

Regulatory & Compliance Alert

A PUBLICATION OF NASD REGULATION, INC.

14.4 WINTER 2000

CRD 2001 Renewal Program

The 2001 National Association of Securities Dealers, Inc. (NASD®) Broker/Dealer and Agent Renewal Program began, for member firms, on November 6, 2000, when Preliminary Renewal Statements became available on Web CRD. Full payment of the Preliminary Renewal Statement was to be received by the NASD no later than December 8, 2000. Firms that fail to pay their Preliminary Renewal Statements will have their registrations terminated at midnight on December 31, 2000. Terminating the firm's registrations also terminates their agents' registrations. These firms must contact each regulator in which they were registered to obtain agent and firm re-registration instructions.

Beginning January 2, 2001, member firms will be able to access their Final Renewal Statements through Web CRD. These statements, located under "Renewal Account" in the "Accounting" functionality, will reflect the final status of firm and agent registrations as of December 31, 2000. Any adjustments in fees owed as a result of registration terminations or approvals subsequent to the Preliminary Renewal Statement will be reflected in this final reconciled statement.

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NASD REGULATION, INC.

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CRD 2001 Renewal Program, from page 1

March 16, 2001, is the deadline for payment of Final Renewal Statements and for the receipt of all refund check requests.

- ❖ Final Renewal Statements with a zero balance require no further action.
- ❖ For Final Renewal Statements that indicate a balance due, firms must submit payment to NASD RegulationSM and include the first page of the Final Renewal Statement, along with the check for the total amount due.
- ❖ For Final Renewal Statements that reflect a credit due, firms that are due a refund may have a credit applied to their Daily Registration Accounts by contacting the CRD/Public Disclosure (CRD/PD) Gateway Call Center; or, they may request a refund check by mailing the first page of the Final Renewal Statement with the appropriate signatory to NASD Regulation. If no request for a refund is received by the March 16, 2001 deadline, the credit amount will be transferred to the firm's Daily Registration Account by April 6, 2001.

Final Renewal Rosters will be available in January 2001 and can be accessed via the Reports Tab in Web CRD. They are the Branches Renewal Roster and the Firm Renewal Roster (Agent). To aid firms in their internal research and allocation of fees, the Renewal Rosters also include two reports: a Billing Code Summary Report and a Billing Code Detail Report.

Any discrepancies between a firm's records and those maintained on Web CRD **must be reported by March 19, 2001**. These discrepancies

must be reported to the NASD, in writing, and sent to the attention of CRD/PD Research, along with supporting documentation such as Notices of Approval/Termination, copies of Forms U-4 or U-5, or Schedule E Amendments. To resolve discrepancies, firms should contact regulators directly in writing.

Key Renewal Process Addresses

Send Renewal refund requests to:

NASD Regulation, Inc.
Discoverly
User Support—CRD Accounting
9509 Key West Avenue
Rockville, MD 20850
(301) 869-6699

Send Renewal Roster discrepancies to:

NASD Regulation, Inc.
Discoverly
User Support—Research
9509 Key West Avenue
Rockville, MD 20850
(301) 869-6699

Submit ALL Renewal Payments to:

NASD Regulation, Inc.—Renewals
Department Number 0653
c/o Riggs National Bank
5700 River Tech Court
Riverdale, Maryland 20737-1250

To obtain Firm Renewal (Agent) Download Roster:

Contact the Gateway Call Center at (301) 869-6699.

Questions about this article may be directed to Janis Paulikas, CRD/Public Disclosure, NASD Regulation, Inc., at (240) 386-4772.

ORDER AUDIT TRAIL SYSTEM

Order Audit Trail System And Decimalization

The Order Audit Trail SystemSM (OATSSM) currently collects price information in a decimal format allowing for a total of 18 digits and permitting for up to 8 digits to the right of the decimal. Therefore, the format of OATS reporting will not be affected, by the conversion to decimals.

A common question is whether members need to modify open orders in OATS to reflect changes to any prices for open limit orders, stop orders, or stop/limit orders resulting from rounding. The answer depends on how the system handles the price changes. Members planning to use a systematic process that simply converts the prices

on open orders in the order management systems from fractions to decimals without changing the OATS Order ID for those orders will not need to file any reports (i.e., Cancel/Replace Reports) with OATS. However, if the member's system will automatically generate a new OATS Order ID to reflect the price modification, then that member must transmit a Cancel/Replace Report to OATS.

Questions regarding this specific topic or on OATS in general may be directed to NASD Business and Technology Support Services at (800) 321-NASD.

REGULATORY SHORT TAKES

Promissory Note Investments

NASD Regulation wishes to alert member firms to the significant number of fraudulent promissory note schemes that have been offered to investors and to remind members and registered persons of the regulatory obligations that apply to the sale of promissory notes.

Background

What Promissory Notes Are: Generally, promissory notes are a form of debt similar to a loan. Companies issue these notes to finance a wide variety of endeavors.

Bona fide promissory notes are an important means by which companies raise capital. However, not all promissory notes are legitimate and investor must be mindful of potentially deceptive sales practices.

Promissory Notes Often Are Securities: In many instances, these investments are promoted as not involving the sale of securities, either by the issuers of the notes or by salespersons. The Securities Act of 1933 and the Securities Exchange Act of 1934, however, include "any note" in the definition of a security. From these definitions, a legal presumption has been

developed that a promissory note is considered to be a security, although this presumption may be overcome if, based on all facts and circumstances, the instrument is deemed to be a commercial-type loan.¹ In many cases, promissory notes are deemed to be securities.

Fraudulent Note Programs: In recent years, securities regulators have uncovered a number of fraudulent schemes involving promissory notes. Increasingly, these investments are one of the vehicles of choice when unscrupulous promoters go after investors' funds. In June 2000, the Securities and Exchange Commission (SEC) conducted a joint enforcement sweep in conjunction with securities regulators from 28 states. This sweep targeted fraudulent note programs. The regulators brought actions against hundreds of individuals and entities involved in selling fraudulent promissory notes to thousands of investors. In the SEC cases alone, over \$300 million had been raised from unsuspecting investors.

The fraudulent statements used to sell these notes were numerous and varied. There were

several types of fraudulent statements, however, that were common to most of the programs, including: (1) investors would receive high returns (often double digit returns) with low risk, (2) returns were guaranteed, and (3) collateral existed to back the guarantees. Often the persons selling the notes were offered exorbitant commissions.

Due to their desire to take advantage of the high commissions, salespersons often unreasonably relied on information provided to them by the issuers or promoters and failed to investigate or adequately confirm the facts.

Member Firm And Registered Person Responsibilities

Private Securities Transactions Or "Selling Away": In some recent cases, NASD Regulation has observed that member firms and their associated persons are not treating promissory notes as securities.² As discussed above, these instruments often are securities. As such, if associated persons are engaged in transactions involving these instruments, NASD Conduct Rule 3040

1 *In Reves v. Ernst & Young*, 494 U.S. 56, 64 (1990), the Supreme Court identified a four factor "family resemblance" test to determine whether certain investments constitute securities. The factors are: (1) the motivation for the transaction; (2) the plan of distribution; (3) the reasonable expectation of the parties; (4) whether other regulatory schemes are in place. In applying the factors, the courts have generally found an instrument to be a security where (1) the seller's purpose is to raise money for the general use of a business enterprise and the buyer is interested primarily in the profit that the note is expected to generate, (2) there is common trading for speculation or investment (i.e., if the instrument is offered and sold to a broad segment of the population), (3) the reasonable expectation of the purchaser is that the note is an investment, and (4) there is no other regulatory schemes that would significantly reduce the risk of the investment such that there is a need for the federal securities laws to apply in order to sufficiently protect investors.

2 *In re Robin Bruce McNabb*, Exchange Act Release No. 43411 (October 4, 2000), the SEC affirmed the NASD's findings that a registered representative of a member firm sold securities, in the form of promissory notes, without notifying his employer. In addition, the National Adjudicatory Council, in *DBCC for District 5 v. John P. Goldsworthy*, (NAC Oct. 16, 2000), recently affirmed the DBCC's finding that a registered representative's sale of promissory notes involved the sale of securities, which were engaged in without providing prior written notice to and obtaining prior written approval from the member firm.

applies. This rule prohibits unauthorized private securities transactions or “selling away” from the member firm. The rule ensures that, if a firm approves an associated person’s participation in a securities transaction, the firm assumes certain critical regulatory responsibilities that go with offering and selling securities to customers. In addition to requiring that the transactions be recorded on the firm’s books and records, the firm must exercise appropriate supervision over the associated person in order to prevent violations of the securities laws. As the SEC recently noted, Rule 3040 “protects investors from the hazards of unmonitored sales and protects the firm from loss and litigation.”³

Member firms must take steps to ensure that their associated persons are fully informed of their obligations to provide written notice detailing proposed securities transactions involving promissory notes and obtain firm approval before engaging in these transactions. The firm should ensure that the detail provided by the associated person is sufficient for it to gain an understanding of the investment and its employee’s role in proposed transactions.

Outside Business Activity/When A Promissory Note Is Not Deemed To Be

A Security: We also note that, if a particular

promissory note is structured in such a way as to not be deemed a security, then the associated person would be subject to NASD Conduct Rule 3030. Rule 3030 provides that no associated person shall be employed by, or accept compensation from, anyone as a result of any business activity (other than passive investment), unless prompt written notice is provided to the member. Member firms should obtain sufficient detail about the transaction so that the firm understands the instrument and can evaluate whether it is a security. As discussed above, if the instrument is a security, then the firm has increased obligations.

Supervisory Obligations: Finally, given the significant number of fraudulent promissory note schemes that have been uncovered, member firms should continue to be vigilant in carrying out their supervisory obligations. If “red flags” or facts that raise issues about a registered representative’s conduct come to the attention of a firm’s supervisors, the firm must conduct a thorough investigation in order to resolve the concerns.⁴

Questions concerning this topic may be directed to Emily Gordy, Member Regulation Department, at (202) 728-8070.

3 *McNabb*, Exchange Act Release No. 43411 at p. 6; 2000 SEC Lexis 2120 at p. 10.

4 For cases in which the SEC has imposed liability against firms and/or supervisors for, among other things, supervising failure, resulting from failing to follow up on “red flags” indicating “selling away” activity or other outside business activity, see generally *In re, Prospera Financial Services, Inc. f/k/a Addison Securities and Jonathan D. Stein*, Exchange Act Release No. 43352 (Sept. 26, 2000); *In re Signal Securities, Inc., et al.*, Exchange Act Release No. 43350 (Sept. 26, 2000); *In re George J. Kolar*, Initial Decision Rel. No. 152 (Oct. 28, 1999); *In re PFS Investments, Inc.*, Exchange Act Release No. 40269 (July 28, 1998); *In re Raymond A. Basile*, Exchange Act Rel. No. 39930 (April 29, 1998).

Persons Acting In A Principal Capacity

In the Fall 2000 *Regulatory & Compliance Alert*, NASD Regulation reminded NASD members that persons acting in a principal capacity who do not register as principals and the firms that employ such unregistered persons are subject to formal disciplinary action. The article pointed out that it is the responsibility of **both** the member firm **and** the individual who is acting in a registered capacity to determine whether the individual's responsibilities require him or her to register, and in what capacity such registration is required.¹

NASD Regulation has sanctioned firms and individuals when registered representatives who have been given management responsibility have failed to register as principals within 90 days following the change in their duties. If a registered representative is given additional duties, such as supervision, hiring and firing, training, or managing a department, the individual is required to register as a principal because he or she is now involved in the management of the firm. Rule 1021 gives a registered representative 90 days to qualify as a principal, but in no event may a person function as a principal beyond the initial 90-calendar-day period following the change in his or her duties without having successfully passed the appropriate qualification examination.

NASD Regulation has also taken formal disciplinary action against individuals and their firms when an individual associated with the parent of a member who has never been registered with the Association in any capacity becomes an officer or director of the parent's broker/dealer subsidiary, takes on management responsibilities, and fails to register as a principal. In one case, officers of a firm, one of whom was also a board member, were disciplined when they assumed management responsibilities, but failed to register as principals. Likewise, an unregistered individual employed by a bank parent company, whether foreign or domestic, becomes subject to the requirement to register as a principal if he or she becomes an officer or director of a U.S. broker/dealer subsidiary and takes on management responsibilities, including administrative and back office functions.

An inside director, i.e., an employee of a member who sits on its board of directors, is presumed to be involved in the day-to-day management of the firm's business and, therefore, is required to be registered as a principal.

An outside director who becomes actively engaged in the management of the member's investment banking or securities must register as a principal within 90 days. In one disciplinary

¹ Membership and Registration Rule 1021 requires all persons associated with a member, including sole proprietors, officers, partners, managers of offices of supervisory jurisdiction, and directors of corporations, who are actively engaged in the management of the member's investment banking or securities business, including supervision, solicitation, conduct of business, or the training of persons to be registered as principals in the category of registration that is appropriate to their function.

action, an individual claimed that he was not required to be registered because his involvement with the member was solely that of any director. The evidence showed, however, that he had final approval on hiring, firing, promotions, and budgetary matters and also had the authority to designate brokers to supervisors, open and close accounts at the firm's clearing brokers, and designate signatories to transact business in those accounts. Similarly, a firm's General Counsel will become subject to principal registration requirements if he or she becomes a member of the firm's board of directors or otherwise participates in the management of the member's securities or investment banking business.²

Both individuals and firms are subject to disciplinary action if an individual functions as a principal without having registered as such. NASD Regulation will not consider as mitigation an individual's claim that he or she did not understand or was not informed by the firm that registration was required, or that the individual was too busy to take the examination. It is imperative that these individuals and their firms analyze a person's duties and responsibilities at the broker/dealer to determine whether principal registration is required.

Questions regarding this article may be directed to Shirley Weiss, Office of General Counsel, NASD Regulation, Inc., at (202) 728-8844.

² See *Notice to Members 99-49* (June 1999) for interpretive guidance regarding when certain individuals are required to be registered as principals with the Association.

Annual Audit Filings – Address Change

As of July 28, 2000, annual audits submitted to NASD Regulation should be sent to the following new address:

NASD Regulation, Inc.
Member Regulation Programs/Systems Support
Attention: Sherry Lawrence
9509 Key West Avenue, 3rd Floor
Rockville, MD 20850

Please **do not** send reports to 1390 Piccard Drive, Rockville, MD.

For assistance, call the new telephone number regarding annual audits issues: (240) 386-5162. NASD members are advised to inform their respective auditors of the new address in order to avoid delays in the receipt of annual audit filings.

Questions concerning this topic may be directed to Sherry Lawrence, Member Regulation Department, at (240) 386-5162.

questions

Financial Operations Focus

This column is a regular feature that NASD Regulation presents in the *Regulatory & Compliance Alert* and highlights questions and answers about members' financial operations.

Q: For net capital purposes, what is the charge on an aged fail to deliver in a foreign equity security not listed in the FT-A World Indices?

A: Foreign equity securities are not given any value for net capital purposes unless they are listed in the FT-A World Indices or there is some other objective measure of marketability. As such, absent this listing or some other measure of marketability, the aged fail charge would be 100 percent.

Q: Should cash deposits held by a broker/dealer resulting from the sale of insurance products by customers be considered in the Reserve Formula Computation (SEC Rule 15c3-3)?

A: Even though the deposits are related to non-securities transactions, they would still have to be considered in the Reserve Formula Computation, as they are customer funds and, therefore, fully subject to SEC Rule 15c3-3.

Q: Are investment advisory fees receivable from a registered investment adviser allowable assets for net capital purposes?

A: Registered investment advisory fees receivable are non-allowable assets for net capital purposes. However, if there is a related payable and there is an agreement with the debtor to forgo payment until the receivable is collected, then the receivable can be treated as an allowable asset, but only to the extent of the liability.

Q: When computing the open contractual commitment haircut on a secondary offering is it permissible for a broker/dealer maintaining excess of \$250,000 in net capital to add back to net worth \$150,000, in order to reduce the open contractual commitment haircut?

A: Yes. In a secondary offering a broker/dealer that maintains net capital in excess of \$250,000 may add back to net worth the lesser of the open contractual commitment haircut as computed under paragraph (c) (2) (viii) or \$150,000. This add-back in a secondary offering is only applicable to securities that are traded on Nasdaq National Market or a national securities exchange.

Questions regarding this article may be directed to Susan DeMando, Member Regulation Department, NASD Regulation, Inc., at (202) 728-8411.

TRADING & MARKET MAKING

E-Mail Address Established To Report System Outages To Market Regulation Department

NASD Regulation's Market Regulation Department (the "staff") performs periodic surveillance reviews or "sweeps" of the industry for compliance with the SEC's Order Handling Rules and the NASD's rules relating to, among other things, trade reporting for equities and bonds, ACT compliance, and trading during a halt. Using sophisticated automated technology, the staff reviews the trading and market making activity of all member firms. Where warranted, the staff's review may result in the imposition of informal or formal disciplinary action.

As part of its review, the staff considers whether a system outage or other technology-related problem caused, or contributed to, a member's failure to comply with a rule. To address such issues earlier in the "sweep" process, the Market

Regulation Department has established an e-mail address so that members can alert the staff when system outages or other technology-related problems have impeded members' ability to comply with the SEC's Order Handling Rules or the NASD's trade reporting rules. The staff will use the contemporaneous record created from the members' messages left at the e-mail address to evaluate the results of surveillance "sweeps." On a case-by-case basis, the staff will determine whether that record should be viewed as a mitigating consideration.

Members should report their system outages or other technology-related problems related to FIPS to bondreporting@nasd.com. All system outages or technology-related problems related to equities should be reported to tradereporting@nasd.com.

MUNICIPAL SECURITIES

Introducing Firm Responsibility When Reporting Municipal Trades Through Service Bureaus And Clearing Firms

Accurate and timely automated comparison and reporting of municipal securities transaction information is critical to a member firm's trade processing function, accurate public transaction dissemination and resulting price transparency, and efficient and effective regulatory oversight of

municipal securities trading and sales practices. See *NASD Notice to Members 00-08*. Member firms are reminded of their transaction reporting obligations under Municipal Securities Rulemaking Board (MSRB) Rules G-12 and G-14, particularly in situations in which firms use clearing firms or service bureaus to transmit

trade data to the MSRB.

MSRB Rules G-12 and G-14 set forth requirements for municipal transaction reporting and the use of automated comparison, clearance, and settlement systems. Accordingly, introducing firms are required to report: inter-dealer transactions to the MSRB through a registered securities clearing agency; and customer trades to the MSRB using a PC dial-up modem connection directly to the MSRB, a service bureau, or a clearing firm.

Introducing firms may employ an NSCC-registered clearing firm for the purpose of submitting inter-dealer transaction information to the MSRB. In these situations, the introducing and clearing firms both participate in the reporting of inter-dealer trades, but the primary responsibility continues to rest with the firm that executed¹ the transaction. See *MSRB Reports*, Volume 14, Number 3 (June 1994), and Volume 16, Number 2 (June 1996). Similarly, according to MSRB Rule G-14(b)(ii) on Transaction Reporting Requirements, introducing firms are responsible for ensuring the timely and accurate reporting of their customer transactions, regardless of the method of transmission. See also

Regulatory & Compliance Alert, December 1997. During the past year, NASD Regulation has taken formal disciplinary action against a number of firms for failing to comply with MSRB Rules G-12 and G-14. It has come to the attention of NASD Regulation that some firms which use service bureaus to report municipal trades with customers are being cited for unacceptable transaction reporting compliance that can be traced to problems at the service bureau level. Firms are reminded that they must monitor their own transaction reporting performance and, depending on the situation, work with their correspondents, clearing firms, and/or service bureaus to ensure that their reporting responsibilities are met. The fact that a firm has a contractual relationship with a particular clearing firm, correspondent, or service bureau does not transfer regulatory responsibility.

Questions about this article may be addressed to Cindy Friedlander, Member Regulation Department, NASD Regulation, Inc., at (202) 728-8133.

1 According to Rule G-14(a)(i) on Transaction Reporting Procedures, the terms "introducing" and "executing" are equivalent for the purposes of the rule.

MSRB Rule G-37 And The No Business Exemption

NASD Regulation wants to assure that member firms are aware of the No Business Exemption to the Form G-37/38 filing requirements of MSRB Rule G-37. MSRB Rule G-37 (rule) prohibits municipal securities dealers from engaging in municipal securities business (as defined by the rule) with issuers if certain political contributions have been made to officials of issuers; and requires municipal dealers to disclose certain political contributions, as well as other information, to allow public scrutiny of contributions and the dealer's municipal securities business.

A 1999 rule amendment exempts firms that have not engaged in municipal securities business for a period of at least two years and have filed a Form G-37x from the disclosure requirements under MSRB Rule G-37 and the related record-keeping requirements under MSRB Rule G-8. Firms invoking this exemption ("No Business Exemption") are required to meet two preconditions and are subject to a third requirement if they later begin engaging in municipal securities business.

The first condition is that the firm must not have engaged in municipal securities business during the current calendar quarter and during the seven previous, consecutive quarters. Firms that have recently filed with the MSRB as a municipal securities dealer, or firms that are in the process of becoming NASD members and plan to engage in municipal securities activities, may also qualify for the No Business Exemption if the firm does not anticipate conducting municipal securities business as defined by MSRB Rule G-37.

The second condition is that the firm must have sent two copies of Form G-37x to the MSRB. Form G-37x includes a certification that the firm did not engage in municipal securities business during the eight consecutive calendar quarters immediately preceding the date of such certification. A Form G-37x submitted to the MSRB remains in effect as long as the firm continues to refrain from engaging in municipal securities business. Notwithstanding the submission of Form G-37x, a firm remains responsible for determining whether it continues to qualify for an exemption from the Form G-37/G-38 submission requirement for each calendar quarter. This form and instructions for transmission may be accessed on the MSRB Web Site (www.msrb.org).

A firm that has elected the No Business Exemption and later elects to engage in municipal securities business needs to: create records of political contributions and payments to state and local political parties for the current calendar year and the two preceding calendar years; and must disclose on Form G-37/G-38 for the calendar quarter in which it first engages in municipal securities business all reportable contributions to issuer officials and payments to state and local political parties made during the preceding two years. Lastly, before engaging in municipal securities business with an issuer, the firm would need to review the newly created records to ensure that it has not been banned from business with the issuer as a result of a contribution.

Firms should be aware of the difference between the MSRB's No Information Exemption and the No Business Exemption.

Under the No Information Exemption, a firm is not required to file the Form G-37/38 if it has no reportable activity. However, if there have been reportable political contributions, the firm must file Form G-37/38 even if it had not done a municipal securities business during the reporting period.

Under the No Business Exemption, once conditions are met, the firm does not have to file Form G-37/38 to report any political contributions made during a given period.

Questions about MSRB Rule G-37 may be directed to Malcolm Northam, Member Regulation Department, at (202) 728-8085.

Confirmation Disclosure On Debt Securities

NASD Regulation has observed that some member firms are not including commissions when calculating yield-to-maturity and when confirming a debt security transaction to customers. NASD Regulation reminds members that SEC Rule 10b-10 (rule) requires that all purchase or sale transactions in securities other than municipal securities or U.S. savings bonds effected with or for customers be confirmed in writing.¹ The rule includes a requirement that a broker/dealer effecting a customer transaction send a written notification to its customers, at or before completion of the transaction, including yield and call information.

In calculating the yield-to-maturity for a transaction in debt securities, Rule 10b-10 requires broker/dealers to take into account any remuneration received from the customer in connection with the transaction. Therefore, broker/dealers must take into account any markup, markdown, or commission charged in connection with the transaction (incidental fees and miscellaneous

charges are excluded). See SEC No-Action Letter to The Bond Market Association, dated August 24, 1998. NASD Regulation previously alerted members to this requirement in a *Regulatory & Compliance Alert* article published in September 1997. Member firms should note that the requirement to include commissions when calculating yield to maturity does not affect the requirement that the commission charged on an agency transaction in debt securities must be disclosed separately. Conversely, the markup/markdown charged on these same securities transactions does not need to be disclosed separately.

Member firms are encouraged to review their debt security confirmation disclosure practices for compliance with Rule 10b-10.

Questions about this topic may be directed to Malcolm Northam or Sarrita Cypress, Member Regulation Department, at (202) 718-8085 or (202) 728-8905, respectively.

¹ Members that engage in municipal securities transactions should review the customer confirmation requirements of MSRB Rule G-15.

Continuing Education Notifications Via Web CRD

Since the implementation of Web CRD, NASD member firms now access and view continuing education information in their Firm Queues; hard-copy Continuing Education (CE) Advisory Messages, or "yellow sheets," are no longer sent to NASD member firms. The Web CRD CE Firm Queues are:

Approaching CE Requirement Queue - lists individuals with CE windows starting within 28 days. Replaces Initial Notices and Notices for Significant Disciplinary Actions.

Currently CE Required Queue - lists all individuals currently in their 120-day CE window. Replaces the Monthly Requirement Summary Report.

Recently CE Satisfied Queue - lists individuals who have completed the Regulatory Element within a time period specified by the user. Replaces the Individual and Summary Completion Reports.

CE Inactive Queue - lists approved individuals who are currently CE Inactive. Replaces the Individual and Summary Inactive Reports.

Current Individual Deficiencies Queue/CE Inactive - lists new hires of the firm who are CE Inactive and whose registrations are not

approved. It is important to note that Web CRD does not approve the registrations of new hires who are inactive until those persons satisfy the Regulatory Element. Persons in this situation have CRD registrations with a status of DEFICIENT-CE. This queue replaces the Individual and Summary Inactive Reports.

Currently Two Year CE Termed Queue - lists all individuals who have had their registrations administratively terminated because they had been CE Inactive for two years. Replaces the CE Two Year Termination Notice and the CE Two Year Termination Warning Notice.

A firm's written supervisory procedures should include a description of how its staff is to identify, notify, and track registered representatives who are required to satisfy the Regulatory Element. In this regard, a firm's written supervisory procedures should also be reviewed and revised to refer to CE Firm Queues and eliminate any reference to written CE Advisory Messages or "yellow sheets."

Questions about this article may be directed to John Linnehan, Member Regulation Department, at (240) 386-4684.

Testing Update

Excellence In Service Award For Sylvan Centers

NASD Regulation established a Sylvan Technology Center (STC) Excellence In Service Award Program in 1999 for those STCs that consistently achieve excellence in the areas of customer service and performance.

The awards are made in April, June, October, and January for the previous calendar quarter.

The Excellence In Service Award winners for third quarter 2000 are:

*** Consecutive Quarter Winners - Year 2000**

* Cincinnati OH	Santa Rosa CA	Rancho Cucamonga CA
* Niles OH	Redlands CA	Jacksonville FL
* Pittsburgh (N. Hills) PA	Bloomington MN	Livonia MI
* Troy MI	Dothan AL	Bismarck ND
* Orlando FL	Riverside CA	Atascadero CA
* Memphis TN	Oklahoma City OK	Pittsburgh PA
* Fox Point WI	Lansing MI	Homewood IL
Charlotte NC	Northbrook IL	Phoenix AZ
Diamond Bar CA	St. Joseph MO	Cuyahoga Falls OH
Allentown PA	Utica MI	Fayetteville NY

Reminders: Policy And Procedures

Storage Of Personal Belongings At Sylvan Testing Centers

Before entering the testing room, candidates will be asked to place all personal belongings, including programmable digital watches, and purses/wallets in a locker. Non-programmable, non-financial calculators are permitted in the testing room. The candidate will maintain the key to the locker until the session has been completed.

Candidates should keep in mind that the size of the lockers in most centers is not large. Briefcases and/or portable computers and/or other equipment may not fit in the lockers provided. Larger items, and those items of value that the candidate may not feel comfortable placing in a locker, should not be brought to the testing center.

Candidate Contact Phone Numbers

When scheduling an appointment, two candidate contact phone numbers are requested; the first is the candidate's **daytime** number, the second the candidate's **home** number. The phone numbers are critical pieces of information if, for any reason, the candidate needs to be contacted.

With the Winter months approaching, storms can cause Sylvan Technology Center (STC) closures. STC staff attempt to notify candidates the night before and/or the early morning of the closure. When candidate home phone numbers are not provided, the candidate runs the risk of traveling through harsh, and sometimes hazardous conditions only to find that the center is closed. Providing a home phone number for the candidate will eliminate this risk. We urge all compliance/registration staff to provide home phone numbers for candidates, and to educate the candidate as to the importance of providing the home number.

Over the past year, we have noticed a marked increase in the use of 800 numbers, cell phone numbers, and pager numbers as the primary daytime phone number for candidates. This practice has caused problems in contacting the candidate as well.

If providing an 800 number as a point of contact, an extension number should be provided as well. Many of the 800 numbers connect into a "call center." It is difficult to reach the individual unless the extension number is provided.

Individual cell phone and/or pager devices should not be used as a primary contact point.

STC and NASD Regulation Field Support Services staff are rarely successful in contacting the candidate if a problem should arise when these numbers are used.

Providing a contact phone number that connects directly to the candidate is a "best practice" to ensure that a possible problem can be corrected.

Implementation Of New Procedure For Special Accommodations Scheduling

Special Accommodations Appointment Scheduling

Americans With Disabilities Act (ADA) Candidates

NASD Regulation, in compliance with the provisions of the Americans with Disabilities Act (ADA), provides testing modification and aids to candidates with disabilities and/or learning impairments that substantially limit a major life activity (e.g., learning, speaking, hearing, vision). NASD Regulation makes arrangements to offer examinations/sessions in a place and manner appropriate to persons with disabilities according to the ADA.

Special arrangements can be made to administer NASD Regulation sessions to candidates with physical or learning challenges. Documentation from the candidate's physician or licensed healthcare professional must be submitted along with a letter from the firm requesting that special arrangements be made for the candidate. The sponsoring firm should contact NASD Regulation Field Support Services at (800) 999-6647, Option 2, to request alternative arrangements or for more information regarding this procedure.

Effective November 1, 2000, firms will need to submit the NASD Regulation Special Accommodations Eligibility Questionnaire and Special Accommodations Verification Request Form for all candidates requesting special arrangements. If the appropriate forms are not completed, the request cannot be considered. While candidates are free to suggest any sort of accommodation, NASD Regulation will make the final decision on what accommodation(s) can be provided.

Visit the NASD Regulation Web Site, www.nasdr.com/2632.htm, for additional information and to obtain copies of the NASD Regulation Special Accommodations Eligibility Questionnaire and Special Accommodations Verification Request Form.

London Centre Re-Located

The London Centre has been re-located to 20 Birchinn Court, 3rd Floor, London, EC3V 3PQ. The centre is being operated at the Informatics CTEC Centre at that location by NASD Regulation staff. The phone number remains the same as when the centre was co-located with Nasdaq International at the Durant House at 8/13 Chiswell – 207-374-2666 (Fax: 207-374-2777).

NASD Regulation To Begin International Delivery For Testing & Continuing Education

In order to better serve the securities industry, NASD Regulation will begin delivery of computerized testing and continuing education in six international locations. The service will be provided by Virtual University Enterprises, Inc.

(VUE). VUE is the electronic testing service of NCS Pearson, Inc. VUE is an established test delivery organization noted for its high quality of service, and is currently operating in over 2,400 testing centers worldwide. VUE authorizes third-party delivery organizations to provide the actual delivery of their services. These organizations must meet a very stringent set of standards prior to being authorized to deliver NASD Regulation's exams and continuing education.

NASD Regulation has identified six key cities for the initiation of this service. They are: London, England; Paris, France; Frankfurt, Germany; Seoul, Korea; Tokyo, Japan; and Hong Kong, China. Additional cities will be added based on demand. Scheduling will be provided through three VUE Registration Centers located in Minneapolis, Minnesota; Woerden, Netherlands; and Sydney, Australia. There will be toll-free numbers to these locations from all countries in the region. Initial inquiries should be directed to NASD Regulation Field Support Services at (800) 999-6647. Specific contact information will be published in the January edition of *NASD Notices to Members*, and will also be available through the NASD Regulation Web Site (www.nasdr.com).

Questions regarding international delivery should be directed to A. Lee Hays, Member Regulation Department, NASD Regulation, Inc., (240) 386-4673 or lee.hays@nasd.com.

Delivery Locations On The NASD Regulation Web Site

NASD Regulation-authorized delivery locations are maintained on the NASD Regulation Web Site. An up-to-date list of delivery locations

(including addresses, phone numbers, and maps to the locations) are continually updated and can be obtained by checking the NASD Regulation Web Site (www.nasdr.com) and selecting: "Members Check Here," then "Exam Information & Locations."

Certification Testing & Continuing Education Delivery Location List

Current as of December 2000

Alabama

<i>Birmingham</i>	<i>205-871-7444</i>
<i>Decatur</i>	<i>205-350-8324</i>
<i>Dothan</i>	<i>334-677-6334</i>
<i>Mobile</i>	<i>334-344-6284</i>
<i>Montgomery</i>	<i>334-262-0043</i>

Alaska

<i>Anchorage</i>	<i>907-563-6601</i>
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Arizona

<i>Goodyear</i>	<i>623-932-7800</i>
<i>Phoenix (N. 35th Ave.)</i>	<i>602-548-8220</i>
<i>Tucson</i>	<i>520-531-0431</i>

Arkansas

<i>Fort Smith</i>	<i>501-484-0702</i>
<i>Little Rock</i>	<i>501-663-8280</i>

California

<i>Anaheim</i>	<i>714-637-7894</i>
<i>Atascadero</i>	<i>805-462-8308</i>
<i>Brea</i>	<i>714-255-1141</i>
<i>Culver City (5601 W. Slausen)</i>	<i>310-338-6956</i>
<i>Culver City (5731 W. Slausen)</i>	<i>310-337-6696</i>
<i>Diamond Bar</i>	<i>909-861-1146</i>
<i>Gardena</i>	<i>310-329-1844</i>
<i>Glendale</i>	<i>818-545-7383</i>
<i>Irvine</i>	<i>949-552-0563</i>
<i>La Mesa</i>	<i>619-668-2121</i>
<i>Palm Desert</i>	<i>760-836-1510</i>

<i>Piedmont</i>	<i>510-428-4123</i>
<i>Rancho Cucamonga</i>	<i>909-944-9763</i>
<i>Redlands</i>	<i>909-792-2145</i>
<i>Riverside</i>	<i>909-353-8600</i>
<i>Sacramento (Fair Oaks)</i>	<i>916-961-7323</i>
<i>San Diego</i>	<i>858-481-3640</i>
<i>San Francisco (Market St.)</i>	<i>415-882-1212</i>
<i>San Francisco (W. Portal St.)</i>	<i>415-681-3769</i>
<i>San Jose</i>	<i>408-257-7699</i>
<i>Santa Rosa</i>	<i>707-528-6000</i>
<i>Walnut Creek</i>	<i>925-934-3099</i>
<i>Westlake Village</i>	<i>805-495-6367</i>

Canada

<i>Calgary</i>	<i>403-777-1365</i>
<i>Etobicoke, ON</i>	<i>416-236-2629, Ext. 221</i>
<i>Halifax</i>	<i>902-422-7323</i>
<i>Montreal</i>	<i>514-876-8818</i>
<i>Richmond BC</i>	<i>604-231-1966</i>
<i>Saskatoon, SK</i>	<i>306-978-7323</i>
<i>Whitby</i>	<i>905-404-1818</i>
<i>Windsor</i>	<i>519-974-8747</i>
<i>Winnipeg</i>	<i>204-988-5050</i>

Colorado

<i>Colorado Springs</i>	<i>719-593-1272</i>
<i>Denver</i>	<i>303-692-8745</i>
<i>Glendale</i>	<i>303-758-8774</i>
<i>Longmont</i>	<i>303-485-3218</i>
<i>Pueblo</i>	<i>719-545-0838</i>

Connecticut

Glastonbury	860-659-0400
Hamden	203-287-9677
Norwalk	203-847-0031

Delaware

Wilmington	302-998-3817
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District of Columbia

Washington	202-955-5887
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Florida

Casselberry	407-671-2332
Davie	954-423-0782
Ft. Myers	941-275-1130
Gainesville	352-371-6891
Hollywood	954-967-0443
Jacksonville	904-739-3000
Maitland/Orlando	407-875-8118
Miami	305-825-2708
Sarasota	941-923-9399
Tallahassee	850-386-8707
Tampa	813-289-1246
Temple Terrace (Tampa)	813-989-9988

Georgia

Atlanta	404-255-9957
Augusta	706-868-1888
Jonesboro	770-478-5356
Macon	912-405-7423
Marietta	770-980-1117
Savannah	912-354-2660
Valdosta	912-245-1069

Hawaii

Honolulu (Bishop Street)	808-441-5000/5050
Honolulu County	808-263-6656

Idaho

Boise	208-322-3555
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Illinois

Carbondale	618-529-4664
Chicago (Clark St.)	312-641-7301
Chicago (LaSalle St.)	312-609-2525
Homewood	708-798-0238
Northbrook	847-559-2461
Peoria	309-682-0825
Springfield	217-546-0381

Indiana

Evansville	812-479-6855
Ft. Wayne	219-436-2710
Indianapolis (E. 86th St.)	317-257-7546
Indianapolis (Girl's School Rd)	317-247-7664

Lafayette	765-447-5996
Merrillville	219-736-1113
Mishawaka	219-254-1055

Iowa

Bettendorf	319-359-1001
Des Moines	515-223-6650

Kansas

Topeka	785-272-7500
Wichita	316-651-5350

Kentucky

Lexington	606-268-3338
Louisville	502-423-0478

Louisiana

Baton Rouge	225-293-8489
Bossier City	318-742-7349
Metairie	504-834-2155

Maine

Orono	207-581-1708
Portland	207-775-5812

Maryland

Baltimore	443-923-6400
Bethesda	301-718-9893
Columbia	410-740-8137
Lanham	301-552-3400
Pikesville	410-486-9045
Salisbury	410-341-4100
Towson	410-823-9788

Massachusetts

Boston	617-345-8980
Braintree	781-380-3876
Brookline	617-264-4152
E. Longmeadow	413-525-4901
Lexington	781-861-0723
Waltham	781-890-0466
Worcester	508-853-7250

Michigan

Grand Rapids	616-957-0368
Lansing	517-372-7413
Livonia	734-462-2750
Portage	616-321-8351
Southfield	248-827-2627
Troy	248-643-7323
Utica	810-739-0270

Minnesota

Bloomington	612-831-7461
Duluth	218-723-1494

Rochester	507-292-9713	Vestal	607-798-1715
St. Cloud	320-529-4830	Wappingers Falls	914-298-8378
Woodbury	651-702-6791	White Plains	914-289-0437
Mississippi		North Carolina	
Jackson	601-366-6400	Asheville	828-253-4224
Missouri		Charlotte	704-364-7758
Ballwin	636-394-7742	Gastonia	704-853-2038
Hazelwood	314-895-4826	Greensboro	336-854-4230
Jefferson City	573-761-7517	Greenville	252-756-0342
Lee's Summit	816-525-4500	Raleigh	919-846-1933
Springfield	417-882-0740		
St. Joseph	816-671-9900	North Dakota	
Montana		Bismarck	701-224-1171
Billings	406-656-4646	Fargo	701-293-1234
Helena	406-443-9205		
Nebraska		Ohio	
Columbus	402-564-2862	Akron	330-922-5587
Omaha	402-334-9449	Cincinnati	513-671-7030
Nevada		Columbus	614-451-4131
Las Vegas	702-889-4132	Dayton	937-435-8417
Reno	702-829-2700	Hilliard	614-529-4232
New Hampshire		Lima	419-331-7323
Portsmouth	603-433-6800	Mentor	440-255-0055
New Jersey		Niles	330-652-1886
Deptford	609-384-4744	Reynoldsburg	614-864-4090
Fairlawn	201-475-1670	Strongsville	440-238-0530
Hamilton Township	609-631-9794		
Toms River	732-349-4609	Oklahoma	
Union	908-964-2862	Oklahoma City	405-843-8378
New Mexico		Tulsa	918-747-9333
Albuquerque	505-296-0609	Oregon	
New York		Eugene	541-485-4589
Albany	518-869-6119	Milwaukie	503-659-9575
Amherst/Buffalo	716-565-0570	Portland	503-254-2009
Brooklyn Heights	718-222-1277	Pennsylvania	
East Syracuse	315-433-9038	Allentown	610-791-5320
Garden City	516-746-7367	Clark Summit	570-586-4362
Ithaca	607-277-4821	Erie	814-864-6100
Manhasset	516-869-1236	Harrisburg	719-652-0143
Melville	631-845-9063	Lancaster	717-391-6519
NYC Midtown Area	212-809-5509	North Wales	215-412-7822
NYC Wall Street Area	212-809-5509	Philadelphia	215-238-8380
NYC-Penn Plaza (15th Fl)	212-760-1137	Pittsburgh (North Hills)	412-367-4620
NYC-Penn Plaza (17th Fl)	212-760-1137	Pittsburgh (Braddock Ave.)	412-247-4463
Rego Park	718-997-6356	York	717-755-7471
Rochester	716-385-4810	Port Rico	
Staten Island	718-980-3079	Guaynabo PR	787-753-6394
		Rhode Island	
		Cranston	401-942-8552

South Carolina

Charleston	843-766-5599
Columbia	803-781-4986
Greenville	864-676-1506

South Dakota

Sioux Falls	605-362-4875
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Tennessee

Chattanooga	423-894-6249
Clarksville	931-647-2003
Franklin	615-790-5018
Knoxville	865-690-2677
Madison (Nashville)	615-860-0376
Memphis	901-266-4606

Texas

Abilene	915-698-7858
Amarillo	806-463-2379
Arlington	817-572-6690
Austin	512-441-1978
Beaumont	409-899-9798
Corpus Christi	512-993-3793
Dallas	972-385-1181
El Paso	915-587-7323
Houston (Saturn Ln)	281-286-8537
Lubbock	806-785-4400
Mesquite	972-686-3310
Midland	915-520-9418
San Antonio	210-494-7263
Sugar Land	281-491-9200
Waco	254-772-2467

Utah

Orem	801-226-5544
Salt Lake City	800-578-6273

United Kingdom

London	(011-44) 171-374-2666
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Vermont

Williston	802-872-0845
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Virgin Islands

St. Croix	340-773-5751
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Virginia

Fairfax	703-204-9060
Lynchburg	804-832-0778
Mechanicsville	804-730-5844
Newport News	757-873-0208
Roanoke	540-344-3688

Washington

Mountlake Terrace	425-774-3922
Puyallup	253-848-0771
Spokane	509-467-8715

West Virginia

Morgantown	304-293-0699
South Charleston	304-744-4144

Wisconsin

Fox Point	414-540-2223
Madison	608-231-6270
New Berlin	262-796-0808
Racine	414-554-9009

Wyoming

Casper	307-235-0070
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NASD DISCIPLINARY ACTIONS

NASD Disciplinary Actions

In October, November, and December 2000, the NASD announced the following disciplinary actions against these firms and individuals.

Publication of these sanctions alerts members and their associated persons to actionable behavior and the penalties that may result. This information is current as of Monday, December 1, 2000.

District 1 - Northern California (the counties of Monterey, San Benito, Fresno, and Inyo, and the remainder of the state north or west of such counties), northern Nevada (the counties of Esmeralda and Nye, and the remainder of the state north or west of such counties), and Hawaii

October Actions

Brenda Joyce Bell (CRD #3082032, Associated Person, San Francisco, California) submitted an Offer of Settlement in which she was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Bell consented to the described sanction and to the entry of findings that she submitted a Form U-4 in which she willfully misrepresented her background and failed to disclose material facts by falsely answering some questions. (NASD Case #C01000007)

November Actions

Marlyn Custodio Fularon (CRD #2351523, Registered Representative, San Jose, California) submitted an Offer of Settlement in which she was fined \$25,000 and suspended from association with any NASD member in any capacity for two years. The fine must be paid before any application for reentry into the securities industry will be considered. Without admitting or denying the allegations, Fularon consented to the described sanctions and to the entry of findings that certain individuals, acting under her direction in attempting to reach higher sales of variable life insurance at her member firm, signed as writing agent and/or witness attesting to information concerning the applications for variable life insurance policies that were submitted to an insurance company; however, the individuals were neither agents nor witnesses, and they did not know if the information on the applications was correct, but were merely provided the applications for their signatures.

Fularon's suspension began October 16, 2000, and will conclude at the close of business on October 15, 2002. (NASD Case #C01990022)

Ralph Edgar Joksch (CRD #1200406, Registered Representative, Oakland, California) submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Joksch consented to the described sanction and to the entry of findings that he participated in the purchase of a \$100,000 promissory note for a public customer without providing prior written notification to his member firm. Joksch also failed to respond to NASD requests for information. (NASD Case #C01000021)

William Jay Zubick (CRD #2462565, Registered Representative, Carmel Valley, California) submitted an Offer of Settlement in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Zubick consented to the described sanction and to the entry of findings that he engaged in private securities transactions without providing written notification to, and receiving approval from, his member firm. The findings also stated that Zubick opened a joint account with a public customer at another member firm without informing the executing firm of his association with a member firm, and without notifying his member firm of his intention to open the account with the executing firm. (NASD Case #C01000014)

December Actions

Richard Gary Agran (CRD #854773, Registered Representative, Cupertino, California) submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Agran consented to the described sanction and to the entry of findings that he participated in the purchase of common stock without providing written notification to his member firm. (NASD Case #C01000027)

Michael Alan Gragnani (CRD #1280818, Registered Representative, San Francisco, California) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$5,000 and suspended from association with any NASD member in any capacity for 10 business days. Without admitting or denying the allegations, Gragnani consented to the described sanctions and to the entry of findings that he created and provided to a public customer a fictitious confirmation reflecting that a member firm had sold shares of stock for the account of other customers for proceeds of \$3,733, when in fact no sale of such securities had occurred.

Gragnani's suspension will begin December 18, 2000, and will conclude at the close of business on January 2, 2001. (NASD Case #C01000028)

District 2 - Southern California (that part of the state south or east of the counties of Monterey, San Benito, Fresno, and Inyo), southern Nevada (that part of the state south or east of the counties of Esmeralda and Nye), and the former U.S. Trust Territories

October Actions

James Smith Bancroft (CRD #1123153, Registered Principal, Los Angeles, California) submitted an Offer of Settlement in which he was fined \$50,000 and suspended from association with any NASD member in any principal capacity for one year. The payment of the fine shall be a prerequisite for reentry into the securities industry. Without admitting or denying the allegations, Bancroft consented to the described sanctions and to the entry of findings that, on behalf of a member firm, he participated as sole placement agent in a private offering of limited partnership interests, and that he either directly caused, was responsible for, or failed to prevent violations by his member firm of Section 15(c) of the Exchange Act and Rule 15c2-4. The findings also stated that a member firm, acting through Bancroft, participated in an all-or-none contingency offering, continued to receive investor funds, and failed to return investor funds when the terms of the contingency were not met.

Bancroft's suspension began October 2, 2000, and will conclude at the close of business on October 1, 2001. (NASD Case #C02000004)

Gerard Arthur Boucher (CRD #1236064, Registered Principal, Corona Del Mar, California) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$5,000 and suspended from association with any NASD member in any principal capacity for 30 business days. Without admitting or denying the allegations, Boucher consented to the described sanctions and to the entry of findings that he failed to establish and maintain a supervisory system that was reasonably designed to achieve compliance with certain NASD rules regarding unauthorized trading.

Boucher's suspension began September 18, 2000, and will conclude at the close of business on October 27, 2000. (NASD Case #C02000054)

Capital Alliance Investments, Inc., n.k.a. JRL Capital Corporation (CRD #10225, Irvine, California), Dennis Raymond Konczal (CRD #1045392, Registered Principal, Mill Valley, California) and Larry Richard Law (CRD #1273118, Registered Principal, Newport Beach, California) submitted a Letter of Acceptance, Waiver, and Consent in which they were censured and fined \$50,000, jointly and severally, and the firm was ordered to offer rescission to investors. In addition, Konczal was suspended from association with any NASD member in any principal or supervisory capacity for one year. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Konczal and Law, participated in contingency offerings of securities and failed to transmit investor funds raised in the offerings to a proper escrow account. Furthermore, the

NASD found that the firm, acting through Konczal and Law, withdrew investor funds from the bank account into which they were deposited before the minimum offering amount was raised and failed to reimburse investor funds when the minimum contingency amount for the offerings was not raised.

Konczal's suspension began September 5, 2000, and will conclude at the close of business on September 4, 2001. (NASD Case #C02000045)

Anthony Jorge Choquehuanca (CRD #1437629, Registered Representative, Laguna Niguel, California) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$10,000 and suspended from association with any NASD member in any capacity for two years. The fine must be paid before reassociating with a member firm following the suspension or before requesting relief from any statutory disqualification. Without admitting or denying the allegations, Choquehuanca consented to the described sanctions and to the entry of findings that he effected unauthorized transactions on behalf of individual pension plan participants by placing them in a variable annuity product that was not authorized by a pension plan agreement between a member firm and the employer of the participants.

Choquehuanca's suspension began October 2, 2000, and will conclude at the close of business on October 1, 2002. (NASD Case #C02000053)

Ann Aykanush Grigoryan (CRD #4029336, Associated Person, Glendale, California) submitted a Letter of Acceptance, Waiver, and Consent in which she was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Grigoryan consented to the described sanction and to the entry of findings that she submitted a Form U-4 to her member firm in which she falsely responded "no" to questions asking whether she had ever been charged with, or convicted of, a misdemeanor involving wrongful taking of property. (NASD Case #C02000050)

November Actions

Del Mar Financial Services, Inc. (CRD #34638, Irvine, California) and Kevin Conway Dills (CRD #1901792, Rancho Santa Fe, California) were fined \$10,000, jointly and severally. In addition, the firm was expelled from NASD membership, and Dills was barred from association with any NASD member in any capacity. The fine must be paid before any application for reentry into the securities industry will be considered. The sanctions were based on findings that the firm, acting through Dills, failed to respond to an NASD request for information and conducted a securities business without having sufficient minimum net capital. (NASD Case #C02000010)

David Jerome Edwards, Sr. (CRD #1455043, Registered Principal, Moreno Valley, California) was barred from association with any NASD member in any capacity. The sanction

was based on findings that Edwards failed to respond to an NASD request for information. (NASD Case #C02000007)

George Michael Greco, Jr. (CRD #2044300, Registered Representative, Lattingtown, New York) was barred from association with any NASD member in any capacity. The sanction was based on findings that Greco failed to appear for an NASD on-the-record interview. (NASD Case #C02000024)

Annan Ali Mirza (CRD #2953565, Registered Representative, Lomita, California) was barred from association with any NASD member in any capacity and ordered to pay \$336,620.85, plus interest, in restitution to public customers. The sanctions were based on findings that Mirza failed to respond to NASD requests to appear for an on-the-record interview and acted in a principal capacity when not registered properly. Mirza also had public customers execute blank account funds transfer forms under false pretenses and thereafter transferred funds out of the customers' account for some purpose other than for the benefit of the customers; in addition, he had a customer wire funds into another account at a member firm with the understanding that the funds would be transferred immediately to the customer's account. The customer wired the funds, but the funds were never received into his account. (NASD Case #C02000009)

December Actions

Beneficial Capital, Inc. (CRD #8219, Woodbridge, Connecticut) and Richard Schatz (CRD #412683, Registered Principal, Woodbridge, Connecticut) submitted a Letter of Acceptance, Waiver, and Consent in which they were censured and fined \$20,000, jointly and severally. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm employed Schatz as its financial and operations principal (FINOP) without being registered with the NASD as a FINOP. The findings also stated that the firm, acting through Schatz, engaged in the securities business while failing to have and maintain sufficient net capital. (NASD Case #C02000057)

William Edward Bergh (CRD #1409200, Registered Representative, Peoria, Arizona) submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Bergh consented to the described sanction and to the entry of findings that he engaged in private securities transactions without providing prior written notice to, and receiving approval from, his member firm in that he sold securities in the form of investment contracts or evidence of indebtedness. (NASD Case #C02000060)

Stephen Roy Connors, Sr. (CRD #726642, Registered Representative, Castaic, California) was named as a respondent in an NASD complaint alleging that he informed a public customer that he would guarantee the customer against any loss arising from an investment in a stock. (NASD Case #C02000062)

Troy Joseph Flowers (CRD #2580057, Registered Principal, Lemon Grove, California) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$10,000 and suspended from association with any NASD member in any capacity for one year. The fine must be paid before reassociating with a member firm following the suspension or before requesting relief from any statutory disqualification. Without admitting or denying the allegations, Flowers consented to the described sanctions and to the entry of findings that a former member firm, acting through Flowers, did not comply with the SEC penny stock rules with respect to customer purchases of stock because it incorrectly and improperly took the position that a stock was not a penny stock.

Flowers' suspension began November 20, 2000, and will conclude at the close of business on November 19, 2001. (NASD Case #C02000058)

Joseph Gaetano Gerace (CRD #1060223, Registered Representative, St. John's Antigua, West Indies) was fined \$10,000 and suspended from association with any NASD member in a securities principal capacity for one year. The sanctions were based on findings that in connection with a contingency offering, Gerace permitted his firm to fail to establish an escrow account to protect investors' funds received pursuant to the offering. Gerace also failed to sell the minimum amount of securities to bona fide public investors prior to delivering the investors' funds to issuers of the offering.

Gerace has appealed this action to the NAC, and the sanctions are not in effect pending consideration of the appeal. (NASD Case #C02990022)

Providential Securities, Inc. (CRD #31189, Fountain Valley, California) and Harry Dack Fahman (CRD #1952649, Registered Principal, Huntington Beach, California) submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured, fined \$115,000, required to offer rescission to public customers, and Fahman was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Fahman, offered and sold shares of stock through a private "minimum-maximum" offering to public customers and made untrue statements of material facts and omissions in that the offering memorandum:

- failed to disclose that an officer of the firm could make contributions to help meet the minimum requirement;
- failed to disclose the firm's and Fahman's disciplinary history; and
- stated falsely that 50 percent of the minimum offering was to be used to register the firm as a New York Stock Exchange member self-clearing broker/dealer, when in fact, the funds were used to cover the firm's regular operating expenses.

Moreover, the NASD found that the firm, acting through Fahman, disclosed on the offering memorandum that the firm had three branch offices and additional full-service satellite offices, failed to disclose that the firm's membership agreement restricted the firm to only two branch offices, extended the offering date without providing prior written notification to its investors, and falsely represented individuals in the offering as being members of the Board when they were not.

The findings also stated that the firm, acting through Fahman, failed to deposit and retain customer funds received in the offering in a properly established bank escrow account, and transmitted funds to the firm's operations bank account in the name of the issuer, failed to return customer funds when the terms of the contingency were not met, and continued to sell common stock through the private placement memorandum despite the expiration of the contingency. Furthermore, the NASD found that Fahman violated the firm's restriction agreement with the NASD by opening more than two branch offices and failing to register these offices, and operated Offices of Supervisory Jurisdiction (OSJ) without a required on-site principal. In addition, the findings stated that the firm, acting through Fahman, permitted individuals to engage in the securities business and function as general securities representatives and limited representative-equity traders prior to being properly registered or qualified in the appropriate capacities, and distributed communications to the public through the Internet that failed to conform with the NASD's general and specific standards of conduct. (NASD Case #C02000061)

Gene Miron Spektor (CRD #3073674, Registered Representative, Santa Monica, California) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$5,000 and suspended from association with any NASD member in any capacity for 30 days. The fine must be paid before reassociating with a member firm following the suspension. Without admitting or denying the allegations, Spektor consented to the described sanctions and to the entry of findings that he completed a Form U-4 for a member firm, and failed to disclose that he had been charged with and convicted of a felony involving receiving stolen property and charged with a felony involving forgery.

Spektor's suspension began November 20, 2000, and will conclude at the close of business on December 19, 2000. (NASD Case #C02000018)

District 3 - Alaska, Arizona, Colorado, Idaho, Montana, New Mexico, Oregon, Utah, Washington, and Wyoming

District 3A - Denver

October Actions

Matthew I. Balk (CRD #1302167, Registered Principal, New York, New York) submitted an Offer of Settlement in which he was fined \$65,000, suspended from association with any NASD member in any capacity for 45 days, and suspended from association with any NASD member as a

general securities principal for 120 days. Without admitting or denying the allegations, Balk consented to the described sanctions and to the entry of findings that he engaged in a course of conduct that constituted, and which he knew or should have known would constitute, unfair dealings with customers. The NASD found that Balk induced customer purchases of a security for the benefit of his member firm when he knew that the transactions were unlikely to benefit the customers and were not in the customers' best interest. The findings also stated that Balk failed to disclose: (1) the special sales credits to the customers even though he knew, or should have known, that special sales credit was intended encourage the solicitations and that a reasonable investor would consider knowledge of the incentive compensation to be material; (2) the entire firm was engaged in a massive retail sales effort of the security; and (3) the recent poor performance of the stock and the company.

Balk's suspension in any capacity began October 2, 2000, and will conclude at the close of business on November 15, 2000. His suspension as a general securities principal also began on October 2, 2000, and will conclude on January 28, 2001. (NASD Case #C3A990071)

Philip James Flynn (CRD #1370914, Registered Principal, Plymouth, Minnesota) submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity and required to demonstrate that he has paid \$24,640 to the trustee in bankruptcy of a company prior to any request for relief from the bar. Without admitting or denying the allegations, Flynn consented to the described sanction and to the entry of findings that he engaged in private securities transactions without prior written notification to, or approval from, his member firm. The findings also stated that Flynn effected securities transactions for the accounts of others without him, or the firm he operated, being registered as a broker/dealer. (NASD Case #C3A000034)

Martin Eugene Mangarelli, Jr. (CRD #318597, Registered Representative, Phoenix, Arizona) submitted a Letter of Acceptance, Waiver, and Consent in which he was censured, fined \$6,000, suspended from association with any NASD member in any capacity for 18 months, and required to disgorge \$18,885. The fine must be paid and proof of disgorgement must be provided to the NASD prior to reassociation with a member firm following the suspension or prior to any request for relief from statutory disqualification. Without admitting or denying the allegations, Mangarelli consented to the described sanctions and to the entry of findings that he participated in private securities transactions without providing prior written notice to his member firm of his intention to participate in the transactions.

Mangarelli's suspension began September 18, 2000, and will conclude March 17, 2002. (NASD Case #C3A000031)

Network Capital Corporation (CRD #1389, Salt Lake City, Utah), David Leland Sagers (CRD #1013621, Registered Principal, Sandy, Utah) and **Richard Leroy Parker (CRD #356740, Registered Principal, Salt Lake City, Utah)**

submitted a Letter of Acceptance, Waiver, and Consent in which they were censured and fined \$10,000, jointly and severally. In addition, the firm and Sagers were fined \$5,000, jointly and severally, and Sagers was suspended from association with any NASD member in the capacity of a financial and operations principal 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 Sagers and Parker, conducted a securities business while failing to maintain the required minimum net capital. The findings also stated that the firm, acting through Sagers, filed FOCUS Part II Reports with the NASD that materially misstated the firm's net capital.

Sagers' suspension began September 18, 2000, and concluded at the close of business on September 22, 2000. (NASD Case #C3A000029)

November Actions

Henry Carter Gillespie, III (CRD #849154, Registered Principal, Denver, Colorado) submitted an Offer of Settlement in which he was barred from association with any NASD member in any capacity and required to demonstrate, prior to any application requesting relief from statutory disqualification, that \$90,000 in restitution has been paid to a public customer. Without admitting or denying the allegations, Gillespie consented to the described sanctions and to the entry of findings that he participated in a private securities transaction without providing prior written notice to his member firm. The NASD also found that Gillespie failed to respond to NASD requests for information. (NASD Case #C3A000018)

Gregory Oliver (CRD #2032856, Registered Representative, Milford, Ohio) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$25,000 and suspended from association with any NASD member in any capacity for two years. The fine must be paid before reassociating with an NASD member. Without admitting or denying the allegations, Oliver consented to the described sanctions and to the entry of findings that he participated in private securities transactions, for compensation, without prior written notice to, or prior approval from, his member firm.

Oliver's suspension began November 6, 2000, and will conclude at the close of business on November 5, 2002. (NASD Case #C3A000040)

Schneider Securities, Inc. (CRD #16434, Denver, Colorado) submitted a Letter of Acceptance, Waiver, and Consent (AWC) in which the firm was censured, fined \$22,500, and required to conduct and complete a comprehensive internal review of the supervisory and compliance structure of the firm under the guidance and supervision of an independent, outside consultant within 180 days of acceptance of the AWC. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that the firm, acting through an individ-

ual, failed to adequately supervise a former registered representative in order to prevent and detect alleged excessive trading, unauthorized trading, and the improper use of discretion. The findings also stated that the firm's written supervisory procedures and supervisory system failed to provide procedures in sufficient detail to detect and prevent excessive trading/churning, unauthorized trading, and improper use of discretion. (NASD Case #C3A000032)

Marie Lynn Sychowski (CRD #2437628, Registered Representative, Glendale, Arizona) submitted a Letter of Acceptance, Waiver, and Consent in which she was suspended from association with any NASD member in any capacity for one year. In light of the financial status of Sychowski, no monetary sanction has been imposed. Without admitting or denying the allegations, Sychowski consented to the described sanction and to the entry of findings that she participated in private securities transactions, for compensation, without providing prior written notice to, or receiving written permission from, her member firm.

Sychowski's suspension will begin November 20, 2000, and conclude at the close of business on November 19, 2001. (NASD Case #C3A000037)

December Actions

Larry Gene Brady (CRD #4152720, Registered Representative, Ogden, Utah) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$5,000 and suspended from association with any NASD member in any capacity for one year. The fine must be paid before reassociating with a member firm following the suspension or before requesting relief from any statutory disqualification. Without admitting or denying the allegations, Brady consented to the described sanctions and to the entry of findings that he failed to disclose on his Form U-4 that he had been charged and pled guilty to felony grand theft in the State of California.

The suspension began December 4, 2000, and will conclude at the close of business on December 3, 2001. (NASD Case #C3A000043)

Cambridge Capital, LLC (CRD #41464, Garden City, New York) submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured, fined \$31,500, and ordered to pay \$9,702.50 in restitution to public customers. Satisfactory proof of restitution payment must be provided to the NASD no later than 90 days after acceptance of the AWC. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it failed to disclose in a private placement memorandum that affiliates of the issuer and/or the placement agent could invest in the offering. The findings also stated that the firm failed to disclose the difference between the price to the customer and the firm's contemporaneous purchase for customer purchases or sale price for customer sales in riskless principal transaction confirmations. The NASD also found that customers did not receive best execution, resulting in \$9,702

in damages to the customers and failed to record the correct time of entry on retail order tickets representing the offsetting purchase or sale transaction effected by the firm. In addition, the NASD found that the firm reported to the tape, via ACT, 100 percent of the customer side of its riskless principal transactions in Nasdaq National Market (NNM) transactions when the firm was not a market maker in the securities and was not required to do so and should not have reported the customer portion of riskless principal transactions. Moreover, the NASD found that the firm failed to have adequate written supervisory procedures in place to ensure that customer confirmations for riskless principal transactions contained the correct disclosures, failed to review periodically customer trades and verify for best execution, and failed to ensure that order tickets were promptly time stamped. (NASD Case #C3A000038)

Glenn Michael Financial, Inc. (CRD #37912, Melville, New York) and Francine Ann Lanaia (CRD #1415689, Registered Principal, Ft. Salanga, New York) submitted a Letter of Acceptance, Waiver, and Consent in which the respondents were censured and fined \$10,500, jointly and severally. The firm was also fined \$4,000, jointly and severally with another individual, and \$19,500, individually. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm reported transactions late without the required symbol, executed transactions as bunched without reporting them as bunched, reported transactions with an incorrect modifier, and reported agency transactions as principal transactions. The firm also time-stamped order tickets inaccurately, and failed to include a notation of quotations from market makers on order tickets representing OTC Bulletin Board (OTCBB) securities transactions. The firm, acting through Lanaia, permitted an individual to function as a registered representative and paid commissions to another individual during periods that they were "inactive" due to failure to complete the Regulatory Element of the NASD Continuing Education Program. The findings also stated that the firm, acting through Lanaia, failed to report customer complaints to the NASD as required. In addition, the NASD found that the firm, acting through another individual, made markets in a greater number of securities and OTCBB securities than was permitted in the firm's membership agreement. (NASD Case #C3A000039)

District 3B - Seattle

October Actions

David Dean Townsend (CRD #2163643, Registered Representative, Kent, Washington) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$29,443.84, which includes the disgorgement of commissions earned in the amount of \$14,443.84, and suspended from association with any NASD member in any capacity for two years. The fine must be paid before reassociating with a member firm following the suspension or before requesting relief from statutory disqualification. Without admitting or

denying the allegations, Townsend consented to the described sanctions and to the entry of findings that he engaged in outside business transactions and failed to provide prior written notice to his member firm describing the proposed transactions, his proposed role, and his selling compensation.

Townsend's suspension began September 18, 2000, and will conclude at the close of business on September 17, 2002. (NASD Case #C3B000014)

November Actions

None

December Actions

Angus Deford Beal (CRD #2994227, Registered Representative, San Antonio, Texas) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$5,000 and suspended from association with any NASD member in any capacity for 10 days. The fine must be paid before reassociating with a member firm following the suspension or before requesting relief from any statutory disqualification. Without admitting or denying the allegations, Beal consented to the described sanctions and to the entry of findings that he exercised discretionary power to effect trades in the accounts of public customers without their prior written authorization for discretionary trading.

Beal's suspension began November 20, 2000, and concluded at the close of business on November 29, 2000. (NASD Case #C3B000015)

District 4 - Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, and South Dakota

October Actions

Douglass Keigley (CRD #1437162, Registered Representative, Adel, Iowa) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$25,000, which includes disgorgement of \$18,550 in commissions, and suspended from association with any NASD member in any capacity for one year. The fine and disgorgement must be paid before reassociating with a member firm following the suspension or before requesting relief from statutory disqualification. Without admitting or denying the allegations, Keigley consented to the described sanctions and to the entry of findings that he engaged in an outside business activity, and received compensation for his activity, without providing prompt written notice to his member firm.

Keigley's suspension began October 2, 2000, and will conclude at the close of business on October 1, 2001. (NASD Case #C04000031)

Raymond John Reifenrath, III (CRD #2751309, Registered Representative, South Sioux City, Nebraska) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$5,000 and suspended from association with any NASD member in any capacity for 60 days. The fine must be paid before any application for reentry into the securities industry will be considered. Without admitting or denying the allegations, Reifenrath consented to the described sanctions and to the entry of findings that he affixed the signatures of public customers on a health care waiver application without the customers' knowledge and consent.

Reifenrath's suspension began September 18, 2000, and will conclude at the close of business on November 16, 2000. (NASD Case #C04000030)

Thomas Walter Schlenk (CRD #3090571, Registered Representative, Florissant, Missouri) was barred from association with any NASD member in any capacity. The sanction was based on findings that Schlenk failed to respond to NASD requests for information. (NASD Case #C04000018)

Scott Lynn Vanderbeek (CRD #2069603, Registered Representative, O'Neill, Nebraska) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$90,000, which includes disgorgement of commissions earned of \$86,000, and suspended from association with any NASD member in any capacity for one year. The fine and disgorgement must be paid either before reassociating with a member firm following the suspension or before requesting relief from any statutory disqualification. Without admitting or denying the allegations, Vanderbeek consented to the described sanctions and to the entry of findings that he engaged in an outside business activity without providing prompt written notice to his member firm.

Vanderbeek's suspension began September 18, 2000, and will conclude at the close of business on September 18, 2001. (NASD Case #C04000029)

November Actions

Jeffrey Calvin Buck (CRD #2290116, Registered Representative, Apple Valley, Minnesota) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$5,000 and suspended from association with any NASD member in any capacity for 90 days. The fine must be paid before reassociating with a member firm following the suspension or before requesting relief from any statutory disqualification. Without admitting or denying the allegations, Buck consented to the described sanctions and to the entry of findings that he participated in private securities transactions and an outside business activity without providing prior written notice to, or obtaining written approval from, his member firm.

Buck's suspension will begin November 20, 2000, and will conclude on February 17, 2001. (NASD Case #C04000026)

December Actions

Dennis Franklin Drescher (CRD #2965951, Registered Representative, Chesterfield, Missouri) submitted a Letter of Acceptance, Waiver, and Consent in which he was suspended from association with any NASD member in any capacity for 90 days. Also, for one year after the date Drescher reassociates with a member firm following the suspension, he will refrain from accepting or maintaining employment in any capacity with any NASD member unless the firm has formulated special supervisory procedures to oversee and monitor his activities. In light of the financial status of Drescher, no monetary sanctions have been imposed. Without admitting or denying the allegations, Drescher consented to the described sanctions and to the entry of findings that he caused his member firm to violate SEC Rule 17a-3 in that he accessed a member firm's internal accounting system to make a journal entry to facilitate the transfer of a sale of shares of stock from his personal securities account to the firm's average price account. The NASD also found that Drescher submitted via the firm's internal order system, orders to sell shares short of the stock in the firm's average price account. Furthermore, the findings stated that Drescher did not mark these sales as short sales, although they were in fact short sales, and made notations on the firm's reconciliation reports for the average price account to the effect that the short position reflected for the stock had been "moved already" in order to conceal the fact that he improperly initiated a short position in the firm's average price account.

Drescher's suspension began December 4, 2000, and will conclude on March 3, 2001. (NASD Case #C04000035)

FFP Securities, Inc. (CRD #16337, Chesterfield, Missouri) and Roy Monroe Henry (CRD #243400, Registered Principal, Chesterfield, Missouri) submitted a Letter of Acceptance, Waiver, and Consent in which they were censured and fined \$40,000, jointly and severally. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm used a confidentiality clause that prohibited, or otherwise inhibited, the customer from disclosing the settlement terms and underlying facts of the dispute to a securities regulator in settlement agreements. The findings also stated that the firm failed to report, and failed to timely report, to the NASD specific disclosure events within 10 business days in accordance with NASD rules, and failed to file amended Forms U-4 or Forms U-5 for individuals subject to customer complaints within 30 days of becoming aware of the facts or circumstances giving rise to a need for the amendments. Furthermore, the NASD found that the firm commenced a best efforts all-or-none offering of limited partnership units through the use of a private placement memorandum that represented that the offering period would terminate on a certain date if the required minimum units were not received. The NASD determined that the firm, acting through Henry, rendered false the representation of the contingency in the memorandum in that it failed to include a statement that the firm and persons associated with the firm would be purchasing a portion of the offering when, in fact, an affiliated

company of the firm purchased units giving the appearance that the stated contingency was satisfied. Moreover, the findings stated that the firm, acting through Henry, failed to establish an escrow account in connection with the offering during the contingency period and, instead, transmitted investors' monies directly to the brokerage account under the issuer's control.

The findings also stated that the firm, acting through Henry, commenced an offering of securities in the form of government collateralized investment notes to investors when a registration statement had not been filed with the SEC for the securities nor were the securities otherwise exempt from registration. The firm also failed to establish an effective supervisory control system to ensure all transactions by the principals of its OSJ were being properly supervised by another supervisory principal. (NASD Case #C04000033)

District 5 - Alabama, Arkansas, Kentucky, Louisiana, Mississippi, Oklahoma, and Tennessee

October Actions

Philip Miles Bresnahan (CRD #2741609, Registered Principal, Tampa, Florida) submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Bresnahan consented to the described sanction and to the entry of findings that he engaged in outside business activities without prior written notice to, or approval from, his member firm. The findings also stated that Bresnahan failed to respond to NASD requests for information. (NASD Case #C05000038)

Alex Holloman, III (CRD #2910051, Registered Representative, Charlotte, North Carolina) submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Holloman consented to the described sanction and to the entry of findings that he submitted check redemption request forms to his member firm on behalf of a public customer to withdraw funds from the customer's mutual fund account without the customer's authorization. The findings also stated that Holloman caused \$13,000 to be withdrawn from the customer's account and converted these funds to his own use and benefit without the customer's knowledge or consent. (NASD Case #C05000047)

Alessandro Zaramella (CRD #1265864, Registered Representative, Balerna, Switzerland) was barred from association with any NASD member in any capacity. The sanction was based on findings that Zaramella falsified monthly customer account statements issued for a public customer. (NASD Case #C05000009)

November Actions

Leon Wilman Brooks, Sr. (CRD #1064259, Registered

Representative, New Orleans, Louisiana) was barred from association with any NASD member in any capacity. The sanction was based on findings that Brooks received \$2,209 from public customers as payment for insurance premiums and converted \$1,564 of the funds to his own use and benefit without the customers' knowledge or consent. The findings also stated that Brooks failed to respond to NASD requests for information. (NASD Case #C05000010)

Charles Dorman Corbett (CRD #1203894, Registered Representative, Greenwood, Mississippi) submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Corbett consented to the described sanction and to the entry of findings that he received approximately \$250,863.88 from public customers to be invested into real estate unit investment trusts or municipal bonds. The findings also stated that, without the customers' knowledge or consent, Corbett failed to purchase the investments and, instead, converted the funds to his own use and benefit by endorsing the checks and depositing them into his personal bank account, or by using the funds to repay other customers who had requested payment of their investments. (NASD Case #C05000053)

Gerard Joseph D'Amaro (CRD #2385619, Registered Representative, Boca Raton, Florida) was barred from association with any NASD member in any capacity. The sanction was based on findings that D'Amaro provided correspondence in the form of letters, facsimile transmissions, and telexes to an institutional customer that contained false and misleading representations. The findings also stated that D'Amaro failed to obtain prior approval of correspondence from a firm principal. (NASD Case #C05990019)

Barry James Hyde (CRD #2554782, Registered Representative, Itta Bena, Mississippi) submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity and ordered to disgorge \$20,000 of unjust profits to public customers. The disgorgement must be paid before requesting relief from statutory disqualification. Without admitting or denying the allegations, Hyde consented to the described sanctions and to the entry of findings that he participated in private securities transactions totaling \$171,000 without providing prior written notice to his member firm describing in detail the proposed transactions, his proposed role, and any past or future selling compensation he would receive in connection with the transactions. (NASD Case #C05000048)

Andres Eduardo Telleria (CRD #2827808, Registered Representative, Miami, Florida) submitted a Letter of Acceptance, Waiver, and Consent in which he was suspended from association with any NASD member in any capacity for 30 business days. In light of the financial status of Telleria, no monetary sanction has been imposed. Without admitting or denying the allegations, Telleria consented to the described sanction and to the entry of findings that he willfully failed to disclose on his Form U-4 that he had been charged with, and subsequently convicted of, a third-degree felony involving impersonation of a police officer.

Telleria's suspension began November 6, 2000, and will conclude at the close of business on December 18, 2000. (NASD Case #C05000055)

Michael Scott Woods (CRD #2945561, Registered Representative, Greenback, Tennessee) was barred from association with any NASD member in any capacity. The sanction was based on findings that Woods willfully failed to disclose on his Form U-4 that he had been charged with felonies or misdemeanors involving false statements or the wrongful taking of property and that he had been convicted of at least one felony or misdemeanor involving false statements. The findings also stated that Woods failed to respond to NASD requests for information. (NASD Case #C05000022)

December Actions

Christopher Michael Block (CRD #2073057, Registered Principal, Houston, Texas) and Jeffrey Schwartz Burke (CRD #2007369, Registered Principal, Houston, Texas). Block was fined \$50,000 and barred from association with any NASD member in any principal or supervisory capacity. Burke was fined \$15,000, suspended from association with any NASD member in any principal or supervisory capacity for 30 days, and ordered to requalify by exam for his Series 24 license. The sanctions were based on findings that Block knew of his firm's net capital deficiencies and failed to ensure the maintenance of proper books and records for his member firm and allowed his firm to conduct a securities business while its net capital was below the required minimum. The findings also stated that Block filed inaccurate FOCUS Reports. The NASD also found that Block induced the purchase of stock by providing false and misleading financial information and was responsible for the issuance of a private placement memorandum that failed to disclose the firm's true net capital. The NASD found that Burke allowed the firm to operate while in net capital violation and failed to supervise an individual properly, with respect to the firm's books and records.

Burke has appealed this action to the NAC and the action has been called for review for both Block and Burke by the NAC. The sanctions are not in effect pending consideration of the appeal and call for review. (NASD Case #C05990026)

Richard Alan Frondorf (CRD #2054157, Registered Representative, Abita Springs, Louisiana) was fined \$7,500 and suspended from association with any NASD member in any capacity for two months. The sanctions were based on findings that Frondorf caused unauthorized withdrawals from the accounts of public customers and thereby created margin loan balances in their accounts. The findings also stated that Frondorf attempted to conceal his misconduct from his member firm by inducing the customers to provide false written statements concerning his activity to his firm.

Frondorf's suspension began November 6, 2000, and will conclude at the close of business on January 4, 2001. (NASD Case #C05000002)

John Edward Harper (CRD #2387102, Registered Representative, St. Petersburg, Florida) was barred from association with any NASD member in any capacity. The sanction was based on findings that Harper failed to respond to NASD requests for information. (NASD Case #C05000028)

Deborah Faye Morones (CRD #1779396, Registered Principal, Bowling Green, Kentucky) submitted an Offer of Settlement in which she was suspended from association with any NASD member in any capacity for six weeks, suspended from association with any NASD member in any principal capacity for six months, and ordered to requalify by exam as a general securities principal by passing the Series 24 exam prior to acting again in that capacity. In light of the financial status of Morones, no monetary sanctions have been imposed. Without admitting or denying the allegations, Morones consented to the described sanctions and to the entry of findings that she engaged in the sale of unregistered securities to non-accredited investors in connection with an offering of units in which the offering was not exempt from registration under the Securities Act of 1933, and that she signed the acceptance of subscription for each of the non-accredited investors. The findings also stated that Morones published and distributed a public communications piece in connection with an offering of units that lacked a balanced presentation of the risks of the security, contained unwarranted and misleading statements, omitted material facts, and included exaggerated statements and claims. The NASD also found that Morones failed to enforce customer suitability requirements on offerings of securities and signed the acceptance of subscriptions for offerings for public customers who did not provide sufficient information to determine suitability or who failed to meet suitability standards.

Morones' suspensions began December 4, 2000. The suspension in all capacities will conclude at the close of business on January 12, 2001, and the suspension in a principal capacity will conclude on June 3, 2001. (NASD Case #C05000051)

District 6 - Texas

October Actions

Richard Allen Adams (CRD #2733333, Registered Representative, Fort Worth, Texas) submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Adams consented to the described sanction and to the entry of findings that he signed the names of public customers to Shareowner Services Reports without their authorization, knowledge, or consent, thereby becoming the agent of record for the customers. Adams also failed to respond to NASD requests for information. (NASD Case #C06000019)

Richard Marvin Koch (CRD #1126316, Registered Representative, Fair Oaks Ranch, Texas) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$5,000 and suspended from association with any NASD

member in any capacity for six months. Without admitting or denying the allegations, Koch consented to the described sanctions and to the entry of findings that he signed a public customer's name on insurance policy takeover request forms and submitted the forms to his member firm without the authorization of the customer.

Koch's suspension began October 2, 2000, and will conclude at the close of business on March 30, 2001. (NASD Case #C06000018)

M G Securities Group, Inc. (CRD #42991, Dallas, Texas) and Michael Paul Anderson (CRD #1625289, Registered Principal, Richardson, Texas) submitted a Letter of Acceptance, Waiver, and Consent in which they were censured and fined \$13,000, jointly and severally, including a disgorgement of \$9,000 in commissions. The firm was fined an additional \$1,000. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Anderson, permitted an unregistered individual to serve as a general securities representative and thereby engage in the investment banking or securities business of the firm. The findings also stated that the firm failed to establish, maintain, and enforce written supervisory procedures that were reasonably designed to achieve compliance with applicable securities laws, regulations, and NASD rules, in that the firm's procedures failed to adequately address NASD rules governing registration of personnel. (NASD Case #C06000016)

Ivan Darnell Self (CRD #1982527, Registered Representative, Dallas, Texas) was barred from association with any NASD member in any capacity. The sanction was based on findings that Self failed to appear for on-the-record interviews. (NASD Case #C06000007)

November Actions

Tyrone Gallishaw (CRD #2931933, Registered Representative, New York, New York) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$1,000 and suspended from association with any NASD member in any capacity for one month. Without admitting or denying the allegations, Gallishaw consented to the described sanctions and to the entry of findings that he submitted to his member firm an employment application and letter that fictitiously stated that he had received a college degree.

Gallishaw's suspension began November 6, 2000, and will conclude at the close of business on December 5, 2000. (NASD Case #C06000021)

December Actions

Kenneth Browning Karpf (CRD #1798596, Registered Representative, Spring, Texas) was barred from association with any NASD member in any capacity and ordered to pay

\$23,502.85, plus interest, in restitution to customers. The sanctions were based on findings that Karpf effected securities transactions in the accounts of public customers without their authorization. (NASD Case #C06000011)

Laura Lea Taylor (CRD #2719777, Registered Representative, San Angelo, Texas) submitted an Offer of Settlement in which she was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Taylor consented to the described sanction and to the entry of findings that she received money orders totaling \$1,153 that represented payment for a life insurance policy purchased by a public customer through Taylor's member firm. The NASD determined that Taylor made both money orders payable to herself, cashed both money orders, and without the authorization, knowledge, or consent of the customer, used the funds for her own use and benefit. (NASD Case #C06000013)

Matt Laroy Whitley (CRD #1438169, Registered Representative, San Antonio, Texas) submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Whitley consented to the described sanction and to the entry of findings that, while associated with a member firm, he received checks from public customers and converted \$61,000 in underlying funds to his own use by applying fictitious endorsements on the checks. Whitley also failed to respond to NASD requests for information. (NASD Case #C06000027)

District 7 - Florida, Georgia, North Carolina, South Carolina, Virginia, Puerto Rico, the Canal Zone, and the Virgin Islands

October Actions

Darren Scott Bankston (CRD #2083711, Registered Representative, Boca Raton, Florida) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$5,000 and suspended from association with any NASD member in any capacity for five business days. Without admitting or denying the allegations, Bankston consented to the described sanctions and to the entry of findings that he recommended to a public customer securities that were not suitable in view of the customer's age, financial situation, and investment objectives.

Bankston's suspension began August 28, 2000, and concluded at the close of business on September 1, 2000. (NASD Case #C07000054)

Tiffany Nicole Bratton (CRD #3203225, Associated Person, Greensboro, North Carolina) was barred from association with any NASD member in any capacity. The sanction was based on findings that Bratton falsified copies of her test results for the Series 7, 63, and 65 exams. Bratton also failed to respond to an NASD request for information. (NASD Case #C07000012)

James Marion Cates, Jr. (CRD #2010633, Registered Representative, Charlotte, North Carolina) was barred from association with any NASD member in any capacity. The sanction was based on findings that Cates failed to respond to NASD requests for information. (NASD Case #C07000014)

Carl Cunzio (CRD #2664090, Registered Principal, Boca Raton, Florida) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$10,000 and suspended from association with any NASD member in any capacity for 45 days. Without admitting or denying the allegations, Cunzio consented to the described sanctions and to the entry of findings that he recommended and effected excessive and unsuitable transactions in the account of a public customer.

Cunzio's suspension began September 5, 2000, and will conclude at the close of business on October 19, 2000. (NASD Case #C07000051)

Valentin Fernandez (CRD #1965809, Registered Principal, Palm Beach Gardens, Florida) was barred from association with any NASD member in any capacity. The sanction was based on findings that Fernandez failed to respond to an NASD request for information. (NASD Case #C07000019)

Mark Lund Griffiths (CRD #2767069, Registered Representative, West Palm Beach, Florida) was fined \$7,500, barred from association with any NASD member in any capacity, and ordered to pay \$5,190, plus interest, in restitution to a public customer. The fine must be paid before any application for reentry into the securities industry will be considered. The sanctions were based on findings that Griffiths effected unauthorized transactions in the account of a public customer and exercised discretion in the account of a public customer without written authority and without having the account approved as a discretionary account by his member firm. Griffiths also failed to respond to an NASD request for information. (NASD Case #C07000004)

Clarence James Henderson (CRD #1001119, Registered Representative, Boone, North Carolina) submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Henderson consented to the described sanction and to the entry of findings that he made improper use of funds belonging to a public customer. The findings also stated that Henderson failed to respond to an NASD request to provide documents and information. (NASD Case #C07000060)

JW Genesis Clearing Corp. (CRD #6631, Boca Raton, Florida) submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured and fined \$12,500. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it failed to report trades in Fixed Income Pricing System (FIPS) listed securities to the NASD. The findings also stated that the firm failed to update its quotes or send a SelectNet message within 30 seconds of the receipt of limit orders. The NASD also found that the firm failed to establish, maintain, and enforce adequate written supervisory procedures that were reasonably designed to achieve compliance with trade

reporting obligations; ACT reporting requirements; FIPS reporting obligations; and SEC order handling rules, including the limit order display and quote rule. (NASD Case #C07000057)

Charles Nicholas Letizia, Jr. (CRD #1902063, Registered Representative, Charlotte, North Carolina) submitted an Offer of Settlement in which he was barred from association with any NASD member in any capacity and order to pay \$10,000, plus interest, in restitution to a public customer. Proof of restitution, with interest, shall be a prerequisite to any application or request for relief from any statutory disqualification. Without admitting or denying the allegations, Letizia consented to the described sanctions and to the entry of findings that he participated in private securities transactions without providing notice to, or obtaining permission from, his member firm. Letizia also failed to respond to NASD requests for information. (NASD Case #C07000005)

Benjamin Dennis Roberts (CRD #2013405, Registered Principal, Columbus, Georgia) submitted an Offer of Settlement in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Roberts consented to the described sanction and to the entry of findings that he forged the initials of public customers on new account forms and submitted them to a member firm. Roberts also failed to respond to NASD requests for information. (NASD Case #C07000042)

November Actions

Jafar Amirahmadi (CRD #1837176, Registered Principal, Boca Raton, Florida) was barred from association with any NASD member in any capacity. The sanction was based on findings that Amirahmadi failed to respond to an NASD request for information. (NASD Case #C07000026)

Donald Brasfield, Jr. (CRD #719643, Registered Representative, Pompano Beach, Florida) submitted an Offer of Settlement in which he was fined \$40,000; ordered to pay \$41,340, plus interest, in restitution to public customers; and barred from association with any NASD member in any capacity. The fine must be paid before any application for reentry into the securities industry will be considered. Without admitting or denying the allegations, Brasfield consented to the described sanctions and to the entry of findings that he made false representations to a public customer in order to induce the customer to purchase shares of stock. The findings also stated that Brasfield effected the purchase of shares of stock in the joint account of public customers without their prior knowledge or authorization. Brasfield also failed to respond to NASD requests for information. (NASD Case #C07990019)

Barrett Trent Hill (CRD #2712469, Registered Representative, Charlotte, North Carolina) was barred from association with any NASD member in any capacity. The sanction was based on findings that Hill converted for his own use and benefit \$625 that he received from a customer to open a retirement account. (NASD Case #C07000034)

Joseph Stanley Williams (CRD #1455909, Registered Representative, College Park, Georgia) was fined \$20,000 and suspended from association with any NASD member in any capacity for two years for making material misrepresentations and material omissions, fined \$20,000 and suspended from association with any NASD member in any capacity for one year for making unsuitable recommendations to customers, and barred from association with any NASD member in any capacity for failing to respond to NASD requests for information. The fine must be paid before any application for reentry into the securities industry will be considered. The sanctions were based on findings that Williams knowingly or recklessly made misrepresentations and omissions to public customers regarding the future price, nature, and financial condition of a speculative security and its common stock. The findings also stated that Williams made risky investment recommendations to public customers that were incompatible with their financial situations and that exposed them to substantial risk. The NASD also found that Williams failed to respond to NASD requests for information.

Williams' bar became effective September 20, 2000. (NASD Case #C07000032)

Alexander Yarnall (CRD #3078282, Registered Representative, Boca Raton, Florida) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$10,000 and suspended from association with any NASD member in any capacity for two years. Without admitting or denying the allegations, Yarnall consented to the described sanctions and to the entry of findings that, in an effort to meet the requirements of a sales contest at his member firm, Yarnall journaled funds from one customer's account into other customers' accounts, without their knowledge. The findings also stated that Yarnall later restored the funds to the initial customer's account by signing, without customer authorization, the names of the customers whose accounts received the funds on transfer authorization forms.

Yarnall's suspension began November 6, 2000, and will conclude at the close of business on November 5, 2002. (NASD Case #C07000066)

December Actions

Robert Scott Cash (CRD #2063885, Registered Representative, St. Petersburg Beach, Florida) was named as a respondent in an NASD complaint alleging that he recommended a public customer purchase a single premium deferred annuity outside of the scope of his employment with his member firm, and failed to provide prior written notice to, or receive written approval from, his member firm before such a recommendation. The complaint further alleges that Cash recommended to a public customer the purchase of securities and engaged in a series of transactions in the customer's account that were unsuitable for the customer in light of the customer's investment experience, objectives, and risk tolerance. (NASD Case #C07000075)

Christopher William Rowland (CRD #2449043, Registered Representative, Richmond, Virginia) submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Rowland consented to the described sanction and to the entry of findings that he received \$10,000 in cash to set up an annuity for a public customer. According to the findings, the money was delivered by a third party who acted as an intermediary between Rowland and the customer, and after several unsuccessful attempts to meet the customer through the third party, Rowland purchased the annuity for the customer but forged the customer's signature on several documents relating to the annuity. (NASD Case #C07000079)

Paul Salim Tahan (CRD #2494916, Registered Representative, Boca Raton, Florida) was suspended from association with any NASD member in any capacity for two years and fined \$20,000 for unsuitable omissions; suspended from association with any NASD member in any capacity for one year and fined \$20,000 for unsuitable recommendations; and barred from association with any NASD member in any capacity for failing to respond in any manner to NASD requests for information. The fine must be paid before any application for reentry into the securities industry will be considered.

Tahan's bar became effective October 27, 2000. (NASD Case #C07000039)

Stephen Morris Wilkinson (CRD #718506, Registered Representative, Pace, Florida) was named as a respondent in an NASD complaint alleging that he received checks totaling \$23,345.31 from a public customer intended for investment in mutual funds, recorded his own name as payee on the checks, endorsed the checks, and deposited the funds in his own bank account. The complaint also alleges that Wilkinson failed to respond to NASD requests for information. (NASD Case #C07000074)

Edmund Francis Zajack (CRD #1564561, Registered Principal, Debary, Florida) submitted an Offer of Settlement in which he was fined \$2,500 and suspended from association with any NASD member in any capacity for three months. The fine must be paid before reassociating with a member firm following the suspension or before requesting relief from any statutory disqualification. Without admitting or denying the allegations, Zajack consented to the described sanctions and to the entry of findings that he failed to timely respond to NASD requests for information.

Zajack's suspension began December 4, 2000, and will conclude at the close of business on March 3, 2001. (NASD Case #C07000044)

District 8 - Illinois, Indiana, Michigan, part of upstate New York (the counties of Monroe, Livingston, and Steuben, and the remainder of the state west of such counties) Ohio, and Wisconsin

District 8A - Chicago

October Actions

American Investment Services, Inc. (CRD #21111, East Peoria, Illinois) and Jeffrey Joseph Hiser (CRD #2750883, Registered Principal, Perkin, Illinois) submitted a Letter of Acceptance, Waiver, and Consent in which they were censured and fined \$10,000, jointly and severally; the firm was fined an additional \$7,500, jointly and severally, with an individual. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Hiser, effected transactions in securities when it failed to maintain its minimum required net capital. The findings also stated that the firm, acting through Hiser, prepared inaccurate trial balances and net capital computations, and filed an inaccurate FOCUS Part IIA Report with the NASD. Furthermore, the NASD found that the firm failed to report statistical and summary information relating to customer complaints to the NASD. (NASD Case #C8A000043)

Eric David Carson (CRD #2507789, Registered Representative, Chicago, Illinois) was barred from association with any NASD member in any capacity. The sanction was based on findings that Carson failed to respond to NASD requests for information. (NASD Case #C8A000020)

Barry Michael Donald (CRD #2534882, Registered Representative, Morton, Illinois) and Mary Jane Johnson (CRD #1147428, Registered Principal, Groveland, Illinois) submitted Offers of Settlement in which Donald was fined \$5,000 and suspended from association with any NASD member in any capacity for 90 days. Johnson was fined \$5,000 and suspended from association with any NASD member in any capacity for 15 business days. Without admitting or denying the allegations, Donald and Johnson consented to the described sanctions and to the entry of findings that they engaged in private securities transactions and failed to provide prior written notice to, or receive prior written authorization from, their member firm of their participation in such transactions.

Donald's suspension will begin on November 6, 2000, and will conclude at the close of business on February 2, 2001. Johnson's suspension will begin on October 16, 2000, and will conclude at the close of business on November 3, 2000. (NASD Case #C8A000019)

Freedom Investors Corp. (CRD #23714, Pewaukee, Wisconsin) and James Russell Fay (CRD #1003069, Registered Principal, Oconomowoc, Wisconsin) were censured and fined \$30,000, jointly and severally. Fay was also suspended from association with any NASD member in any principal capacity for 90 days and required to requalify by exam before serving in any principal capacity. The sanctions were based on findings that the firm, acting through Fay, conducted a securities business while failing to maintain the minimum required net capital, prepared inaccurate books and records, and prepared and filed inaccurate FOCUS Part IIA Reports. Also, the firm and Fay failed to submit timely responses to NASD requests for information.

The firm and Fay have appealed this action to the NAC and the sanctions are not in effect pending consideration of the appeal. (NASD Case #C8A990071)

Dwight Alexander Longest (CRD #1913096, Registered Representative, New Albany, Indiana) submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Longest consented to the described sanction and to the entry of findings that he participated in private securities transactions and failed to provide prior written notice to, or obtain permission from, his member firm to engage in private securities transactions. (NASD Case #C8A000052)

Guy Ashley Neau (CRD #2232933, Registered Representative, Mauston, Wisconsin) submitted an Offer of Settlement in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Neau consented to the described sanction and to the entry of findings that he participated in private securities transactions and failed to provide written notice to, or obtain written authorization from, his member firm prior to engaging in such transactions. (NASD Case #C8A000038)

Protective Group Securities Corporation (CRD #6757, Minneapolis, Minnesota) and Michael Frederick Flannigan (CRD #1135700, Registered Principal, Excelsior, Minnesota) were fined \$25,000, jointly and severally, and Flannigan was barred from association with any NASD member in any supervisory capacity. The sanctions were based on findings that the firm, acting through Flannigan, allowed unregistered individuals to engage in the firm's securities business, exercised discretionary authority for customer accounts in the aftermarket, and relied on information from a former member firm to execute transactions without obtaining written customer approval for such reliance.

The firm and Flannigan have appealed this action to the NAC and the sanctions are not in effect pending consideration of the appeal. (NASD Case #C8A980097)

Timothy Martin Scannell (CRD #1552763, Registered Principal, Valparaiso, Indiana) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$10,000 and suspended from association with any NASD member in any principal or supervisory capacity for 30 days. Without admitting or denying the allegations, Scannell consented to the described sanctions and to the entry of findings that he caused a member firm's clearing firm to bulk transfer customer accounts from the member firm to a firm he owned and at which he was soon to become registered without authorization from the member firm or the account holders and contrary to the interests of the member firm.

Scannell's suspension began September 18, 2000, and will conclude at the close of business on October 17, 2000. (NASD Case #C8A000048)

Karl Duane Scheumann (CRD #1582505, Registered Representative, Fort Wayne, Indiana) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$5,000 and suspended from association with any NASD

member in any capacity for six months. The fine must be paid before any application for reentry into the securities industry will be considered. Without admitting or denying the allegations, Scheumann consented to the described sanctions and to the entry of findings that he altered life insurance forms to indicate that policy premiums should be increased resulting in additional commissions to him totaling \$100.

Scheumann's suspension began October 2, 2000, and will conclude at the close of business on April 1, 2001. (NASD Case #C8A000051)

John Michael Thole (CRD #3176605, Registered Representative, Davenport, Iowa) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$5,000 and suspended from association with any NASD member in any capacity for six months. The fine must be paid before any application for reentry into the securities industry will be considered. Without admitting or denying the allegations, Thole consented to the described sanctions and to the entry of findings that he affixed the signature of a public customer on a variable life insurance application without the customer's knowledge or consent.

Thole's suspension began October 2, 2000, and will conclude at the close of business on April 1, 2001. (NASD Case #C8A000049)

November Actions

American Investment Services, Inc. (CRD #21111, East Peoria, Illinois), Gordon Scott Crosson (CRD #1068512, Registered Representative, Peoria, Illinois), and Lisa June Strong (CRD #1837281, Registered Principal, Peoria, Illinois) submitted Offers of Settlement in which the firm was censured and fined \$30,000, which includes disgorgement of commissions of \$15,000. Crosson was fined \$7,500 and suspended from association with any NASD member in any capacity for 20 business days, and Strong was fined \$10,000 and suspended from association with any NASD member in any principal capacity for 10 days. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm and Strong accepted subscription agreements from a registered representative of the firm for the purchase of securities by members of the public which, in fact, had been solicited by individuals not registered with the firm in any capacity. The findings also stated that the firm paid, and Strong failed to prevent the payment of, securities transactions compensation to individuals or entities not registered with the firm.

The NASD also determined that Crosson signed, as the selling representative, customer subscription agreements for the purchase of securities by public customers even though he was not involved in the offer and sale of the securities and he knew that the sales were made by individuals who were not associated with his member firm. Furthermore, the NASD found that Crosson opened a securities account in which he had a financial interest at a member firm, failed to notify his

member firm, in writing, of this account or the execution of trades with the firm's account, and failed to notify the executing firm, in writing, that he was a registered representative with a member firm.

Crosson's suspension began November 6, 2000, and will conclude at the close of business on December 4, 2000. Strong's suspension began November 6, 2000, and will conclude at the close of business on November 15, 2000. (NASD Case #C8A000019)

David Lloyd Foran (CRD #861746, Registered Principal, Royal Oak, Michigan) was fined \$35,000, suspended from association with any NASD member in any capacity for two years, and required to requalify before acting in any capacity requiring qualification. The fine must be paid before any application for reentry into the securities industry will be considered. The NAC imposed the sanctions following an appeal of a December 1999 Office of Hearing Officers decision. The sanctions are based on findings that Foran misappropriated more than \$5,000 in commissions from his firm's commission account and misapplied the funds, thereby converting the funds to his own use and benefit.

Foran has appealed this decision to the SEC, and the sanctions are not in effect pending consideration of the appeal. (NASD Case #C8A990017)

Richard Daniel Kushnir (CRD #1324068, Registered Principal, Deerfield, Illinois) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$25,000 and barred from association with any NASD member in any principal or supervisory position. Without admitting or denying the allegations, Kushnir consented to the described sanctions and to the entry of findings that he failed to establish and maintain written supervisory procedures or otherwise take steps reasonably designed to prevent an individual from effecting unsuitable transactions. (NASD Case #C8A000058)

RBG Investments, Inc. (CRD #36528, Chicago, Illinois), Robert Samuel Goldfine (CRD #224230, Registered Principal, Chicago, Illinois), and Bernard Martin Marcus (CRD #319586, Registered Principal, Chicago, Illinois) submitted a Letter of Acceptance, Waiver, and Consent in which they were fined \$10,000, jointly and severally. Goldfine and Marcus were suspended from association with any NASD member in any capacity for 60 days, and the firm was censured and fined \$2,000, jointly and severally, with an individual. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Goldfine and Marcus, received funds for the sale of unit offerings which was made on the basis that the contemplated payment would not be made to the issuers until the required number of units was sold. The findings also stated that the firm, acting through Goldfine and Marcus, withdrew funds from the accounts for the offering before selling the required number of units in bona fide transactions of the offerings, deposited funds into the account net of commissions, and failed to properly escrow funds for the sales until the last units were sold. In addition, the NASD found that the firm filed FOCUS

Part IIA Reports that were inaccurate in that, among other things, the reports overstated the firm's net capital.

Goldfine's and Marcus' suspensions began November 6, 2000, and will conclude at the close of business on January 4, 2001. (NASD Case #C8A000027)

Sharpe Capital, Inc. (CRD #18452, New York, New York) and Husheng Liu (CRD #2315508, Registered Representative, Woodside, New York) submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured and fined \$10,000, and Liu was censured and fined \$13,000. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that Liu executed securities transactions for public customers of the firm, and the firm allowed Liu to conduct a securities business, despite the fact that his securities registration had become inactive based on his failure to timely complete the Regulatory Element of the NASD Continuing Education Program. (NASD Case #C8A000053)

December Actions

James Burling Chase (CRD #368743, Registered Representative, Milwaukee, Wisconsin) was fined \$25,000, suspended from association with any NASD member in any capacity for six months, and ordered to requalify by exam by taking the Series 7 exam within six months or cease operating in that capacity until he so requalifies. The sanctions were based on findings that Chase recommended and effected transactions in a public customer's account without a reasonable basis for believing that such recommendations were suitable for the customer due to the nature of the securities, the concentration of the securities in the account, and the customer's investment objectives, financial situation, and needs.

Chase has appealed this action to the NAC, and the sanctions are not in effect pending consideration of the appeal. (NASD Case #C8A990081)

Magellan Securities Inc. (CRD #15986, Harper Woods, Michigan) and Terry M. Laymon (CRD #304342, Registered Principal, Grosse Pointe Woods, Michigan) were named as respondents in an NASD complaint alleging that they prepared inaccurate blotters, ledgers, trial balances and net capital computations, and filed inaccurate FOCUS Part IIA Reports with the NASD. The complaint also alleges that the firm failed to comply with the terms of a restrictive agreement when it accepted customer checks for the purchase of limited partnerships in the secondary market, and deposited the checks into its general operation bank account. Furthermore, the NASD alleges that the firm received and held customer funds in its operating bank account, received and held customer funds in an account while failing to open and use a special reserve bank account for the exclusive benefit of customers, failed to compute its special reserve, and commingled customer funds with the firm's operating funds. Moreover, the complaint alleges that the firm improperly used funds prior to purchasing interests in limited partner-

ships, failed to return customer funds, deposited funds directly in the firm's bank checking account, and used the funds for operating expenses. The complaint also alleges that the firm purchased interest in partnerships for other customers and transferred excessive amounts of funds considered commissions to its operating account prior to returning the funds to customers. (NASD Case #C8A000060)

Greg Alan Reinhold (CRD #2320935, Registered Representative, Portland, Indiana) submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Reinhold consented to the described sanction and to the entry of findings that he purchased securities for the account of a public customer without the knowledge or consent of the appointed guardian of the customer's estate and in the absence of the guardian's written or oral authorization to exercise discretion in the account. The findings also stated that Reinhold caused \$30,000 to be withdrawn from the account of a public customer, and he used the proceeds for his own use or benefit or for purposes other than the benefit of the customer. Reinhold also failed to respond to questions concerning, among other things, a public customer's account during an on-the-record interview. (NASD Case #C8A000062)

Robert Henry Stachura (CRD #1670434, Registered Representative, Niles, Illinois) submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity and required to cooperate with the NASD in connection with its prosecution of any other disciplinary actions against other individuals subject to NASD jurisdiction who possibly participated in the sale of promissory notes to members of the public. Without admitting or denying the allegations, Stachura consented to the described sanctions and to the entry of findings that he participated in private securities transactions by participating in the sale of securities in the form of promissory notes to members of the public, failed to give written notice of his intention to engage in such activities to his member firm, and failed to receive written receipt of such notice from the firm prior to engaging in such activities. (NASD Case #C8A000063)

District 8B - Cleveland

October Actions

Craig Patrick Scanlon (CRD #2201128, Registered Representative, Bratenahl, Ohio) was barred from association with any NASD member in any capacity. The sanction was based on findings that Scanlon failed to respond to NASD requests for information. (NASD Case #C8B000004)

November Actions

Douglas Irwin Cerny (CRD #854046, Registered Representative, North Royalton, Ohio) submitted a Letter

of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Cerny consented to the described sanction and to the entry of findings that he received a \$100,000 check representing a cash distribution from a public customer's IRA account, deposited the funds in an account he controlled, and held the funds until a later date at which time he effected the purchase of securities in the name of the customer's mother. The findings also stated that Cerny provided materially false, inaccurate, and misleading information in a written response to an NASD request for information. (NASD Case #C8B000014)

December Actions

David Lee Sherman (CRD #1303348, Registered Representative, Ansonia, Ohio) submitted an Offer of Settlement in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Sherman consented to the described sanction and to the entry of findings that he engaged in private transactions and failed to provide his member firm with written notice describing the transactions and his role therein and failed to receive written acknowledgment and/or permission from his firm to participate in the transactions. The findings also stated that Sherman failed to respond to NASD requests for documents and information. (NASD Case #C8B000011)

District 9 - Delaware, Pennsylvania, West Virginia, District of Columbia, Maryland, and New Jersey

District 9A - Philadelphia

October Actions

William James Guy (CRD #2504429, Registered Representative, Columbia, Maryland) submitted an Offer of Settlement in which he was suspended from association with any NASD member in any capacity for six months. In light of the financial status of the respondent, no monetary sanction has been imposed. Without admitting or denying the allegations, Guy consented to the described sanction and to the entry of findings that he engaged in securities transactions for compensation outside of the normal course or scope of his association with his member firm and failed to provide prior written notice of the transactions to his firm.

Guy's suspension began October 2, 2000, and will conclude April 1, 2001. (NASD Case #C9A000019)

Ronald Victor Hatfield (CRD #1504641, Registered Representative, Philadelphia, Pennsylvania) was barred from association with any NASD member in any capacity. The sanction was based on findings that Hatfield failed to respond to NASD requests for information. (NASD Case #C9A000010)

Lucas Allen Hutzell (CRD #2841394, Registered Representative, Greensburg, Pennsylvania) submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Hutzell consented to the described sanction and to the entry of findings that he failed to respond to NASD requests for information. (NASD Case #C9A000030)

Dennis Raphael Keruly (CRD #1027090, Registered Principal, Reistertown, Maryland) submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Keruly consented to the described sanction and to the entry of findings that he failed to respond to an NASD request for information. (NASD Case #C9A000032)

Joao Pedro Santos (CRD #2894841, Registered Representative, Philadelphia, Pennsylvania) submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Santos consented to the described sanction and to the entry of findings that he defrauded public customers by making unauthorized transfers of funds and securities from their accounts at his member firm to an account that he controlled and then converting the funds and securities for his own purposes. (NASD Case #C9A000031)

November Actions

Candace Ann Bloodsworth (CRD #2339201, Registered Representative, Columbia, Maryland) submitted an Offer of Settlement in which she was suspended from association with any NASD member in any capacity for six months. In light of the financial status of Bloodsworth, no monetary sanction has been imposed. Without admitting or denying the allegations, Bloodsworth consented to the described sanction and to the entry of findings that she effected offers and sales of securities, for compensation, outside of the normal course or scope of her association with a member firm and failed to provide the firm with prior written notice of the securities transactions.

Bloodsworth's suspension began November 6, 2000, and will conclude on May 5, 2001. (NASD Case #C9A000018)

Louis Cohen (CRD #853507, Registered Representative, Delray Beach, Florida) submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Cohen consented to the described sanction and to the entry of findings that he failed to respond to NASD requests to appear for testimony. (NASD Case #C9A000036)

Andrew James Finnegan (CRD #1398403, Registered Representative, Philadelphia, Pennsylvania) was barred from association with any NASD member in any capacity and

ordered to pay \$5,625, plus interest, in restitution to public customers. The sanctions were based on findings that Finnegan received a \$5,625 check from public customers to purchase stock and, instead, converted the funds for his own use and benefit without their authorization. The findings also stated that Finnegan failed to respond to NASD requests for information. (NASD Case #C9A000015)

Van Carll Kirchhoff (CRD #2238732, Registered Principal, Voorhees, New Jersey) was barred from association with any NASD member in any capacity for failing to provide testimony; fined \$5,000 for failing to renew his firm's fidelity bond; and fined \$5,000 and suspended from association with any NASD member in any capacity for 10 days for failing to maintain his firm's minimum required net capital. The fines must be paid before reentering the securities industry. The sanctions were based on findings that Kirchhoff failed to respond to an NASD request to provide testimony. The findings also stated that Kirchhoff, acting as his member firm's financial and operations principal, failed to renew his firm's fidelity bond upon its expiration or at any time of his employment at the firm and failed to maintain his firm's minimum required net capital.

Kirchhoff's bar became effective September 20, 2000. (NASD Case #C9A000020)

Charles Albert Woods, Jr. (CRD #3171744, Registered Representative, Philadelphia, Pennsylvania) was barred from association with any NASD member in any capacity. The sanction was based on findings that Woods failed to respond to NASD requests for information. (NASD Case #C9A000017)

December Actions

Evelyn Jackson (CRD #2142586, Registered Representative, Philadelphia, Pennsylvania) was barred from association with any NASD member in any capacity. The sanction was based on findings that Jackson failed to respond to NASD requests for information. (NASD Case #C9A000023)

Gary Eugene Morris (CRD #1044382, Registered Representative, Elysburg, Pennsylvania) submitted an Offer of Settlement in which he was fined \$5,000, suspended from association with any NASD member in any capacity for two months, and required to disgorge \$1,850 in commissions earned to public customers. The fine and disgorgement must be paid before reassociating with a member firm following the suspension or before requesting relief from any statutory disqualification. Without admitting or denying the allegations, Morris consented to the described sanctions and to the entry of findings that he participated in the offer and sale of a debt security to public customers outside the normal course or scope of his association with a member firm and failed to provide the firm with prior written notice of the security transaction.

Morris' suspension began November 20, 2000, and will conclude at the close of business on January 19, 2001. (NASD Case #C9A000026)

District 9B - New Jersey

October Actions

Dominick Joseph Dawson (CRD #2474364, Registered Representative, W. Babylon, New York) was barred from association with any NASD member in any capacity. The sanction was based on findings that Dawson failed to respond to NASD requests for information. (NASD Case #C9B000003)

Frank Joseph Maggio (CRD #2238463, Registered Representative, Lake Ronkonkoma, New York) was barred from association with any NASD member in any capacity. The sanction was based on findings that Maggio persuaded a public customer to invest \$8,973 with him by representing that he would invest and manage her funds through his investment advisory business. Maggio misrepresented to the customer that his business was affiliated with a member firm; provided the customer with a false account number; sent the customer periodic statements showing the purported current market value of the stocks, when in fact, the stock was sold; and failed to transfer the customer's stock to an account the customer established at a member firm.

Furthermore, despite his assurances to the customer that he would purchase the blue-chip stocks for the customer's benefit, Maggio purchased the shares in his name and held them for just a few months before selling them for \$8,700, without the customer's consent, and retained the proceeds of the sale for his own use. Maggio also failed to respond to NASD requests for information. (NASD Case #C9B990034)

November Actions

Bernard Ladetsky (CRD #1030549, Registered Representative, Valley Stream, New York) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$5,000 and suspended from association with any NASD member in any capacity for one year. The fine must be paid before reassociating with a member firm or before requesting relief from a statutory disqualification. Without admitting or denying the allegations, Ladetsky consented to the described sanctions and to the entry of findings that he allowed his son to sign life insurance applications falsely indicating that his son was the agent who had sold the subject policies when, in fact, the policies had been sold by Ladetsky.

Ladetsky's suspension began October 16, 2000, and will conclude at the close of business on October 15, 2001. (NASD Case #C9B000025)

Mark Edward Pollachek (CRD #2204151, Registered Representative, Califon, New Jersey) and **Judith Ann Pollachek (CRD #3070874, Registered Representative,**

Califon, New Jersey) submitted Letters of Acceptance, Waiver, and Consent in which Mark Pollachek was fined \$24,000, which represents disgorgement of improperly obtained commissions, and barred from association with any NASD member in any capacity. Judith Pollachek was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that Mark Pollachek pled guilty to the charge of assisting in the structuring of transactions, a felony violation, in that he caused the issuance of money orders for the purpose of evading currency reporting requirements. The findings also stated that the money orders were used to pay for securities transactions involving a customer. The NASD also found that Mark Pollachek sold securities and received commissions of approximately \$24,000 from these transactions although he was not registered and was subject to a statutory disqualification. According to the findings, Mark Pollachek accomplished this by allowing his wife, Judith Pollachek, a registered representative of a member firm, to take credit for the subject sales by falsely signing all of the transaction documents as the registered representative of record, as if she were the person responsible for the sales. (NASD Case #C9B000026)

December Actions

Kevin Andrew Fleming (CRD #2615501, Registered Principal, Saddle Brook, New Jersey) was barred from association with any NASD member in any capacity. The sanction was based on findings that Fleming failed to respond to NASD requests to appear for an on-the-record interview. (NASD Case #C9B000011)

Christopher Daniel Geis (CRD #2177608, Registered Representative, Wood Ridge, New Jersey) was named as a respondent in an NASD complaint alleging that he recommended to a public customer that she invest in tax-free investments with a mutual fund and, based on this recommendation, received checks totaling \$179,000. The complaint further alleges that Geis deposited the checks in an account in which he had signatory authority and converted the funds to his own use and benefit, without the customer's knowledge or consent, and sent the customer confirmation letters that falsely stated that the funds had been invested. In addition, the complaint alleges that Geis failed to respond to NASD requests for information. (NASD Case #C9B000030)

Ridgewood Associates, Inc. (CRD #16727, Paramus, New Jersey) and Philip Patrick Marino (CRD #319926, Registered Principal, Paramus, New Jersey) submitted an Offer of Settlement in which they were censured and fined \$20,000, jointly and severally. In addition, Marino was suspended from association with any NASD member in any principal capacity for 20 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 Marino, failed to adequately and properly supervise the trading activity of an individual in the accounts of public

customers to ensure compliance with the securities laws and applicable NASD rules. The NASD also found that the firm, acting through Marino, failed to prevent transactions in the customers' accounts that were excessive in size or frequency in view of the financial resources and character of such accounts.

Marino's suspension began November 6, 2000, and concluded on November 25, 2000. (NASD Case #C9B000018)

Samuel Colin Andrew Sampson (CRD #2881918, Registered Representative, Brooklyn, New York) was barred from association with any NASD member in any capacity. The sanction was based on findings that Sampson received \$290 from public customers as the initial premium payment for life insurance policies issued by his member firm. Sampson failed to forward these payments to his member firm and, instead, converted the funds to his own use and benefit without the customers' knowledge or consent. Sampson also failed to respond to NASD requests for information. (NASD Case #C9B000012)

District 10 - The five boroughs of New York City, and Long Island

October Actions

Jose Ayala (CRD #3041101, Associated Person, Copiague, New York) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$15,000 and suspended from association with any NASD member in any capacity for six months. Payment of the fine shall be a prerequisite for any application for reentry into the securities industry. Without admitting or denying the allegations, Ayala consented to the described sanctions and to the entry of findings that he willfully failed to disclose his criminal history on a Form U-4.

Ayala's suspension began September 18, 2000, and will conclude at the close of business on March 16, 2001. (NASD Case #C10000153)

Jonathan Wan Bae (CRD #1796368, Registered Representative, Bellerose Terrace, New York) submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Bae consented to the described sanction and to the entry of findings that he made improper use of customer checks totaling \$110,000. (NASD Case #C10000155)

Erdem Bessim (CRD #2746643, Registered Representative, Thiells, New York) submitted an Offer of Settlement in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Bessim consented to the described sanction and to the entry of findings that he converted customer cashier's checks totaling \$23,921.30 for his own use or benefit. The findings also stated that Bessim failed to respond to NASD requests for information. (NASD Case #C10000105)

Michael Samuel Bifalco (CRD #1613705, Registered Principal, Middle Island, New York) submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity and ordered to pay \$106,012.42 in restitution. Without admitting or denying the allegations, Bifalco consented to the described sanctions and to the entry of findings that he received cash and checks totaling \$106,012.42 from public customers and used the money for his personal benefit without the customers' authorization and contrary to their instructions. (NASD Case #C10000157)

Joe Burgio a.k.a Joseph Burgio (CRD #2746971, Registered Representative, Brooklyn, New York) was barred from association with any NASD member in any capacity. The sanction was based on findings that Burgio failed to respond to NASD requests to appear for an on-the-record interview. (NASD Case #C10000035)

Michael Jason Constantinou (CRD #1140607, Registered Representative, Syosset, New York) was barred from association with any NASD member in any capacity. The sanction was based on findings that Constantinou filed a false Form U-4 with the NASD when he became employed with a member firm. (NASD Case #C10000040)

Damiano Salvatore Coraci (CRD #2289946, Registered Principal, Brooklyn, New York) submitted an Offer of Settlement in which he was barred from association with any NASD member in any capacity. In light of Coraci's financial status, no monetary sanctions have been imposed. Without admitting or denying the allegations, Coraci consented to the described sanction and to the entry of findings that, in connection with its underwriting activities, a member firm, acting through Coraci, employed a device, scheme, contrivance, and/or artifice to defraud; made untrue statements of material facts and/or omitted to state material facts necessary to make statements not misleading; and engaged in acts, practices, or courses of business that operated as a fraud or deceit upon public investors.

The NASD found that Coraci, on behalf of a firm, engaged the firm's registered representatives in a concentrated sales drive through the operation of a boiler room. The findings also stated that the firm, acting through Coraci, encouraged the firm's associated persons to utilize baseless price and performance predictions and other misleading statements in connection with solicitations of interest in an initial public offering (IPO). In addition, a member firm, acting through Coraci, reopened the IPO distribution while the firm acted as a market maker, entered bids in The Nasdaq Stock Market, Inc. on a continuous basis, and caused the purchase of warrants in the account of a customer while the securities were a "hot issue." The NASD also found that Coraci engaged in activities that required registration as a principal with the NASD even though he was not registered as such and permitted an associated person to act in a capacity that required registration even though the associated person was not registered as a representative. Moreover, the NASD found that Coraci failed to respond truthfully during an on-the-record interview and falsified information on new account forms prepared for a customer at member firms. (NASD Case #C10000029)

Michael Patrick Dreitlein (CRD #1525680, Registered Representative, Dix Hills, New York) submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Dreitlein consented to the described sanction and to the entry of findings that he failed to respond to NASD requests for information. (NASD Case #C10000149)

Michael James Dzurko (CRD #2340848, Registered Representative, Howard Beach, New York) was barred from association with any NASD member in any capacity. The sanction was based on findings that Dzurko arranged for an impostor to take the Series 7 exam on his behalf. The findings also stated that Dzurko failed to respond to NASD requests to appear for an on-the-record interview. (NASD Case #C10000063)

Matthew Scott Freed (CRD #2788276, Registered Representative, Forest Hills, New York) was fined \$10,000 and suspended from association with any NASD member in any capacity for one year for settling a customer complaint. Freed was also barred from association with any NASD member in any capacity for failure to respond. The fine is due and payable prior to reentry into the securities industry. The sanctions are based on findings that Freed paid a public customer \$850 to settle the customer's complaint against him without his member firm's knowledge and consent. Freed also failed to respond to NASD requests for information.

Freed's bar became effective August 16, 2000. (NASD Case #C10000030)

J.P.R. Capital Corporation (CRD #38056, Roslyn, New York) and Paul Jeffrey Umansky (CRD #1615489, Registered Principal, Rockville Centre, New York) submitted a Letter of Acceptance, Waiver, and Consent in which they were censured and fined \$10,000, jointly and severally. The firm was also required to disgorge \$3,826.50 to the NASD. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Umansky, failed to file statistical and summary information regarding customer complaints with the NASD in a timely manner. The findings also stated that the firm, acting through Umansky, permitted an individual associated with the firm to act in a capacity that required registration while his registration was inactive due to his failure to complete the Regulatory Element of the NASD's Continuing Education Requirement. In addition, the NASD found that the firm, acting through Umansky, failed to conduct a training needs analysis and to prepare a written training plan as required by the Firm Element of the NASD's Continuing Education Requirement. (NASD Case #C10000150)

Calvin Walter Mathis (CRD #2997937, Registered Representative, Far Rockaway, New York) submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Mathis consented to the described sanction and to the entry of findings that he failed to disclose on his Form U-4 that he had

been charged and convicted under a general court martial order. The findings also stated that Mathis failed to respond to NASD requests for documents and a written statement regarding his failure to disclose on a Form U-4 his general court martial charge and conviction. (NASD Case #C10000148)

Salvatore Joseph Pollina (CRD #2478289, Registered Representative, Brooklyn, New York) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$5,000 and suspended from association with any NASD member in any capacity for 30 days. Without admitting or denying the allegations, Pollina consented to the described sanctions and to the entry of findings that he participated in a securities transaction away from his member firm and failed to provide prior written notice to, or receive written approval from, his firm.

Pollina's suspension began September 18, 2000, and will conclude at the close of business on October 17, 2000. (NASD Case #C10000156)

Royal Alliance Associates, Inc. (CRD #23131, New York, New York) submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured, fined \$20,000, and ordered to disgorge \$31,035.92 in commissions. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it allowed individuals associated with the firm to act in the capacity of registered persons while their registrations with the NASD were inactive due to their failure to complete the Regulatory Element of NASD's Continuing Education Requirement. (NASD Case #C10000146)

Ryan, Beck & Co., Inc. (CRD #3248, Livingston, New Jersey) and Leonard J. Stanley (CRD #2564540, Registered Principal, Pompton Lakes, New Jersey) submitted a Letter of Acceptance, Waiver, and Consent in which they were censured and fined \$12,500, jointly and severally. The firm was fined an additional \$14,500. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Stanley, maintained an insufficient balance in its special reserve bank account for the exclusive benefit of customers and made withdrawals from the account without making concurrent calculations to determine that necessary funds were on deposit as required by the SEC. The findings also stated that the firm, acting through Stanley, failed to make and keep current a ledger reflecting funds it owed to customers in connection with municipal bond coupons; the firm also failed to make and keep current ledger accounts itemizing separately for each customer account, receipts and deliveries of municipal bond coupons as well as credits to such customer accounts. In addition, the NASD found that the firm, acting through Stanley, failed to maintain sufficient net capital while conducting a securities business. Moreover, the firm failed to execute customer limit orders in Nasdaq securities contemporaneously after it traded each subject security for its own market-making account at a price that would have satisfied each customer's limit order.

The NASD also found that the firm failed to display customer limit orders in Nasdaq securities in its public quotation when each order was at a price that would have improved the firm's bid or offer in each security and failed to update the size of a limit order in a Nasdaq security that represented the firm's best offer for that security. Further, the findings stated that the firm failed to exclude either the markup or markdown from the reported price for principal transactions in The Nasdaq SmallCap Market securities reported to Automated Confirmation Transaction Service (ACT). In addition, the firm, while acting as principal, failed to disclose the markup/markdown and/or reported trade price on customer confirmations and failed to accept or decline trades within 20 minutes of execution in its capacity as an ACT order entry firm. (NASD Case #C10000154)

Sand Brothers & Co., Ltd. (CRD #26816, New York, New York) submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured and fined \$10,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it reported short-sale transactions to ACT without properly designating them as short sales by using the ".S" modifier. The findings also stated that the firm failed to reflect the customers' limit price in the firm's quotations subject to the SEC order handling rules. (NASD Case #C10000162)

Michael Robert Schiller (CRD #1531515, Registered Representative, New York, New York) was barred from association with any NASD member in any capacity. The sanction was based on findings that Schiller received an \$8,109.34 check from a public customer to purchase a variable annuity, failed to purchase the annuity, and converted the funds to his own use and benefit without the customer's knowledge or consent. (NASD Case #C10000039)

November Actions

Henry Barskie (CRD #2088099, Registered Representative, Staten Island, New York) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$13,500, which includes \$8,500 in disgorgement, and suspended from association with any NASD member in any capacity for 30 days. The fine must be paid before reassociating with any NASD member following the suspension or before requesting relief from any statutory disqualification. Without admitting or denying the allegations, Barskie consented to the described sanctions and to the entry of findings that he accepted checks totaling \$8,500 from a public customer as payment for investment advice given on a securities account that the customer held at another firm and failed to notify his member firm of his outside business activity and the compensation received.

Barskie's suspension began November 6, 2000, and will conclude at the close of business on December 5, 2000. (NASD Case #C10000182)

Lee Michael Ciano (CRD #1385851, Registered Representative, New York, New York) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$100,000, barred from association with any NASD member in any capacity, ordered to disgorge \$14,000 for net commissions generated, and ordered to pay \$100,000 in restitution to a public customer. The fine, restitution, and disgorgement, plus interest, must be paid before any application for reentry into the securities industry will be considered. Without admitting or denying the allegations, Ciano consented to the described sanctions and to the entry of findings that he traded excessively in the account of a public customer for the sole purpose of generating commissions for himself. The NASD also found that Ciano made unsuitable recommendations to a public customer and exercised discretion over the customer's account without prior written authorization. (NASD Case #C10000171)

Eli Dinov (CRD #2633778, Registered Representative, Brooklyn, New York) submitted a Letter of Acceptance, Waiver, and Consent in which he was censured, fined \$5,000, and suspended from association with any NASD member in any capacity for 10 business days. Without admitting or denying the allegations, Dinov consented to the described sanctions and to the entry of findings that he purchased shares of stock for his personal account on margin and failed to pay for these trades or, at a minimum, deposit 50 percent of the cost or market value of the securities. The findings also stated that Dinov failed to pay the subsequent house call and that the securities were sold out of his account, resulting in an unsecured debt of \$15,086.

Dinov's suspension began November 6, 2000, and will conclude at the close of business on November 17, 2000. (NASD Case #C10000169)

Leslie Jay Jacobson (CRD #1892452, Registered Principal, Woodbury, New York) was barred from association with any NASD member in any capacity. The sanction was based on findings that Jacobson failed to disclose on a Form U-4 that he had plead guilty to petit larceny and that he had been charged with grand larceny. (NASD Case #C10000073)

Charles Biszeal Jenkins (CRD #854243, Registered Principal, New York, New York) was barred from association with any NASD member in any capacity. The sanction was based on findings that Jenkins failed to respond to NASD requests for information. (NASD Case #C10000067)

Alfonso Meneses, Jr. (CRD #2328486, Registered Representative, Teaneck, New Jersey) submitted a Letter of Acceptance, Waiver, and Consent in which he was suspended from association with any NASD member in any capacity for 30 days and ordered to requalify by examination. In light of the financial status of Meneses, no monetary sanction has been imposed. Without admitting or denying the allegations, Meneses consented to the described sanctions and to the entry of findings that he received a \$2,760.60 check from a public customer to be deposited into his personal checking account to open a new brokerage account for the customer at

his member firm. The findings also stated that Meneses' firm refused to accept a third party check in connection with the opening of a new customer account, returned the check to him, and Meneses failed to deposit the funds promptly into the customer's new brokerage account.

Meneses' suspension began November 6, 2000, and will conclude at the close of business on December 5, 2000. (NASD Case #C10000176)

Dominick Palermo (CRD #1986601, Registered Principal, Massapequa Park, New York) was barred from association with any NASD member in any capacity. The sanction was based on findings that Palermo failed to respond to NASD requests for information. (NASD Case #C10000057)

Steven Pantelis (CRD #2314147, Registered Representative, Merrick, New York) was barred from association with any NASD member in any capacity. The sanction was based on findings that Pantelis failed to respond to NASD requests to appear for on-the-record interviews. (NASD Case #C10000048)

Todd Christopher Perry (CRD #2808632, Registered Representative, Baldwin, New York) submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Perry consented to the described sanction and to the entry of findings that he participated in private securities transactions and failed to provide his member firm with prior written notification. (NASD Case #C10000183)

Kevin James Wallace (CRD #1511219, Registered Representative, Singapore, Singapore) was barred from association with any NASD member in any capacity. The sanction was based on findings that Wallace failed to respond to NASD requests to appear for an on-the-record interview. (NASD Case #C10000033)

December Actions

Alex Moore & Company, Inc. (CRD #28062, Garden City, New York) and Frank John Gerage (CRD #2271507, Registered Principal, Staten Island, New York) submitted a Letter of Acceptance, Waiver, and Consent in which they were fined \$12,500, jointly and severally. The firm was fined an additional \$3,000. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Gerage, failed to register with the NASD an individual who was actively engaged as a principal in the management of the firm. The findings also stated that the firm, acting through Gerage, participated in an underwriting that was not listed as a permissible activity in the firm's restriction agreement and conducted more principal transactions in a 12-month period than permitted in the agreement. The NASD also found that the firm, acting through Gerage, failed to maintain sufficient net capital while conducting a securities business and failed to notify the Securities and Exchange Commission (SEC)

and the NASD in a timely manner that it was under its minimum net capital. In addition, the firm failed to timely submit a monthly FOCUS filing and failed to reconcile the balances in a FOCUS Part IIA Report with the firm's financial statements and supporting schedules. (NASD Case #C10000175)

Farzan Ali (CRD #2631139, Registered Representative, Briar Wood, New York) submitted a Letter of Acceptance, Waiver, and Consent in which he was permanently barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Ali consented to the described sanction and to the entry of findings that he received \$1,593 from public customers to pay their annual homeowner insurance policies and converted \$1,056 of the funds for his own use and benefit without the customers' prior knowledge, authorization, or consent. (NASD Case #C10000181)

Anthony Frederick DiMaria (CRD #2286669, Registered Principal, Bronx, New York) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$48,740, suspended from association with any NASD member in any capacity for 30 business days, and ordered to disgorge \$1,090 in commissions to the NASD. The fine must be paid before reassociating with a member firm following the suspension or before requesting relief from any statutory disqualification. Without admitting or denying the allegations, DiMaria consented to the described sanctions and to the entry of findings that he failed to make a bona fide public distribution of an initial public offering that traded at a premium in the immediate secondary market and sold shares of stock to relatives who are restricted persons. The findings also stated that DiMaria submitted customer new account documents to his firm's management for his relatives when he knew that the documents contained inaccurate information.

DiMaria's suspension began November 20, 2000, and will conclude at the close of business on January 3, 2001. (NASD Case #C10000192)

Claude Anthony Eatman, Jr. (CRD #1899070, Registered Principal, Jersey City, New Jersey) was named as a respondent in an NASD complaint alleging that he executed trades in the account of a public customer without the knowledge or consent of the customer and in the absence of written or oral authorization by the customer to exercise discretion in the account. The complaint also alleges that Eatman submitted change of address forms to his member firm in regard to the accounts of public customers, without their knowledge or consent, so that the firm's records reflected fictitious addresses. In addition, the complaint alleges that Eatman opened the account of a public customer and used a fictitious address without the customer's authorization or consent. (NASD Case #C10000185)

First Madison Securities, Inc. (CRD #38820, Boca Raton, Florida) and Ray Vahab (CRD #1041775, Registered Principal, New York, New York) submitted a Letter of Acceptance, Waiver, and Consent in which they were censured and fined \$12,500, jointly and severally. Without admitting or denying the allegations, the respondents consented to

the described sanctions and to the entry of findings that the firm, acting through Vahab, conducted a securities business while failing to maintain its minimum net capital. The findings also stated that the firm, acting through Vahab, failed to prepare an adequate Continuing Education written needs analysis for one year and a written needs analysis and training plan for two years. In addition, the NASD found that the firm, acting through Vahab, failed to report customer complaints and an arbitration to the NASD. (NASD Case #C10000194)

James Gaberkorn a.k.a. Gennady Gaberkorn (CRD #1718031, Registered Representative, Brooklyn, New York) was named as a respondent in an NASD complaint alleging that he executed transactions in the account of a public customer without the customer's prior knowledge, authorization, or consent. The complaint also alleges that Gaberkorn engaged in private securities transactions without providing prior written notice to his member firm. (NASD Case #C10000187)

Javier Hernandez (CRD #2298668, Registered Representative, Brooklyn, New York) submitted an Offer of Settlement in which he was fined \$5,000, suspended from association with any NASD member in any capacity for 30 business days, and required to pay \$3,375, plus interest, in restitution to a public customer. The fine and restitution, plus interest, must be paid before reassociating with a member firm following the suspension or before requesting relief from any statutory disqualification. In addition, proof of payment of the restitution must be provided to NASD Regulation no later than 90 days after the acceptance of this offer.

Without admitting or denying the allegations, Hernandez consented to the described sanctions and to the entry of findings that he used the means and instrumentalities of interstate commerce and engaged in manipulative, deceptive, and fraudulent practices in connection with securities transactions. The findings also stated that Hernandez made material misrepresentations and baseless performance predictions to a public customer, effected unauthorized transactions in the customer's account, and failed to execute the customer's order to sell his securities.

Hernandez' suspension began December 4, 2000, and will conclude at the close of business on January 17, 2001. (NASD Case #C10970143)

Shek Wai Hui (CRD #2024873, Registered Representative, New York, New York) was barred from association with any NASD member in any capacity. The sanction was based on findings that Hui misappropriated funds totaling \$38,977.01 for his own use from insurance policyholders at his member firm and failed to respond to NASD requests for information. (NASD Case #C10000078)

Joseph Matthews & Company (CRD #19605, Staten Island, New York) and Joseph Vincent Quattrocchi (CRD #1231465, Registered Principal, Staten Island, New York) submitted a Letter of Acceptance, Waiver, and Consent in which they were censured and fined \$12,500, jointly and severally. Without admitting or denying the allegations, the

respondents consented to the described sanctions and to the entry of findings that the firm knowingly maintained, through Quattrocchi, the registrations of individuals for periods of time when they were not actively engaged in the firm's securities business or were not functioning as registered representatives of the firm, thereby, avoiding a lapse in registration. (NASD Case #C10000189)

David Michael Lamey (CRD #2127942, Registered Representative, Hempstead, New York) was permanently barred from association with any NASD member in any capacity. The sanction was based on findings that Lamey failed to respond to NASD requests to appear for an on-the-record interview. (NASD Case #C10000110)

Edward Leccese (CRD #2847776, Registered Representative, Boca Raton, Florida) was fined \$5,000 and suspended from association with any NASD member in any capacity for 30 business days for opening an account without authorization and effecting an unauthorized trade, and barred from association with any NASD member in any capacity for failing to appear for an NASD on-the-record interview. The fine must be paid before reassociating with a member firm following the suspension or before requesting relief from any statutory disqualification. The sanctions were based on findings that Leccese opened an account for a public customer at his member firm and effected a purchase of securities in the account without the customer's prior knowledge, authorization, or consent. The findings also stated that Leccese failed to respond to NASD requests to appear for an on-the-record interview.

Leccese's bar became effective October 25, 2000. (NASD Case #C10000058)

Anthony Alfred Maccarone, Jr. (CRD #2382616, Registered Principal, Hoboken, New Jersey) submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity, including clerical or ministerial functions. Without admitting or denying the allegations, Maccarone consented to the described sanction and to the entry of findings that he effected unauthorized transactions in the account of a public customer and forged the customer's signature on Letters of Authorization causing the misappropriation of approximately \$123,419 from the customer's account. The findings also stated that Maccarone prepared and provided the customer with monthly account statements that contained false information in order to conceal his misconduct. (NASD Case #C10000188)

Anthony Armando Morelli (CRD #2561728, Registered Representative, Mineola, New York) was named as a respondent in an NASD complaint alleging that he executed transactions in the account of public customers without their knowledge or consent and in the absence of written or oral authorization to exercise discretion in their account. (NASD Case #C10000199)

Aleksandr Shvarts (CRD #1718124, Registered Principal, Brooklyn, New York) submitted an Offer of Settlement in

which he was fined \$837,436.80, which includes restitution in the amount of \$837,436.80 representing the full amount of loss to bona fide customers of a member firm for which Shvarts is responsible, and barred from association with any NASD member in any capacity. Restitution, plus interest, must be paid before requesting relief from any statutory disqualification. Without admitting or denying the allegations, Shvarts consented to the described sanctions and to the entry of findings that a member firm, acting through Shvarts, through means or instrumentalities of interstate commerce or of the mails, intentionally, knowingly, or recklessly:

- employed a device, scheme, contrivance, and/or artifice to defraud and manipulative, deceptive, or other fraudulent device or contrivance;
- made untrue statements of a material fact and/or omitted to state material facts necessary to make the statements, in light of the circumstances under which they were made, not misleading; and
- engaged in acts, practices, or courses of business that operated as a fraud or deceit upon public investors.

The firm, acting through Shvarts, created a "boiler room" that encouraged associated persons of the firm to utilize baseless price and performance predictions and other misleading statements and to exert pressure on purchasers in connection with the solicitations of interest in an initial public offering (IPO). The findings also stated that the firm, acting through Shvarts, delivered to customers IPO prospectuses and other documents that failed to disclose the firm's securities purchasing policy and that the firm's associated persons were offered incentives to sell the securities. The NASD also found that the firm, acting through Shvarts, acted as a market maker in the securities when it was precluded from doing so under SEC Rule 10b-6 so as to prevent the possibility of manipulation and to ensure that the market prices of the newly distributed securities were determined by independent, competitive bidding until after the firm had completed its participation in the distribution. Further, the NASD found that the firm, acting through Shvarts, executed the purchase of securities in the accounts of public customers when the securities were a "hot issue" and were then sold in the immediate after-market for a profit. Moreover, the NASD found that Shvarts failed to testify truthfully during an NASD on-the-record interview and failed to respond to NASD requests for information. (NASD Case #C10000029)

Cristian Taverne (CRD #2860792, Registered Representative, Santiago, Chile) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$7,500 and suspended from association with any NASD member in any capacity for 20 business days. The fine must be paid before reassociating with a member firm following the suspension or before requesting relief from any statutory disqualification. Without admitting or denying the allegations, Taverne consented to the described sanctions and to the entry of findings that he paid \$2,000 to settle a public customer's complaint without informing and obtaining authorization from his member firm.

Taverne's suspension began November 20, 2000, and will conclude at the close of business on December 18, 2000. (NASD Case #C10000184)

Simon Piers Thurlow (CRD #2697252, Registered Representative, Scarsdale, New York) submitted an Offer of Settlement in which he was fined \$5,000 and suspended from association with any NASD member in any capacity for five months. The fine must be paid before reassociating with a member firm following the suspension or before requesting relief from any statutory disqualification. In light of the financial status of Thurlow, a \$5,000 fine has been imposed. Without admitting or denying the allegations, Thurlow consented to the described sanctions and to the entry of findings that he guaranteed a public customer against loss in connection with the sale of shares. The findings also stated that Thurlow engaged in outside business activities without providing prompt written notice to his member firm and receiving written approval from the firm to engage in outside transactions.

Thurlow's suspension began November 20, 2000, and will conclude at the close of business on April 19, 2001. (NASD Case #C10000045)

Jonathan Daniel Winston (CRD #2483658, Registered Principal, Great Neck, New York), Douglas Keith Traynor (CRD #600138, Registered Principal, Pound Ridge, New York), Jason Alan Cohen (CRD #2483655, Registered Principal, Albertson, New York), and Robert Noonan Drake (CRD #1213804, Registered Principal, Pawling, New York) submitted Offers of Settlement in which Winston was fined \$70,000 and suspended from association with any NASD member in any capacity for two years, and Cohen was fined \$55,000 and suspended from association with any NASD member in any principal capacity for two years. Drake was suspended from association with any NASD member in any principal capacity for two years, and Traynor was suspended from association with any NASD member in any principal capacity for 18 months. In light of the financial status of Drake and Traynor, no monetary sanctions were imposed against them. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that they permitted an individual whom they knew, or should have known, was subject to statutory disqualification to conduct activities at, and to be associated with, a member firm without approval from the NASD or the SEC. The findings also stated that Drake failed to timely and accurately report customer complaints, consent agreements with the States of Michigan and Indiana, and a reprimand by the State of Georgia to the NASD and failed to comply with the NASD's Firm Element of the Continuing Education Requirement for the firm's covered personnel.

The NASD also found that Traynor failed to supervise Drake in regard to reporting customer complaints and reportable events to the NASD and to achieving compliance with NASD rules with respect to the Firm Element of the Continuing Education Requirement. Traynor also failed to timely and accurately report statistical and summary information regarding customer complaints to the NASD. In addition, the NASD

found that Cohen failed to respond adequately to NASD requests for information, and Winston failed to respond to NASD requests for information.

Winston, Cohen, and Drake's suspensions began December 4, 2000, and will conclude at the close of business on December 3, 2002. Traynor's suspension began December 4, 2000, and will conclude at the close of business on June 3, 2002. (NASD Cases #C10990212 and C10000031)

Ervin Robert Witherspoon (CRD #1603697, Registered Principal, Hempstead, New York) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$10,000 and suspended from association with any NASD member in any capacity for one year. Without admitting or denying the allegations, Witherspoon consented to the described sanctions and to the entry of findings that he engaged in a private securities transaction without providing prior written notice to the member firm with which he was then associated.

Witherspoon's suspension began November 20, 2000, and will conclude at the close of business on November 19, 2001. (NASD Case #C10000119)

District 11 - Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont, and New York (except for the counties of Livingston, Monroe, and Steuben; the five boroughs of New York City; and Long Island)

October Actions

None

November Actions

Veronica Jeanne Floyd (CRD #3186940, Registered Representative, Brockton, Massachusetts) submitted a Letter of Acceptance, Waiver, and Consent in which she was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Floyd consented to the described sanction and to the entry of findings that, in her capacity as a bank teller, she embezzled funds totaling \$23,066.22 from a bank. During the latter months of her embezzlement scheme, Floyd was registered with the NASD as an investment company products/variable annuities limited representative with a member firm. (NASD Case #C11000023)

Paul Anthony Golub (CRD #1001665, Registered Representative, Middlefield, Connecticut) submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Golub consented to the described sanction and to the entry of findings that he failed to respond to NASD requests for information. (NASD Case #C11000019)

Michael Lewis Hancock (CRD #1949866, Registered Principal, Raymond, Maine) submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Hancock consented to the described sanction and to the entry of findings that he failed to respond to NASD requests for information. (NASD Case #C11000020)

John Francis Murphy, Jr. (CRD #1923459, Registered Representative, Hopkinton, Massachusetts) submitted an Offer of Settlement in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Murphy consented to the described sanction and to the entry of findings that he failed to respond to NASD requests for information. (NASD Case #C11000016)

John Robert Van (CRD #2102824, Registered Principal, Corinth, New York) and Michael Edward Murphy (CRD #1528815, Registered Principal, Clifton Park, New York) submitted a Letter of Acceptance, Waiver, and Consent in which they were each fined \$10,000 and suspended from association with any NASD member for 15 business days. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that they recommended unsuitable trading to public customers that resulted in excessive and inappropriate use of margin. The findings also stated that Van and Murphy recommended transactions in which the customers borrowed against existing stock positions to purchase additional shares of, among other things, "high-risk" over-the-counter stocks. The NASD found that Van and Murphy acted in disregard of their customers' interests when they disregarded the impact of use of margin and the concentration levels of certain securities, excessive trading, and the risks incurred in their recommendations that resulted in a total loss of approximately \$211,000 and margin interest of approximately \$15,300.

Van's suspension began September 28, 2000, and concluded at the close of business on October 18, 2000. Murphy's suspension began October 19, 2000, and concluded at the close of business on November 8, 2000. (NASD Case #C11000018)

December Actions

Alexander Wescott & Company, Inc. (CRD #35935, New York, New York) submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured and fined \$9,000, jointly and severally with an individual, and fined \$7,000, individually. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it permitted the premature breaking of escrow by releasing funds to the issuer when the escrow account had a balance of approximately \$640,000 and misrepresented to investors that the minimum contingency of \$1,000,000 had been satisfied. The findings also stated that the firm, acting through an individual, used the instrumentalities of interstate commerce to conduct a securities business

while failing to maintain the minimum required net capital. The NASD also found that the firm, acting through an individual, failed to report a State of Minnesota cease and desist order and an \$86,000 arbitration judgment against the firm to the NASD within 10 business days, and failed to report quarterly statistical and summary information relating to customer complaints to the NASD. In addition, the NASD found that the firm failed to report trades within 90 seconds of execution and with the ".SLD" modifier and reported transactions to the Automated Confirmation Transaction Service (ACT) as principal trades when they should have been reported as agency trades. (NASD Case #C11000022)

Pasquale Detursi (CRD #1865313, Registered Representative, Arlington, Massachusetts) submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Detursi consented to the described sanction and to the entry of findings that he entered his name as primary beneficiary on a public customer's application for a single premium deferred annuity policy that was funded with a \$100,322.93 investment. (NASD Case #C11000024)

Merrill Lynch, Pierce, Fenner & Smith Inc. (CRD #7691, New York, New York) and Arthur Joseph Matney (CRD #322913, Registered Principal, Santa Rosa, California) submitted a Letter of Acceptance, Waiver, and Consent (AWC) in which Matney was censured, fined \$15,000, and required to requalify by exam as a general securities principal within 180 days from the date of acceptance of the AWC. The firm was censured and fined \$25,000. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that Matney failed to reasonably supervise the trading activity of a registered representative. The findings also stated that the firm failed to reasonably enforce its written supervisory procedures concerning trading activity and the detection of potentially unsuitable and excessive trading. (NASD Case #C11000026)

Donald Charles Sarin (CRD #411017, Registered Representative, Lenox, Massachusetts) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$75,000, of which \$46,000 represents disgorgement of commissions; suspended from association with any NASD member in any capacity for 18 months; and required to requalify by exam as a general securities representative within 180 days from the date he becomes reassociated with a member firm following his suspension. The fine must be paid before reassociating with a member firm following the suspension or before requesting relief from any statutory disqualification. Without admitting or denying the allegations, Sarin consented to the described sanctions and to the entry of findings that he executed trades in the account of a deceased customer without the authority to do so and embarked upon aggressive short-term trading in the account. The findings also stated that Sarin engaged in excessive and unsuitable trading in the account and acted in reckless disregard of his client's interests when he disregarded the impact of his customer's death

on the account, the tax ramifications associated with the trading activity, and the risks the account incurred from the excessive and unsuitable trading. Sarin's suspension began November 20, 2000, and will conclude on May 19, 2002. (NASD Case #C11000025)

Enforcement Department

October Actions

Vincent Grieco (CRD #1568462, Registered Principal, W. Islip, New York) was fined \$500,000, barred from association with any NASD member in any capacity, and ordered to pay \$589,466.88, plus interest, in restitution to public customers. The sanctions were based on findings that Grieco directed a boiler room operation at the branch which he co-owned and enforced fraudulent sales practices, unauthorized transactions, and a refusal policy to effect customer sell orders. (NASD Case #CAF990008)

November Actions

David Michael Rubin (CRD #1497235, Registered Representative, Bloomingdale, New Jersey) submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Rubin consented to the described sanction and to the entry of findings that he misrepresented that a new variable life insurance policy could be acquired for little or no additional cash payments by using cash values and/or future dividends from existing policies when, in fact, the customers would have been required to make payments to keep the insurance in force. (NASD Case #CAF000039)

December Actions

Harry Edward Bassett, III (CRD #2649512, Registered Representative, Valley Stream, New York) submitted an Offer of Settlement in which he was barred from association with any NASD member in any capacity provided that he may reapply for association after three years from the date of the order accepting the Offer of Settlement. Without admitting or denying the allegations, Bassett consented to the described sanction and to the entry of findings that he was engaged in the solicitation and conduct of the securities business of a member firm while he was not registered with the NASD and was prohibited from being associated with a member firm because of his statutory disqualification. (NASD Case #CAF000029)

Darrin Bradford Greene (CRD #1175667, Registered Principal, New York, New York) submitted an Offer of Settlement in which he was fined \$10,000 and suspended from association with any NASD member in any capacity for

20 business days. Without admitting or denying the allegations, Greene consented to the described sanctions and to the entry of findings that he assisted his member firm and other principals in repurchasing shares and warrants issued in an initial public offering during the immediate aftermarket. The findings also stated that since these securities did not come to rest in the hands of the investing public when the customers bought them, the purchase and resale of the shares and warrants constituted a continuation of the distribution. In addition, the NASD found that Greene assisted his member firm and other individuals in making markets in the common stock and warrants of a security and bid for, purchased, or induced others to purchase the securities at significantly higher prices.

Greene's suspension will begin December 18, 2000, and will conclude at the close of business on January 17, 2001. (NASD Case #CAF000005)

John F. Keegan (CRD #2125338, Registered Representative, Duluth, Georgia) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$50,000, suspended from association with any NASD member in any capacity for six months, and suspended from association with any NASD member in a supervisory capacity for two years. Keegan must also requalify by exam before acting again in the capacities for which he is suspended and is also ordered not to act as a Director of Compliance, or as the sole compliance representative, in a Compliance Department of any NASD member firm for two years. Without admitting or denying the allegations, Keegan consented to the described sanctions and to the entry of findings that he failed to report to the NASD statistical and summary information regarding customer complaints. The findings also stated that Keegan failed to establish, maintain, and enforce written supervisory procedures reasonably designed to achieve compliance with NASD rules regarding customer complaint reporting.

Keegan's suspensions began December 4, 2000. The suspension in all capacities will conclude on June 3, 2001, and the suspension in a supervisory capacity will conclude at the close of business on December 3, 2002. (NASD Case #CAF000041)

Royal Hutton Securities Corp. (CRD #14489, New York, New York) was named as a respondent in an NASD complaint alleging that the firm, directly and/or indirectly, singly and in concert, by use of the means or instrumentalities of interstate commerce, or of the mails, and in connection with the purchase and sale of securities, knowingly or recklessly employed a device, scheme, or artifice to defraud; made untrue statements of material fact and/or omitted material facts necessary to make statements, in light of the circumstances, not misleading; and/or engaged in acts, practices, or courses of business that operated as, or would operate as, a fraud or deceit upon persons. The complaint also alleges that the firm, through employees, owners, and officers, made material misrepresentations and withheld material facts from public customers in connection with the sale of securities including the nature of the investment risk, the amount of

commissions the broker would receive in connection with the transaction, and the limitations on the circumstances under which the securities could be sold. The complaint further alleges that the firm effected transactions in or induced the purchase or sale of securities by means of manipulative, deceptive, or other fraudulent devices and contrivances and failed to observe high standards of commercial honor and just and equitable principles of trade in connection with the conduct of its business. (NASD Case #CAF000042)

Waldron & Co., Inc. (CRD #868, Irvine, California) was expelled from NASD membership. The sanction was based on findings that the firm executed buy-ins of stock when the firm controlled the float of the stock. The findings also stated that the buy-ins were executed by having the firm supply the stock for the buy-ins at prices that far exceeded the inside ask price at the time of the transactions, resulting in unfair profits for the firm. (NASD Case #CAF990023)

Market Regulation Committee

October Actions

Carlin Equities Corp. (CRD #31295, New York, New York) submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured and fined \$10,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it executed customer short-sale orders in securities and failed to annotate an affirmative determination for each of these orders. The findings also stated that the firm failed to establish, maintain, and enforce written supervisory procedures reasonable designed to achieve compliance with the applicable short-sale rules of the NASD. (NASD Case #CMS000180)

Centex Securities, Incorporated (CRD #18493, La Jolla, California) submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured, fined \$10,000, and required to revise its written supervisory procedures. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it failed to execute orders and thereby failed to honor its published quotation when presented to the firm at its published bid or published offer in an amount up to its published quotation size. The findings also stated that the firm's supervisory system failed to provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations concerning the SEC and NASD firm quote rules. (NASD Case #CMS000171)

CIBC World Markets Corp. (CRD #630, New York, New York) submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured, fined \$26,000, and ordered to pay \$4,259.25, plus interest, in restitution to investors. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it failed to contemporaneously or partially execute customer limit orders in Nasdaq securities after the firm traded

each security for its own market-making account at a price that would have satisfied each customer's limit order. The NASD also found that the firm failed to use reasonable diligence to ascertain the best inter-dealer market, and failed to buy or sell in such markets so that the resultant price to its customer was as favorable as possible under prevailing market conditions. The findings also stated that the firm executed short-sale orders in certain securities, failed to make an affirmative determination prior to executing transactions, and improperly reported transactions to ACT that it was not required to report. Furthermore, the findings stated that the firm failed to immediately display customer limit orders in Nasdaq securities in its public quotation when each order was at a price that would have improved the firm's bid or offer or when the order was priced equal to its bid or offer and the national bid or offer for each security, and the size of the order represented more than a de minimis change in relation to the size associated with the firm's bid or offer in each security. (NASD Case #CMS000183)

Comprehensive Capital Corp. (CRD #6215, Westbury, New York) submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured and fined \$10,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it engaged in a pattern or practice of late transaction reporting without exceptional circumstances by failing to report last sale reports and transactions in ACT-eligible OTC equity, Nasdaq National Market (NNM), and Nasdaq SmallCap securities to ACT within 90 seconds after execution, and failed to designate such transactions to ACT as late. (NASD Case #CMS000156)

Fleet Securities, Inc. (CRD #13071, Jersey City, New Jersey) submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured, fined \$41,000, and required to revise its written supervisory procedures within 60 days. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it failed to contemporaneously or partially execute customer limit orders in Nasdaq securities after it traded each security for its own market-making account at a price that would have satisfied each customer's limit order. The findings also stated that the firm failed to use reasonable diligence to ascertain the best inter-dealer market, and failed to buy or sell in such market so that the resultant price to its customers was as favorable as possible under prevailing market conditions. Furthermore, the NASD found that the firm failed to immediately display customer limit orders in Nasdaq securities in its public quotation when each order was at a price that would have improved the firm's bid or offer in each security or when each order was priced equal to the firm's bid or offer and the national best bid or offer for each security, and the size of the order represented more than a de minimis change in relation to the size associated with the firm's bid or offer in each security. In addition, the NASD determined that the firm failed to establish, maintain, and enforce written supervisory procedures reasonably designed to achieve compliance with applicable NASD rules regarding best execution, ACT compliance, limit order protection, SEC order execution

rules, trade reporting, Small Order Execution System (SOES), locked and crossed markets, books and records, and anti-competitive practices. (NASD Case #CMS000189)

Alan Lawrence Goldstein (CRD #2852203, Registered Representative, Huntington, New York) submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$17,500 and suspended from association with any NASD member in any capacity for three months. In addition, Goldstein must pay \$12,817.25, plus interest, in restitution to member firms. Without admitting or denying the allegations, Goldstein consented to the described sanctions and to the entry of findings that prior to his association with a member firm, he exercised discretionary trading authority over customer accounts and maintained a securities account at a member firm and failed to notify, in writing, the executing firms of his association with a member firm, and failed to notify the member firm of the existence of such accounts. The findings also stated that Goldstein exercised discretionary trading authority over customer accounts without written authorization from the customers. Furthermore, the findings stated that Goldstein entered orders at prices that he knew would improve the national best bid or offer in such securities in that the full price and size of the orders would be reflected in the public quotation stream as the best prices and sizes at which a market participant was willing to buy or sell the securities. Moreover, the findings stated that after having entered such orders, Goldstein knowingly and intentionally entered, over the Internet and via the executing firms' touch-tone telephone systems, orders to buy and sell shares of securities on behalf of customers when he knew they would be routed to market makers whose execution systems were programmed to buy or sell securities on an automated basis at prices equal to the national best bid or offer. By knowing and intentionally engaging in this course of conduct, the NASD found that Goldstein bought and sold shares of securities at prices that were lower or higher than he would otherwise have been able to buy or sell shares of these securities, and within seconds after receiving the executions of the orders he had entered on behalf of these accounts, Goldstein canceled the priced limit orders that he had placed, thereby securing profits of approximately \$12,817.25.

Goldstein's suspension began October 2, 2000, and will conclude at the close of business on December 29, 2000. (NASD Case #CMS000131)

Herzog, Heine and Geduld (CRD #2186, Jersey City, New Jersey) submitted a Letter of Acceptance, Waiver, and Consent in 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 improperly designated transactions in an NNM security as late to ACT and failed to preserve the memorandum of brokerage orders. (NASD Case #CMS000191)

Lehman Brothers, Inc. (CRD #7506, New York, New York) submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured, fined \$37,000, required to revise its written supervisory procedures, and ordered to pay \$2,131.25, plus interest, in restitution to public customers.

Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it failed to contemporaneously, or partially, execute customer limit orders in Nasdaq securities after it traded each security for its own market-making account at a price that would have satisfied each customer's limit order. The findings also stated that the firm failed to use reasonable diligence to ascertain the best inter-dealer market and failed to buy or sell in such market so that the resultant price to its customer was as favorable as possible under prevailing market conditions. In addition, the NASD determined that the firm failed to execute market orders fully and promptly, and failed to immediately display customer limit orders in Nasdaq securities in its public quotation when each order was at a price that would have improved the firm's bid or offer in each security or when the order was priced equal to the firm's bid or offer and the national best bid or offer for each security and the size of the order represented more than a de minimis change in relation to the size associated with the firm's bid or offer in each security. Furthermore, the NASD determined that the firm executed short-sale orders in certain securities and failed to make an affirmative determination prior to executing such transactions, and the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations. (NASD Case #CMS000158)

Miller, Tabak, Hirsch & Company (CRD #10384, New York, New York) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which the firm was censured and fined \$15,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it engaged in a pattern or practice of late transaction reporting without exceptional circumstances in that it failed to report transactions in FIPS within five minutes after execution. (NASD Case #CMS000169)

Paragon Capital Corporation (CRD #18555, New York, New York) submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured, fined \$52,500, and ordered to pay \$93.75, plus interest, in restitution to investors. 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 in Nasdaq securities after it traded each of the securities related to those orders for its own market-making account at a price that would have satisfied each of those orders. The findings also stated that the firm failed to use reasonable diligence to ascertain the best prevailing inter-dealer market and failed to buy or sell in such market so that the resultant price to its customers was as favorable as possible under prevailing market conditions. Furthermore, the findings stated that the firm failed to immediately display customer limit orders in Nasdaq securities in its public quotation when the orders were at a price that would have improved its bid or offer in each security related to those orders, or when the full size of the orders was priced equal to the firm's bid or offer and the national best bid or offer and the orders represented more than a de minimis change in relation to the size associated with the firm's bid or offer in each security. In addition,

the findings stated that the firm failed to establish, maintain, and enforce adequate written supervisory procedures reasonably designed to achieve compliance with applicable securities laws, regulations, and NASD rules regarding ACT compliance, annual review/internal audit, best execution, limit order handling-display and quote rules, registration of traders and supervisors, trade reporting, SOES (proprietary trading) and 21(a) Report issues. (NASD Case #CMS000192)

Prudential Securities Incorporated (CRD #7471, New York, New York) submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured and fined \$10,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it failed to immediately display customer limit orders in Nasdaq securities in its public quotation when each order was at a price that would have improved its bid or offer in each security, or when each order was priced equal to the firm's bid or offer and the national best bid or offer for each security, and the size of the order represented more than a de minimis change in relation to the size associated with its bid or offer in each security. The findings also stated that the firm failed to transmit transactions in NNM, Nasdaq SmallCap, and OTC equity securities through ACT within 90 seconds after execution, and failed to designate such last sale reports as late to ACT. (NASD Case #CMS000194)

Scott & Stringfellow, Inc. (CRD #6255, Richmond, Virginia) submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured, fined \$11,000, required to revise its written supervisory procedures relating to best execution within 60 days, and ordered to pay \$2,910.63, plus interest, in restitution to public customers. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it failed to use reasonable diligence to ascertain the best inter-dealer market and failed to buy or sell in such market so that the resultant price to its customer was as favorable as possible under prevailing market conditions. The findings also stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations concerning best execution. (NASD Case #CMS000181)

Wheat First Union (CRD #6124, Richmond, Virginia) submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured, fined \$19,500, and required to revise its written supervisory procedures relating to order handling within 60 days. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it failed to contemporaneously execute protected customer limit orders after it traded each security for its own market-making account at a price that was equal to, or better than, each such customer limit order. The NASD also found that, in connection with customer orders, the firm failed to use reasonable diligence to ascertain the best inter-dealer market so that the resultant price to its customers was as favorable as possible under prevailing market conditions. The findings also stated that the firm failed to immediately display customer limit orders when the orders were at a price

that would have improved its bid or offer in each security related to those orders, or when the full size of the orders were priced equal to its bid or offer and the national best bid or offer and the orders represented more than a de minimis change in relation to the size associated with the firm's bid or offer in each security. Furthermore, the NASD found that the firm failed to establish, maintain, and enforce written supervisory procedures reasonably designed to achieve compliance with applicable securities laws, regulations, and applicable NASD rules concerning the SEC order handling rules. (NASD Case #CMS000184)

November Actions

Dominick & Dominick, LLC (CRD #7344, New York, New York) submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured and fined \$10,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it failed to honor its published quotation at its published bid or published offer in an amount up to its published quotation size. The findings also stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with the Securities and Exchange Commission (SEC) and NASD firm quote rules. (NASD Case #CMS000201)

Donaldson, Lufkin & Jenrette Securities Corp. (CRD #7560, Jersey City, New Jersey) submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured and fined \$10,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it engaged in a pattern or practice of late trade reporting in that it failed to report to the Fixed Income Pricing System (FIPS) transactions in FIPS securities within five minutes after execution. (NASD Case #CMS000196)

Global Capital Markets, LLC (CRD #16191, Syosset, New York) submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured and fined \$10,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it failed to execute orders upon presentation and thereby failed to honor its published quotation. The findings also stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with the SEC and NASD firm quote rules. (NASD Case #CMS000200)

Sharpe Capital, Inc. (CRD #18452, New York, New York) submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured; fined \$131,000; required to pay \$456.25, plus interest, in restitution to public customers; and required to revise its written supervisory procedures. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it failed to contemporaneously or partially execute customer limit orders in Nasdaq securities after it traded each subject security for its own market-making account at a price that

would have satisfied each customer's limit order. The findings also stated that the firm failed to use reasonable diligence to ascertain the best inter-dealer market, failed to buy or sell in such market so that the resultant price to its customer was as favorable as possible under prevailing market conditions, and failed to obtain quotations from dealers to determine the best inter-dealer market for the non-Nasdaq securities. In addition, the NASD determined that the firm reported transactions to the Automated Confirmation Transaction Service (ACT) in violation of applicable securities laws and regulations regarding trade reporting. The firm also failed to immediately display customer limit orders in Nasdaq securities in its public quotation when each order was at a price that would have improved the firm's bid or offer for each security, or when the order was priced equal to the firm's bid or offer and the national best bid or offer for each security, and the size of the order represented more than a de minimis change in relation to the size associated with the firm's bid or offer in each security. The NASD also found that the firm failed to maintain accurate books and records, and the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations concerning designation of supervisory personnel, ACT compliance, and best execution. Furthermore, the findings stated that following the conclusion of suspension periods for non-Nasdaq securities, the firm published quotations for securities or directly or indirectly submitted such quotations for publication in a quotation medium in violation of SEC Rule 15c2-11 and failed to timely file Form 211 with the NASD. (NASD Case #CMS000197)

December Actions

C.E. Unterberg, Towbin (CRD #24790, New York, New York) submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured and fined \$10,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that an order was presented to the firm at the firm's published bid or published offer in an amount up to its published quotation size. The NASD found that the firm failed to execute the orders upon presentment and thereby failed to honor its published quotation. The findings also stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with SEC and NASD firm quote rules. (NASD Case #CMS000215)

Vincent Michael Carrella (CRD #2321148, Registered Principal, Bellport, New York) submitted an Offer of Settlement in which he was suspended from association with any NASD member in any capacity for three months and suspended from association with any NASD member firm in any registered capacity or from acting in any capacity for which he would be required to be registered for two years. In light of the financial status of Carrella, no monetary sanction has been imposed. Without admitting or denying the allegations, Carrella consented to the described sanctions and to the entry of findings that he made fraudulent misrepresentations, omitted facts, and made baseless price predictions to cus-

tomers; and caused an unauthorized sale in a customer account.

The suspension in any capacity began November 20, 2000, and will conclude at the close of business on February 19, 2001, and the suspension in any registered capacity will begin February 20, 2001, and conclude at the close of business on February 19, 2003. (NASD Case #CMS960174)

Direct Access Brokerage Services Inc. (CRD #30057, Chicago, Illinois) submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured and fined \$10,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it failed, within 90 seconds after execution, to transmit through ACT, last sale reports of transactions in NNM securities, eligible securities, Nasdaq SmallCap securities, and OTC equity securities. The findings also stated that the firm failed to designate last sale reports as late through ACT, and incorrectly designated last sale reports of transactions in NNM, SmallCap securities, OTC equity securities, and eligible securities reported within 90 seconds of the execution as ".SLD" through ACT. (NASD Case #CMS000218)

Donald Allen Dunworth (CRD #867655, Registered Principal, Upper Montclair, New Jersey) submitted a Letter of Acceptance, Waiver, and Consent in which he was censured, fined \$50,000, and required to requalify as a general securities principal. Without admitting or denying the allegations, Dunworth consented to the described sanctions and to the entry of findings that, as the head trader on the OTC trading desk at a member firm, he failed to reasonably and properly supervise the activities of traders on the OTC trading desk so as to detect and prevent violations of the limit order display rule. (NASD Case #CMS000219)

Goldman, Sachs & Co. (CRD #361, New York, New York) submitted a Letter of Acceptance, Waiver, and Consent in 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, as a market maker in securities, without making reasonable efforts to avoid a locked or crossed market by executing transactions with all market makers whose quotations would be locked or crossed, the firm entered a bid or ask quotation in The Nasdaq Stock Market, Inc. that caused a locked or crossed market condition to occur. (NASD Case #CMS000202)

J.C. Bradford & Company (CRD #1287, Nashville, Tennessee) submitted a Letter of Acceptance, Waiver, and Consent in 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 contemporaneously or partially execute customer limit orders in Nasdaq securities after it traded each subject security for its own market-making account at a price that would have satisfied each customer's limit order. The findings also stated that the firm reported to ACT the incorrect time of execution and an incorrect price for transactions in NNM securities. The findings also stated that the firm failed to immediately display customer limit orders in Nasdaq

securities in its public quotation when each order was at a price that would have improved the firm's bid or offer for each security, or when the order was priced equal to the firm's bid or offer and the national best bid or offer for each security, and the size of the order represented more than a de minimis change in relation to the size associated with the firm's bid or offer in each security. (NASD Case #CMS000206)

Michael Joseph Markowski (CRD #844847, Registered Principal, Miami Beach, Florida) and Joseph F. Riccio (CRD #710502, Registered Representative, Palm Harbor, Florida). Markowski was censured, fined \$300,000, and barred from association with any NASD member in any capacity, and Riccio was censured, fined \$250,000, and barred from association with any NASD member in any capacity. The SEC affirmed the sanctions following appeal of a July 1998 NAC decision. The sanctions were based on findings that Markowski and Riccio manipulated the market for securities underwritten by a firm and published non-bona fide bids for those securities. In addition, Markowski failed to comply with a restriction agreement between the firm and the NASD and refused to timely submit to an NASD investigative interview. (NASD Case #CMS920091)

OTA Limited Partnership (CRD #25816, Purchase, New York) submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured and fined \$10,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it engaged in a pattern or practice of late transaction reporting without exceptional circumstances by failing to report securities transactions to ACT within 90 seconds after execution. The findings also stated that the firm failed to transmit last sale reports of transactions in NNM securities, a transaction in a SmallCap security, and transactions in listed securities

through ACT within 90 seconds after execution; and failed to designate each transaction as late to ACT. (NASD Case #CMS000211)

Preferred Capital Markets, Inc. (CRD #10993, San Francisco, California) submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured and fined \$10,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it failed to transmit last sale reports of transactions in NNM securities through ACT within 90 seconds after execution, and failed to designate these reports as late to ACT. The findings also stated that the firm reported through ACT last sale reports of transactions in NNM securities and SmallCap securities it was not required to report, and incorrectly designated last sale reports of transactions in NNM securities as ".SLD" to ACT. In addition, the NASD determined that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws and regulations concerning trade reporting. (NASD Case #CMS000209)

Prime Dealer Services Corporation (CRD #36142, New York, New York) submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured, fined \$25,000, and required to submit to the NASD revised written supervisory procedures reasonably designed to prevent future violations of NASD Rule 3360. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it failed to report its short interest positions to the NASD. The findings also stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws and regulations concerning short interest reporting. (NASD Case #CMS000224)

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