Monthly Disciplinary Actions April 1996

Unless otherwise indicated, suspensions will begin with the opening of business on Monday April 15, 1996. The information relating to matters contained in this section is current as of April 5, 1996. Information received subsequent to April 5, 1996 is not reflected in this section.

Firm Expelled, Individuals Sanctioned

M. Rimson & Co. Inc. (New York, New York), Moshe Rimson (Registered Principal, New York, New York), and **Barry Charles Wilson (Registered Principal, Bloomfield, New Jersey)**. The firm was fined $20,000 and expelled from NASD membership, and Rimson was fined $20,000 and barred from association with any NASD member in any capacity. Wilson was fined $10,000, suspended from association with any NASD member in any capacity for six months, and required to requalify as a financial and operations principal. The National Business Conduct Committee (NBCC) affirmed the sanctions following appeal of a New York District Business Conduct Committee (DBCC) decision. The sanctions were based on findings that the firm, Rimson, and Wilson failed to respond to NASD requests for information. The NASD also found that the firm and Rimson failed to comply with obligations imposed upon them in a previous NASD action.

Wilson has appealed this action to the Securities and Exchange Commission (SEC) and the sanctions as to him are not in effect pending consideration of the appeal.

Firms Suspended, Individuals Sanctioned

Brooklyn Capital & Securities Trading, Inc. (Brooklyn, New York) and **David Rybstein (Registered Principal, Brooklyn, New York)** were fined $58,000, jointly and severally. The firm was suspended from NASD membership for one year and required to reapply for membership. Rybstein was suspended from association with any NASD member in any capacity for one year and thereafter until he requalifies in all capacities in which he seeks to function. The NBCC imposed the sanctions following appeal of the NASD Market Surveillance Committee decision. The sanctions were based on findings that the firm and Rybstein employed manipulative and deceptive devices in the trading of securities in violation of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5.

The firm and Rybstein have appealed this action to the SEC and the sanctions are not in effect pending consideration of the appeal.

Paramount Investments International, Inc. (Denver, Colorado) and **Terrence A. Buttler (Registered Principal, Denver, Colorado)** submitted a Letter of Acceptance, Waiver and Consent pursuant to which they were fined $20,000, jointly and severally. The firm was also fined $62,500, suspended from NASD membership for 10 days with the proviso that the firm may effect unsolicited liquidating transactions, suspended from participating in any offering of securities subject to SEC Rules 10b-9 and 15c2-4 for six months, and required for 12 months to file all advertisements and sales literature with the NASD Advertising Department before use. Buttler was suspended from association with any NASD member in any principal capacity for three days. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm used sales literature that failed to conform to NASD standards and breached its restriction agreement with respect to inventory levels, making markets in over-the-counter securities not listed on Nasdaq, and operating a branch office without approval.

The findings also stated that the firm conducted a securities business while failing to maintain required net capital and filed FOCUS Part I reports that contained inaccurate net capital computations. The NASD determined that the firm failed to demonstrate supervisory review of transactions in which the firm's customers purchased stock, and failed to maintain accurate and complete books and records. The NASD also found that the firm, acting through Buttler, participated in an offering of securities that was subject to a minimum investment amount contingency in which an impermissible escrow arrangement was employed, modified the share price and minimum share and dollar amount contingencies after the offering began and after investor funds had been received without a reconfirmation offer or a new offering document, and released investor funds before receipt of the minimum contingency amount.

The suspensions will begin May 20, 1996.

Firms Fined, Individuals Sanctioned

Franklin-Lord, Inc. (Scottsdale, Arizona) and **William S. Mentis (Registered Principal, Scottsdale, Arizona)** were fined $10,000, jointly and severally, and Mentis was required to requalify by exam as a principal. The NBCC imposed the sanctions following appeal of a Denver DBCC decision. The sanctions were based on findings that the firm, acting through Mentis, failed to designate a registered principal with authority to carry out the firm's supervisory procedures pertaining to trading.

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

Litwin Securities, Inc. (Miami Beach, Florida) and **Harold A. Litwin (Registered Principal, Miami Beach, Florida)** were fined $10,000, jointly and severally. The firm also was prohibited from effecting principal transactions of any nature for one year, and Litwin was suspended from association with any NASD member in any principal capacity for six months and ordered to requalify by exam in any principal capacity. The SEC affirmed that sanctions following appeal of a January 1995 NBCC decision. The sanctions were based on findings that the firm, acting through Litwin, violated its restriction agreement with the NASD by executing certain securities transactions as principal without authorization.

Firms And Individuals Fined

Kashner Davidson Securities Corp. (Sarasota, Florida) and **Victor L. Kashner (Registered Principal, Sarasota, Florida)** submitted a Letter of Acceptance, Waiver and Consent pursuant to which they were fined $10,000, jointly and severally, and required to pay $11,863 in restitution to customers. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Kashner, effected 20 principal sales of common stock with public customers at unfair prices. According to the findings, these markups ranged from 5.6 to 18.2 percent above the prevailing market price.

Talley King & Co., Inc. (Irvine, California) and **Paul Douglas King (Registered Principal, Irvine, California)** submitted a Letter of Acceptance, Waiver and Consent pursuant to which they were fined $10,000, jointly and severally, and ordered to pay restitution of $2,056.86. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through King, engaged in the sale of restricted common stock in the secondary market on a principal basis to customers at prices that were not fair in contravention of the Board of Governors' Interpretation with respect to the NASD Mark-Up Policy. These sales resulted in markups ranging from 32 to 36 percent as measured against the firm's cost. The NASD also found that the firm, acting through King, permitted an individual to act as a representative of the firm without being properly registered with the NASD.

Toluca Pacific Securities, Corp. (Burbank, California) and **Peter J. Blowitz (Registered Representative, Burbank, California)** submitted a Letter of Acceptance, Waiver and Consent pursuant to which they were fined $15,000, jointly and severally. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Blowitz, effected securities transactions and/or induced or attempted to induce the purchase or sales of securities while failing to maintain minimum required net capital. The NASD also found that, while purporting to operate within the exemptive provisions of subparagraph (k)(2)(i) of the SEC Customer Protection Rules, the firm, acting through Blowitz, deposited $507,232.90 for mutual fund orders placed by public customers into the firm's checking account rather than the Special Account for the Exclusive Benefit of Customers. The findings also stated that the firm, acting through Blowitz, failed to transmit promptly to the mutual fund $50,000 received from public customers.

Firm Fined

Adams, Harkness & Hill, Inc. (Boston, Massachusetts) submitted a Letter of Acceptance, Waiver and Consent pursuant to which the firm was fined $20,000 and ordered to establish, maintain, and enforce written supervisory procedures reasonably designed to ensure compliance with applicable securities laws and regulations and with the applicable NASD trade-reporting rules. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it reported, or caused to be reported, Nasdaq transactions through the Automated Confirmation Transaction Service (ACT), contrary to provisions of Schedule D to the NASD By-Laws. The NASD also determined that the firm failed to establish, maintain, and enforce written procedures for late trade reporting.

Individuals Barred Or Suspended

Armand Arce (Registered Representative, Longmeadow, Massachusetts) submitted an Offer of Settlement pursuant to which he was fined $40,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Arce consented to the described sanctions and to the entry of findings that he caused $19,337.93 in insurance refund checks from public customers to be deposited into his bank account for his own use and benefit.

Jack F. Armbruster (Registered Representative, Wheaton, Illinois) submitted an Offer of Settlement pursuant to 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, Armbruster consented to the described sanctions and to the entry of findings that he participated in private securities transactions and failed and neglected to give written notice to and receive written approval from the firm before engaging in such activities.

Gary L. Artis (Registered Representative, Landover Hills, Maryland) submitted an Offer of Settlement pursuant to which he was fined $30,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Artis consented to the described sanctions and to the entry of findings that he forged the endorsement signatures of individuals on insurance refund checks totaling $2,163.93, negotiated the checks, and converted the proceeds for his own use and benefit. The findings also stated that Artis failed to respond to NASD requests for information.

Scott T. Balog (Registered Representative, Johnstown, Pennsylvania) submitted an Offer of Settlement pursuant to which he was fined $20,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Balog consented to the described sanctions and to the entry of findings that he failed to respond to NASD requests for information. The NASD also found that Balog made unauthorized trades and unsuitable recommendations of securities transactions to public customers.

Richard J. Bickerstaff (Registered Representative, Metairie, Louisiana) submitted an Offer of Settlement pursuant to which he was fined $100,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Bickerstaff consented to the described sanctions and to the entry of findings that he charged commissions and markups on a series of purchase and sale transactions on behalf of the State of Louisiana, Department of Insurance, in violation of the terms of an agreement with the Department. The findings also stated that Bickerstaff failed and neglected to disclose in writing to his member firm the existence of, and his ownership interest in, an entity through which he provided investment advisory services and through which he received compensation. The NASD also found that Bickerstaff failed to respond fully and adequately to an NASD request for information.

Richard L. Bourke (Registered Representative, Scottsdale, Arizona) submitted an Offer of Settlement pursuant to which he was suspended from association with any NASD member in any capacity for five business days and required to make monthly payments of $250 to his former member firm. Without admitting or denying the allegations, Bourke consented to the described sanctions and to the entry of findings that he failed to pay an $11,872.75 arbitration award.

Preston C. Bynum (Registered Representative, Little Rock, Arkansas) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined $120,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Bynum consented to the described sanctions and to the entry of findings that he obtained from his member firm's account three checks totaling $23,500 that he improperly used to make payments on personal loans of a board member of a Florida utilities authority in order to influence the board member to direct municipal financing underwritings to his member firm. The NASD also determined that Bynum failed to respond to NASD requests for information.

Janell R. Cardinal (Registered Representative, Columbus, Ohio) submitted a Letter of Acceptance, Waiver and Consent pursuant to which she was fined $5,000, suspended from association with any NASD member in any capacity for 20 days, and required to requalify by exam before acting in any registered capacity. Without admitting or denying the allegations, Cardinal consented to the described sanctions and to the entry of findings that she placed purchase orders for the accounts of public customers without authorization.

James E. Carroll, III (Registered Representative, West Hartford, Connecticut) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined $100,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Carroll consented to the described sanctions and to the entry of findings that he withheld and misappropriated to his own use and benefit funds totaling at least $100,000 through the use of a fictitious account in a public customer's name wherein he redeemed shares of a money market fund and converted the proceeds to his own use and benefit. The findings also stated that in addition, Carroll converted $20,000 in funds belonging to another customer to his own use and benefit.

Patrick Allen Chestnut (Registered Representative, Wenatchee, Washington) submitted an Offer of Settlement pursuant to which he was fined $20,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Chestnut consented to the described sanctions and to the entry of findings that he failed to respond to NASD requests for information about a customer complaint.

Sergey Y. Christov (Registered Representative, Parlin, New Jersey) submitted an Offer of Settlement pursuant to which he was fined $2,500 and suspended from association with any NASD member in any capacity for 10 business days. Without admitting or denying the allegations, Christov consented to the described sanctions and to the entry of findings that he failed to respond timely to NASD requests for information about a customer complaint.

John Jay Coleman (Registered Representative, Overland Park, Kansas) submitted an Offer of Settlement pursuant to which he was fined $18,317.85, barred from association with any NASD member in any capacity, and required to pay $3,663.57 in restitution. Without admitting or denying the allegations, Coleman consented to the described sanctions and to the entry of findings that he received from a public customer checks totaling $3,663.57 for investment purposes, endorsed the checks, and converted the funds to his own use and benefit. The findings also stated that Coleman sent a letter to the same customer containing material misstatements and omissions about a purported purchase of mutual funds that had in fact not been made on the customer's behalf. Coleman also failed to respond to NASD requests for information.

Jackie R. Collins (Registered Representative, Shelburne, Vermont) was fined $20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Collins failed to respond to NASD requests for information about his termination from a member firm.

Gerard Colon (Registered Representative, Buffalo, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined $5,000, barred from association with any NASD member in any capacity, and required to pay restitution to a member firm. Without admitting or denying the allegations, Colon consented to the described sanctions and to the entry of findings that he obtained from his member firm a $650 check payable to a customer from a loan on the customer's life insurance policy. The findings stated that Colon failed to remit this check to the customer and used the funds for some purpose other than for the benefit of the customer.

Stephen Cutrone, Sr. (Registered Representative, Staten Island, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined $2,831.25 and suspended from recommending any penny stock transactions as defined by SEC Rule 3a51-1, for one year. Without admitting or denying the allegations, Cutrone consented to the described sanctions and to the entry of findings that he effected penny stock transactions, and in connection with such transactions, failed to provide to each customer a document containing the information in the required penny stock risk disclosure document. The findings stated that Cutrone also failed to disclose to each customer the inside bid and offer quotation and the number of shares to which the bids and offer applied, disclose to each customer the aggregate amount of compensation he received in connection with such transactions, and deliver to each customer a written suitability statement prepared in accordance with SEC Rule 15g-9.

Jerome H. Daniels (Registered Principal, Clearwater, Florida) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined $5,000, suspended from association with any NASD member in any capacity for five days, and required to requalify by exam as a financial and operations principal. Without admitting or denying the allegations, Daniels consented to the described sanctions and to the entry of findings that he filed inaccurate FOCUS Parts I and IIA reports and prepared inaccurate net capital computations. The findings also stated that Daniels failed to supervise an associated person adequately.

Donald Robert Dann (Registered Representative, Highland Park, Illinois) submitted an Offer of Settlement pursuant to which he was fined $30,000 and suspended from association with any NASD member in any capacity for three business days. Without admitting or denying the allegations, Dann consented to the described sanctions and to the entry of findings that, in contravention of the Board of Governors' Interpretation on Free-Riding and Withholding, Dann purchased for his account shares of new-issue stocks that traded at a premium in the immediate aftermarket. The findings also stated that Dann opened a securities account at a member firm and began purchasing and selling securities in the account without giving prior written notice to his member firm and without giving written notice to the other member firm of his status as an associated person of a member firm.

Michael V. Duncan (Registered Representative, San Marcos, Texas) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined $5,000 and suspended from association with any NASD member in any capacity for 30 days. Without admitting or denying the allegations, Duncan consented to the described sanctions and to the entry of findings that he engaged in private securities transactions outside the regular course or scope of his employment with his member firm without giving prior written notice to his member firm.

Jeffrey Lynn Dunn (Registered Representative, Crestwood, Illinois) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined $130,000, barred from association with any NASD member in any capacity, and required to pay $77,935 in restitution to a customer. Without admitting or denying the allegations, Dunn consented to the described sanctions and to the entry of findings that he engaged in private securities transactions and failed and neglected to give prior written notice of or obtain prior written authorization from his member firm to engage in such activities. The findings also stated that Dunn obtained from a public customer $116,000 to purchase additional units of stock and retained the funds for purposes not authorized or known to the customer without the knowledge or consent of the customer. The NASD also determined that Dunn failed to respond to NASD requests for information.

Paul Eisenberg (Registered Principal, Roslyn Estates, New York) submitted an Offer of Settlement pursuant to which he was fined $5,000 and suspended from association with any NASD member in any capacity for 45 days. Without admitting or denying the allegations, Eisenberg consented to the described sanctions and to the entry of findings that he fraudulently used a prospectus known to contain materially false and misleading information in connection with an initial public offering. The NASD also found that Eisenberg made misrepresentations and omissions of material facts to customers during the underwriting and aftermarket trading period of this offering.

Gregory V. Everett (Registered Representative, Arlington, Virginia) submitted an Offer of Settlement pursuant to which he was fined $10,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Everett consented to the described sanctions and to the entry of findings that he secured a blank cash management account check belonging to a public customer, forged the customer's name as the payor, and negotiated the check to the payee in settlement of a personal debt, thereby converting the funds for his own use. The findings also stated that Everett effected unauthorized transactions for a public customer that were also unsuitable in light of the frequency of the transactions and the customer's investment needs and objectives.

Todd Michael Ficeto (Registered Representative, Marina Del Rey, California) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined $9,541 and suspended from recommending any penny stock transactions for two years. Without admitting or denying the allegations, Ficeto consented to the described sanctions and to the entry of findings that he effected penny stock transactions, and, in connection with such transactions, failed to provide to each customer a document containing the required information set forth in the penny stock risk disclosure document. The findings also stated that Ficeto failed to disclose to each customer the inside bid and offer quotation and the number of shares to which the bids and offer applied, and the aggregate amount of compensation he received in connection with certain penny stock transactions, and failed to deliver to each customer a written suitability statement prepared in accordance with SEC Rule 15g-9.

Martin Patrick Flanagan, III, (Registered Representative, Winfield, Illinois) was suspended from association with any NASD member in any capacity for six months and required to requalify by exam. The NBCC imposed the sanctions following review of a Chicago DBCC decision. The sanctions were based on findings that Flanagan failed to respond timely to NASD requests for information.

Flanagan's suspension began November 3, 1992, and concluded May 3, 1993.

John H. Frazer, Jr. (Registered Representative, Cincinnati, Ohio) submitted an Offer of Settlement pursuant to which he was fined $5,000 and suspended from association with any NASD member in any capacity for 15 business days. Without admitting or denying the allegations, Frazer consented to the described sanctions and to the entry of findings that he engaged in private securities transactions and failed to give prior written notice of and obtain prior written authorization from his member firm to engage in such activities.

James Ralph Fredal (Registered Representative, Shelby Township, Michigan) submitted an Offer of Settlement pursuant to which he was fined $10,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Fredal consented to the described sanctions and to the entry of findings that he signed public customers' names to a variable life insurance product application form and bank authorization forms that purported to authorize the customers' bank to pay to his member firm the required monthly premium payments for the variable life insurance product. The NASD also found that Fredal signed the customers' names to the above-referenced documents without their knowledge or consent.

Michael P. Freeman (Registered Representative, San Diego, California) was fined $20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Freeman, without the knowledge or consent of two public customers, withheld and misappropriated to his own use and benefit funds totaling $550 that were intended for the purchase of financial investments. Freeman also failed to respond to NASD requests for information.

Herbert Gurwitt (Registered Representative, Wayne, New Jersey) and **Norbert Downie (Registered Representative, Teaneck, New Jersey)** submitted an Offer of Settlement pursuant to which Gurwitt was fined $20,000 and suspended from association with any NASD member in any capacity for 45 days. Downie was fined $20,000 and suspended from association with any NASD member for 90 days. Gurwitt and Downie must satisfy NASD

Continuing Education requirements before the end of the suspension period. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that they engaged in a series of transactions in which they failed to pay for orders they entered to purchase a stock. The findings also stated that Downie failed to inform his member firm in writing that he had opened accounts at eight different member firms and failed to inform the other firms of his status as a registered representative of his member firm.

Clinton Hugh Holland, Jr. (Registered Principal, Salem, Oregon) was fined $5,000, suspended from association with any NASD member in any capacity for five business days, and required to requalify by exam as a registered principal. The SEC affirmed the sanctions following appeal of a January 1995 NBCC decision. The sanctions were based on findings that Holland recommended to a public customer the purchase of speculative or high-risk securities without having reasonable grounds for believing that such recommendations were suitable for the customer, considering the size and nature of the transactions, the concentration of speculative securities in the account, and the customer's financial situation, circumstances, needs, and objectives.

This action has been appealed to a United States Court of Appeals and the sanctions are not in effect pending consideration of the appeal.

Richard J. Kaighn (Registered Representative, Elizabeth City, North Carolina) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined $25,353.50 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Kaighn consented to the described sanctions and to the entry of findings that he received from a public customer $6,028.20 that were intended as payment of an insurance premium. The NASD found that Kaighn applied only $957.50 to the payment of the premium and converted the remaining $5,070.70 to his own use and benefit without the customer's knowledge or authorization.

Michael S. Keller (Registered Representative, Getzville, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined $100,000, barred from association with any NASD member in any capacity, and required to pay restitution to member firms. Without admitting or denying the allegations, Keller consented to the described sanctions and to the entry of findings that he received from public customers checks totaling $31,162.98 that were to be applied to certain variable life insurance policies or mutual fund investments of these customers. Keller failed to apply $27,442.94 of the funds in question as directed, and used the funds for some purpose other than for the benefit of the customers.

Larry D. Kellett (Registered Principal, Jonesboro, Arkansas) was fined $50,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Kellett engaged in a private securities transaction without prior written notice to and approval from his member firm. Kellett recommended and engaged in a purchase transaction on behalf of public customers without having reasonable grounds for believing that this recommendation and resultant transaction was suitable for the public customers based on their financial situation, investment objectives, and needs. Kellett also failed to respond to NASD requests for information.

Lawrence R. Klein (Registered Representative, Westlake Village, California) was barred from association with any NASD member in any capacity with the right to reapply for association with an NASD member after five years. The SEC affirmed the sanction following appeal of a June 1995 NBCC decision. The sanction was based on findings that Klein caused $17,000 to be wired from the joint account of public customers and used the funds to, among other things, repay monies he owed to a third party. Klein also forged the customers' signatures on an authorization to transfer federal funds and directed his member firm's clearing firm to effect the unauthorized transfer of funds.

Thomas C. Kocherhans (Registered Representative, Orem, Utah) was fined $50,500, suspended from association with any NASD member in any capacity for one year, and ordered to requalify by exam as a general securities representative. The SEC affirmed the sanctions following appeal of a January 1995 NBCC decision. The sanctions were based on findings that Kocherhans knowingly and willfully engaged in a manipulative, deceptive, and fraudulent scheme to increase the reported closing price of a common stock. Specifically, Kocherhans effected a series of purchases in a manner that caused the purchases to be executed at or near the close of the market with the intent to cause the market for the stock to close at a price higher than the previously reported trade, thereby reducing or avoiding margin calls on an account held in his wife's name, and to avoid higher maintenance margin requirements for the account. Kocherhans also failed to inform his member firm in writing that he maintained brokerage accounts at two other member firms.

Thomas J. Lewis, III (Registered Representative, Newark, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined $5,000, suspended from association with any NASD member in any capacity for 60 days, and required to pay restitution to a member firm. Without admitting or denying the allegations, Lewis consented to the described sanctions and to the entry of findings that he falsely represented to his member firm that he had effected a customer purchase of a variable annuity, and signed an application to purchase the annuity without obtaining the customer's prior permission.

Keith E. Lorick (Registered Representative, Chicago, Illinois) submitted an Offer of Settlement pursuant to which he was fined $25,000, barred from association with any NASD member in any capacity, and required to pay $350 in restitution to a member firm. Without admitting or denying the allegations, Lorick consented to the described sanctions and to the entry of findings that he received from a public customer $350 with instructions to use the funds as the initial annual premium on an insurance policy. The NASD found that Lorick failed to follow said instructions and used the funds for some purpose other than for the benefit of the customer. Lorick also failed to respond to NASD requests for information.

John Edward Malosh (Registered Representative, Corvallis, Oregon) submitted an Offer of Settlement pursuant to which he was fined $100,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Malosh consented to the described sanctions and to the entry of findings that he unlawfully gained entrance to an individual's unoccupied residence and removed from the premises $850,000 in stock certificates, bonds, and jewelry belonging to the individual. The NASD found that Malosh opened an account at his member firm using his wife's maiden name and submitted three of the individual's bonds for redemption. The findings stated that Malosh used an alias name and posed as the grandson of the individual, opened an account at a broker/dealer, and executed a limited trading authorization allowing him to negotiate stock certificates and bonds on behalf of the individual. The NASD determined that the application used to open this account and the limited trading authorization both contained the individual's forged signature. After opening the account, Malosh submitted nine bonds valued at $190,000, for redemption to the broker/dealer.

William M. Mehalco, Jr. (Registered Representative, Hubbard, Ohio) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined $50,000, barred from association with any NASD member in any capacity, and required to pay $13,640 in restitution to a member firm. Without admitting or denying the allegations, Mehalco consented to the described sanctions and to the entry of findings that he prepared certain insurance policy applications and related paperwork for 10 customers. None of these customers authorized the purchase of the insurance policies for which the applications were prepared. The NASD determined that Mehalco, without obtaining consent or approval from these customers, signed their names to these insurance applications and related paperwork and submitted these documents to his member firm to obtain the commission for the sale of these policies. The findings also stated that Mehalco failed to respond to NASD requests for information.

Donald D. Metchick (Registered Principal, Altamonte Springs, Florida) submitted an Offer of Settlement pursuant to which he was fined $2,500 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Metchick consented to the described sanctions and to the entry of findings that he received on behalf of public customers 26 checks totaling $62,771.78 representing the proceeds from the sale of various insurance and annuity products and deposited the checks into a general operating account of his insurance agency, thereby commingling customer funds with other funds. The findings also stated that Metchick deposited one of the checks into his personal bank account and held the funds for various periods before submitting the funds to the appropriate entity on behalf of the customer or returning the funds to the customer.

Christopher Rickey Millard (Registered Representative, Loomis, California) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined $100,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Millard consented to the described sanctions and to the entry of findings that he unlawfully gained entrance to the unoccupied residence of a public customer and removed from the premises without the knowledge or permission of the customer, stock certificates, bonds, and jewelry belonging to the customer that were worth more than $850,000. The findings also stated that Millard opened an account using a fictitious name and submitted three bonds belonging to the customer that had a value of $25,890 for redemption.

Martin M. Navales (Registered Representative, Cincinnati, Ohio) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined $18,900 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Navales consented to the described sanctions and to the entry of findings that he obtained from his member firm checks totaling $3,779.30 made payable to public customers representing withdrawals and loan proceeds from the respective customers' variable appreciable life policies. The NASD found that Navales failed to remit these checks to the customers and used the funds for some purpose other than for the benefit of the customers.

Jerry Lee Neal (Registered Principal, Indianapolis, Indiana) submitted an Offer of Settlement pursuant to which he was fined $150,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Neal consented to the described sanctions and to the entry of findings that he failed to abide by the terms of a firm commitment underwriting agreement for partnership units offered by a limited partnership in that his member firm did not purchase the remaining unsold units of the partnership at the initial termination date of the offering. Instead, the NASD found that Neal advanced to the issuer sufficient funds to purchase the unsold units, less commissions, syndication and underwriting fees, and continued to offer and sell the units to the public.

The findings also stated that Neal distributed offering materials for the partnership units to customers that contained misstatements of fact and/or omissions of fact and made unsuitable recommendations to customers without having a reasonable basis for believing that the recommendations were suitable for the customers in light of their investment objectives, financial situation, and needs. The NASD determined that Neal distributed sales literature to customers that contained exaggerated, unwarranted, or misleading statements and exercised discretionary trading authority in five customer accounts prior to obtaining written authorization from the customers and without obtaining prior written approval from his firm accepting the accounts as discretionary accounts. The NASD also found that Neal participated in private securities transactions without providing advance written notice to and receiving advance written approval from his member firm to engage in such activities and executed personal securities transactions in the form of purchasing and selling bonds through a bank, without providing prior written notice to his member firm. Furthermore, the findings stated that Neal engaged in improper IRA distributions and engaged in the options business despite the fact that he was not effectively qualified or registered with the NASD in the appropriate capacity.

Terri Jo Neff (Registered Representative, Brooklyn Park, Minnesota) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined $100,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Neff consented to the described sanctions and to the entry of findings that, without the knowledge or consent of public customers, he changed their addresses of record with his member firm to his home address or post office boxes under his control. The NASD found that Neff requested loans against insurance policies in the names of these customers and converted the loans totaling $21,215.34 by depositing the loan checks into his bank account and used the proceeds for his own use and benefit.

Michael A. Niebuhr (Registered Representative, La Costa, California) was fined $15,000, which can be offset upon demonstration that he has paid $4,414 in restitution to a customer. Niebuhr was also suspended from association with any NASD member in any capacity for 90 days and thereafter until restitution has been paid in full. The SEC affirmed the sanctions following an appeal of a October 1994 NBCC decision. The sanctions were based on findings that Niebuhr violated Section 5 of the Securities Act of 1933 by offering and selling unregistered stock to public customers. Niebuhr also received shares of stock at no cost, purportedly as a bonus, and recommended and sold those shares to a customer without disclosing certain material information to the customer. Niebuhr failed to disclose that he was selling his own stock at the same time he was recommending that the customer purchase it, that the shares that would fill the customer's purchase orders were those he owned in his personal account, and that he had received those shares at no cost.

Linda Marie Oberg (Registered Representative, Fridley, Minnesota) submitted an Offer of Settlement pursuant to which she was fined $2,500 and suspended from association with any NASD member in any capacity for 30 days. Without admitting or denying the allegations, Oberg consented to the described sanctions and to the entry of findings that she took advantage of clearing firm over purchases of securities on behalf of her member firm by diverting the over purchases into her personal securities accounts and subsequently selling the over purchases resulting in profits totaling $2,058.30.

Oberg's suspension will begin May 1, 1996, and conclude May 30, 1996.

Michael J. Ozga (Registered Representative, Norristown, Pennsylvania) was fined $20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Ozga recommended and sold to public customers shares of stock and engaged in a course of conduct in which he knowingly and recklessly sold speculative securities to his customers without disclosing material facts. Ozga also made price predictions to customers and engaged in unauthorized trades.

F. Sarah Pollard (Registered Representative, La Jolla, California) submitted a Letter of Acceptance, Waiver and Consent pursuant to which she was fined $8,480.95, suspended from recommending any penny stock transactions for two years, and suspended from associating with any NASD member as a general securities principal for 18 months. Without admitting or denying the allegations, Pollard consented to the described sanctions and to the entry of findings that she effected $62,920 in penny stock transactions. The NASD found that, in connection with such transactions, Pollard failed to provide to each customer a required document containing penny stock risk disclosure information, to disclose to each customer the inside bid and offer quotation and the number of shares to which the bids and offer applied, to disclose to each customer the aggregate amount of compensation he received in connection with such transactions, and failed to deliver to each customer a written suitability statement prepared in accordance with SEC Rule 15g-9.

Kenneth B. Priebe (Registered Principal, Marilla, New York) submitted an Offer of Settlement pursuant to which he was fined $5,000 and barred from association with any NASD member in any principal capacity. Without admitting or denying the allegations, Priebe consented to the described sanctions and to the entry of findings that he delivered to customers private placement memoranda, subscription agreements, and suitability questionnaires relating to purchases of stock in private offerings and withheld the offering memoranda from the customers until the customers gave him payment for their purchases. The NASD also found that Priebe had the customers sign blank suitability questionnaires that were later completed by registered representatives at his firm using inaccurate and fictitious information. The findings also stated that Priebe refused to participate in an NASD investigative interview.

Reuben Clarence Quanbeck (Registered Representative, Grand Forks, North Dakota) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined $100,000, barred from association with any NASD member in any capacity, and required to pay $388,000 in restitution. Without admitting or denying the allegations, Quanbeck consented to the described sanctions and to the entry of findings that he converted customer funds totaling $388,000 by intercepting checks made payable to his member firm.

Jailall I. Ramoutar, Jr. (Registered Representative, Staten Island, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined $7,500, suspended from association with any NASD member in any capacity for 30 business days, and required to requalify by exam before acting in any capacity requiring qualification. Ramoutar must also pay $1,800 in restitution to a customer. Without admitting or denying the allegations, Ramoutar consented to the described sanctions and to the entry of findings that he purchased shares of stock for the accounts of public customers without authorization.

Charles B. Riddick, Jr. (Registered Representative, Leesburg, Virginia) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined $5,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Riddick consented to the described sanctions and to the entry of findings that he forged a customer's signature on a money order.

Mark Robert Ritcey (Registered Representative, Plantation, Florida) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined $5,000 and suspended from association with any NASD member in any capacity for 10 days. Without admitting or denying the allegations, Ritcey consented to the described sanctions and to the entry of findings that he sent a $750 money order to a public customer to induce him to withdraw a complaint letter the customer had filed against Ritcey's brother, without the knowledge of his brother or anyone else associated with the firm.

S. Richard Schalcosky (Registered Representative, Pittsburgh, Pennsylvania) submitted an Offer of Settlement pursuant to which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Schalcosky consented to the described sanction and to the entry of findings that he received from a policyholder checks totaling $590,050.09 drawn to the order of a life insurance company and caused such checks to be deposited into a bank account under his control. The NASD found that Schalcosky retained $202,000 of this sum for his own use and benefit.

Steven A. Schween (Registered Principal, Longwood, Florida) submitted an Offer of Settlement pursuant to which he was fined $50,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Schween consented to the described sanctions and to the entry of findings that he effected, or caused to be effected, unauthorized purchases and sales of securities in the accounts of public customers without their knowledge or authorization and without having a reasonable basis for believing that the transactions were suitable. The findings also stated that Schween failed to respond to an NASD request for information.

Kevin Stile (Associated Person, Brooklyn, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was barred from association with any NASD member in any capacity. The sanction was based on findings that Stile arranged to have an imposter take the Series 7 exam for him.

Michael J. Tomasino (Registered Principal, Lake Zurich, Illinois) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined $100,000, barred from association with any NASD member in any capacity, and ordered to pay $400,000 in restitution to a customer. Without admitting or denying the allegations, Tomasino consented to the described sanctions and to the entry of findings that he obtained from a public customer a $400,000 check with instructions that the funds be used to purchase interests in a municipal bond fund. The findings stated that Tomasino failed to follow the customer's instructions and used the funds for some purpose other than for the benefit of the customer.

Robert Dean Tomlinson (Registered Representative, Hoffman Estates, Illinois) submitted an Offer of Settlement pursuant to which he was fined $95,000, suspended from association with any NASD member in any capacity for one year, and required to requalify by exam. Without admitting or denying the allegations, Tomlinson consented to the described sanctions and to the entry of findings that he participated in private securities transactions while failing and neglecting to give prior written notice of or obtain prior written authorization from his member firm to engage in such activities.

Sonal Pravin Trivedi (Registered Representative, Naperville, Illinois) submitted an Offer of Settlement pursuant to which she was fined $25,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Trivedi consented to the described sanctions and to the entry of findings that she submitted applications to purchase securities products in the form of variable life insurance policies in the names of individuals who did not exist.

Darren J. Upchurch (Registered Representative, Wilmington, North Carolina) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined $100,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Upchurch consented to the described sanctions and to the entry of findings that he converted $51,185 in funds from a public customer.

Gale Kathleen Vaillancourt (Registered Representative, San Francisco, California) submitted a Letter of Acceptance, Waiver and Consent pursuant to which she was fined $50,000 and barred from association with any NASD in any capacity. Without admitting or denying the allegations, Vaillancourt consented to the described sanctions and to the entry of findings that she created a letter to a public customer on her sales manager's stationery, signed her sales manager's signature on the letter, and mailed it to the customer without the sales manager's knowledge.

Stephen J. Wagner (Registered Representative, Aspen, Colorado) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined $100,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Wagner consented to the described sanctions and to the entry of findings that he obtained from life insurance policies owned by a public customer $705,000 in cash that he misused and/or mishandled.

Steve Dewitt Walker (Registered Representative, Dallas, Texas) was barred from association with any NASD member in any capacity. The NBCC imposed the sanction following review of a Dallas DBCC decision. The sanction was based on findings that Walker received assistance while taking the Series 7 exam by having in his possession notes and formulae pertaining to securities matters.

Jeffrey Weissman (Registered Principal, New York, New York) submitted an Offer of Settlement pursuant to which he was fined $200,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Weissman consented to the described sanctions and to the entry of findings that he sold 20 percent of a hot issue to individuals associated with the holding company for his member firm and began aftermarket trading of units and components before completion of the initial public offering distribution of the securities. The NASD determined that Weissman dominated and controlled the stock to the extent that there was no independent, active market for such securities, and charged excessive markups which ranged from 10.2 to 47.3 percent above the firm's contemporaneous costs and resulted in customer overcharges of $718,384.

Mark C. Whitver (Registered Representative, Dallas, Texas) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined $4,048.45 and suspended from recommending any transactions in penny stocks for one year. Without admitting or denying the allegations, Whitver consented to the described sanctions and to the entry of findings that he effected 10 transactions in a penny stock that amounted to approximately $19,286.25. The NASD found that, in connection with such transactions, Whitver failed to provide to each customer a document containing the information set forth in the penny stock risk disclosure document, disclose to each customer the inside bid and offer quotation and the number of shares to which the bids and offer applied, disclose to each customer the aggregate amount of compensation he received in connection with such transactions, and deliver to each customer a written suitability statement prepared in accordance with SEC Rule 15g-9.

Kenneth R. Winton (Registered Representative, Redding, California) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined $75,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Winton consented to the described sanctions and to the entry of findings that he effected the purchase of securities for the account of a public customer that was unsuitable based on her age and financial position. The findings also stated that Winton effected unapproved private securities transactions and engaged in undisclosed outside business activities.

James J. Woods, Jr. (Registered Representative, Richmond, Virginia) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined $10,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Woods consented to the described sanctions and to the entry of findings that he provided false information on a request for verification of deposit form and indicated that an individual had an account at his member firm at a time when the individual did not have such account. The findings also stated that Woods forged a branch manager's signature on this form, and during the NASD's investigation, Woods provided false information to the NASD.

Individuals Fined

Lawrence Gale Epstein (Registered Representative, Mercer Island, Washington) submitted an Offer of Settlement pursuant to which he was fined $25,000. Without admitting or denying the allegations, Epstein consented to the described sanction and to the entry of findings that he effected, or caused to be effected, securities transactions in the account of public customers without obtaining prior written discretionary authorization from the customers and without the acceptance of these accounts as discretionary by his member firm. The NASD also found that, in connection with the sale of notes to public customers, Epstein failed to disclose to the customers information that would have been material to their decision to invest. The findings also stated that Epstein recommended to public customers the purchase of securities without having reasonable grounds for believing such recommendations were suitable for the customers considering their other securities holdings and their financial situations, objectives, and needs.

Paul Douglas King (Registered Principal, Tustin, California) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined $17,000. Without admitting or denying the allegations, Talley consented to the described sanction and to the entry of findings that he participated in private securities transactions without having provided prior written notification to his member firm.

Richard W. Talley (Registered Principal, Santa Barbara, California) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined $17,000. Without admitting or denying the allegations, Talley consented to the described sanction and to the entry of findings that he participated in private securities transactions without having provided prior written notification to his member firm.

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

Benbrook Wheeler Securities, Inc., Houston, Texas
Paramount Investments International, Inc., Denver, Colorado
M. Rimson & Co., Inc., New York, New York

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

Cynthia J. Abruscato, Massapequa Park, New York
Phillip C. Bommarito, Albion, Michigan
Nicholas M. Diminico, Houston, Texas
David W. Dowse, Del Norte, Colorado
Craig F. Edelmann, Littleton, Colorado
Phillip W. Key, Jr., Greensboro, North Carolina
Byung Ki Kim, Scarsdale, New York
Klaus Langheinrich, Murray, Utah
Roger Allen Meyer, Wheaton, Illinois
Francis George Nenes, Jr., Glendale, Arizona
W. Buckner Ogilvie, Jr., Houston, Texas
Moshe Rimson, New York, New York

Firm Suspended Pursuant To Article VI, Section 2 Of The NASD Code Of Procedures For Failure To Pay An Arbitration Award

The date the suspension began is listed after each entry.

James W. Bullard, Jr. Inc. New York, New York (February 28, 1996 and March 7, 1996)

Individuals Whose Registrations Were Cancelled/Suspended Pursuant To Article VI, Section 2 Of The NASD Code Of Procedures For Failure To Pay An Arbitration Award

The date the suspensions began is listed after each entry.

James W. Bullard, Jr., New York, New York (March 7, 1996)
Peter Hart, New York, New York (March 12, 1996)
Steven Ropas, Staten Island, New York (February 28, 1996)
Timothy Lesley Thompson, Howell, New Jersey (February 28, 1996)
Lillian Vinci, Staten Island, New York (February 28, 1996)

NASD Fines Piper Jaffray Inc. $1.25 Million For Inadequate Disclosures And Improper Sales Practices

The NASD has taken disciplinary action and imposed a $1.25 million fine against **Piper Jaffray Inc.** in connection with the firm's marketing and sale of the Piper Jaffray Institutional Government Income Portfolio, a proprietary open-end mutual fund, managed by Piper Capital Management Inc., that contained volatile mortgage- backed derivatives. In addition to the fine, Piper Jaffray was censured and has undertaken to hire an independent consultant to review and make written recommendations with respect to the firm's practices and procedures relating to the sale of mutual funds.

Without admitting or denying the findings, Piper Jaffray consented to NASD findings that from 1991 to mid-1994 the firm, through its registered representatives, recommended and sold the Piper Jaffray Institutional Government Income Portfolio without adequately disclosing facts material to investors concerning the characteristics and safety of the fund. Piper Jaffray also failed to ensure that its advertising and sales literature provided adequate disclosure of the fund's changing nature, characteristics, and increased risk. As a result, Piper Jaffray's customers believed the fund was a safe, conservative investment and were not adequately informed that the fund's increased holdings in mortgage-backed derivatives and use of leverage also increased the risk. Piper Jaffray also recommended and sold the fund to customers for whom it was an unsuitable investment.

The disciplinary action was taken by the NASD Kansas City District Business Conduct Committee, following an investigation by the NASD Enforcement Department. The Minnesota Department of Commerce and the NASD Advertising Regulation Department also participated in the investigation.

The specific terms of Piper Jaffray's settlement require the firm to pay the NASD $1 million of the total $1.25 million fine within 30 days after this decision becomes final. The NASD has agreed to waive payment of up to $250,000 of the remaining fine, upon a satisfactory showing that the firm has paid at least that amount to the independent consultant for its review of the firm's overall practices and procedures concerning the sale of mutual funds, as well as any costs incurred in the implementation of the consultant's recommendations.

In imposing its sanctions against Piper Jaffray, the NASD considered that the firm and its affiliates have agreed to pay, as resolution of a class-action lawsuit brought on behalf of certain fund customers, $67 million in restitution to investors. Separately, Piper Jaffray has also allocated about $1.7 million for remedial steps to improve its supervisory and compliance procedures.

Minnesota Commerce Commissioner Dave B. Gruenes agreed that the collaborative efforts were greatly appreciated. "This cooperation helped to expedite the process and reduce the costs of the investigation," he said.

The Piper Jaffray Institutional Government Income Portfolio was introduced in 1988, with an investment objective of "high current income consistent with the preservation of capital." Initially, the fund consisted almost exclusively of U.S. Treasury notes and government agency mortgage pass-through securities. However, beginning in 1991, the fund increasingly invested in interest rate-sensitive mortgage-backed derivatives, including "interest only" securities ("IOs"), inverse IOs, "principal only" securities ("POs"), "inverse floaters," and accrual or Z-bonds. The investments in derivatives, when coupled with the fund's use of leverage, substantially increased both the fund's potential return and its risk. By September 1993, derivatives represented 51 percent of the market value of the portfolio and 77 percent of the fund's net assets, and leverage in the fund's portfolio exceeded 33 percent. From 1991 to 1993 the fund was consistently rated as the top performer in the Short-Term Government Funds category by a nationally recognized rating service, outperforming its closest competitor at one point by more than 500 basis points. For the year ending March 31, 1993, the fund's total return reached 21.7 percent, while its government fund category average, noted in the fund's sales literature, was only 9.1 percent.

During this same period, the risk of the fund also increased significantly. Notwithstanding this, Piper Jaffray continued to make recommendations that emphasized the fund's "No. 1" performance ranking, its Triple-A credit rating, the limitation of its holdings to government guaranteed securities, and its purported safe and conservative nature. However, Piper Jaffray failed to adequately disclose that the fund's increased holdings in volatile mortgage-backed derivatives and use of leverage significantly increased risk, as well as potential return. While the fund's composition and risk characteristics had changed dramatically over time, the firm failed to adequately convey the importance of those changes to investors in its marketing of the fund. Customers sustained significant, unanticipated losses when interest rates rose in early 1994 and there was a disruption in the market for certain of the fund's mortgage-backed derivatives.

Piper Jaffray also consented to the entry of findings, without admitting or denying, that certain advertising and sales materials for the fund failed to meet the NASD's standards. For example, sales literature compared the fund's performance to a chosen benchmark of three-to five-year U.S. Treasury securities and indicated a one-year return over the benchmark of as much as 900 basis points, but failed to identify the material differences and degree of safety between the composition of the fund's portfolio and the instruments that comprised the benchmark.

Piper Jaffray also consented to the entry of findings that the firm, through its registered representatives, recommended and sold the fund to customers for whom it was an unsuitable investment in light of the age, financial status, investment experience, and goals of the individual investor. For example, certain customers were unsophisticated investors, were risk averse, were of advanced age, or had other personal circumstances which made the fund an inappropriate investment. In addition, some customers invested all, or virtually all, of their liquid assets in the fund based on the firm's representations that it was a safe, conservative investment.

The NASD's District Business Conduct Committee (District 4), which considered this matter, is comprised of securities professionals from securities firms in Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, and South Dakota. The Committee is responsible for disciplining NASD member firms and associated individuals who violate the NASD Rules of Fair Practice.