bid in the securities. The findings also stated that the firm executed short-sale orders in certain securities and failed to maintain a written record of the affirmative determination made for such orders, failed to report transactions to ACT with a short-sale indicator, and failed to mark properly the order tickets as short. In addition, the firm failed to report transactions in NNM securities to ACT that it was required to report, failed to designate some transactions as late, failed to include the time of executions in each transaction report, and failed to designate as ".T" a security transaction executed outside normal market hours. Moreover, the findings stated that the firm failed to prepare a training plan designed to implement the results of its needs analysis and failed to cause required employees to participate in the firm's Element Training, and failed to establish, maintain, and enforce adequate written supervisory procedures reasonably designed to achieve compliance with short sales, trade reporting, limit order protection, best execution, and ACT reporting rules.

Merrill Lynch, Pierce, Fenner & Smith, Inc. (New York, New York) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which the firm was censured and fined $15,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that a preferenced SelectNet℠ order was presented to the firm at the firm's published bid or offer in an amount up to its published quotation. The NASD found that the firm failed to execute the orders and thereby, failed to honor its published quotation. In addition, the firm failed to establish and maintain written procedures reasonably designed to achieve compliance with the applicable securities laws and regulations SEC and NASD firm quote rules.

Seasongood and Mayer (Cincinnati, Ohio) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which the firm was censured and fined $20,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it failed to adopt, maintain, and enforce an adequate supervisory system to ensure that individuals were properly qualified to engage in municipal securities activities.

Warburg Dillon Read L.L.C. (New York, New York) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which the firm was censured and fined $17,500. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that the firm reported transactions to ACT in violation of applicable securities laws and regulations regarding trade reporting, customer orders, and limit orders. The findings also stated that the firm failed to establish and maintain adequate written supervisory procedures reasonably designed to achieve compliance with the short-sale rules.

Individuals Barred Or Suspended

Ralph Charles Altomare (Registered Representative, Bellevue, Washington) submitted an Offer of Settlement pursuant to which he was censured and suspended from association with any NASD member in any capacity for two months. Without admitting or denying the allegations, Altomare consented to the described sanctions and to the entry of findings that he effected transactions in the accounts of public customers without the prior authorization of the customers.

Peter Scott Antonelli (Registered Representative, Valley Stream, New York) 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, Antonelli consented to the described sanctions and to the entry of findings that prior to receiving approval from the NASD, he was improperly associated with a member firm, received monies from the firm, and was involved in assisting the firm in recruiting registered representative trainees.

William Joseph Beaton, III (Registered Representative, Dunwoody, Georgia) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured and suspended from association with any NASD member in any capacity for 30 business days. Without admitting or denying the allegations, Beaton consented to the described sanctions and to the entry of findings that he effected securities transactions in the accounts of public customers without the customers' authorization.

Gerald Don Behnkendorf (Registered Principal, Rolfe, Iowa) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined $63,095, and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Behnkendorf consented to the described sanctions and to the entry of findings that, without the knowledge or consent of his member firm, he converted $12,619 to his own use and benefit.

Michael Evan Berger (Registered Representative, Peoria, Illinois) submitted an Offer of Settlement pursuant to which he was censured, fined $30,000, and suspended from association with any NASD member in any capacity for 10 business days. Without admitting or denying the allegations, Berger consented to the described sanctions and to the entry of findings that he purchased shares of stock that traded at a premium in the secondary market, in violation of the NASD Free-Riding and Withholding Interpretation.

Craig Steven Berman (Registered Representative, Atlanta, Georgia) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined $50,000, suspended from association with any NASD member in any capacity for 18 months, and required to pay restitution in the amount of $93,370 to public customers. Without admitting or denying the allegations, Berman consented to the described sanctions and to the entry of findings that he made material misrepresentations and omitted to disclose material information in connection with the solicitation of transactions in securities to public customers. The findings also stated that Berman effected transactions without the prior authorization and consent of the customers in whose accounts the transactions were effected, predicted the future prices of a security to customers when he did not have a reasonable basis for the prediction, and failed to sell securities when instructed to do so. Furthermore, the NASD

found that Berman conducted a securities business with a public customer who resided in a state in which he was not yet registered, and indicated another representative's broker number on the new account card.

James Hugh Brennan, III (Registered Representative, Chattanooga, Tennessee) submitted an Offer of Settlement pursuant to which he was censured and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Brennan consented to the described sanctions and to the entry of findings that he executed unauthorized transactions in the accounts of public customers without the customers' knowledge or consent. The findings also stated that Brennan recommended and engaged in such transactions in the accounts of public customers without having reasonable grounds for believing these recommendations and resultant transactions were suitable for the customers on the basis of their investment objectives and needs. Furthermore, in connection with unsuitable transactions, the NASD found that Brennan verbally misrepresented to a public customer that the subject transactions had been effected in error and overstated the value of the account by approximately $146,000. Brennan also guaranteed a public customer against loss in his accounts in that Brennan stated that he would be responsible for making up any shortfall in the value of securities that occurred in a specified time period.

John Thomas Bridges (Registered Representative, Ft. Worth, Texas) was censured, fined $25,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Bridges failed to respond to NASD requests for information and to provide testimony about a customer's allegations of unauthorized trading.

Lonnie Gene Brown (Registered Principal, Ninnekah, Oklahoma) 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 principal capacity for one week. Without admitting or denying the allegations, Brown consented to the described sanctions and to the entry of findings that he failed and neglected to exercise reasonable and proper supervision over certain activities in a branch office of his member firm in that he permitted the payment of commissions to a registered representative who was not licensed to sell the securities products on which the commissions were paid.

Stephen Vaillancourt Burns (Registered Representative, Pasadena, California) 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, Burns consented to the described sanctions and to the entry of findings that he failed to respond to NASD requests to provide documents and testimony.

Richard Lee Bushey (Registered Representative, Columbus, Ohio) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined $36,250, and suspended from association with any NASD member in any capacity for 60 days. Without admitting or denying the allegations, Bushey consented to the described sanctions and to the entry of findings that he sold a securities product on behalf of an entity that was not an NASD member firm to public customers and failed to provide prior written notice to his member firm describing the transactions and his role therein.

Teresa Fei Chan (Registered Representative, Seattle, Washington) was censured, fined $10,000, and suspended from association with any NASD member in any capacity for 30 business days. The sanctions were based on findings that Chan exercised discretion in the securities account of a public customer without obtaining prior written authorization from the customer and without obtaining acceptance of the account as a discretionary account from her member firm.

Peter In Cho (Registered Principal, Buffalo Grove, Illinois) submitted an Offer of Settlement pursuant to which he was censured, fined $25,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Cho failed to respond to NASD requests to appear to provide information.

Robert Leon Chris (Registered Representative, Caldwell, Idaho) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined $85,000, barred from association with any NASD member in any capacity, and ordered to pay $14,990 in restitution to a public customer. Without admitting or denying the allegations, Chris consented to the described sanctions and to the entry of findings that he received at least $29,721 from a public customer for the purpose of helping her pay her bills and to otherwise manage her money. The NASD found that Chris used approximately $10,126 to cover the customer's bills, returned a check in the amount of $5,000 to the customer, spent the balance of funds, $14,990, to pay his business and personal expenses, and to pay debts of other clients, without the authorization or consent of the customer.

James Edward Cohen (Registered Principal, Lattingtown, New York) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined $200,000, and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Cohen consented to the described sanctions and to the entry of findings that he manipulated the price of certain stock to benefit himself and others. The manipulation artificially increased the price of registered shares and was also designed to increase the price of then-restricted shares in the event those shares became freely tradable, and to increase the price of those securities in anticipated future offerings. The findings also stated that Cohen failed to take appropriate steps or to establish and maintain procedures reasonably designed to achieve compliance with the Penny Stock Rules with respect to purchases of certain stock by public customers. Furthermore, the NASD found that Cohen failed to disclose and confirm in writing to customers the control relationship which existed between his member firm and the security as required by the NASD, or to establish and maintain procedures reasonably designed to achieve compliance with the NASD Rule concerning disclosure of a control relationship with an issuer.

Joseph Dubois Cornwell (Registered Principal, Canton, Georgia) and **Rodney Declay Sailor (Registered Representative, Berkeley Lake, Georgia)** were each censured, fined $70,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Cornwell permitted Sailor to function as a registered representative and to execute transactions on behalf of customers without being registered as such with the NASD. In addition, Sailor effected unauthorized transactions in the securities accounts of public customers. Sailor and Cornwell also failed to respond to NASD requests for information.

Mark David Couron (Registered Representative, Carlsbad, California) and **Steven Roy Schroeder (Registered Representative, Carlsbad, California)** submitted Offers of Settlement pursuant to which Couron was censured and suspended from association with any NASD member in any capacity for 45 days, and Schroeder was censured and suspended from association with any NASD member in any capacity for 30 days. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that they participated in private securities transactions but failed to provide prompt written notification to their respective member firms prior to participating in such transactions.

Kelly Gene Culpepper (Registered Representative, Warsaw, Missouri) 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, Culpepper consented to the described sanctions and to the entry of findings that he submitted applications to purchase variable and/or fixed insurance policies for fictitious customers.

Robert Lee Davis, Jr. (Registered Representative, Sacramento, California) was censured, fined $75,000, barred from association with any NASD member in any capacity, and ordered to pay $8,500, plus interest, in restitution to a public customer. The sanctions were based on findings that Davis failed to deposit $8,500 he received from a public customer for the purchase of real estate in an escrow account, failed to use the funds for investment purposes, or to return the funds to the customer, and, without the knowledge or consent of the customer, used the funds to pay his business and personal living expenses. Davis also failed to respond to NASD requests for information.

Patrick Michael Dennis (Registered Representative, Bay Shore, New York) was censured, fined $25,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Dennis failed to respond to NASD requests for information relating to the investigation of customer complaints.

Jasen Michael Devlin (Registered Principal, Bayshore, New York) submitted an Offer of Settlement pursuant to which he was censured, fined $27,000, and suspended from association with any NASD member in any capacity for three months. Without admitting or denying the allegations, Devlin consented to the described sanctions and to the entry of findings that he solicited public customers to purchase securities by means of misrepresentations and omissions of material facts and predictions of the future price of securities. The findings also stated that Devlin failed to sell securities when instructed to do so.

Adolphus Cleveland DuBose, Jr. (Registered Principal, Columbus, Ohio) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined $3,000, and suspended from association with any NASD member in any capacity for three business days. Without admitting or denying the allegations, DuBose consented to the described sanctions and to the entry of findings that he effected transactions in securities, and received customer checks payable to his member firm, when the firm

failed to maintain the minimum required net capital.

Leslie Saul Feldman (Registered Representative, Evergreen, Colorado) was censured; fined $103,563.95, with the proviso that the fine be reduced to $20,000 upon demonstration to the NASD that he has made full restitution in compliance with a settlement agreement; and barred from association with any NASD member in any capacity. The sanctions were based on findings that Feldman misappropriated funds totaling $16,712.79 from his member firm.

Derrick Fellows (Registered Representative, East Cleveland, Ohio) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Fellows consented to the described sanctions and to the entry of findings that, without the customer's knowledge or consent, he completed an insurance disbursement request form which caused a $1,200 loan to be taken against the customer's insurance policy. Furthermore, the NASD found that Fellows forged the customer's name on both the disbursement request form, and the subsequent loan check issued in remittance of the loan proceeds, and used the funds for his own benefit. Moreover, the findings stated that Fellows created a letter in an attempt to conceal his activity, and forged the customer's name on the letter which he then submitted to his member firm.

Patrick John Flanagan (Registered Representative, Parlin, New Jersey) was censured, fined $25,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Flanagan failed to respond to NASD requests for information.

Michael Harvey Gibson (Registered Representative, New York, New York) was censured, fined $25,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Gibson failed to appear at an on-the-record interview scheduled by the NASD.

William Theodore Goldenberg (Associated Person, Flushing, New York) was censured, fined $65,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Goldenberg entered indecorous, abusive, and threatening remarks on the survey portion of his Series 63 exam and attempted to cover up his conduct by entering another individual's name on that section. Goldenberg also failed to respond to NASD requests for information.

Peter Lawrence Greenberg (Registered Representative, New York, New York) submitted an Offer of Settlement pursuant to which he was censured, fined $35,000, required to disgorge $250 in net commissions, and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Greenberg consented to the described sanctions and to the entry of findings that he executed the purchase and sale of securities in a public customer's account, without the customer's prior knowledge, authorization, or consent. Greenberg also failed to respond to NASD requests for information.

Franklin Leonard Grey, Sr. (Registered Representative, Cooperstown, New York) was censured, fined $60,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Grey participated in private securities transactions with public customers and failed to give notice to his member firms of such transactions. Grey also failed to respond to NASD requests for information.

Philip Steven Harmon (Registered Representative, Camano Island, Washington) 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, Harmon consented to the described sanctions and to the entry of findings that he failed to respond to NASD requests for information in connection with his alleged private securities transactions.

Michael Joseph Hayes (Registered Representative, Long Island City, New York) was censured, fined $25,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Hayes failed to respond to NASD requests for information.

Javier Hernandez (Registered Representative, Brooklyn, 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 five business days. Without admitting or denying the allegations, Hernandez consented to the described sanctions and to the entry of findings that he failed to respond to an NASD request to appear for an on-the-record interview.

Michael David Hersh (Registered Representative, Topton, Pennsylvania) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined $125,000, and barred from association with any NASD member in any capacity. Without admitting or

denying the allegations, Hersh consented to the described sanctions and to the entry of findings that he received checks totaling $86,565.46 from public customers for the purpose of remitting the funds to his member firm to be applied toward either an insurance policy or an annuity. The NASD found that Hersh failed to follow the customers' instructions and deposited the checks in a personal bank account. Hersh also failed to respond to NASD requests for information.

William Felix Hughes, Sr. (Registered Representative, Sherman, Connecticut) was censured, fined $25,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Hughes failed to respond to NASD requests for information.

Scott Kevin Kelly (Registered Representative, Grove City, Ohio) submitted an Offer of Settlement pursuant to which he was censured, fined $78,000, and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Kelly consented to the described sanctions and to the entry of findings that he executed the purchase and sale of shares of stock in the accounts of public customers without the knowledge or consent of the customers and in the absence of written or oral discretionary authority in the accounts. The findings also stated that Kelly failed to respond to NASD requests for information.

Robert William Koch, II (Registered Representative, Katonah, New York) submitted an Offer of Settlement pursuant to which he was censured, suspended from association with any NASD member in any capacity for two years, and required to requalify by exam prior to becoming associated with any member firm. Without admitting or denying the allegations, Koch consented to the described sanctions and to the entry of findings that he made baseless and improper price predictions pertaining to highly speculative securities and engaged in unauthorized trading in a customer's account. The findings also stated that Koch improperly discouraged or refused to execute sell orders, improperly promised to limit losses, and made false and misleading disclosures as to risk. Furthermore, the NASD determined that Koch made false and misleading statements as to an issuer and falsely claimed access to inside information.

James Raymond Lackey (Registered Representative, Ft. Myers, Florida) submitted an Offer of Settlement pursuant to which he was censured, fined $5,000, and suspended from association with any NASD member in any capacity for two years. Without admitting or denying the allegations, Lackey consented to the described sanctions and to the entry of findings that he effected unauthorized trades in the accounts of public customers without the customers' prior authority.

James Robert Laymac (Registered Representative, Roswell, Georgia) submitted an Offer of Settlement pursuant to which he was censured, fined $5,000, and suspended from association with any NASD member in any capacity for 30 business days. Without admitting or denying the allegations, Laymac consented to the described sanctions and to the entry of findings that he engaged in outside business activities and participated in private securities transactions without providing prior written notice to his member firm.

Sander Lee Lenenberg (Registered Representative, Pittsburgh, Pennsylvania) submitted an Offer of Settlement 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, Lenenberg consented to the described sanctions and to the entry of findings that he failed to respond to NASD requests for information.

Michael Joseph Malone (Registered Principal, Ellicott City, Maryland) was censured, fined $25,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Malone failed to respond to NASD requests for information.

Timothy James Manson (Registered Representative, Guttenberg, Iowa) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined $10,000, and suspended from association with any NASD member in any capacity for one year. Without admitting or denying the allegations, Manson consented to the described sanctions and to the entry of findings that he affixed the signatures of public customers on forms without the customers' knowledge or consent.

Nancy Hoff Martin (Registered Principal, Tustin, California) submitted an Offer of Settlement pursuant to which she was censured, fined $20,000, suspended from association with any NASD member in any capacity for 30 days, suspended from associating with any NASD member firm in the capacity of a general securities principal for two years, and ordered to requalify by exam as a general securities principal. Without admitting or denying the allegations, Martin consented to the described sanctions and to the entry of findings that she permitted unregistered persons to actively trade in public customer accounts, using her account executive number. The NASD also found that Martin failed to follow procedures reasonably

designed to carry out the supervision of a representative to ensure compliance with the NASD Membership and Registration Rules. Furthermore, Martin failed to carry out her supervisory responsibilities when confronted with, or exposed to, various situations that indicated that the representative was engaging in the securities business of a member firm without being properly registered.

Eddie Miller (Registered Representative, Woodmere, New York) submitted an Offer of Settlement pursuant to which he was censured, fined $10,000, and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Miller consented to the described sanctions and to the entry of findings that he refused, or failed to follow, public customers' orders to sell shares of common stock on certain dates.

James Scott Morrill (Registered Representative, Staten Island, New York) was censured, fined $35,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Morrill failed to respond to NASD requests for information.

Samuel Taylor Noland (Registered Principal, Evans, Georgia) 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 one year. Without admitting or denying the allegations, Noland consented to the described sanctions and to the entry of findings that he changed the address of record of a public customer's account to his own business address, withdrew a total of $80,000 from the customer's account paid out in three separate checks, forged the customer's endorsement on each of the checks, and received the proceeds, all without the customer's knowledge or authorization.

Anthony Paul Perry (Registered Representative, Wadsworth, Ohio) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined $25,000, and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Perry consented to the described sanctions and to the entry of findings that he failed to respond to NASD requests for information and documents.

Joseph David Pichla, Jr. (Registered Representative, Bay City, Michigan) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Pichla consented to the described sanctions and to the entry of findings that he participated in private securities transactions and failed and neglected to provide written notice to, or to receive written authorization from, his member firms of his participation in such transactions.

Donald Eugene Radle (Registered Principal, Springfield, Missouri) was censured, fined $50,000, barred from association with any NASD member in any capacity, and ordered to pay $86,375, plus interest, in restitution to public customers. The sanctions were based on findings that Radle made unsuitable recommendations to customers.

Luis Jaime Ramirez (Registered Representative, Manhasset Hills, New York) submitted an Offer of Settlement pursuant to which he was censured, fined $35,000, and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Ramirez consented to the described sanctions and to the entry of findings that he requested his member firm issue checks totaling $17,124.51 that represented dividend disbursements from public customers' life insurance policies, had the checks forwarded to his post office box, and deposited the proceeds from the checks into his own account without the knowledge, permission, or authority of the customers. The findings also stated that Ramirez engaged in forgery by causing his member firm to issue a disbursement check in the amount of $5,759.46 to a public customer, when that customer had not given Ramirez permission or authority to issue the check, and had not provided the firm with a change of address notification that listed Ramirez's post office box as the customer's current address. Ramirez also failed to respond to NASD requests for information and documents.

Michael Jerome Roosa (Registered Representative, Hiawatha, Iowa) was censured, fined $25,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Roosa failed to respond to NASD requests for information.

Robert Joseph Rosato (Registered Principal, Melville, New York) was censured, fined $30,000, suspended from association with any NASD member in any capacity for eight months, and ordered to pay restitution in the amount of $17,957.69 plus pre-judgment interest. The sanctions were based on findings that Rosato engaged in a baseless and improper price prediction and an improper promise to recover losses to a public customer. Rosato also engaged in unauthorized trading in the accounts of public customers.

Robin Michele Rushing (Registered Principal, San Diego, California) submitted a Letter of

Acceptance, Waiver, and Consent pursuant to which she was censured, fined $5,000, jointly and severally, with a member firm, and suspended from association with any NASD member in any capacity for 15 business days. Without admitting or denying the allegations Rushing consented to the described sanctions and to the entry of findings that a member firm, acting under the direction and control of Rushing, failed to have and maintain sufficient minimum net capital.

Benjamin Vince Salmonese, Jr. (Registered Representative, New York, New York) was censured, fined $11,250, and suspended from association with any NASD member in any capacity for one year. The sanctions were based on findings that Salmonese failed to respond to NASD requests for information in a timely manner.

Frank William Schiavone (Registered Representative, Ozone Park, New York) was censured, fined $25,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Schiavone failed to respond to NASD requests for information.

William Edward Scuteri (Registered Representative, Northport, New York), Robert John Paulson (Registered Representative, Manor Park, New York), Brian Patrick Kearney (Registered Principal, Woodbury, New York), Timothy J. Matthews (Registered Principal, Nissequoque, New York), Joseph John Ferrante (Registered Principal, Deer Park, New York), Michael Howard Cohn (Registered Principal, Babylon, New York), Claudia Lyn Silver (Registered Representative, New York, New York), and **Diana Coblin (Registered Principal, New York, New York)** submitted Offers of Settlement pursuant to which Scuteri was censured, fined $100,000, barred from association with any NASD member in any capacity, and required to pay $223,200 in restitution to customers. Paulson was censured, fined $100,000, barred from association with any NASD member in any capacity, and required to pay $82,006 in restitution to customers. Kearney was censured, fined $100,000, barred from association with any NASD member in any capacity, and required to pay $64,410 in restitution to customers. Matthews was censured, fined $100,000, barred from association with any NASD member in any capacity, and required to pay $135,706 in restitution to customers. Ferrante was censured, fined $25,000, suspended from association with any NASD member in any capacity for six months, required to requalify by exam as a general securities representative, and required to pay $75,577 in restitution to customers. Cohn was censured, fined $100,000, barred from association with any NASD member in any capacity, and required to pay $94,341 in restitution to customers. Silver was censured, fined $12,500, suspended from association with any NASD member in any capacity for 30 days, required to requalify by exam as a general securities representative, and required to pay $13,322.50 in restitution to customers. Coblin was censured, fined $100,000, suspended from association with any NASD member in any capacity for two years, and required to pay $152,347 in restitution to customers.

Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that they engaged in high pressure, "boiler room" sales practices, including fraudulent misrepresentations, baseless price predictions, and omissions of material facts in recommending to customers that they purchase securities. The findings also stated that the respondents effected numerous unauthorized transactions in customer accounts.

David Eugene Singer (Registered Representative, Wellington, Florida) 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 two years. Without admitting or denying the allegations, Singer consented to the described sanctions and to the entry of findings that he completed a "request for verification of employment" form for a loan application that listed a false manager for his member firm and a false salary amount for himself, and forged the false manager's signature on the form.

Brian Mark Smith (Registered Representative, Dunwoody, Georgia) was censured, fined $25,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Smith failed to respond to NASD requests for information.

Jerrold Alan Soff (Registered Representative, Seminole, Florida) submitted an Offer of Settlement pursuant to which he was censured, fined $12,238, and suspended from association with any NASD member in any capacity for six months. Without admitting or denying the allegations, Soff consented to the described sanctions and to the entry of findings that he effected the sale of shares of common stock in the securities accounts of public customers without the customers' knowledge or consent. The findings also state that Soff effected the purchase of shares of common stock, some on margin, in the securities account of a public customer without the customer's knowledge or consent.

Gregory Scott Stafford (Registered Representative, Asheville, North Carolina) was censured, fined $25,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Stafford failed to respond to NASD requests for information.

Kevin Harrison Stricklin (Registered Principal, Cranston, Rhode Island) submitted an Offer of Settlement pursuant to which he was censured, fined $25,000, and suspended from association with any NASD member in any capacity for six months. Without admitting or denying the allegations, Stricklin consented to the described sanctions and to the entry of findings that he intentionally or recklessly employed devices to defraud public customers by recommending and urging customers to buy speculative and/or unseasoned securities through baseless price predictions and/or predictions of returns. The findings also stated that Stricklin omitted or misstated material information in sales of securities recommended by his member firm to customers.

Michele Mente Taylor (Associated Person, Ft. Lauderdale, Florida) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which she was censured, fined $20,000, and barred from association with any NASD member in any principal capacity. Without admitting or denying the allegations, Taylor consented to the described sanctions and to the entry of findings that she functioned as a principal of a member firm without proper qualification and/or registration in any capacity.

Glen Loren Thormodsgaard (Registered Principal, Denver, Colorado) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined $10,000, and suspended from association with any NASD member in any capacity for one year. Without admitting or denying the allegations, Thormodsgaard consented to the described sanctions and to the entry of findings that he obtained commission checks payable to a former representative of his member firm to whom he had loaned money and a personal computer that had not been returned, and deposited the checks, which totaled $416.47, into his personal bank account.

Robert Joseph Torres (Registered Representative, Rancho Mirage, California) submitted an Offer of Settlement pursuant to which he was censured, fined $5,000, and suspended from association with any NASD member in any capacity for 30 business days. Without admitting or denying the allegations, Torres consented to the described sanctions and to the entry of findings that he failed to provide information in the form of testimony concerning a customer complaint involving apparent misuse of customer funds, selling away, and other apparent misconduct.

Ronald Anthony Travisano (Registered Principal, Tujunga, California) 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, Travisano consented to the described sanctions and to the entry of findings that he failed to appear for an on-the-record interview requested by the NASD in connection with a customer complaint.

Mare Van Sickler (Registered Representative, Valley Village, California) was censured, fined $25,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Van Sickler failed to respond to NASD requests for information.

Joseph Anthony Watters (Registered Representative, Monroeville, Pennsylvania) submitted an Offer of Settlement pursuant to which he was censured, fined $5,000, and suspended from association with any NASD member in any capacity for three months. Without admitting or denying the allegations, Watters consented to the described sanctions and to the entry of findings that he engaged in private securities transactions without giving prior written notice to, or receiving approval from, his member firm. The findings also stated that Watters recommended to a public customer the purchase of securities when he did not have reasonable grounds for believing such recommendation (and resulting transaction) were suitable for the customer on the basis of the customer's financial situation, investment objectives, and needs. Furthermore, the NASD determined that Watters made misrepresentations to a customer regarding the safety and security associated with her investment, and guaranteed a return on the customer's investment although there was no reasonable basis for such representations.

James Clark Williams (Registered Representative, Bloomsburg, Pennsylvania) submitted an Offer of Settlement pursuant to which he was censured, fined $932,800, and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Williams consented to the described sanctions and to the entry of findings that he received checks totaling $166,560 from a public customer drawn to the order of Williams that the customer intended for investment purposes and for paying an insurance premium. The findings stated that Williams negotiated the checks and failed to remit the pro-

ceeds to his member firm, nor otherwise cause the proceeds to be applied to the purposes for which the customer gave him the checks. The NASD determined that Williams mailed the customer false account statements purporting to have been issued by his member firm for the customer's investments when, in fact, she did not have such accounts.

Individuals Fined

Frederick H. Camp (Registered Representative, Bellevue, Washington) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured and fined $15,000. Without admitting or denying the allegations, Camp consented to the described sanctions and to the entry of findings that he participated in private securities transactions and failed to provide written notice to his member firm describing in detail the proposed transactions, his role therein, and stating whether he had received or might receive selling compensation in connection with the related transactions.

Robert Charles Madrid (Registered Representative, Blue Island, Illinois) was censured and fined $10,000. The sanctions were based on findings that Madrid executed unauthorized transactions in the account of a public customer without the knowledge or consent of the customer.

Charles Wesley Rhodes, Jr. (Registered Representative, Portland, Oregon) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured and fined $12,000. Without admitting or denying the allegations, Rhodes consented to the described sanctions and to the entry of findings that he participated in private securities transactions without providing written notice to his member firm describing in detail the proposed transaction, his role therein, and stating whether he had received or might receive selling compensation in connection with the related transactions.

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 April 9, 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*.

George Evans Brooks (Registered Principal, Charlotte, North Carolina) was censured, fined $25,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Brooks failed to respond to NASD requests for information.

Brooks has appealed this action to the NAC and the sanctions are not in effect pending consideration of the appeal.

Richard Stephen Levitov (Registered Principal, Bayonne, New Jersey) and **Ralph Joseph Angeline (Registered Principal, Katonah, New York)** were each censured, fined $10,000, and suspended from association with any NASD member in any capacity for 18 months. The sanctions were based on findings that Levitov and Angeline failed to produce documents and to appear for on-the-record interviews.

Levitov and Angeline have appealed this action to the NAC and the sanctions are not in effect pending consideration of the appeal.

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.

Donna Marie Andres (Registered Representative, St. Ann, Missouri) was named as a respondent in an NASD complaint alleging that she received checks totaling $1,500 payable to her member firm, and without the knowledge or consent of her firm, endorsed the checks, deposited them into a bank account she controlled, and converted the funds to her own use and benefit.

James Oakley Baxter, Jr. (Registered Representative, Norfolk, Virginia) was named as a respondent in an NASD complaint alleging that he effected securities transactions in the accounts of public customers, without the customers' knowledge or consent. The complaint also alleges that Baxter shared in the account of a public customer disproportionately to his interest by providing the difference between the minimum investment requirement for securities and the balance in order to purchase securities on behalf of the customer, when he had no personal interest in the securities investment made on behalf of the customer. The complaint also alleges that Baxter participated in private securities transactions without giving prior written notice to, and receiving written approval from, his member firm of his proposed participation in the transactions. The complaint also alleges that

Baxter failed to respond to NASD requests for information.

Donald Wayne Brasfield, Jr. (Registered Representative, Boca Raton, Florida) was named as a respondent in an NASD complaint alleging that he made misrepresentations to a public customer in order to induce him to purchase securities. The complaint also alleges that Brasfield effected securities transactions in the joint account of public customers, without the prior knowledge or authorization of the customers. The complaint also alleges that Brasfield failed to respond to NASD requests for information.

Sameer Yousuf Butt (Registered Representative, New York, New York) was named as a respondent in an NASD complaint alleging that he executed a transaction in the account of a public customer without the customer's knowledge, authorization, or consent.

Reginald Bernard Cunningham (Registered Representative, Chicago, Illinois) was named as a respondent in an NASD complaint alleging that he received $154.20 in cash from public customers to reinstate their life insurance policies; never applied the premium payments to the policies, without the knowledge and authorization of either customer; and repaid the funds only after an investigation by his member firm. The complaint also alleges that Cunningham failed to respond to NASD requests for information.

Andrew Harold Geyer (Registered Representative, Kings Park, New York) was named as a respondent in an NASD complaint alleging that he effected securities transactions in the account of a public customer without the knowledge or consent of the customer and in the absence of written or oral authorization to exercise discretion in the customer's account. The complaint also alleges that Geyer failed to respond to NASD requests for information.

Robert Louis Giardina (Registered Representative, Staten Island, New York) was named as a respondent in an NASD complaint alleging that he knowingly or recklessly employed devices to defraud a public customer by making untrue statements of material fact, or omitting to state material facts to make the statements not misleading, in connection with his sale of securities to that customer. The complaint alleges that Giardina made material misrepresentations to a public customer in order to persuade the customer to purchase certain securities and not to sell others. The complaint also alleges that Giardina failed to respond timely to NASD requests for information and to appear for an on-the-record testimony.

Adam Goldman (Associated Person, Brooklyn, New York) was named as a respondent in an NASD complaint alleging that he obtained blank checks for a bank account maintained by his firm, wrote checks ranging from $800 to $1,500, forged the signature of an official of his firm on the checks, endorsed the checks and negotiated them, and converted about $4,100 for his own use and benefit, without the knowledge or authorization of his firm. The complaint also alleges that Goldman failed to respond to NASD requests for information.

James Orval Holton (Registered Representative, Gravois Mills, Missouri) was named as a respondent in an NASD complaint alleging that he received mutual fund liquidation checks totaling $74,000 made payable to public customers, and without the knowledge or consent of the customers, used the funds to obtain bank cashier's checks made payable to an entity he controlled, deposited the checks in a bank account he controlled, and converted the funds to his own use and benefit. The complaint also alleges that Holton failed to respond to NASD requests for information.

Gary Francis Honodel (Registered Principal, Colorado Springs, Colorado) was named as a respondent in an NASD complaint alleging that he received $15,000 from a public customer for the purpose of investment, failed to apply the funds to the customer's investment and instead commingled the funds with his own, and used the aggregate of such funds to pay personal obligations and otherwise for his own benefit. The complaint also alleges that Honodel participated in private securities transactions without providing written notice to, or obtaining permission from, his member firm. The complaint also alleges that Honodel failed to provide all the information requested by the NASD.

Marcus Kevin Hughes (Registered Principal, Chicago, Illinois) and **Christopher Aden (Associated Person, Yonkers, New York)** were named as respondents in an NASD complaint alleging that they induced the purchase or sale of securities to public customers in a private placement by means of manipulative, deceptive, or other fraudulent devices or contrivances in that they made misstatements of material facts and made price predictions without having any reasonable basis for their projections. The complaint also alleges that Hughes failed to give written notice to, or receive written approval from, his member firm prior to engaging in private securities transactions. The complaint also alleges that Hughes permitted Aden and another individual to engage in the securities business prior to properly qualifying and/or registering in the appropriate capacity. The complaint alleges that Aden failed to

properly qualify and/or register in the appropriate capacity prior to engaging in the securities business. The complaint also alleges that Aden failed to appear for an interview requested by the NASD.

Henry Irvin Judy, Jr. (Registered Representative, Hilton Head, South Carolina) was named as a respondent in an NASD complaint alleging that he received a $6,000 check from a public customer for deposit into her securities account and, contrary to the customer's instructions and without her knowledge or authorization, had the proceeds of that check deposited in his own business checking account and converted the funds to his own use and benefit. The complaint also alleges that Judy made inaccurate and false representations in communications with the public. The complaint also alleges that Judy failed to respond to NASD requests for information.

Lewis Liu (Registered Representative, Chicago, Illinois) was named as a respondent in an NASD complaint alleging that he received $6,036.50 in cash from public customers to be applied to the premiums for their life insurance policies, failed to apply $2,514.10 out of the $6,036.50 he received, and instead used the funds for his own benefit, without the knowledge and authorization of either customer. The complaint also alleges that Liu failed to respond to NASD requests for information.

Edward Michael McKeown (Registered Representative, Santa Ana, California) was named as a respondent in an NASD complaint alleging that he executed securities transactions in the account of public customers without the customers' knowledge, consent, or authorization, and in the absence of written or oral authority to exercise discretion in the account.

John Patrick Nichols (Registered Representative, Ft. Lauderdale, Florida) was named as a respondent in an NASD complaint alleging that he effected transactions in the securities account of a public customer without the customer's prior knowledge or authorization.

Henri Placek (Registered Representative, New York, New York) was named as a respondent in an NASD complaint alleging that he effected transactions in, or induced the purchase or sale of, securities by means of manipulative, deceptive, or other fraudulent device or contrivance. The complaint also alleges that Placek made untrue statements of material fact or omitted to state a material fact necessary in order to make the statements made not misleading to public customers.

Donna Lorine Post (Registered Representative, Mentone, California) was named as a respondent in an NASD complaint alleging that she received approximately $203,000 from public customers for the purpose of purchasing various investments, failed and neglected to execute the purchase of the requested investments on the customers' behalf, and instead misappropriated the funds to her own use and benefit without the customers' knowledge or consent.

Dennis Frank Riggi (Registered Principal, Los Angeles, California) was named as a respondent in an NASD complaint alleging that in order to induce public customers to purchase securities in a Series B private placement offering of preferred convertible stock, and in connection with his recommendation and sale to public customers of approximately $449,286.50 of the securities, Riggi, acting through his firm, made an untrue statement of material fact, and/or omitted to state a material fact in order to make the statement made not misleading. The complaint alleges that the firm, acting through Riggi, delivered to such customers private placement memoranda which falsely represented that his firm, as placement agent, would be paid sales commissions of 10 percent, when in fact, at the time the representation was made and while knowing the representation was false and/or acting in reckless disregard as to its truth, the firm, acting through Riggi, collected 15 percent commissions.

Michael Ashby Willis (Registered Representative, Elkin, North Carolina) was named as a respondent in an NASD complaint alleging that he obtained $42,959 from a public customer under false pretenses, and converted $30,146 of the customer's funds to his own use and benefit. The complaint also alleges that Willis provided false and misleading information to the NASD.

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

C.A. Atlantic Securities, Inc., Medford, Massachusetts (April 13, 1999)

Marsh, Block & Co., Hackensack, New Jersey (April 13, 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.

Brownstone Capital Corp., New York, New York (April 15, 1999)

Investment Researched Plans, Inc., Los Angeles, California (March 18, 1999 - March 29, 1999)

Klein, Maus & Shire, Inc., New York, New York (March 18, 1999)

Kronos Investments Limited, Oklahoma City, Oklahoma (April 15, 1999)

Mystic Global Capital, Inc., Orange, California (April 9, 1999)

Parker Bromley Ltd., Garden City, New York (April 15, 1999)

Suspensions 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.

Greig Middleton, Inc., Boston, Massachusetts (April 7, 1999)

Grigsby & Associates, San Francisco, California (April 1, 1999)

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

Davis, Dominic S., Phoenix, Arizona (April 13, 1999)

Dixon, James A., Portsmouth, New Hampshire (April 13, 1999)

Merrill, Arleigh C., Jacksonville, Florida (April 13, 1999)

Moreno, Jose R., Phoenix, Arizona (April 13, 1999)

Norris, Ninanne A., Spring Lake, New York (April 13, 1999)

Zinn, David H., Oldbridge, New Jersey (April 13, 1999)

NASD Regulation Charges R.D. White & Co., Inc. And Its Principals With Fraud And Receiving Illicit Profits In Excess Of $3.5 Million

NASD Regulation announced that it issued a complaint charging R.D. White & Co., Inc., New York, NY; its Chief Executive Officer, Louis J. Pagano, Staten Island, NY; and its President, John R. Piscopo, Staten Island, NY; with fraud in connection with transactions in Genisys Reservation Systems, Inc. Class A and B warrants and Capital Beverage Corp. common stock and Class A warrants. Illicit profits from this activity netted the firm more than $3.5 million.

According to the complaint, R.D. White, after acting as the managing underwriter of both companies' 1997 initial public offerings, dominated and controlled the trading in their securities. On the first day of trading when R.D. White purchased Genisys Reservation and Capital Beverage securities from its customers in 142 separate transactions, it underpaid them by charging fraudulently excessive markdowns. Excessive markdowns occur when a firm does not pay its customers a fair price for securities the firm purchases from them.

The Capital Beverage IPO also registered for sale securities owned by 26 individuals who had previously provided financing to the company. A total of 325,000 shares of common stock and 650,000 warrants were sold by these individuals to the firm within the first three minutes of trading. These securities were then redistributed to the public in solicited transactions throughout the remainder of the day. The firm's brokers received several times their normal compensation for selling this large block of stock. According to the complaint, while engaged in this activity, the firm, Pagano, and Piscopo violated the anti-fraud and distribution provisions of the federal securities laws and NASD rules. These anti-manipulative provisions prohibit a firm from artificially conditioning the aftermarket for a security by bidding for or purchasing securities while it is engaged in a distribution of those securities. Additionally, R.D. White failed to submit, for approval by NASD Regulation, as required, the maximum proposed underwriting compensation and collected over $1 million in excessive underwriting compensation.

The firm, along with Pagano and Piscopo, was also charged with failing to establish, maintain, and enforce adequate written supervisory procedures designed to prevent the alleged misconduct.

In the complaint, NASD Regulation does not allege any wrongdoing on the part of Genisys Reservation Systems, Inc. or Capital Beverage Corporation.

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 unadjudicated, you may wish to contact the respondents before drawing any conclusion regarding the allegations in the complaint.

Under NASD rules, the individuals and the firm named in the complaint can file a response and request a hearing before an NASD Regulation disciplinary panel. Possible sanctions include a fine, suspension, bar, or expulsion from the NASD.

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NASD

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NASD®

Parent of The Nasdaq-Amex Market Group

Special NASD Notice to Members 99-39

The NASD Prepares For Move To Decimals

Suggested Routing

- ■ Senior Management
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Executive Summary

The National Association of Securities Dealers, Inc. (NASD®) is preparing to move from fractional pricing to decimal pricing by June 30, 2000, in order to meet the time frame established by the Securities and Exchange Commission (SEC).

The move to decimal pricing (Decimalization) means the conversion of all securities industry systems from fractional pricing to decimal pricing, *i.e.*, in dollars and cents. Decimalization is a complicated process which impacts every area of the securities industry. Each place that a system currently compiles, stores, or displays fractional pricing must be converted to accommodate decimal pricing. Any written materials containing fractional pricing must be updated to reflect decimal pricing. Adequate training for floor specialists and traders will have to be developed and provided.

The SEC-targeted conversion date is just over a year away. However, all internal tests and industry tests must be completed and all systems must be converted before the deadline of June 30, 2000 (see proposed time frame on page 259).

The NASD is sharing this information with members about this important industry-wide effort as a first step in awareness about Decimalization. In the coming months, the NASD will continue to communicate with members on a regular basis about this initiative.

This *Special Notice to Members* outlines the securities industry's efforts to prepare for trading in decimals. This outline includes background information, benefits of decimal pricing, the industry time frame, and steps firms will need to take to prepare for the conversion. This *Special Notice* also discusses NASD participation in Securities Industry Association (SIA) activities, and the results of the SIA-commissioned industry study on message traffic and capacity.

The NASD is committed to the successful industry-wide conversion to Decimalization. We are continuing to move ahead with the SEC and Congress to achieve the SEC-proposed conversion date of June 30, 2000. We will also continue to review systems and evaluate the impact of decimal pricing and the issues associated with conversion, implementation, testing, and final cutover, keeping close at hand the NASD mission to protect market integrity, the interest of the investor, readiness of our member firms, and given the latest volume predictions for decimal trading, the technological aspects of this change.

Questions regarding this *Special Notice* may be directed to the NASD Decimalization Program Management Office via e-mail to *decimals@nasd.com* or via the toll-free phone number, (888) 227-1330.

Discussion

NASD member firms that are working diligently on technology initiatives such as Year 2000 and the Order Audit Trail System℠ (OATS℠) are now just over a year away from the scheduled completion of another major initiative: Decimalization. The SEC has called for the industry-wide conversion from fractional pricing to decimal pricing to occur by June 30, 2000. The NASD is working closely with the SIA, SEC, and stock and options exchanges to ensure that all member firms are aware of the actions they need to take in order to be ready for the conversion.

History

In 1997 and 1998, congressional subcommittees were formed and hearings were held on proposed legislation that would direct the SEC to require that securities be traded in dollars and cents instead of the traditional fractions. The subcommittees found that industry representatives were committed to converting to decimals, and identified the following benefits in their research:

- Pricing is more easily understood in dollars and cents. This could bring more investors to the marketplace.

- There is an increased savings potential for investors if decimal pricing leads to smaller price increments and narrower spreads. Narrower spreads mean investors pay less in commissions.

- Decimal pricing would make U.S. markets more compatible with non-U.S. markets that already trade in decimals.

In May 1998 in testimony to the Subcommittee on Finance and Hazardous Materials, the General Accounting Office (GAO) recommended to Congress that all exchanges:

1) Prepare a comprehensive plan for implementing decimal trading to include interim milestones, industry-wide testing, and implementation target dates.

2) Work with the SIA and the SEC to delineate technical standards and specifications that receive broad industry support.

The NASD concurs with the views of the other markets that the conversion to decimal trading must be carefully organized and must occur industry-wide. Therefore, the NASD established a Decimalization Program Management Office (DPMO) in August 1998, dedicated to managing and coordinating the conversion effort both internally and with NASD member firms. The DPMO formed project teams within all its companies, including the American Stock Exchange®, to assess the impact of this conversion on information systems. Systems inventories were validated, and all systems and applications were examined to determine the extent of changes required for decimal conversion. This process, which is very similar to the process used to assess Year 2000 impact, resulted in a comprehensive list of systems that require remediation, replacement, or retirement. Project plans and major milestones have been identified for impacted systems. The DPMO is maintaining and tracking major milestones, baselining and monitoring the progress of the conversion effort for the enterprise.

What Is Currently Happening

In line with the GAO's recommendation, the NASD is taking a proactive role with the SIA in examining both technical and business issues associated with Decimalization. Staff from the DPMO serve on the SIA Decimalization Steering Committee and the implementation, testing, and communication subcommittees. These subcommittees are taking an in-depth look at the challenges of converting to decimal trading, and will make recommendations about business and technical specifications. Some of the issues surrounding Decimalization are related to Minimum Price Variation (MPV), quoting and trading volume, new emerging trading strategies, and capacity issues.

The SIA commissioned SRI Consulting, Inc., to conduct an industry-wide survey to look at message traffic and capacity in MPV increments of a nickel and a penny. The survey, which was released in late April, forecasts dramatic increases in quoting and message traffic, particularly with penny increments. The survey predicts increases that raise real capacity challenges for the industry as a whole. Full survey results are posted on the SIA Web Site (*www.sia.com*). The SIA, after conversations with the SEC in April, is currently recommending that firms plan on an MPV of a penny. The NASD continues to study the impact of a penny MPV on trading and capacity.

In addition, the SIA has targeted a time frame for the industry and the DPMO has identified project milestones to guide the member firms to the June 30, 2000 conversion date. To accomplish the conversion, firms will need to identify the systems and applications impacted by the change, remediate the code/applications, and validate through testing (internal, external, point-to-point, and industry testing). All of this needs to be done before the industry commences decimal trading.

In fact, the SIA Implementation Committee is still looking at strategies for converting to decimal trading. There are two strategies currently being discussed. In a "phase-in" cutover, issues would be converted to decimal trading letter by letter (*i.e.*, issues beginning with the letter "E"). In a phase-in implementation, firms will have to be able to process both fractions and decimals at the same time, although mixed trading will not be allowed on any single issue. The other strategy being discussed is a total industry cutover, or "big bang" implementation. Under either strategy, firms should be prepared to fall back to fractions the next trading day, should problems arise. At this point, failure scenarios have not

Proposed Time Frame

Following is the preliminary time frame currently being recommended by the SIA after conversations with the SEC:

Industry Milestone	Completion Date
• Identify the systems and applications impacted by the decimal conversion	August 1999
• Commencement of Decimal Trading	June 30, 2000

The DPMO has established potential completion dates for high-level milestones for members to consider when creating their Decimalization plans. This is a tentative schedule and subject to change.

Industry Milestone	Completion Date
• Identify the systems and applications impacted by the decimal conversion	August 1999
• Remediate the affected code/applications	December 1999
• Validate through testing – internally	Dec. 1999 - Feb. 2000
• Validate through testing – point-to-point	March 2000
• Industry testing	April 2000 - May 2000
• Commencement of Decimal Trading	June 30, 2000

The DPMO is committed to supporting your Decimalization efforts. Please direct any questions or comments to us via e-mail at *decimals@nasd.com* or via our toll-free phone number, (888) 227-1330.

been defined. As details on business and technical specifications become available, they will be communicated to members by the DPMO.

The SIA intends to solicit feedback from member firms through a recently distributed survey on industry preparedness. Responses to the survey will be used in conjunction with recommendations from the Steering Committee and subcommittees to develop a detailed time frame for decimal trading implementation.

What You Can Expect From The NASD

Nasdaq® is working diligently on converting its systems to trade in decimals by the SEC time frame. As more information becomes available, the Nasdaq-Amex Market Group℠ will continue to evaluate the overall impact of schedules and conversion strategies on member firms, the individual investor, and the market as a whole.

In the meantime, member firms should expect more information about Decimalization from the DPMO. This *Notice* is the first of many communications designed to keep you informed of new developments, changes to industry schedules, testing guidelines, results of the SIA survey, and other pertinent information. This information will come in the form of articles and other communications in various NASD publications and on its various Web sites, as well as through faxes and e-mails. You can get current information on Decimalization, including contact information by visiting the Nasdaq-Amex Newsroom Web Site (*www.nasdaq-amexnews.com*), and by visiting the NASD Regulation® Web Site (*www.nasdr.com*).

We welcome your comments and suggestions on the NASD Decimalization Program and communication methods, as well as the overall impact of Decimalization on your firm. Please contact us via e-mail at *decimals@nasd.com* or via our toll-free phone number, (888) 227-1330. We will make every effort to respond to you as quickly as possible.

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Special NASD Notice to Members 99-40

NASD Informs Members Of Upcoming District Committee And District Nominating Committee Elections

Suggested Routing

- ■ Senior Management
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Executive Summary

The purpose of this *Special Notice to Members* is to advise members of the impending election to fill forthcoming vacancies on the District Committees and the District Nominating Committees. The procedures to fill these vacancies are included with this *Special Notice to Members*. Members are encouraged and requested to submit names of candidates to the appropriate District Nominating Committee Chairman or to the District Director by June 15, 1999. Individuals from member firms of all sizes are encouraged to submit names for consideration on the District Committees and District Nominating Committees. Every District Committee will have **at least** one member from a small firm. Information on District Nominating Committee and District Committee members serving through 2001 and 2002 is included in Exhibit I. Information on District Election Procedures is included in Exhibit II.

All candidates will be requested to complete a biographical form. The District Director will provide each nominee with a biographical form for completion. The completed form will be provided to all District Nominating Committee members for review.

Members are reminded to report Executive Representative information and address changes for the firm's main and branch offices. This will ensure that member mailings, such as election information, will be properly directed. See *Notice to Members 99-36* on the NASDR℠ Web Site (*www.nasdr.com*) for more information. Failure to keep this information accurate may jeopardize the member's ability to participate in District elections as well as other member votes.

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

Exhibit I

DISTRICT 1

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

District Committee Vacancies: 3

District Committee Chair: William A. Svoboda

District Nominating Committee Chair: John J. Sanders, Jr.

To Serve Until January 2001

Steven R. Aaron	Hambrecht & Quist LLC, San Francisco, CA
Janet W. Campbell	Protected Investors of America, San Francisco, CA
Douglas C. Heske	Piper Jaffray, San Francisco, CA

To Serve Until January 2002

John H. Chung	First Security Van Kasper, San Francisco, CA
Steven D. Piper	Volpe Brown Whelan & Company LLC, San Francisco, CA

Nominating Committee

Deborah R. Gatzek	Franklin/Templeton Distributors, San Mateo, CA
John C. Helmer	Caldwell Securities, Inc., Danville, CA
Lawrence R. McKulla	Prudential Securities, San Francisco, CA
John J. Sanders, Jr.	BancBoston Robertson Stephens, Inc., San Francisco, CA
John E. Schmidt	Credit Suisse First Boston, San Francisco, CA

If you are interested in nominating yourself or a colleague to the District 1 Committee or the District Nominating Committee, please contact the District Nominating Committee Chairman or the District Director at the above address.

DISTRICT 2

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

District Committee Vacancies: 4

District Committee Chair: Joan B. Seidel

District Nominating Committee Chair: Will be selected May 1999

To Serve Until January 2001

James B. Guillou	Sutro & Co., Incorporated, La Jolla, CA
Andrew E. Haas	Bear Stearns & Co., Inc., Los Angeles, CA
Richard E. Wiseley	CIBC Oppenheimer & Co., 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 & Blakeslee, Inc., San Louis Obispo, CA
Jack R. Handy, Jr.	Financial Network Investment Corporation, Torrance, CA
Dean A. Holmes	American General Financial Group, Anaheim, CA

Nominating Committee

George H. Casey	Crowell Weedon & Co., Los Angeles, CA
Carl E. Lindros	Santa Barbara Securities, Inc., Santa Barbara, CA
Fredric M. Roberts	F. M. Roberts & Company, Los Angeles, CA
Robert L. Winston	American Funds Distributors, Inc., Los Angeles, CA

If you are interested in nominating yourself or a colleague to the District 2 Committee or the District Nominating Committee, please contact any member of the District Nominating Committee or the District Director at the above address.

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 Vacancies: 4

District Committee Chair: Thomas A. Petrie

District Nominating Committee Chair: Richard Royse

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 Lee 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

Nominating Committee

Vincent Asaro	SunAmerica Securities, Inc., Phoenix, AZ
James Kerr	Ragen Mackenzie Incorporated, Seattle, WA
William Papesh	WM Funds Distributor, Inc., Spokane, WA
Anthony Petrelli	Neidiger Tucker Bruner, Inc., Denver, CO
Richard Royse	Salomon Smith Barney, Inc., Portland, OR

If you are interested in nominating yourself or a colleague to the District 3 Committee or the District Nominating Committee, please contact the District Nominating Committee Chairman or the District Director at the above address.

DISTRICT 4

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

District Committee Vacancies: 4

District Committee Chair: Wayne H. Peterson

District Nominating Committee Chair: Edward J. Berkson

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

Nominating Committee

Patricia S. Bartholomew	Craig-Hallum Capital Group, Inc., Minneapolis, MN
Edward J. Berkson	Locust Street Securities, Inc., Des Moines, IA
Norman Frager	Walnut Street Securities, St. Louis, MO
Albert W. Lauth	First St. Louis Securities, Inc., St. Louis, MO
Todd W. Miller	Miller, Johnson & Kuehn, Inc., Minneapolis, MN

If you are interested in nominating yourself or a colleague to the District 4 Committee or the District Nominating Committee, please contact the District Nominating Committee Chairman or the District Director at the above address.

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 Vacancies: 3

District Committee Chair: J. French Hill

District Nominating Committee Chair: James C. Bradford, Jr.

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	EVERN Securities, Inc., Memphis, TN

To Serve Until January 2002

James D. Hudgins	SouthTrust Securities, Inc., Birmingham, AL
Leroy H. Paris, II	Mississippi Securities Company, Jackson, MS
Duncan F. Williams	Duncan-Williams, Inc., Memphis, TN

Nominating Committee

H. Kenneth Bennett	Stephens, Inc., Little Rock, AR
James C. Bradford, Jr.	J.C. Bradford & Co., Nashville, TN
Bill Carty	Carty & Company, Inc., Memphis, TN
William T. Patterson	Morgan Keegan & Company, Inc., Jackson, MS
Kenneth L. Wagner	J.J.B. Hilliard, W.L. Lyons, Inc., Louisville, KY

If you are interested in nominating yourself or a colleague to the District 5 Committee or the District Nominating Committee, please contact the District Nominating Committee Chairman or the District Director at the above address.

DISTRICT 6

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

District Committee Vacancies: 3

District Committee Chair: William D. Connally

District Nominating Committee Chair: George Stark

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, Houston, TX
Sue H. Peden	SWS Financial Services, Dallas, TX
Joseph H. Storthz	Transamerica Financial Resources, Houston, TX

Nominating Committee

John W. Ferguson	May Financial Corp., Dallas, TX
Robert Gunn, III	Gunn & Company Incorporated, San Antonio, TX
William B. Madden	Madden Securities Corporation, Dallas, TX
Gary V. Murray	Murray Traff Securities, Inc., Tyler, TX
George Stark	Burnham Securities, Inc., Houston, TX

If you are interested in nominating yourself or a colleague to the District 6 Committee or the District Nominating Committee, please contact the District Nominating Committee Chairman or the District Director at the above address.

DISTRICT 7

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

District Committee Vacancies: 4

District Committee Chair: R. Charles Shufeldt

District Nominating Committee Chair: Richard V. McGalliard

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	BT Alex. Brown Incorporated, 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

Nominating Committee

John L. Dixon	Mutual Service Corporation, West Palm Beach, FL
Franklin C. Golden	James M. Myers and Co., Charlotte, NC
W. Robb Hough, Jr.	William R. Hough & Co., St. Petersburg, FL
Stuart J. Knobel	Edgar M. Norris & Co., Inc., Anderson, SC
Richard V. McGalliard	Interstate/Johnson Lane Corporation, Atlanta, GA

If you are interested in nominating yourself or a colleague to the District 7 Committee or the District Nominating Committee, please contact the District Nominating Committee Chairman or the District Director at the above address.

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 Vacancies: 3

District Committee Chair: Anthony M. Sanfilippo

District Nominating Committee Chair: Earl Clifford Oberlin, III

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, L.L.C., Chicago, IL

Nominating Committee

Kathy J. Birk	Morgan Stanley Dean Witter, Carmel, IN
Lewis H. Echlin	Roney & Co., L.L.C., Detroit, MI
Paul Murin	David A. Noyes & Co., Chicago, IL
Earl Clifford Oberlin, III	SKY Investments Corp., Bryan, OH
William H. Richardson	Trubee, Collins & Co., Inc., Buffalo, NY

If you are interested in nominating yourself or a colleague to the District 8 Committee or the District Nominating Committee, please contact the District Nominating Committee Chairman or the District Director at the above address.

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 Vacancies: 4

District Committee Chair: James Malespina

District Nominating Committee Chair: John J. Gray

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, Valley Forge, PA
Gregory R. Zappala	RRZ Public Markets, Inc., Cranberry Township, PA

Nominating Committee

Mark W. Cresap	Cresap, Inc., Radnor, PA
John J. Gray	Janney Montgomery Scott Inc., Philadelphia, PA
Dennis V. Marino	Sherwood Securities Corp., Jersey City, NJ
Eric H. Pookrum	Innova Securities, Inc., Suitland, MD
Robert A. Woeber	Arthurs, Lestrange & Company Incorporated, Pittsburgh, PA

If you are interested in nominating yourself or a colleague to the District 9 Committee or the District Nominating Committee, please contact the District Nominating Committee Chairman or the District Director at the above address.

DISTRICT 10

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

District Committee Vacancies: 3

District Committee Chair: Joan Caridi

District Nominating Committee Chair: Michael F. Dura

To Serve Until January 2001

Herbert Ackerman	Neuberger & Berman, LLC, New York, NY
Arthur S. Ainsberg	Brahman Securities Inc., New York, NY
Williams 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	Dillon, Read & Co., Inc., New York, NY

To Serve Until January 2002

John Lachello	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 Corp., New York, NY
Tom M. Wirtshafter	Nathan & Lewis Securities Inc., New York, NY

Nominating Committee

Michael F. Dura	Schroder & Co., Inc., New York, NY
Joseph A. Gottlieb	Bear, Stearns & Co. Inc., New York, NY
Joan S. Green	BT Brokerage Corporation, New York, NY
Norman H. Pessin	Neuberger & Berman, New York, NY
Stuart J. Voisin	Stuart, Coleman & Co., Inc., New York, NY

If you are interested in nominating yourself or a colleague to the District 10 Committee or the District Nominating Committee, please contact the District Nominating Committee Chairman or the District Director at the above address.

DISTRICT 11

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

District Committee Vacancies: 4

District Committee Chair: Stephanie Brown

District Nominating Committee Chair: Mary Toumpas

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
Gerard A. Rocchi	W.S. Griffith & Co., Inc., Hartford, CT
James P. Rybeck	The RYBECK, Division of Fechtor, Detwiler & Co., Inc., Meriden, CT
Dennis R. Surprenant	Cantella & Co., Inc., Boston, MA

Nominating Committee

John A. Goc	Boston Institutional Services, Boston, MA
Grant Kurtz	Advest, Inc., Hartford, CT
Wilson G. Saville	Barrett & Company, Providence, RI
Edward L. Sherr	Carl P. Sherr & Company, Worcester, MA
Mary Toumpas	American Skandia Marketing, Inc., Shelton, CT

If you are interested in nominating yourself or a colleague to the District 11 Committee or the District Nominating Committee, please contact the District Nominating Committee Chairman or the District Director at the above address.

Exhibit II

NASD Regulation, Inc.

1999 District Election Procedures For Year 2000/District Committees And District Nominating Committees

Regular Election

1. Each NASD Regulation® District shall maintain a District Nominating Committee in the manner specified in Article VIII of the By-Laws of NASD Regulation, Inc.

2. The Secretary of NASD Regulation, Inc. ("the Corporation") will notify in writing the Chairman of each District Committee and the Chairman of the District Nominating Committee of the upcoming vacancies on both the District Committee and the District Nominating Committee, and the procedures to follow to fill the vacancies. A copy of these letters will be provided to the District Directors.

   The District Nominating Committee will be provided by Corporation staff with information considered relevant to the nominating process, including analytical data pertaining to the District membership.

3. The Secretary of NASD Regulation and the Membership Department will prepare a *Notice to Members* reminding all members of their responsibility and obligation to keep current and accurate information on their Executive Representatives and branch office addresses. The *Notice to Members* will contain a reference to the NASDR℠ Web Site (*www.nasdr.com*) and detail the process for changing a firm's Executive Representative. This *Notice to Members* will note that failure to keep this information accurate may jeopardize the member's ability to participate in District elections as well as other member votes.

4. The Secretary of the Corporation on behalf of the District Committee Chairman will send a *Notice to Members* announcing the forthcoming elections to the Executive Representative and each branch office of all members eligible to vote in that District. Members will be requested to submit names of candidates to the District Nominating Committee or the District Director. The *Notice to Members* will contain: a) the number of vacancies for each District; b) the remaining members of each District Committee; and c) a reference to the Web site and procedures for being considered an additional candidate.

5. The District Nominating Committee will endeavor to secure fair representation of all types of members present in the District on the District Committee, including small firms. One small firm member of each District Committee will serve a one-year term on the Small Firm Advisory Board.

6. The District Nominating Committee will review the background and qualifications of the proposed candidates and the District profile information provided by Corporation staff, and will determine its slate of candidates for the election.

7. The District Nominating Committee will certify to the District Committee each candidate nominated by the District Nominating Committee.

8. Within five (5) calendar days after this certification, a *Notice to Members* shall be sent to the Executive Representative, communicating the nominees for the vacancies on the District Committees.

9. If an officer, director, or employee of an NASD member is interested in being considered as an additional candidate, he/she must indicate his/her interest to the District Director within fourteen (14) calendar days of the date of the *Notice to Members* referenced in #8 above. The District Director shall make a written record of the time and date of such notification.

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

10. Additional candidate(s) may be nominated if a petition signed by the Executive Representative of at least 10 percent of the members eligible to vote in the District is filed with the District Nominating Committee within 30 calendar days from the mailing date of the *Notice to Members* referenced in #8 on the previous page, unless the Secretary of NASD Regulation grants additional time for good cause shown.

11. If no additional candidate(s) are nominated within the 30-calendar day period, then the candidates nominated by the District Nominating Committee shall be considered duly elected, and the District Committee shall certify the election to the Board of Directors of NASD Regulation.

12. If any additional candidate(s) are nominated, the procedures outlined in the Contested Election Procedures will apply.

Additional information pertaining to the District Election Procedures can be found in Article VIII of the By-Laws of NASD Regulation. The By-Laws can be found in the on-line *NASD Manual* at *www.nasdr.com*.