

Notice To Members

National Association of Securities Dealers, Inc.

October 1991

Number 91-64

Suggested Routing:*

- | | | | |
|---|--|--|---|
| <input checked="" type="checkbox"/> Senior Management | <input checked="" type="checkbox"/> Internal Audit | <input checked="" type="checkbox"/> Operations | <input type="checkbox"/> Syndicate |
| <input type="checkbox"/> Corporate Finance | <input type="checkbox"/> Legal & Compliance | <input type="checkbox"/> Options | <input type="checkbox"/> Systems |
| <input type="checkbox"/> Government Securities | <input type="checkbox"/> Municipal | <input type="checkbox"/> Registration | <input checked="" type="checkbox"/> Trading |
| <input type="checkbox"/> Institutional | <input type="checkbox"/> Mutual Fund | <input type="checkbox"/> Research | <input type="checkbox"/> Training |

*These are suggested departments only. Others may be appropriate for your firm.

Subject: SOES Tier Levels to Change for 487 Issues on October 31, 1991

On June 30, 1988, the maximum Small Order Execution System (SOES) order size for all Nasdaq National Market System (Nasdaq/NMS) securities was established as follows:

- A 1,000-share maximum order size was applied to those Nasdaq/NMS securities that had an average daily nonblock volume of 3,000 shares or more a day, a bid price that was less than or equal to \$100, and three or more market makers.

- A 500-share maximum order size was applied to those Nasdaq/NMS securities that had an average daily nonblock volume of 1,000 shares or more a day, a bid price that was less than or equal to \$150, and two or more market makers.

- A 200-share maximum order size was applied to those Nasdaq/NMS securities that had an average daily nonblock volume of less than 1,000 shares a day, a bid price that was less than or equal to \$250, and less than two market makers.

These order-size tiers were set by the NASD after extensive research and polling of all Nasdaq/NMS market makers. The purpose of establishing these tiers was to provide public investors with the most efficient means of handling their small orders while ensuring that market makers were not required to assume unrealistic risks under the new mandatory SOES participation rules.

At the time of their establishment, the NASD Trading Committee and Board of Governors decided that the tier levels applicable to each security would be reviewed periodically to determine if the trading characteristics of the issue had changed so as to warrant a SOES tier-level move. Such a review was conducted as of June 28, 1991, using the aforementioned formula and second-quarter trading data. The results of this review were analyzed by the SOES Subcommittee and the NASD Trading Committee, which recommended that changes in SOES tier levels should be implemented per the formula calculation with the exception that an issue would not be permitted to move more than one level.

To further explain, if an issue previously was categorized in the 200-share tier, it would not be permitted to move to the 1,000-share tier even if the formula calculated that such a move was warranted. The issue could move only one level to the 500-share tier as a result of any single review. Likewise, a security previously assigned to the 1,000-share tier could move only to 500 shares, regardless of the formula calculation. During the most recent review, 27 issues were affected by this change. In adopting this policy, the Committee was attempting to minimize market-maker exposure on issues for which the tier level increased and to maintain adequate public investor access on issues for which the tier level decreased.

The committee also recognized that the formula used to assign the tier levels cannot always accurately reflect the trading characteristics for each issue. As such, market makers are reminded that the SOES Subcommittee will review on a case-by-case basis suggested tier-level changes if a significant number of market makers

in that issue believe such a change is warranted. For more information regarding this process, please contact Nasdaq Market Listing Qualifications at (202) 728-8039.

Following is a listing of the Nasdaq/NMS issues that will require a SOES tier-level change on October 31, 1991.

NASDAQ/NMS SOES CHANGES

All Issues in Alphabetical Order by Name

Symbol	Company Name	Old Tier Level	New Tier Level	Symbol	Company Name	Old Tier Level	New Tier Level
A				BTEK	BALTEK CORP	500	200
ACMTA	ACMAT CORP CL A	200	500	BCNJ	BANCORP NEW JERSEY	1000	500
AEPI	AEP INDS INC	500	1000	BOSP	BANK OF SAN PEDRO	500	200
ABRI	ABRAMS INDS INC	200	500	BOMA	BANKS OF MID-AMER	500	1000
ACLE	ACCEL INTL CORP	500	1000	VMLPZ	BANYAN MTGE LP UTS	1000	500
ADMG	ADVANCED MAGNETICS	500	1000	BPILF	BASIC PET INTL LTD	500	1000
ABCV	AFFILIATED BANC CORP	1000	500	BGAS	BERKSHIRE GAS CO	200	500
AORGB	ALLEN ORGAN CO CL B	200	500	BINC	BIOSPHERICS INC	500	1000
ABGA	ALLIED BANKSHARES	500	200	BOSA	BOSTON ACOUSTICS INC	500	1000
ASFN	ALLSTATE FINL CORP	500	1000	BRCOA	BRADY WH CO CL A	500	1000
AMBJ	AMER CITY BUS JOURNALS	1000	500	BTSB	BRAINTREE SAV BANK THE	500	200
AMCE	AMER CLAIMS EVAL	500	1000	BRDL	BRENDLE'S INC	1000	500
ACOL	AMER COLLOID CO	200	500	BRID	BRIDGFORD FOODS CORP	500	200
ANSY	AMER NURSERY PRODUCT	500	1000	BFCP	BROADWAY FIN	500	200
AMPH	AMER PHYSICIANS SVC	500	1000	BMTC	BRYN MAWR BANK CORP	200	500
RICEE	AMER RICE INC	1000	500	C			
AMWD	AMER WOODMARK CORP	200	500	CBTF	CB&T FINANCIAL CORP	200	500
ASBI	AMERIANA BANCORP	500	1000	CCNC	CCNB CORP	500	1000
AINVS	AMERIBANC INVEST SBI	1000	500	CERB	CERBCO INC	500	1000
ATAZX	AMERICA FRST TX 2 LP	500	1000	CNBE	CNB BANCSHARES INC	1000	500
AMTA	AMISTAR CORP	500	200	CPBI	CPB INC	1000	500
AMOS	AMOSKEAG CO	500	1000	CPSL	CSC INDS INC	1000	500
AMPI	AMPLICON INC	200	500	CSPI	CSP INC	1000	500
AATI	ANALYSIS TECHNOLOGY	500	1000	CAMP	CAL AMPLIFIER	500	1000
ARSD	ARABIAN SHIELD DEV	200	500	CRBI	CAL REP BANCORP INC	500	200
AGII	ARGONAUT GROUP INC	200	500	CWTR	CAL WATER SVC CO	500	1000
AFWY	ARKANSAS FREIGHTWAYS	500	1000	CGNEP	CALGENE INC PFD	500	1000
ARTW	ART'S-WAY MFG CO INC	200	500	CFHC	CALIFORNIA FIN HLDG	1000	500
ALOT	ASTRO-MED INC NEW	500	1000	CANX	CANNON EXPRESS	500	1000
ATKM	ATEK METALS CENTER	500	200	CSWC	CAPITAL SOUTHWEST CORP	1000	500
ATPC	ATHEY PRODUCTS CORP	1000	500	CATA	CAPITOL TRANSAMERICA	200	500
AAME	ATLANTIC AMER CORP	1000	500	CATY	CATHAY BANCORP INC	1000	500
ATTC	AUTO-TROL TECH	500	200	CDRGW	CEDAR GROUP WTS A	200	500
ADIE	AUTODIE CORP	500	1000	CELLW	CELL TECH INC WTS 92	200	500
B				CNCR	CENCOR INC	500	200
BGSS	BGS SYSTEMS INC	500	1000	CEBC	CENTENNIAL BANCORP	200	500
BHAGB	BHA GROUP INC CL B	1000	500	CEBK	CENTRAL CO-OP BANK	500	1000
BMJF	BMJ FINANCIAL CORP	1000	500	CJFC	CENTRAL JERSEY FINL	500	200
BMRG	BMR FIN GROUP INC	500	200	CSBC	CENTRAL SOUTHERN HLD	500	200
BNHB	BNH BNC SH INC	1000	500	CNBKA	CENTURY BANCORP CL A NV	1000	500
BTFC	BT FINANCIAL CORP	500	200	CHCR	CHANCELLOR CORP	500	200
BPMI	BADGER PAPER MILLS	200	500	CHTT	CHATTEM INC	200	500
BAIB	BAILEY CORP	200	500	CHER	CHERRY CORP	500	1000
BLCC	BALCHEM CORP	200	500	CINF	CINCINNATI FINANCIAL	1000	500
BWINB	BALDWIN LYONS CL B	200	500	CPCI	CIPRICO INC	500	1000
BPAO	BALDWIN PIANO ORGAN	500	1000	CINS	CIRCLE INCOME SHARES	1000	500

Notice to Members 91-64

Symbol	Company Name	Old Tier Level	New Tier Level	Symbol	Company Name	Old Tier Level	New Tier Level
CTRI	CLEVE TRUST REALTY SBI	500	200	FARA	FARADYNE ELECT CORP	500	1000
CLDRP	CLIFFS DRILLING PFD	200	500	FAHSP	FARM AND HOME PFD CL A	1000	500
COBK	CO-OP BANK CONCORD	1000	500	FEDF	FEDERATED BK S S B	200	500
COHO	COHO RESOURCES INC	1000	500	FSVA	FIDELITY SAV BANK	500	200
CFFS	COLUMBIA FIRST BANK	1000	500	FITC	FINANCIAL TRUST CORP	500	200
CCOA	COMCOA INC	200	500	FAMA	FIRST AMARILLO BANCORP	500	200
CBNB	COMMERCEBANCORP	500	1000	FAMRB	FIRST AMER FIN CORP CL B	500	1000
CBOCA	COMMERCIAL BANCORP COLO	500	200	FAMRA	FIRST AMER FINL CORP CL A	500	1000
CBNH	COMMUNITY BANKSHARES	500	200	FBII	FIRST BANC INDIANA	500	200
CBSI	COMMUNITY BANK SYSTEM	500	200	FCHT	FIRST CHATTANOOGA	1000	500
CBPA	COMMUNITY BANCORP INC	200	500	FCNCA	FIRST CITIZENS CL A	200	500
CIDN	COMPUTER IDENTICS CORP	500	1000	FCIT	FIRST CITIZENS FINL	500	200
CTLC	CONS-TOMOKA LAND	500	200	CITY	FIRST CITY BANCORP INC	500	200
CFINP	CONSUMERS FIN CORP PFD	500	200	FRFD	FIRST COMM BANCORP IL	200	500
CMETS	CONTL MORTGAGE EQUITY	500	1000	FCLR	FIRST COMMERCIAL L R	500	1000
CSTN	CORNERSTONE FIN CORP	1000	500	FSCB	FIRST COMMERCIAL BNCSH	200	500
COSC	COSMETIC CENTER,THE	500	1000	FFMY	FIRST FED S&L FT MYERS	1000	500
CSTR	COSTAR CORP	200	500	FLAG	FIRST FED SAV BANK LAG	500	200
CRR	COURIER CORP	200	500	FFPR	FIRST FED SAV BANK PR	1000	500
CRII	CREST INDS INC	500	1000	FFUT	FIRST FED SAV UTAH	500	1000
CMBK	CUMBERLAND FED BANCORP	1000	500	FFBC	FIRST FIN BANCORP OH	1000	500
CUNB	CUPERTINO NATL BANCORP	500	200	FFCH	FIRST FIN HLDG	1000	500
CYGN	CYGNUS THERAPEUTIC	200	500	FIBI	FIRST INTER BANCORP	500	1000
D				FLFC	FIRST LIBERTY FIN	1000	500
DLFI	DELPHI FINL GROUP CL A	500	200	FMSB	FIRST MUTUAL SAV BANK	500	200
DGAS	DELTA NATURAL GAS	200	500	MTCL	FIRST NATL BANK CORP	500	200
DCPI	DICK CLARK PROD INC	500	1000	FNPC	FIRST NATL PENN CORP	1000	500
DGIC	DONEGAL GROUP INC	500	200	FNYB	FIRST NY BUSINESS BANK	1000	500
DUCO	DURHAM CORP	500	1000	FOBBA	FIRST OAK BROOK CL A	200	500
DRCO	DYNAMICS RESEARCH CORP	1000	500	FABKN	FIRST OF AMER PFD E	500	1000
E				FSKY	FIRST SECURITY CORP KY	500	1000
EACO	EA ENGRG SCI TECH	500	1000	FSFI	FIRST STATE FINL SVC	1000	500
EROQ	ENVIROO CORP	500	1000	FBIC	FIRSTBANK OF IL CO	500	1000
ESBB	ESB BANCORP INC	500	200	FRST	FIRST TIER FINL INC	1000	500
EWAT	E TOWN CORP	500	1000	FLGLA	FLAGLER BANK CORP CL A	200	500
EDCO	EDISON CONTROL CORP	200	500	FLAEF	FLORIDA EMP INS CO	200	500
ELBTF	ELBIT COMPUTERS LTD	500	1000	FFPC	FLORIDA FIRST FED	1000	500
ELCN	ELCO INDS INC	500	1000	FOOT	FOOTHILL INDEPENDENT	1000	500
ELRC	ELECTRO RENT CORP	500	200	FKFD	FRANKFORD CORP THE	200	500
ETCIA	ELECTRONIC TELECOM CL A	500	1000	FSVB	FRANKLIN SAV BANK FSB	500	1000
EFSB	ELMWOOD FED SAV BANK	1000	500	FSVBW	FRANKLIN SAV BANK WTS	200	500
EMPI	EMPI INC	500	1000	FRML	FREYMILLER TRUCKING	200	500
ECGI	ENVIRONMNTL CONTROL	1000	500	G			
ERIE	ERIE LACKAWANNA	200	500	GWCC	GWC CORP	500	1000
ERLYE	ERLY INDUSTRIES INC	500	1000	GNDR	GANDER MOUNTAIN INC	500	1000
ESCA	ESCALADE INC	1000	500	GCCC	GEN COMPUTER CORP	500	1000
ESEX	ESSEX CORP	500	1000	GCOR	GENCOR INDS INC	500	200
EVGN	EVERGREEN BANCORP	500	1000	GENZW	GENZYME CORP WTS 94	500	1000
F				GEOX	GEONEX CORP	500	1000
FMFS	F AND M FINL SVC CORP	200	500	GLDC	GOLDEN ENTRPRS INC	500	1000
FDPC	FDP CORP	500	1000	GOOD	GOODY PRODUCTS INC	1000	500
FFFG	FFO FINL GROUP INC	1000	500	GSBI	GRANITE STATE BKSHS	500	200
FLSHP	FLS HLDGS CL A PFD	500	200	GBBS	GREAT BAY BANKSHARES	1000	500
FMCO	FMS FINANCIAL CORP	500	200	GFGC	GREAT FALLS GAS CO	200	500
FNBR	FNB ROCHESTER CORP	500	1000	GSBC	GREAT SOUTHERN BANCORP	500	1000
FRPP	FRP PROPERTIES INC	200	500	GSOE	GROUP 1 SOFTWARE INC	500	1000
FICI	FAIR ISAAC AND CO	200	500	GRIT	GRUBB & ELLIS REALTY	1000	500
FLOG	FALCON OIL & GAS CO	500	200	GULL	GULL LABS INC	500	1000
FMLY	FAMILY BANCORP	1000	500	H			
				HDRP	HDR POWER SYS INC	500	200

Notice to Members 91-64

Symbol	Company Name	Old Tier Level	New Tier Level	Symbol	Company Name	Old Tier Level	New Tier Level
HAKO	HAKO MINUTEMAN INC	200	500	LECT	LECTEC CORP	500	1000
HALL	HALL FIN GROUP INC	1000	500	LSCO	LESCO INC	500	1000
HBSI	HAMPTONS BANCSHARES	500	200	LNDL	LINDAL CEDAR HOMES	500	1000
HTHR	HAWTHORNE FINANCIAL	1000	500	LIND	LINDBERG CORP	500	1000
HTLD	HEARTLAND EXPRESS	500	1000	LICF	LONG ISLAND CITY FIN	1000	500
HCCO	HECTOR COMMUN CORP	500	200	LEIX	LOWRANCE ELECTRONICS	500	200
HEKN	HEEKIN CAN INC	500	1000	LUFK	LUFKIN INDS INC	200	500
HRLY	HERLEY INDS INC	500	1000				
HSBK	HIBERNIA SAV BANK THE	500	200	M			
HIWDF	HIGHWOOD RESOURCES	200	500	MKCO	M KAMENSTEIN INC	200	500
HFGA	HOME FED SAV BANK GA	200	500	MMIM	MMI MEDICAL INC	200	500
HFET	HOME FINANCIAL CORP	1000	500	MPSG	MPSI SYSTEMS INC	500	1000
HPBC	HOME PORT BANCORP INC	1000	500	MACD	MACDERMID INC	500	200
HTWN	HOMETOWN BANCORP INC	500	200	MGNL	MAGNA BANCORP INC	500	1000
HRZB	HORIZAN BANK (WA)	500	1000	MKTAY	MAKITA CORP SPN ADR S2	200	500
FAXM	HOTELECOPY INC	1000	500	MANA	MANATRON INC	500	200
HUFK	HUFFMAN KOOS INC	500	1000	MRCS	MARCUS CORP	1000	500
HYDE	HYDE ATHLETIC INDS	200	500	MRCC	MARK CONTROLS CORP NEW	1000	500
				MSAM	MARSAM PHARM INC	500	1000
I				MFLR	MAYFLOWER CO-OP BANK	500	200
IIVI	II-VI INC	1000	500	MCFE	MCFARLAND ENERGY INC	1000	500
IMGE	IMNET INC	500	1000	MTIX	MECHANICAL TECH INC	500	200
INRD	INRAD INC	200	500	MDIN	MEDALIST INDS	1000	500
IWCR	IWC RES CORP	500	1000	MDXR	MEDAR INC	500	1000
ILIOW	ILIO INC WTS 92	1000	500	MDCI	MEDICAL ACTION INDS	500	1000
INFS	IN FOCUS SYSTEMS INC	500	1000	MDEV	MEDICAL DEVICES	500	1000
INAC	INACOM CORP	200	500	MIGI	MERIDIAN INS GROUP INC	500	1000
INDB	INDEP BANK CORP MA	1000	500	METS	MET-COIL SYSTEMS CORP	1000	500
IBCP	INDEP BANK CORP MI	500	1000	MTRO	METRO-TEL CORP	200	500
INHO	INDEPENDENCE HLDG CO	1000	500	MSEA	METROPLTN FSL SEATTLE	500	1000
ITCC	INDUSTRIAL TRAINING	200	500	MIDC	MIDCONN BANK	1000	500
INSI	INFO SCIENCES INC	500	200	SHOEZ	MILLFELD TRADING WTS CL A	500	1000
IGLWF	INSITUFORM GROUP WTS 91	500	1000	SHOEW	MILLFELD TRADING WTS	1000	500
INSMA	INSITUFORM MID-AMER CL A	200	500	MILW	MILWAUKEE INS GROUP	200	500
INTL	INTER TEL INC	500	1000	MITSY	MITSUI AND CO ADR	500	200
ICAR	INTERCARGO CORP	200	500	MMDI	MOMENTUM DISTRIB	500	200
INPH	INTERPHASE CORP	500	1000	MAHI	MONARCH AVALON INC	500	200
INTP	INTERPOINT CORP	500	1000	MORP	MOORE PRODUCTS CO	500	200
INVS	INVESTORS SAVINGS CORP	500	1000	MORF	MOR-FLO INDS INC	500	1000
INVN	INVITRON CORP	1000	500	MTNR	MOUNTAINEER BKSHS WV	200	500
ISKO	ISCO INC	500	1000	MUEL	MUELLER PAUL CO	200	500
IYCOY	ITO-YOKADO CO ADR	500	200	LABL	MULTI-COLOR CORP	500	1000
J				N			
JGIN	JG INDUSTRIES INC	1000	500	NSCB	NBSC CORP	200	500
JKHY	JACK HENRY AND ASSOC	500	1000	NIPNY	NEC CORP ADR	1000	500
JBNK	JEFFERSON BKSHS VA	1000	500	NFSF	NFS FIN CORP	1000	500
JSBK	JOHNSTOWN SAV BANK FSB	500	200	NSSC	NSC CORPORATION	1000	500
				NWGI	NW GROUP INC	1000	500
K				NANO	NANOMETRICS INC	500	200
KCSG	KCS GROUP INC	200	500	NSSC	NAPCO SEC SYS INC	1000	500
KLLM	KLLM TRANSPORT SV	200	500	NCELW	NATIONWIDE CELL WTS	500	200
KSRI	KAISER STEEL RESOURCES	500	1000	NBAK	NATL BANCORP OF ALASKA	500	200
KHGI	KEYSTONE HERITAGE GROUP	200	500	NCBC	NATL COMMERCE BANCORP	500	1000
KOSS	KOSS CORP	500	200	NHMO	NATL HMO CORP	500	1000
KRUG	KRUG INTL CORP	1000	500	MBLA	NATL MERCANTILE BANCORP	1000	500
				NPBC	NATL PENN BCSHS INC	200	500
L				NWLIA	NATL WESTERN LIFE CL A	500	1000
LCSI	LCS INDS INC	500	200	NAVG	NAVIGATORS GROUP INC	500	1000
LXBK	LSB BANCSHARES NC	500	200	NALR	NAYLOR INDS INC	500	1000
LVMHY	LVMH MOET ADR	200	500	NHSL	NEW HORIZONS S&L	200	500
LDMK	LANDMARK BANK FOR SAV	200	500	NMSB	NEWMIL BANCORP	1000	500

Notice to Members 91-64

Symbol	Company Name	Old Tier Level	New Tier Level	Symbol	Company Name	Old Tier Level	New Tier Level
NEWE	NEWPORT ELECTRONICS	500	200	REED	REEDS JEWELERS INC	500	200
NNSL	NEWPORT NEWS SAV BANK	500	200	RFTN	REFLECTONE INC	500	1000
NIEX	NIAGARA EXCHANGE CORP	200	500	RGEQ	REGENCY EQUITIES CORP	500	200
NOLD	NOLAND CO	500	200	RBNC	REPUBLIC BANCORP INC	1000	500
NAMC	NORTH AMER NATL CORP	1000	500	PREV	REVERE FUND INC	1000	500
CBRYA	NORTHLAND CRANBERR CL A	200	500	RELL	RICHARDSON ELECT LTD	1000	500
NWIB	NORTHWEST IL BANCORP	500	200	RNRC	RIVERSIDE NATL BANK	200	500
NOVXM	NOVA PHARM CORP WTS C	500	1000	ROBC	ROBEC INC	1000	500
NOVXL	NOVA PHARM CORP WTS D	500	1000	RMUC	ROCKY MT UNDERGARMENT	1000	500
NUCM	NUCLEAR METALS INC	200	500	ROPK	ROPAK CORP	500	1000
NUCOL	NUCORP INC WTS BC 92	200	500	RPCH	ROSPATCH CORP	1000	500
NUCOW	NUCORP INC WTS C 93	200	500	RCDC	ROSS COSMETICS DIST	500	1000
NUVI	NUVISION INC	1000	500	ROTO	ROTO-ROOTER INC	200	500
				RBCO	RYAN BECK CO INC	1000	500
O				S			
OGLE	OGLEBAY NORTON CO	500	200	SCOM	SCS/COMPUTE INC	1000	500
OILC	OIL-DRI CORP OF AMER	500	1000	SDNB	SDNB FINANCIAL CORP	500	200
OLDB	OLD NATL BANCORP	1000	500	SJNB	S J N B FINANCIAL CORP	500	200
OSTNO	OLD STONE PFD B 2.40	200	500	SHRE	SAHARA RESORTS	500	200
OVWV	ONE VALLEY BANCORP W VA	500	1000	SHEF	SANDWICH CHEF INC	500	1000
OPTX	OPTEK TECH INC	1000	500	SWCB	SANDWICH CO-OP BANK	1000	500
OPTO	OPTO MECHANIK INC	500	1000	SAVO	SCHULTZ SAV-O STORES	200	500
GOSHB	OSHKOSH B'GOSH CL B	200	500	SIDY	SCIENCE DYNAMICS CORP	500	1000
OSHM	OSHMAN'S SPORTING	500	200	STIZ	SCIENTIFIC TECH INC	200	500
OCOMA	OUTLET COMMUN CL A	1000	500	SCOT	SCOTT AND STRINGFELLOW	500	200
				SHER	SCOTTISH HERITABLE	200	500
P				SBCFA	SEACOAST BKG CORP FL CL A	500	1000
PCAI	PCA INTL INC	500	1000	SFBM	SECURITY FED SAV BANK	200	500
PBSF	PACIFIC BANK N A	500	200	SFSL	SECURITY FED SAV CLEV	200	500
PISC	PACIFIC INTL SVC CORP	1000	500	SFGI	SECURITY FINL GROUP INC	200	500
PBCI	PAMRAPO BANCORP INC	1000	500	SSLN	SECURITY INVESTMENT	1000	500
PNTC	PANATECH RESCH DEVL P	500	1000	SENE	SENECA FOODS CORP	500	200
PRLX	PARLEX CORP	500	200	SNCO	SENSOR CONTROL CORP	500	200
PENT	PENN ENTRPR INC	500	1000	SHOP	SHOPSMITH INC	1000	500
PTAC	PENN TREATY AMER CORP	1000	500	SETBS	SIERRA RL EST 83 SBI	500	200
PNTAP	PENTAIR INC PFD 87	200	500	SETC	SIERRA RL EST TR 84	1000	500
PFDC	PEOPLES BANCORP	200	500	SMET	SIMETCO INC	500	1000
PBKB	PEOPLES SAV BANK BRKTN	1000	500	SMTK	SIMTEK CORP	500	1000
PBNB	PEOPLES SAV FINL CORP	500	200	SMTKW	SIMTEK CORP WTS 96	500	1000
PTRO	PETROMINERALS CORP	1000	500	SKYW	SKYWEST INC	500	1000
PETT	PETTIBONE CORP	500	200	SMGS	SOUTHEASTERN MI GAS	500	1000
PMSV	PHARMACY MGMT SVC	500	1000	SWTR	SOUTHERN CA WATER CO	500	1000
PSBN	PIONEER BANCORP INC	1000	500	SMIN	SOUTHERN MINERAL CORP	500	200
POEA	POE AND ASSOC INC	500	1000	TXMX	SOUTHWEST CAFES INC	1000	500
PFLY	POLIFLY FINL CORP	1000	500	SVRN	SOVEREIGN BANCORP	500	1000
PNDR	PONDER INDS INC	500	1000	SPAN	SPAN-AMERICA MED SYS	500	1000
PSSP	PRICE STERN SLOAN	1000	500	SPEK	SPEC'S MUSIC INC	1000	500
PMBS	PRIME BANCSHARES	1000	500	SWVA	STEEL WEST VIRGINIA	500	200
PRCY	PROCYTE CORP	500	1000	STLG	STERLING BANCSHARES	1000	500
PRFT	PROFFITT'S INC	200	500	SISC	STEWART INFO SVCS CORP	1000	500
PRGR	PROGROUP INC	200	500	STUA	STUART ENTERTAINMENT	500	1000
PECN	PUBLISHERS EQUIP CORP	1000	500	SFCP	SUFFIELD FIN CORP	1000	500
PLTZ	PULITZER PUBLISHING	500	1000	SUBK	SUFFOLK BANCORP	500	200
PULS	PULSE BANCORP INC	500	200	SMMT	SUMMIT SAVINGS BANK	500	1000
PTNM	PUTNAM TRUST CO	500	200	SNRU	SUNAIR ELECTRONICS	500	200
				SCSL	SUNCOAST S&L ASSOC	1000	500
R				SUPX	SUPERTEX INC	500	1000
ROPS	RASTEROPS	500	1000	SUSQ	SUSQUEHANNA BC SHS	500	1000
RATNY	RATNERS GROUP ADR	1000	500	SYMX	SYMIX SYSTEMS INC	200	500
RATNZ	RATNERS GROUP PREF ADR	500	1000				
RDGCA	READING CO CL A	1000	500				
RECP	RECEPTECH CORP CALL	1000	500				

Notice to Members 91-64

Symbol	Company Name	Old Tier Level	New Tier Level	Symbol	Company Name	Old Tier Level	New Tier Level
T				V			
TVXTF	TVX GOLD INC	1000	500	VALY	VALLICORP HLDGS INC	500	1000
TDCX	TECHNOLOGY DEV CORP	500	1000	VALU	VALUE LINE INC	200	500
TCOMB	TELE-COMMUN INC CL B	200	500	VCRE	VARI-CARE INC	500	1000
TCOMR	TELE-COMMUN INC RTS	1000	500	VTEX	VERTEX COMMUN CORP	500	1000
TLMD	TELEMUNDO GROUP INC	1000	500	VICR	VICOR CORP	500	1000
TMTX	TEMTEX INDS INC	500	200	VICT	VICTORIA BKSHS	1000	500
TFLX	TERMIFLEX CORP	200	500	W			
TCSFY	THOMSON CSF ADR	200	500	WLRF	WLR FOODS INC	500	1000
TAVI	THORN APPLE VALLEY	500	1000	WSMP	WSMP INC	500	200
TMBS	TIMBERLINE SOFTWARE	1000	500	WALB	WALBRO CORP	500	1000
TKIOY	TOKIO MARINE ADR	1000	500	WALS	WALSHIRE ASSURANCE	200	500
TCTC	TOMPKINS COUNTY TR	500	200	WRNB	WARREN BANCORP INC	500	1000
TRGL	TOREADOR ROYALTY CORP	500	1000	WFSB	WASHINGTON FED SAV VA	500	200
TRNS	TRANSMATION INC	1000	500	WATFZ	WATERFORD PLC ADR UTS	1000	500
TRST	TRUSTCO BANK CORP NY	200	500	WHOO	WATERHOUSE INVESTOR	500	1000
TRMK	TRUSTMARK CORP	500	1000	WTRS	WATERS INSTRUMENTS	200	500
TUCK	TUCKER DRILLING CO	500	1000	WAVR	WAVERLY INC	500	1000
TUES	TUESDAY MORNING INC	500	1000	WGNR	WEGENER CORP	1000	500
U				WLPI	WELLINGTON LEISURE	500	200
UNRIW	UNR INDS INC WTS	500	1000	WSBC	WESBANCO INC	200	500
UNMAA	UNI-MARTS INC CL A	1000	500	WSBK	WESTERN BANK OREGON	200	500
UNAM	UNICO AMERICAN CORP	500	1000	WSTM	WESTERN MICRO TECH	1000	500
UNFR	UNIFORCE TEMP PERSNL	500	1000	WTPR	WETTERAU PROPERTIES	200	500
UBSI	UNITED BKSHS INC	1000	500	WMSI	WILLIAMS INDS INC	500	1000
UFCS	UNITED FIRE & CASUALTY	200	500	WDHD	WOODHEAD INDS INC	500	1000
BNKS	UNITED NM FIN CORP	500	1000	WCHI	WORKINGMENS CAP HLDG	1000	500
UNEWY	UNITED NEWSPAPER ADR	500	200	WRKB	WORKMEN'S BANCORP	500	200
UBMT	UNITED SAV BANK F A MT	200	500	Z			
UTVI	UNITED TELEVISION	1000	500	ZEUS	ZEUS COMPONENTS INC	200	500
UHCOW	UNIV HLDG CORP WTS 93	500	200	ZIGO	ZYGO CORP	200	500
UHCO	UNIV HOLDING CORP	1000	500				

Notice To Members

National Association of Securities Dealers, Inc.

October 1991

Number 91-65

Suggested Routing:*

- | | | | |
|--|--|--|---|
| <input type="checkbox"/> Senior Management | <input checked="" type="checkbox"/> Internal Audit | <input checked="" type="checkbox"/> Operations | <input checked="" type="checkbox"/> Syndicate |
| <input type="checkbox"/> Corporate Finance | <input checked="" type="checkbox"/> Legal & Compliance | <input type="checkbox"/> Options | <input checked="" type="checkbox"/> Systems |
| <input type="checkbox"/> Government Securities | <input checked="" type="checkbox"/> Municipal | <input type="checkbox"/> Registration | <input checked="" type="checkbox"/> Trading |
| <input type="checkbox"/> Institutional | <input type="checkbox"/> Mutual Fund | <input type="checkbox"/> Research | <input type="checkbox"/> Training |

*These are suggested departments only. Others may be appropriate for your firm.

Subject: Veteran's Day and Thanksgiving Day — Trade Date-Settlement Date Schedule

The schedule of trade dates-settlement dates below reflects the observance by the financial community of Veteran's Day, Monday, November 11, 1991, and Thanksgiving Day, Thursday, November 28, 1991. On Monday, November 11, the Nasdaq system and the exchange markets will be open for trading. However, it will not be a settlement date because many of the nation's banking institutions will be closed in observance of Veteran's Day. All securities markets will be closed on Thursday, November 28, in observance of Thanksgiving Day.

Trade Date	Settlement Date	Reg. T Date*
Oct. 31	Nov. 7	Nov. 11
Nov. 1	8	12
4	12	13
5	13	14
6	14	15
7	15	18
8	18	19
11	18	20
12	19	21
20	27	Dec. 2
21	29	3
22	Dec. 2	4
25	3	5
26	4	6
27	5	9
28	Markets Closed	—
29	6	10

Note: November 11, 1991, is considered a business day for receiving customers' payments under Regulation T of the Federal Reserve Board.

Transactions made on November 11 will be combined with transactions made on the previous business day, November 8, for settlement on November 18. Securities will not be quoted ex-dividend, and settlements, marks to the market, reclamations, and buy-ins and sell-outs, as provided in the Uniform Practice Code, will not be made and/or exercised on November 11.

Brokers, dealers, and municipal securities dealers should use these settlement dates for purposes of clearing and settling transactions pursuant to the NASD Uniform Practice Code and Municipal Securities Rulemaking Board Rule G-12 on Uniform Practice.

Questions regarding the application of these settlement dates to a particular situation may be directed to the NASD Uniform Practice Department at (212) 858-4341.

*Pursuant to Sections 220.8(b)(1) and (4) of Regulation T of the Federal Reserve Board, a broker/dealer must promptly cancel or otherwise liquidate a customer purchase transaction in a cash account if full payment is not received within seven (7) business days of the date of purchase or, pursuant to Section 220.8(d)(1), make application to extend the time period specified. The date by which members must take such action is shown in the column entitled "Reg. T Date."

Notice To Members

National Association of Securities Dealers, Inc.

October 1991

Number 91-66

Suggested Routing:*

- | | | | |
|--|--|--|---|
| <input type="checkbox"/> Senior Management | <input checked="" type="checkbox"/> Internal Audit | <input checked="" type="checkbox"/> Operations | <input type="checkbox"/> Syndicate |
| <input type="checkbox"/> Corporate Finance | <input type="checkbox"/> Legal & Compliance | <input type="checkbox"/> Options | <input checked="" type="checkbox"/> Systems |
| <input type="checkbox"/> Government Securities | <input type="checkbox"/> Municipal | <input type="checkbox"/> Registration | <input checked="" type="checkbox"/> Trading |
| <input type="checkbox"/> Institutional | <input type="checkbox"/> Mutual Fund | <input type="checkbox"/> Research | <input type="checkbox"/> Training |

*These are suggested departments only. Others may be appropriate for your firm.

Subject: Nasdaq National Market System (Nasdaq/NMS) Additions, Changes, and Deletions As of September 25, 1991

As of September 25, 1991, the following 29 issues joined Nasdaq/NMS, bringing the total number of issues to 2,611:

Symbol	Company	Entry Date	SOES Execution Level
VANS	Vans, Inc.	8/23/91	1000
EZPW	EZCORP, Inc. (Cl A)	8/27/91	1000
MGICF	Magic Software Enterprises Ltd.	8/28/91	1000
CESH	CE Software Holdings, Inc.	9/3/91	1000
CESHW	CE Software Holdings, Inc. (Wts)	9/3/91	1000
CGOL	Charter Golf, Inc.	9/3/91	1000
ENSA	Environmental Services of America, Inc.	9/3/91	1000
MIKE	Michaels Stores, Inc.	9/3/91	1000
MAIC	Mutual Assurance, Inc.	9/4/91	1000
CMNT	Computer Network Technology Corporation	9/11/91	1000
POPS	National Beverage Corp.	9/13/91	500
TRED	Treadco, Inc.	9/13/91	1000
AMRC	American Recreation Centers, Inc.	9/17/91	1000
ELMD	Electromedics, Inc.	9/17/91	1000
IDPH	IDEC Pharmaceuticals Corporation	9/17/91	1000
ZOOMF	Zoom Telephonics, Inc.	9/17/91	1000
ASFT	Artisoft, Inc.	9/20/91	1000
GTSI	Government Technology Services, Inc.	9/20/91	1000
HOLO	HoloPak Technologies, Inc.	9/20/91	1000
NPRS	Newpark Resources, Inc.	9/20/91	1000
SEPR	Sepracor, Inc.	9/20/91	1000
TSCC	Technology Solutions Company	9/20/91	1000
BONT	Bon-Ton Stores, Inc. (The)	9/24/91	1000
CPRO	CellPro, Incorporated	9/24/91	1000

Symbol	Company	Entry Date	SOES Execution Level
GENIW	Genetics Institute, Inc. (Wts)	9/24/91	200
SCGN	SciGenics, Inc.	9/24/91	200
SUPR	Super Rite Corporation	9/24/91	500
DNAPP	DNA Plant Technology Corporation (Pfd)	9/25/91	500
MBLYA	Mobley Environmental Services, Inc. (Cl A)	9/25/91	1000

Nasdaq/NMS Symbol and/or Name Changes

The following changes to the list of Nasdaq/NMS securities occurred since August 22, 1991:

New/Old Symbol	New/Old Security	Date of Change
WILM/WILM	Wilmington Trust Corporation/Wilmington Trust Company	8/23/91
FSVB/FSVB	Franklin Bank, National Association/Franklin Savings Bank, F.S.B.	9/3/91
FSVBP/FSVBP	Franklin Bank, National Association (Pfd)/Franklin Savings Bank, F.S.B. (Pfd)	9/3/91
FSVBW/FSVBW	Franklin Bank, National Association (Wts)/Franklin Savings Bank, F.S.B. (Wts)	9/3/91
RCHF/RCHFA	Richfood Holdings, Inc./Richfood Holdings, Inc. (Cl A)	9/4/91
ELBTF/ELBTF	Elbit Ltd./Elbit Computers Ltd.	9/5/91

Nasdaq/NMS Deletions

Symbol	Security	Date
CBCT	Cenvest, Inc.	8/23/91
MRGOE	Margo Nursery Farms, Inc.	8/23/91
WGHT	Weigh-Tronix, Inc.	8/23/91
CEUMF	Centurion Gold Ltd.	8/26/91
USPMF	U.S. Precious Metals, Inc.	8/26/91
HMSD	Homestead Holding Corporation	8/28/91
DMNG	Damon Group Inc.	8/29/91
INVN	Invitron Corporation	9/3/91
HILO	Hi-Lo Automotive, Inc.	9/9/91
INTR	Intermec Corporation	9/10/91
SFCP	Suffield Financial Corporation	9/11/91
DETA	Del Taco Restaurants, Inc.	9/12/91
TWEN	20th Century Industries	9/16/91
GSCC	Graphic Scanning Corp.	9/18/91
ECTL	Elcotel, Inc.	9/19/91
LDMK	Landmark Bank for Savings	9/19/91
ZEGL	Ziegler Company, Inc. (The)	9/20/91
SCGNZ	SciGenics, Inc. (Paired Cert.)	9/24/91

Questions regarding this notice should be directed to Kit Milholland, Senior Analyst, Market Listing Qualifications, at (202) 728-8281. Questions pertaining to trade reporting rules should be directed to Bernard Thompson, Assistant Director, NASD Market Surveillance, at (301) 590-6436.

Board Briefs

National Association of Securities Dealers, Inc.

October 1991

Actions Taken by the NASD Board of Governors in September

■ **President's Message** — The NASD on September 16 distributed a letter to the executive representatives of all NASD member firms and to the chief executive officers of the 150 largest member firms calling on them to reinforce the commitment of their firms and their associated persons to the principles of self-regulation.

The letter said it is up to "every NASD member to reaffirm its commitment to observing the highest standards of professional and ethical conduct and to following just and equitable principles of trade. Since responsibility for compliance begins with securities firms themselves, every member should undertake a comprehensive review of its internal compliance programs to be absolutely certain they are effective. If deficiencies are detected, they must be corrected promptly.

"In addition, each of us should personally scrutinize our daily activities, making certain that self-interest or the interests of the firm do not stand in the way of our mandate to serve the investing public fairly.

"In spite of recent events, U.S. securities markets continue to be the fairest, most visible, and best regulated in the world. Self-regulation has helped make them so. The process works — but it can work better. We must demonstrate that self-regulation is effective at detecting and deterring wrongdoing. If we fail, we stand to lose the trust and confidence of our most valuable asset — the investor."

In a recent national ad sponsored by Dow Jones & Co. and appearing in the *Wall Street Journal* as part of its Series of Candid Discussions with America's Financial Leaders, NASD President and Chief Executive Officer Joseph R. Hardiman called on the securities industry to reaffirm its commitment to "the principles that are the foundation of self-regulation and have successfully guided the NASD and its members for more than 50 years.

"The U.S. scheme of self-regulation is well es-

tablished — it works, it is responsive to change and it is constantly being improved through the active participation of industry professionals."

To help it achieve its goals of becoming the pre-eminent self-regulator in the securities industry and operator of quality electronic securities markets, the NASD relies heavily on strategic planning, which involves the Board of Governors, the Long Range Planning Committee, and the staff. Their most recent efforts have resulted in the 1992-1994 NASD Strategic Plan, which the Board has reviewed and approved. This plan is basically a road map to help identify the key strategic issues facing our organization and industry, set our goals and objectives, and develop action plans to carry them out.

■ **Business Conduct Matters** — The Board approved an amendment to the NASD's recent rule proposal regarding the retention of jurisdiction. The proposal, on file with the SEC, essentially codifies procedures now used by the NASD in processing terminations of associated persons and cancellations and revocations of member firms. As originally filed, the rule proposal would place an indefinite "hold" on the terminations of associated persons. The amendment approved by the Board for filing with the SEC would extend the jurisdictional limit from one to two years (not indefinitely) from the date of the filing of a Form U-5 or any amendment to the Form U-5 filed within the two-year period.

As a result of action taken by the Board, the NASD will cancel the membership of firms classified as inactive direct participation program members. These cancellations will not become effective until December 31, 1991, to permit members contesting the cancellation decision to have an opportunity for a hearing under the NASD's eligibility procedures.

■ **Arbitration Issues** — Pending SEC approval, persons requesting adjournment of an arbitration hearing would have to deposit a fee along

with the request. The fee, refundable if the request is denied, would equal the initial deposit of hearing session fees for the first adjournment and twice the initial deposit, not to exceed \$1,000, for the second and any subsequent requests. The Director of Arbitration may waive the fee for certain reasons, such as financial hardship.

■ **Market Operation Issues** — The Board announced its support of a proposal to require disclosure of significant short-sale interest. If adopted, the proposal would require any person who directly or in concert with others shorts more than 5 percent of any class of equity securities to send to the issuer of the security, the SEC, and each market where the issue trades, within 10 days of crossing the 5 percent threshold, a statement containing the information required on a designated schedule. Market makers would be exempt from the reporting requirements if the short sale occurs in the ordinary course of business, while others would be exempt if the short sale is part of a bona fide arbitrage transaction.

The Board adopted for filing with the SEC a proposal to provide nonquantitative designation criteria for limited partnerships that list on the Nasdaq National Market System (Nasdaq/NMS). The proposed criteria relate to the distribution of annual and interim reports; election of independent directors to the board of a required corporate general partner; formation of an audit committee; requirements for shareholder meetings, including the obligation for a quorum; and the solicitation of proxies.

As authorized by the Board, members soon will receive a *Notice to Members* reminding them of their responsibilities to comply with certain rules, interpretations, and federal securities laws when participating in the secondary market for direct participation programs. Specifically, the notice will clarify application of the NASD's Mark-Up Policy, filing requirements for advertising and sales literature, suitability requirements, Schedule H reporting requirements, and issues regarding best price and execution for customers.

In addition, the Board authorized formation of an ad hoc committee composed of members of the Direct Participation Programs/Real Estate Committee and the Uniform Practice Committee to study the area of clearance and settlement as it relates to partnership securities. This group's task is to develop recommendations for a uniform system

of transfers and settlements for the partnership industry to address the problem of inefficient and untimely transfer of partnership interests between members, between members and customers, and on the books of partnerships.

■ **Business Practice Developments** — The NASD will submit to the members for comment a proposal to rescind the Guidelines Regarding Communications with the Public About Investment Companies and Variable Contracts (Guidelines) and incorporate certain items from the Guidelines into Article III, Section 35 of the NASD Rules of Fair Practice. In 1979, the SEC rescinded the Statement of Policy that, for many years, had governed the content of advertising and sales literature used in the sale of investment company shares. To provide guidance to members in the preparation of such communications with the public, the NASD developed the Guidelines, which were adopted in 1982.

Subsequent SEC rule amendments have rendered much of the Guidelines' content obsolete. Thus, the NASD is proposing to rescind the Guidelines and to retain three sections (claims of tax-free or tax-exempt returns, comparisons, and the prohibition on projections of performance) in Article III, Section 35, which governs communications with the public.

● The NASD will soon file for SEC approval several changes to Section 65 of the Uniform Practice Code adopting close-out and sell-out procedures for certain types of instruments in the transfer of customer accounts. Since adoption of this section in February 1986, the NASD has worked with industry groups to keep the rule current with industry practice.

Various industry groups have expressed concern that the account reversal process is being improperly used in connection with certain nontransferable assets. To address this problem, the proposed changes would include additional types of nontransferable assets and clarify the members' responsibility in reversing transfers of such assets and in notifying the customer.

● Another concern addressed by the proposals relates to the members' responsibility to promptly distribute assets that accrue to the customer's account after the initial transfer has been completed (i.e., dividends, bond interest, etc.). As amended, the section would require prompt transfer of such assets.

Finally, the proposal would establish new procedures to close out and sell out fails in instruments without established close-out procedures. These include, among others, CATS (Certificates of Accrual on Treasury Securities), TIGRS (Treasury Investment Growth Receipts), and limited partnerships. The lack of rules in this area has caused these instruments to remain outstanding for extended periods of time and prevented accounts carrying such fails from being completely transferred.

Another Board-approved amendment to be filed with the SEC would establish a procedure for using a Letter of Liability for index warrants and other similar instruments. These index warrants create unique operational problems for members because they can be exercised at any time and do not provide for a post-expiration guarantee period for the buyer to deliver the physical certificates.

Because the decision to exercise these instruments is based on the performance of an index, currency, or other benchmark, the buyer's exercise notice can occur at any time and will not be delayed. Under current liability rules, the buyer has no protection. As a counter to this, the NASD has developed a proposal for the initiation of a Liability Notice for these types of instruments. The proposal establishes time frames for originating and retransmitting Liability Notices (with sample

forms), includes language advising that the Liability Notice may be canceled only by mutual consent, and cautions members to retain documentation relating to exercise requests.

The Board also granted approval to a Uniform Practice Code change for filing with the SEC that addresses "when, as and if issued/distributed" contracts. The provisions of the proposed amendment address confirmations, accrued interest, marks to market, margin requirements, deposit requests, segregation of funds, contract settlement, and cancellation.

Another section of the proposal sets forth the limited basis on which the NASD would cancel "when issued" contracts. The new rule would require cancellation of contracts if the securities are not to be distributed or issued. The proposal would also provide that contracts generally be canceled if the securities are not substantially the same as those contemplated but not be canceled if the terms of the security are not materially changed.

- Members will have the opportunity to vote on a proposal regarding cash and noncash compensation received by members from offerors in connection with the sale of investment company and variable contract securities. The proposed amendments, approved by the Board, would revise, simplify, and add a recordkeeping requirement to Article III, Sections 26 and 29.

Disciplinary Actions

National Association of Securities Dealers, Inc.

October 1991

Disciplinary Actions Reported for October

The NASD is taking disciplinary actions against the following firms and individuals for violations of the NASD Rules of Fair Practice; securities laws, rules, and regulations; and the rules of the Municipal Securities Rulemaking Board. Unless otherwise indicated, suspensions will begin with the opening of business on Monday, October 21, 1991. The information relating to matters contained in this notice is current as of the fifth of this month. Information received subsequent to the fifth is not reflected in this publication.

FIRMS EXPELLED

Allied Capital Group, Inc. (Denver, Colorado) was expelled from membership in the NASD. The sanction was based on findings that the firm failed to pay arbitration awards totaling \$36,368.

FIRMS EXPELLED, INDIVIDUALS SANCTIONED

Boucher, Oehmke and Co., Inc. (Tucson, Arizona), **Bryce E. Boucher (Registered Principal, Tucson, Arizona)**, and **Donald E. Oehmke (Registered Principal, Tucson, Arizona)** submitted an Offer of Settlement pursuant to which the firm was expelled from membership in the NASD. In addition, Boucher and Oehmke were each fined \$150,000 and barred from association with any member of the NASD 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 Boucher and Oehmke, caused advertisements and sales literature that contained misleading statements to be disseminated to the public. According to the findings, the firm, acting through Boucher and Oehmke, failed to maintain adequate written supervisory procedures, to evidence supervision of all transactions effected by the firm, and to abide by the provisions of the firm's restriction agreement with the NASD. The findings also stated that the firm, acting through Boucher and Oehmke, effected principal transactions with customers at unfair and unreasonable prices.

Moreover, the NASD found that Boucher and Oehmke sold unregistered securities to public customers through an unregistered broker/dealer and,

in connection with the sale of securities, made material misrepresentations and failed to disclose material information to customers.

The NASD also determined that Boucher and Oehmke failed to comply with the provisions of Schedule E of the NASD By-Laws in that they effected the merger of a member firm with a non-member firm. In addition, the findings stated that Boucher and Oehmke participated in a scheme to defraud a customer and misused the customer's funds, failed to maintain accurate books and records, and failed to supervise the activities of a registered representative properly. Boucher and Oehmke also failed to respond to NASD requests for information.

First Investment Securities, Inc. (Little Rock, Arkansas), **First State Investments, Inc.** (Little Rock, Arkansas), **William F. Smith (Registered Principal, Little Rock, Arkansas)**, **Arthur Boutiette (Associated Person, Little Rock, Arkansas)**, **Robert C. Goodwin (Registered Principal, Sherwood, Arkansas)**, **Richard M. Brucki (Registered Principal, Tallahassee, Florida)**, and **Gerald E. Smith (Registered Principal, Little Rock, Arkansas)**. First Investment was fined \$75,000, and First State was fined \$25,000. In addition, both firms were expelled from membership in the NASD.

The other respondents submitted an Offer of Settlement pursuant to which William Smith was fined \$15,000, suspended from association with any member of the NASD in any principal capacity for five years, suspended in any capacity for two months, and required to requalify as a general securities principal. Boutiette was suspended from asso-

ciation with any member of the NASD in any capacity for six months, and Brucki was suspended from association with any member of the NASD as a financial and operations principal for six months. Goodwin was suspended from association with any member of the NASD as a financial and operations principal for six months and required to requalify by examination as a financial and operations principal. In addition, Gerald Smith was fined \$5,000, suspended from association with any member of the NASD in any principal capacity for one year, suspended in any capacity for one week, and required to requalify by examination as a general securities principal.

Without admitting or denying the allegations, William Smith, Boutiette, Goodwin, Brucki, and Gerald Smith consented to the described sanctions and to the entry of findings that, in connection with a consulting agreement and management agreement, the two firms, acting through William Smith, Goodwin, Brucki, and Gerald Smith, improperly made payments to nonregistered broker/dealers and to a nonregistered person who was barred by the Securities and Exchange Commission (SEC) from association with any broker/dealer. The NASD also found that the firms, acting through William Smith, Brucki, and Gerald Smith, failed to register an individual as a general securities representative and a general securities principal with the NASD and failed to disclose to the NASD that he was a barred individual who continued to be associated with the firms.

According to the findings, both firms, acting through William Smith, Gerald Smith, and Brucki, failed to register Boutiette as a principal with the NASD. In addition, First Investment, acting through William Smith and Goodwin, failed to disclose to the NASD that monies deposited in its special reserve bank account did not belong to the firm and that the firm was borrowing/using money from employees to fund its reserve account, the findings stated. Furthermore, First Investment, acting through Goodwin and Brucki, failed to compute accurately the amount required to be deposited in the Special Reserve Bank Account for the Exclusive Benefit of Customers, make the required deposit in the account, immediately notify the SEC and the NASD by telegram of its failure to make the deposit, and confirm promptly thereafter such notification in writing, the NASD found. Also, the NASD determined that William Smith,

Goodwin and Brucki improperly removed principal and interest payables from its balance sheet, reported these monies as income, and failed to record the journal entry for this reclassification in a timely manner.

Intercontinental Brokerage Corp. (Los Angeles, California), Walter U. Zipfel (Associated Person, Woodland Hills, California), and Lutz K.W. Pilling (Associated Person, Dusseldorf, West Germany). The firm was fined \$100,000 and expelled from membership in the NASD. In addition, Zipfel, and Pilling were each fined \$100,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that the firm, Zipfel, and Pilling formed a scheme to effect transactions in a common stock by means of manipulative, deceptive, and other fraudulent devices. Specifically, these transactions involved no change in beneficial ownership (wash trades), and purchase and sale orders were entered for the stock while knowing that contra orders of substantially the same size and price had been entered (matched trades). In furtherance of the scheme, the respondents effected a series of transactions in the same stock, creating actual or apparent active trading, by raising or decreasing the price of the security for the purpose of inducing others to purchase or sell the stock.

FIRMS AND INDIVIDUALS FINED

GMI Securities, Inc. (Orem, Utah) and Gary L. Leavitt (Registered Principal, Orem, Utah) were fined \$11,000, jointly and severally. The sanction was based on findings that the firm, acting through Leavitt, failed to file its annual audit report on the required date and failed to obtain an extension of the filing requirement. Furthermore, the firm, acting through Leavitt, continued to conduct a securities business when the firm was suspended from membership in the NASD.

Peterson Financial Corporation (Excelsior, Minnesota) and Robert S.C. Peterson (Registered Principal, Excelsior, Minnesota) submitted an Offer of Settlement pursuant to which they were fined \$10,000, jointly and severally. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Robert Peterson, effected principal transactions with customers at prices that were unfair and unreasonable.

FIRMS FINED, INDIVIDUALS SANCTIONED

Allied Capital Group, Inc. (Denver, Colorado) and **Shahin Rezazadeh (Registered Representative, Brooklyn, New York)**. The firm was fined \$15,000. Rezazadeh was fined \$10,000, suspended from association with any member of the NASD in any capacity for 10 business days, and required to requalify by examination as a general securities representative. The sanctions were imposed by the NASD's Board of Governors following an appeal of a decision by the District Business Conduct Committee (DBCC) for District 10. The sanctions were based on findings that Rezazadeh executed unauthorized transactions in the accounts of public customers. Also, the firm failed to establish and implement supervisory procedures and to designate a manager in its office where Rezazadeh was employed.

Great Lakes Equities Co. (Farmington Hills, Michigan), **G. Reynolds Sims (Registered Principal, Birmingham, Michigan)**, and **Eric R. Bryen (Registered Principal, Birmingham, Michigan)** were fined \$200,000, jointly and severally. In addition, Sims and Bryen were each suspended from association with any member of the NASD in any capacity for 60 days, and Sims was required to requalify by examination as a financial and operations principal.

The sanctions were imposed by the NASD's Board of Governors following an appeal of a decision by the DBCC for District 8. The sanctions were based on findings that the firm, acting through Sims and Bryen, effected securities transactions when it failed to maintain its required minimum net capital. In addition, the firm, acting through Sims and Bryen, prepared inaccurate net capital computations, filed inaccurate FOCUS Parts I and IIA reports, and failed to file its audited report on a timely basis. Furthermore, the firm, acting through Sims and Bryen, effected, as principal, sales of common stock to customers at unfair and unreasonable prices taking into consideration all relevant circumstances, including the fact that the firm was not a market maker in such stocks.

Great Lakes, acting through Bryen, failed to demonstrate that it had complied with representations made to the NASD in a membership continuance application concerning how a statutorily disqualified person would be supervised.

National Securities Corp. (Seattle, Washington), **Jeffrey Joel Pritchard (Registered Princi-**

pal, Bainbridge Island, Washington), and **Douglas Frank Gass (Registered Representative, Massapequa, New York)**. The firm was fined \$15,000 and required to file all advertisements with the NASD's advertising department for one year. Pritchard was fined \$10,000, and Gass was fined \$5,000 and suspended from association with any member of the NASD as a registered representative for two weeks.

The sanctions were based on findings that Gass made misleading, exaggerated, and unwarranted statements and omitted material facts in regard to six public radio broadcasts. In connection with such conduct, the firm, acting through Pritchard, failed to establish adequate written supervisory procedures or otherwise failed to supervise the activities of Gass. Moreover, Gass failed to state adequately, on advertisements and his office sign, the name of his member firm. Instead, he used the name "Douglas Gass and Associates."

Furthermore, the firm, acting through Pritchard, failed to approve the aforementioned advertisements prior to their use and failed to obtain and retain tape recordings of radio broadcasts made by Gass.

FIRMS FINED

Best Investors Group, Inc. (Hauppauge, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which the firm was fined \$20,000 and required to make an offer of rescission to public customers. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that, in connection with transactions in designated securities, the firm failed to approve customers' accounts prior to the execution of transactions, deliver to the customers a written statement setting forth a reasonable determination for suitability, and obtain the written agreement setting forth the identity and quantity of the designated securities to be purchased. In addition, the NASD found that the firm failed to maintain, establish, and enforce its supervisory procedures.

Blount, Parrish & Roton, Inc. (Montgomery, Alabama) and **Prudential-Bache Securities, Inc. (New York, New York)** submitted Offers of Settlement pursuant to which Blount, Parrish was fined \$150,000 and Prudential-Bache was fined \$90,000. Without admitting or denying the allegations, the respondents consented to the described

sanctions and to the entry of findings that they failed to exercise sufficient due diligence in connection with the offering and reoffering of an insured municipal bond issue.

INDIVIDUALS BARRED OR SUSPENDED

Thomas Vincent Ackerly (Registered Principal, Glen Ridge, New Jersey) was fined \$30,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Ackerly failed to comply with NASD requirements in that a qualified independent underwriter failed to either assess the adequacy of the price offered to all shareholders or conduct due diligence pursuant to a merger that resulted in public ownership of a member firm. Ackerly also failed to respond to NASD requests for information.

Michael D. Barber (Registered Representative, Aurora, Colorado) was fined \$50,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Barber effected 48 unauthorized transactions in customer accounts.

In addition, Barber falsified his firm's books and records to reflect deposits into five customer accounts when, in fact, no funds were actually deposited. Barber also failed to amend his Uniform Application for Securities Industry Registration (Form U-4) to disclose the circumstances of his termination from a member firm or the NASD's investigation of these circumstances. Furthermore, Barber failed to respond to NASD requests for information.

James David Barry (Registered Representative, Medford, Oregon) was fined \$14,000 and suspended from association with any member of the NASD in any capacity for five business days. In addition, Barry must requalify by examination in any capacity requiring registration prior to associating with any NASD member firm. The sanctions were based on findings that Barry exercised discretion in a customer's account without obtaining prior written discretionary trading authority from the customer and without written acceptance of the account as discretionary by his member firm.

James Arthur Bikson (Registered Principal, Kansas City, Missouri) and **Albert Edward Hyer, Jr. (Registered Principal, Mission Hills, Kansas)** submitted Offers of Settlement pursuant to which Hyer was fined \$50,000 and Bikson was

barred from association with any member of the NASD as a principal. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that a member firm, acting through Hyer and Bikson, conducted a securities business while failing to maintain its required minimum net capital and failed to prepare its books and records in an accurate manner.

According to the findings, Bikson failed to comply with the NASD's qualification requirements in that he performed duties for his member firm without proper registration as a financial and operations principal. In addition, the NASD found that Hyer, on behalf of his member firm, failed to supervise adequately the activities of certain individuals.

Thomas Patrick Cronin (Registered Representative, Purchase, New York) was fined \$226,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Cronin solicited and received \$106,000 from a public customer by indicating that the funds would be placed in a sound and profitable investment. Instead, Cronin converted the monies to his own use and benefit.

Furthermore, Cronin presented the same customer's son with a check for \$115,000, in purported repayment of the \$106,000, that was returned unpaid due to insufficient funds. Cronin also signed an undated release captioned "Loan Repayment" on his firm's letterhead with a subheading naming his firm as a division of an NASD member without the authorization of the member firm. In addition, Cronin failed to respond to NASD requests for information.

Dennis P. Crowley (Registered Principal, New Orleans, Louisiana) was fined \$20,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Crowley exercised discretionary power in the account of a public customer without receiving prior written authorization to exercise discretion from the customer and acceptance of the account as discretionary by his member firm. Crowley also failed to follow instructions given by the same customer concerning the customer's account and failed to respond to NASD requests for information.

Rick L. Diffenderfer (Registered Represent-

tative, Addison, New York) was fined \$20,000 and barred from association with any member of the NASD in any capacity. The sanctions were imposed by the NASD's Board of Governors following an appeal of a decision by the DBCC for District 11. The sanctions were based on findings that Diffenderfer withheld and misappropriated to his own use and benefit \$274.41 received from a public customer as payment on an insurance policy without the knowledge or consent of his member firm or the customer.

Robert F. Durr, Jr. (Registered Representative, Zachary, Louisiana) and **Charles L. King, Jr. (Registered Representative, Zachary, Louisiana)** each were fined \$20,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Durr and King received checks totaling \$14,925 from public customers for investment purposes that they converted to their own use without the knowledge or consent of the customers.

Thomas M. Ellis (Registered Representative, Columbus, Ohio) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$100,000 and barred from association with any member of the NASD in any capacity. Without admitting or denying the allegations, Ellis consented to the described sanctions and to the entry of findings that he misappropriated \$160,570.76 from several public customers.

Samuel W. Evans (Registered Representative, Ft. Collins, Colorado) was fined \$70,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Evans effected 23 unauthorized transactions in customer accounts and failed to respond to NASD requests for information.

Charles W. Eye (Registered Representative, Huntsville, Alabama) was fined \$18,500 and suspended from association with any member of the NASD in any capacity for 30 days. The sanctions were imposed following a review by the SEC of an action taken by the NASD's Board of Governors. The sanctions were based on findings that Eye recommended that a public customer purchase and sell certain securities, and make use of margin in certain of the transactions, when he knew or should have known that the recommendations were not suitable in light of the customer's previous trading experience, investment objectives, and financial resources. In addition, Eye executed, or caused

to be executed, securities purchase and sale transactions in the same account without the customer's prior authorization, knowledge, or consent.

Andrew R. Foster (Registered Representative, Greensboro, North Carolina) was fined \$5,000 and suspended from association with any member of the NASD in any capacity for six months retroactive to January 2, 1991. The sanctions were imposed by the NASD's Board of Governors following an appeal of a decision by the DBCC for District 9. The sanctions were based on findings that Foster falsified certain customer documents to reflect that customers made higher contributions to their retirement plans than were actually made by the customers.

Thomas Wolverton Gaul (Registered Representative, Ft. Collins, Colorado) was fined \$50,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Gaul effected unauthorized transactions in three customer accounts. In addition, he failed to follow a customer's instructions to sell stock and provided the customer with false quotes on a security in order to conceal the true price and the amount of unrealized loss sustained by the customer. Moreover, Gaul made misrepresentations of material facts to the same customer and failed to respond to NASD requests for information in a timely manner.

Richard D. Gilson (Registered Principal, Golden, Colorado) was fined \$25,000 and barred from association with any member of the NASD in any principal capacity. The sanctions were based on findings that a former member firm, acting through Gilson, accepted 12 customer orders to sell shares of a common stock but failed to execute the orders. Furthermore, the firm, acting through Gilson, caused non-bona fide quotations in the same stock to be published in the National Quotation Bureau's "Pink Sheets." In addition, Gilson and the firm failed to disclose on 25 customer confirmations that the firm was under common control with the issuer of the securities purchased or sold.

Jimmy Dean Hinds (Registered Representative, Tuscaloosa, Alabama) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$20,000 and barred from association with any member of the NASD in any capacity. Without admitting or denying the allegations, Hinds consented to the described sanctions and to the entry of findings that he received

\$3,800 from a public customer as payment on an insurance premium and converted the monies to his own use without the knowledge or consent of the customer.

Paul W. Jones (Registered Representative, Salt Lake City, Utah) submitted an Offer of Settlement pursuant to which he was fined \$7,500 and barred from association with any member of the NASD in any capacity. Without admitting or denying the allegations, Jones consented to the described sanctions and to the entry of findings that he shared in the profits and losses in customer accounts without obtaining prior written authorization from his member firm. He also exercised discretion in customer accounts without obtaining prior written discretionary trading authority or acceptance in writing by his member firm, according to the findings.

The NASD determined that Jones used the accounts of four public customers for executing his personal transactions without notifying his member firm. Furthermore, the findings stated that he issued three checks totaling \$6,620 to his member firm to pay for the securities purchased, but the checks were returned because of insufficient funds or because the account was closed. The NASD also found that Jones sold securities from his personal account prior to making payment in full for the securities, in contravention of Regulation T of the Federal Reserve Board.

Frederick Earl Jury (Registered Principal, Fort Worth, Texas) and **Lynn Dale Vautrain (Registered Principal, Fort Worth, Texas)**. Jury was fined \$50,000 and barred from association with any member of the NASD in any capacity. Vautrain was fined \$5,000, suspended from association with any member of the NASD in a supervisory capacity for one year, and required to requalify by examination as a general securities principal. The sanctions were imposed by the NASD's Board of Governors following an appeal of a decision by the DBCC for District 6.

The sanctions were based on findings that, in connection with the offer and sale of securities in a limited partnership to four investors, Jury utilized fraudulent and deceptive devices, along with misstatements and omissions of material facts. In addition, Vautrain failed to supervise properly the activities of Jury to assure compliance with the representations made in the limited partnership's private placement memorandum.

Mark Albert Kristic (Registered Representative, Salt Lake City, Utah) was fined \$25,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Kristic executed unauthorized transactions in a public customer's account.

Audrey Weathers Landrum (Registered Representative, Memphis, Tennessee) was fined \$20,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Landrum executed unauthorized mutual fund transactions and an unauthorized liquidation of a certificate of deposit in the accounts of public customers. Landrum also recommended and executed the sale of various mutual funds and the purchase of other mutual funds with similar investment goals in the accounts of public customers without having reasonable grounds for believing that these mutual fund switches were suitable for the customers, resulting in excessive trading in the customers' accounts.

Landrum sent written correspondence to public customers without obtaining prior approval from her member firm. She also purchased mutual funds on margin in the account of public customers without having reasonable grounds for believing such recommendations were suitable in view of the customers' financial situation, investment experience, and investment objectives. Furthermore, Landrum recommended and executed the purchase of shares in two similar mutual funds in a public customer's account and failed to disclose to the customer prior to the investment her rights of accumulation and the availability of a breakpoint (a purchase amount that would permit the customer to buy at a reduced load commission rate) offered by one of the funds.

Also, in an attempt to conceal unauthorized transactions, Landrum deposited \$602.29 in the account of a public customer without the knowledge or consent of the customer or her member firm. In addition, Landrum failed to respond to NASD requests for information.

Raymond Lenga (Registered Representative, Glen Este, Ohio) was fined \$25,000 and barred from association with any member of the NASD in any capacity. The sanctions were imposed by the NASD's Board of Governors following an appeal of a decision by the DBCC for District 8. The sanctions were based on findings

that Lenga failed to enter an order for a customer and attempted to hide the error by falsifying his member firm's books and records. In addition, Lenga failed to respond to NASD requests for information.

Roy Anthony Lightner (Registered Representative, Houston, Texas) was fined \$10,000 and suspended from association with any member of the NASD in any capacity for five days. The sanctions were imposed by the NASD's Board of Governors on review of a decision by the DBCC for District 6. The sanctions were based on findings that Lightner effected four transactions in the account of a public customer without the knowledge or consent of the customer.

Patricia Byrne Mulcahy (Registered Representative, Tampa, Florida) was fined \$12,560, suspended from association with any member of the NASD in any capacity for 30 days, and required to make restitution of \$2,012.50 to customers. The sanctions were based on findings that Mulcahy made recommendations to two public customers without having reasonable grounds for believing that the recommendations were suitable for the customers based on their other securities holdings, financial situations, and needs. Mulcahy also recommended the purchase of a promissory note to one of the two customers without providing prior written notice to her member firm.

Robert S. Parenteau, Sr. (Registered Representative, Mobile, Alabama) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$5,000 and barred from association with any member of the NASD in any capacity. Without admitting or denying the allegations, Parenteau consented to the described sanctions and to the entry of findings that, in order to achieve a minimum production level, Parenteau submitted three applications for life insurance and one application for the purchase of a variable annuity contract to his member firm when he knew that the applicants listed did not exist.

William M. Putz (Registered Representative, Albuquerque, New Mexico) submitted an Offer of Settlement pursuant to which he was fined \$5,000 and barred from association with any member of the NASD in any capacity. Without admitting or denying the allegations, Putz consented to the described sanctions and to the entry of findings that he failed to amend a Uniform Application for Securities Industry Registration or Transfer (Form

U-4) to disclose disciplinary action.

Alan M. Ralsky (Registered Representative, West Bloomfield, Michigan), Archie Hudson, Jr. (Registered Principal, DeWitt, Michigan), and Larry L. Conn (Registered Representative, East Lansing, Michigan). Ralsky was fined \$85,000, Hudson was fined \$30,000, and Conn was fined \$40,000. In addition, they were barred from association with any member of the NASD in any capacity. The sanctions were imposed by the NASD's Board of Governors following an appeal of a decision by the DBCC for District 8.

The sanctions were based on findings that Ralsky, Hudson, and Conn participated in the offer and sale of securities to public customers and failed to give written notice to their member firms of their intention to engage in such activities. In addition, they failed to respond to NASD requests for information.

Trevor Carol Roberts (Registered Principal, Burlingame, California) was fined \$25,000 and barred from association with any member of the NASD in any capacity until the NASD determines that he has satisfied all of the DBCC's existing investigatory requests. The sanctions were imposed by the NASD's Board of Governors following an appeal of a decision by the DBCC for District 1. The sanctions were based on findings that Roberts failed to respond to NASD requests for books and records.

Benito Armando Silva (Registered Representative, Houston, Texas) was fined \$10,000 and suspended from association with any member of the NASD in any capacity for 30 days. The sanctions were imposed by the NASD's Board of Governors on review of a decision by the DBCC for District 6. The sanctions were based on findings that Silva purchased and sold shares of common stock in the account of public customers without the knowledge or consent of the customers.

Robert L. Sullivan (Registered Representative, Kenner, Louisiana) was fined \$20,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Sullivan failed to follow a customer's instructions and executed an unauthorized transaction in the customer's account. In addition, Sullivan failed to respond to an NASD request for information.

Paul Richard Tosch, Jr. (Registered Repre-

sentative, Kent, Washington) was fined \$51,550 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Tosch misappropriated, endorsed, and negotiated two company checks totaling \$1,552.08 purportedly signed by his member firm's operations manager, when, in fact, the signature was a forgery. Tosch also failed to respond to NASD requests for information.

Martin I. Tucker (Registered Principal, Lauderdale Lakes, Florida) submitted Offers of Settlement pursuant to which he was fined \$6,000, suspended for 30 business days in all capacities, barred from association with any member of the NASD in any principal capacity, and barred from association with any member of the NASD in any capacity with the right to reapply after two years. Without admitting or denying the allegations, Tucker consented to the described sanctions and to the entry of findings that a member firm, acting through Tucker, effected principal transactions in over-the-counter corporate securities with public customers at prices that were unfair.

Arthur W. Weisberg (Registered Representative, Mount Kisco, New York) was fined \$10,000 and suspended from association with any member of the NASD in any capacity for five days. The sanctions were imposed following a review by the SEC of an action taken by the NASD's Board of Governors. The sanctions were based on findings that Weisberg sold municipal bonds from the inventory of his member firm to individuals associated with another firm at prices that were unfair and detrimental to his firm in relation to prevailing market conditions.

Molly Carol Wilson (Registered Representative, Bellevue, Washington) was fined \$90,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that, without a customer's knowledge or consent, Wilson caused funds totaling \$38,654.70 to be transferred by wire from the customer's account to a bank account the customer did not control. Wilson also failed to respond to NASD requests for information.

Calvin Lee Word (Registered Representative, Roswell, Georgia) was fined \$25,000 and barred from association with any member of the NASD in any capacity. The sanctions were imposed by the NASD's Board of Governors following an appeal of a decision by the DBCC for

District 7. The sanctions were based on findings that Word fraudulently induced a public customer to purchase shares of common stocks by representing, without factual basis, that the market value of the stocks would triple or quadruple.

Furthermore, Word recommended to the same customer the purchase of certain speculative, low-priced stocks without having reasonable grounds for believing that the recommendations were suitable for the customer. In addition, Word failed to respond to an NASD request for information.

Ali Reza Zenhari (Registered Representative, Englewood, Colorado) was fined \$15,000 and suspended from association with any member of the NASD in any capacity for 30 days. In addition, he must requalify by examination before becoming associated with any member of the NASD. The sanctions were based on findings that Zenhari executed two unauthorized transactions in the account of a public customer.

INDIVIDUALS FINED

Ira Tobin Distenfield (Registered Principal, Solvang, California) submitted an Offer of Settlement pursuant to which he was fined \$15,000. Without admitting or denying the allegations, Distenfield consented to the described sanction and to the entry of findings that he engaged in the sale of units of limited partnership interests to public customers while failing to provide prior written notification of such sales to his member firm.

FIRMS EXPELLED FOR FAILURE TO PAY FINES AND COSTS IN CONNECTION WITH VIOLATIONS

Americorp Securities, Incorporated, Bellevue, Washington

Cooper-Daher Securities, Incorporated, San Francisco, California

Sacks Investment Company, Incorporated, Novato, California

FIRMS SUSPENDED

The following firms were suspended from membership in the NASD for failure to comply with formal written requests to submit financial information to the NASD. The actions were based on the provisions of Article IV, Section 5 of the NASD Rules of Fair Practice and Article VII, Section 2 of the NASD By-Laws. The date the suspen-

sion commenced is listed after each entry. If the firm has complied with the request for information, the listing also includes the date the suspension concluded.

Amerdream Securities Corporation, Kula, Hawaii (September 5, 1991)

Beare Brothers & Co., Inc., San Mateo, California (September 5, 1991)

De Laoreal, Munroe Securities, New York, New York (September 5, 1991)

C. G. Lopp Securities, Inc., New York, New York (September 5, 1991)

Noble Financial Corporation, Los Angeles, California (September 5, 1991)

Arch W. Roberts & Co., St. Petersburg, Florida (September 5, 1991)

Southeastern Capital Group, Inc., Orlando, Florida (September 13, 1991)

Statewide Discount Brokerage, Inc., Toms River, New Jersey (September 5, 1991)

Stratford Securities, Inc., West Caldwell, New Jersey (September 5, 1991)

Trend Securities, Inc., San Antonio, Texas (September 5, 1991)

United Asian Securities Corporation, Flushing, New York (September 5, 1991)

SUSPENSIONS LIFTED

The NASD has lifted suspensions from membership on the dates shown for the following firms, since they have complied with formal written requests to submit financial information.

Capital Fusion Group, Inc., Buffalo, New York (September 6, 1991)

Devonshire Financial Corp., Champaign, Illinois (August 26, 1991)

Dove Securities, Inc., Waco, Texas (September 16, 1991)

First Jefferson Securities, Inc., Englewood, Colorado (August 26, 1991)

The Fortress Capital, Boston, Massachusetts (August 26, 1991)

Lycon Capital Corporation, Sherman Oaks, California (September 6, 1991)

INDIVIDUALS WHOSE REGISTRATIONS WERE REVOKED FOR FAILURE TO PAY FINES AND COSTS IN CONNECTION WITH VIOLATIONS

Ronald F. Beck, Sr., Denver, Colorado

Larry P. Blinder, Englewood, Colorado

Thomas J. Boyle, Pompano Beach, Florida

Anthony P. Delvecchio, Woodbridge, New Jersey

Toni E. Fightmaster, Salt Lake City, Utah

Richard D. Gilson, Golden, Colorado

Philip Gurian, Boca Raton, Florida

Carlos H. Hoover, Colorado Springs,

Colorado

Tibor Z. Katona, Milwaukee, Wisconsin

Allen G. Koehler, Palm Harbor, Florida

Lester M. Langdon, Bellaire, Texas

Monte N. Mortensen, Spokane, Washington

Raymond A. Nasta, Upper Montclair, New Jersey

John W. Pike, Denver, Colorado

Murray Rosenthal, Levittown, New York

Gene W. Rutkowski, Lyons, Illinois

Richard L. Sacks, Novato, California

John S. Woy, San Anselmo, California

NASD EXPELS FITZGERALD, DeARMAN & ROBERTS, INC., SUSPENDS ITS PRINCIPAL, AND IMPOSES FINES FOR ENGAGING IN FRAUDULENT PRACTICES INVOLVING GOVERNMENT, UTILITY, AND CORPORATE BONDS

The NASD has taken disciplinary action against Fitzgerald, DeArman & Roberts, Inc., of Tulsa, Oklahoma; Larry Dale Harrison, the firm's compliance officer and principal in Tulsa; and Eric Linton Witherow, a registered representative in its Irvine, California branch office.

Pursuant to the NASD Board of Governors' decision, Fitzgerald, DeArman & Roberts, Inc., was expelled from membership in the NASD; Larry Dale Harrison was fined \$50,000 and suspended from association with any member of the NASD in all capacities for 90 days; and Eric Linton Witherow was fined \$30,000.

The sanctions were imposed by the NASD Board of Governors following an appeal of a decision by the DBCC for the San Francisco district. The allegations of misconduct were based on findings that, on two separate occasions, the firm, acting through Harrison and Witherow, engaged in a fraudulent pricing scheme known as "adjusted trading" involving government securities.

Specifically, respondents purchased U.S. Treasury bonds, utility bonds, and corporate bonds at prices not reasonably related to the then-current market from a public customer, and thereafter sold Federal National Mortgage Association and Student Loan Marketing Association zero coupon

Disciplinary Actions

bonds to the same customer at inflated prices substantially above the then-prevailing market.

As a result, the respondents were found to have violated Section 17(a) of the Securities Act of 1933, Section 10(b) of the Securities Exchange Act

of 1934, and SEC Rule 10b-5 promulgated thereunder, which are federal regulations that, in general, prohibit the use of any manipulative or deceptive device or scheme in the purchase or sale of any security.

Notice To Members

National Association of Securities Dealers, Inc.

October 1991

NASD Hosts Securities Conference in Arizona Next Month

NASD Districts 1, 2, 3, 4, and 6 will sponsor a securities conference at the Registry Resort in Scottsdale, Arizona on November 21-23. The program includes general sessions on the economic outlook for the securities industry, staying competitive, and media coverage of the markets. Workshop topics include advertising, arbitration, branch office compliance, compliance and supervision issues, District Business Conduct Committee issues, financial and operational concerns, financial planners and insurance broker/dealers, investment companies, markups, qualifications, and securities regulation. There will also be a special training session for NASD arbitrators.

Speakers at the meeting include NASD President and Chief Executive Officer Joseph R. Hardi-

man, Securities Investor Protection Corporation President Theodore H. Focht, Assistant U.S. Treasury Secretary for Economic Policy Sidney Jones, SEC Assistant Director for Compliance and Financial Responsibilities Michael A. Macchiaroli, and McDonald & Company Securities President (and NASD Chairman) William B. Summers, Jr.

Conference registration is limited and costs \$295 per person. A 10 percent early registration discount is available through October 21. Registration for the arbitration session only is \$90 per person. To request a conference brochure, please fax your name, firm, and address to Elisabeth Owen at (202) 728-6952. For additional information, call her at (202) 728-8005.

Alaska, Puerto Rico Increase Broker/Dealer, Agent Registration Fees

Effective September 8, 1991, Texas boosted its broker/dealer and agent fees. The broker/dealer renewal fee jumped from \$75 to \$200. The agent registration and transfer fees increased from \$50 and \$10, respectively, to \$75 each, while the agent renewal fee rose from \$30 to \$75.

Effective August 28, 1991, Puerto Rico increased its agent registration, transfer, and renewal fees from \$25 to \$150.

If you have any questions regarding these changes, call NASD Information Services at (301) 590-6500.

Tap Into Our Resources

NASD and Nasdaq Publications for Sale

The NASD publishes many valuable educational and informational materials. These comprehensive references and newsletters contain handy, concise, and up-to-date information about matters directly affecting your day-to-day business activities. Here are some of the publications currently available.

1991 Nasdaq Fact Book & Company Directory.* This book includes statistical information and historical data on market and individual security performance for all Nasdaq stock market companies as well as their securities' symbols, industry codes, addresses, media and investor relations contacts, and telephone numbers. (232 pages) **\$15.**

Compliance Check List. This book provides basic guidelines for securities firms to follow in evaluating their operational and compliance needs. Divided into two parts: Main Office Compliance and Branch Office. (20 pages) **\$25.**

Nasdaq/CQS Symbol Directory.* This book lists Nasdaq securities; market makers with their symbols; names and symbols of exchange-listed securities included in the Consolidated Quotation Service and available on Nasdaq Level 2/3 terminals; and information on the Nasdaq/London link. (Updated twice a year; 88 pages) **\$10.**

NASD Manual. This soft-cover edition includes a list of members, the NASD's By-Laws, Rules of Fair Practice, Code of Procedure and Uniform Practice Code, and pertinent SEC and Federal Reserve Board rules. (Updated once a year in September; about 1,200 pages) **\$15.**

NASD Guide to Rule Interpretations (Net Capital, Customer Protection Rules). This guide contains NASD interpretations of the SEC's Net Capital Rule (15c3-1) and Customer Protection Rule (15c3-3). Each interpretation has been distilled from one or more of the following sources: letters from the SEC Division of Market Regulation to the NASD; letters from the SEC to other self-regulatory organizations; letters from the SEC to attorneys, accountants, NASD members, and other parties; and discussions between self-regulatory organizations and the SEC. (1989. 85 pages) **\$25.**

The Nasdaq Handbook. In this hardcover book, corporate executives, scholars, consultants, journalists, and investment professionals profile Nasdaq market investors, provide an overview of Nasdaq companies, and analyze trends in The Nasdaq Stock Market'sSM liquidity, economic efficiency, trading characteristics, and market technology. (1987. 577 pages) **\$24.95.**

SUBSCRIPTIONS

Full-Service Subscription. Members and others interested in the NASD and The Nasdaq Stock MarketSM can take advantage of belonging to our Subscription service. Subscribers receive the *NASD Annual Report*, *NASD Notices to Members*, *Nasdaq Fact Book & Company Directory*, *Nasdaq/CQS Symbol Directory*, *NASD Guide to Information and Services*, *NASD Regulatory & Compliance Alert*, *Subscriber Bulletin*, and *special studies and reports*. **\$350 annually.**

NASD Notices to Members.* A monthly compendium informing members about regulatory and other NASD developments, including actions taken at bi-monthly Board of Governors meetings. Requests for member votes and comments are disseminated through *Notices to Members*. **\$200 annually.**

NASD Regulatory & Compliance Alert.* Quarterly newsletter dealing with NASD, federal, and state compliance developments and updates on NASD regulatory policy. **\$80 annually.**

Subscriber Bulletin.* Bi-monthly newsletter covering developments in The Nasdaq Stock MarketSM with emphasis on new trading technologies and regulations and enhancements to Nasdaq services. **\$80 annually.**

*These publications also are available through the Full-Service Subscription, which consists of several publications and costs **\$350 per year.**

To order, complete and mail this form with a check or money order, payable to the National Association of Securities Dealers, Inc., to **NASD, Book Order Department, P.O. Box 9403, Gaithersburg, MD 20898-9403.** NO REFUNDS. All prices are subject to change.

Please send me the item(s) checked above. I have enclosed a check or money order for \$ _____.

Name _____

Firm Name _____

Address _____

City _____ State _____ ZIP _____

Phone (_____) _____

Notice To Members

National Association of Securities Dealers, Inc.

October 16, 1991

Number 91-67

Suggested Routing:*

- | | | | |
|---|--|---------------------------------------|---|
| <input checked="" type="checkbox"/> Senior Management | <input checked="" type="checkbox"/> Internal Audit | <input type="checkbox"/> Operations | <input checked="" type="checkbox"/> Syndicate |
| <input type="checkbox"/> Corporate Finance | <input checked="" type="checkbox"/> Legal & Compliance | <input type="checkbox"/> Options | <input checked="" type="checkbox"/> Systems |
| <input type="checkbox"/> Government Securities | <input type="checkbox"/> Municipal | <input type="checkbox"/> Registration | <input checked="" type="checkbox"/> Trading |
| <input type="checkbox"/> Institutional | <input type="checkbox"/> Mutual Fund | <input type="checkbox"/> Research | <input checked="" type="checkbox"/> Training |

*These are suggested departments only. Others may be appropriate for your firm.

Subject: SEC Approves Rules to Curb SOES Abuse

EXECUTIVE SUMMARY

On October 10, 1991, the Securities and Exchange Commission (SEC) unanimously approved four changes to the Small Order Execution System (SOES) operated by NASD Market Services, Inc. for Nasdaq securities. Currently, NASD rules prohibit members from using SOES to enter orders on behalf of a "professional trading account." Two new rules expand the definition of a professional trading account to include criteria such as excessive frequency of short-term trading and excessive short selling through SOES and also establish

that executing either one or both sides of a day trade through SOES may be deemed professional use. These new rules are effective immediately.

Additionally, the SEC approved two operating modifications to SOES: market makers will have approximately 15 seconds to update their quotations following an execution as well as the ability to accept preferencing on a firm-by-firm basis. These modifications are scheduled to be implemented November 18, 1991.

OVERVIEW OF THE SYSTEM

NASD Market Services, Inc., a subsidiary of the NASD, developed the Small Order Execution System (SOES) to assist order-entry firms and market makers in executing small retail customer orders for Nasdaq securities in an efficient, fast, and inexpensive manner by providing an automated, paperless execution and a locked-in trade for purposes of clearance and settlement. The system was designed to accommodate small-sized orders that were routinely executed at the Nasdaq best bid or offer and that did not require negotiation or special handling by traders. In recognition of the order-

routing relationships in the market, the NASD also permitted preferencing of SOES orders to particular market makers, which have an obligation to execute the orders at the best price, regardless of the quote they may be displaying. Participation in SOES initially was voluntary.

After the October 1987 market break, the NASD adopted rules to require dealers to participate in SOES if they were market makers in Nasdaq National Market System (Nasdaq/NMS) securities and penalized market makers that withdrew on an unexcused basis with a 20-day suspension from Nasdaq and SOES. Since 1988, market makers have been required to execute or-

ders in sizes of 200, 500, or 1,000 shares, depending on the trading characteristics of the stocks, and have been required to execute up to five consecutive orders in SOES stocks at the designated tier size.

SOES ABUSES

SOES abuse has become a serious problem. In 1988, the SEC approved rules to prohibit NASD members from using SOES to enter orders on behalf of professional trading accounts because SOES was designed to accommodate small orders for investors, not professional traders. At that time, professionals were deemed to be "day traders" who used SOES to buy and sell stock the same day.

Since the professional trading account rules were implemented, however, the NASD has become aware of other abuses of the system. They include rapid entry of SOES orders after news on a security has come out, but before the market has had an opportunity to absorb the news and reflect it in quotation changes; day trading using SOES for only one side of a trade to elude the application of SOES rules; consecutive immediate executions of orders usually all at the maximum size permitted in the system to a market maker remaining at the inside quotation after all or most of the other market makers have moved their quotes; or preferencing orders to disadvantage particular market makers because SOES executes preferenced orders at the inside Nasdaq quote regardless of the displayed quote of the preferenced market maker.

NASD RULES TO CURB SOES ABUSE

To eliminate these abuses, the NASD proposed and the SEC approved the following four changes to SOES. With these new rules, the NASD is attempting to eliminate the disparity in position between the investor and the professional trader. The SEC acknowledged that without professional trading account prohibitions, investors may be forced to wait in line behind professionals and agreed with the NASD that SOES is not intended to accommodate professionals. The first two changes take effect immediately; the last two are scheduled to be implemented November 18, 1991.

1. Rules defining a professional trading account have expanded the criteria under which the NASD may designate an account as professional and prohibit SOES access for that account. The factors include: (1) excessive frequency of short-term

trading; (2) excessive frequency of short-sale transactions; (3) trading of discretionary accounts; (4) direct or physical access to Nasdaq quotation screens or SOES terminals.

2. The rule defining day trading clarifies that it includes one or both sides of a transaction occurring through SOES. For example, if a customer sold a stock through SOES and purchased it over the telephone, it would be considered a day trade for purposes of SOES rules.

3. A market maker will have approximately 15 seconds after receipt of an execution report in SOES to update its quote before receiving another execution in the same stock.

4. Market makers and order-entry firms will be permitted to enter preferencing relationships only when mutually agreeable. SOES will treat all preferenced orders not subject to an agreement between the parties as unpreferenced orders, to be executed through SOES in the usual manner, in rotation against any market maker at the inside quotation.

COMPLIANCE WITH THE NEW RULES

It is important to emphasize that the criteria set forth in the new rules in defining a professional trading account will not automatically be applied to all active accounts. On the contrary, the NASD's Market Surveillance Department will make determinations only after a pattern or practice of professional trading has been detected. These criteria are additional factors that will be taken into consideration when reviewing the activity in a particular account and do not necessarily mean that the existence of any single factor will cause an account to be designated a professional trading account.

With regard to day trading, the SOES rules state that a professional trading pattern encompasses not only the inclusion of accounts executing five or more day trades each day, but also includes other activities such as (1) the existence of a pattern or practice of executing day trades; (2) the execution of a high volume of day trades in relation to the total transactions in the account; or (3) the execution of a high volume of day trades in relation to the amount and value of securities held in the account.

Thus, a pattern of excessive short-term trading, including but not limited to day trading, could be deemed professional trading, and the account would be prohibited from using SOES. Such deter-

minations could result, for example, if an account exhibits a pattern of consistently executing fewer than five day trades during a trading day because the frequency of day trades could constitute excessive short-term trading.

Additionally, the Association in the past has interpreted the SOES rules to prohibit circumvention of the rules through entry of a group or series of transactions for one or more accounts that are related or controlled by a person associated with a member firm or by a customer (see *Notice to Members 88-61*). To assure that the limitations with respect to professional trading or day trading are not circumvented through the use of multiple related or controlled accounts, the Association intends to closely monitor patterns of trading in these accounts. Accordingly, day trades occurring in accounts that are related or under common control will be viewed by the NASD as occurring in a single account for purposes of the SOES rules. Likewise, the NASD will closely monitor related or controlled accounts for other indications of professional trading patterns including the practice of entering fewer than five day trades. An associated person or customer will be deemed to control an account if he or she exercises discretion over the account or has been granted a power of attorney to execute transactions in the account; if the account is his or her personal account; or if, in the case of an associated person, it is the account of a member of his or her immediate family, as that term is defined in the NASD Interpretation on Free-Riding and Withholding (see *Notice to Members 88-61*).

The NASD will monitor members' SOES activity on a daily basis through automated regulatory systems in the Market Surveillance Department and will increase the intensity of its on-site field examinations of SOES trading patterns. Apparent violations of SOES rules will be reviewed by the Market Surveillance Committee for a determination as to whether disciplinary action is appropriate. When the NASD notifies a firm that accounts have been designated professional accounts, the SOES system is no longer available for purchases or sales from those accounts. Furthermore, members should instruct their associated persons not to knowingly accept orders for execution in SOES from accounts designated as professional trading accounts. Members or customers that feel aggrieved by such a designation may appeal the action by following procedures set forth in Article IX

of the NASD's Code of Procedure. Questions on the SOES rules should be directed to James M. Cangiano, Vice President, Market Surveillance at (301) 590-6424 or Beth E. Weimer, Assistant General Counsel at (202) 728-6998. The complete text of the rules follows.

RULES OF PRACTICE AND PROCEDURES FOR THE SMALL ORDER EXECUTION SYSTEM

(Note: New language is underlined.)

(a) Definitions

* * * * *

10. The term "professional trading account" shall mean

- (A) an account in which five or more day trades have been executed during any trading day; or
- (B) an account in which there has been a professional trading pattern as demonstrated by:
 - (1) a pattern or practice of executing day trades;
 - (2) executing a high volume of day trades in relation to the total transactions in the account;
 - (3) executing a high volume of day trades in relation to the amount and value of securities held in the account;
 - (4) excessive frequency of short-term trading;
 - (5) excessive frequency of short sale transactions;
 - (6) existence of discretion; or
 - (7) direct or physical access to SOES execution capability, to Nasdaq Level 2 service, or to NQDS service.

11. The term "day trade" or "day trading" shall mean the execution through SOES of either one or both sides of offsetting trades in the same security for generally the same size during the same trading day.

* * * * *

(c) Participation Obligations in SOES

* * * * *

2. Market Makers — (A) A SOES Market Maker shall commence participation in SOES by initially contacting the SOES Operation Center to obtain authorization for the trading of a particular SOES security and identifying those terminals on which the SOES information is to be displayed and thereafter by an appropriate keyboard entry which obligates the firm, so long as it remains a Market Maker in SOES, (i) for any security for which it is a SOES Market Maker, to execute individual orders in sizes equal to or smaller than the maximum order size; and (ii) for any Nasdaq/NMS security for which it is a Market Maker, to execute individual orders equal in the aggregate to the minimum exposure limit. Market Makers shall have a period of time following their receipt of an execution report in which to update their quotation in the security in question before being required to execute another transaction at the same bid or offer in the same security. This period of time shall initially be established as 15 seconds, but may be modified upon appropriate notification to SOES participants. All entries in SOES shall be made in accordance with the requirements set forth in the SOES User Guide.

* * * * *

3. SOES Order Entry Firms — (A) All entries in SOES shall be made in accordance with the procedures and requirements set forth in the *SOES User Guide*. Orders may be entered in SOES by the SOES Order Entry Firm through either its Nasdaq terminal or computer interface. The system will transmit to the firm on the terminal screen and printer, if requested, or

through the computer interface, as applicable, an execution report generated immediately following the execution.

(B) SOES will accept both market and limit orders for execution. Orders may be preferenced to a specific SOES Market Maker or may be unpreferenced, thereby resulting in execution in rotation against SOES Market Makers. A Market Maker may indicate order entry firms from which it agrees to accept preferenced orders. If an order is received by a Market Maker from an order entry firm from which it has not agreed to accept preferencing, the order will be executed at the inside market on an unpreferenced basis.

* * * * *

(E)(i) No member or person associated with a member shall enter any order for execution in SOES on behalf of a professional trading account. The Association shall take into account the factors enumerated in Section (a)(10) in determining whether an account will be designated as a professional trading account.

* * * * *

(F) Article IX of the Code of Procedure shall apply to Order Entry Firms and other persons seeking review of the restrictions imposed due to the designation of a professional trading account, pursuant to this Subsection.