

# Notice To Members

National Association of Securities Dealers, Inc.

November 1991

## Number 91-73

### Suggested Routing:\*

- |  |  |  |                                    |
|--|--|--|------------------------------------|
| <input type="checkbox"/> Senior Management     | <input type="checkbox"/> Internal Audit                | <input type="checkbox"/> Operations              | <input type="checkbox"/> Syndicate |
| <input type="checkbox"/> Corporate Finance     | <input checked="" type="checkbox"/> Legal & Compliance | <input type="checkbox"/> Options                 | <input type="checkbox"/> Systems   |
| <input type="checkbox"/> Government Securities | <input type="checkbox"/> Municipal                     | <input checked="" type="checkbox"/> Registration | <input 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: Revised Forms U-4 and U-5 Go into Effect

### EXECUTIVE SUMMARY

The SEC has approved changes to the Uniform Application for Securities Industry Registration or Transfer (Form U-4) and the Uniform Termination Notice for Securities Industry Registration (Form U-5). The changes to Form U-4 include the addition of new questions on page 3, as well as the inclusion of references to actions taken by foreign financial regulatory authorities. This change also occurs on Form U-5. In addition, both forms now contain a question regarding certification of reportable disciplinary information. Members should begin filing the new forms immediately.

### BACKGROUND

The NASD, New York Stock Exchange, and North American Securities Administrators Association periodically review the registration and termination forms with the idea of streamlining the registration process or addressing areas that may have caused concerns for regulators and/or members and their associated persons. A recent review resulted in changes to Forms U-4 and U-5 to reflect new securities laws and to adopt a new program of certification of disciplinary information.

These proposed changes have now been approved by the SEC, and the newest versions of these filings are ready for use by industry. This notice contains the changes made to these filings and their impact or purpose.

### CHANGES TO REFLECT AMENDMENTS TO SECURITIES LAWS

The Securities Acts Amendments of 1990 expanded the SEC's administrative authority and civil enforcement powers to include the ability to issue cease-and-desist orders and to impose monetary sanctions. To allow for disclosure of such sanctions, Item 22D5 has been added to page 3 of Form U-4.

The amendments also clarified that certain types of actions taken by foreign financial regulatory authorities are being deemed a Statutory Disqualification. To ensure full disclosure of these matters, "foreign financial regulatory authority" has been defined on page 3, and several of the questions on page 3 have been modified to include the notation of "foreign financial regulatory authority." You will note that this definition and clarification has also been added to Form U-5.

### CERTIFICATION CAPABILITY

The registration process has always required the submission of full details for all reportable items relating to Item 22 of Form U-4. Over the

years, this has led to multiple, repetitious disclosures of information that are all maintained in the Central Registration Depository (CRD) data base.

To streamline the registration process and eliminate duplicative filings, Item 22O has been added to allow certification of previously reported information. The question allows the individual to certify that all information in the CRD record relating to Item 22 is complete, accurate, and has been previously submitted on a Disclosure Reporting Page (DRP) format. If that is the case, the appropriate questions in Item 22 should be answered, but no new details need be submitted. Refer to Item 22O and the new instructions on the inside cover of Form U-4 for additional details to determine if this question can be utilized in effecting transfer of registration.

The ability to certify that all information relating to Items 13-15 on Form U-5 has been previously reported and that no new information needs to be filed has been added as Item 16. If the certification question is utilized, the appropriate answers to Items 13-15 should be provided, but no details will need to be provided on a DRP-5. Refer to Item 16 and the instructions on Form U-5 for additional information relating to this modification.

#### **MINOR CHANGES TO FORM U-4**

On page 1 of Form U-4, Item 11 has been updated to reflect the fact that Series 3 (Commodity

Futures) and Series 5 (Interest Rate Options) are examinations only and do not correspond to classifications of registration. To clarify these requests, the word "Examination" has been added. Members should remember that checking either of these boxes (as well as the Series 63 and 65 examinations) will schedule a new examination, even if the exam has already been taken and passed. When transferring an associated person's registration, these boxes should not be checked unless you are intentionally requesting the exams.

Page 4 of the form has been modified to delete the statement that once required members to verify five years of employment for commodity registration. This deletion was based on the Commodity Futures Trading Commission's recent amendment to its rules that now requires only three years of employment verification.

As noted above, the changes to page 3 of Form U-4 and to Form U-5 contain new language required by law. Therefore, you should begin using these forms immediately and disregard prior versions. Effective February 1, 1992, only the current form will be acceptable. Copies of the new forms are included separately with this mailing for your convenience.

Questions about this notice should be addressed to Ellen Badler, Assistant Director, Special Registration Review, at (301) 590-6743. Additional copies of these forms may be requested by contacting NASD Member and Market Data Services at (301) 590-6500.

# Notice To Members

National Association of Securities Dealers, Inc.

November 1991

**Number 91-74****Suggested Routing:\***

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|---|--|---------------------------------------|--|
| <input checked="" type="checkbox"/> Senior Management | <input type="checkbox"/> Internal Audit                | <input type="checkbox"/> Operations   | <input type="checkbox"/> Syndicate           |
| <input type="checkbox"/> Corporate Finance            | <input checked="" 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 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: Replacement of Certificates of Deposit by Bond Mutual Funds**

At the present time, many certificates of deposit held by individuals are expiring. There has been an intensive marketing effort by some mutual funds and many NASD members to persuade such individuals to invest in bond mutual funds, because of the higher yields that may be realized, rather than renew their certificates of deposit.

There is nothing inherently wrong with persuading a customer to exchange one investment vehicle for another provided that there is full and fair disclosure of the differences between the products.

One specific feature of such an exchange that must be disclosed to the customer is the greater degree of risk to capital that the customer may experience. The fact that higher yields may be realized

from the bond fund must be balanced by disclosure that the customer's capital is exposed to a risk not present in ownership of a certificate of deposit.

Currently, with interest rates at their lowest level in 20 years, there is a distinct possibility that when interest rates rise, as they are likely to based on past patterns, at some time in the future the capital value of bonds purchased today will fall.

This must be explained to customers when they are solicited to make such an exchange. Failure to do so may violate NASD Rules of Fair Practice as well as expose members and their salespersons in the future to the complaints of disgruntled customers, who may claim that they were never told that their invested capital could fluctuate in value.

# Notice To Members

National Association of Securities Dealers, Inc.

November 1991

**Number 91-75****Suggested Routing:\***

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|---|--|--|---|
| <input checked="" type="checkbox"/> Senior Management | <input type="checkbox"/> Internal Audit                | <input checked="" type="checkbox"/> Operations | <input 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 type="checkbox"/> Trading            |
| <input type="checkbox"/> Institutional                | <input type="checkbox"/> Mutual Fund                   | <input type="checkbox"/> Research              | <input type="checkbox"/> Training           |

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**Subject: Appointment of SIPC Trustee for Three Firms**

On September 12, 1991, the United States District Court for the Eastern District of Texas (Tyler) appointed a Securities Investor Protection Corporation (SIPC) trustee for:

Affiliated Security Brokers, Inc.  
115 East Erwin Street  
Tyler, TX 75702.

Questions regarding the firm should be directed to SIPC trustee:

Wayne M. Secore, Esquire  
DeHay & Blanchard  
2500 S. Tower (L.B. 201)  
600 N. Pearl Street  
Plaza of the Americas  
Dallas, TX 75201.

On September 13, 1991, SIPC began a direct payment proceeding for:

Cooper-Daher Securities, Inc.  
657 Mission Street, Suite 601  
San Francisco, CA 94105.

Questions regarding the firm should be directed to:

Securities Investor Protection Corporation  
805 15th Street, NW, Suite 800  
Washington, DC 20005-2207.

On October 8, 1991, the United States District Court for the Northern District of Texas appointed an SIPC trustee for:

T.L. Reed Securities, Inc.  
300 E. Carpenter Freeway 1400  
Irving, TX 75062.

Questions regarding the firm should be directed to SIPC trustee:

Jack Kinzie, Esquire  
Baker & Botts  
800 Trammell Crow Center  
2001 Ross Avenue  
Dallas, TX 75201-2916.

Members may use the "immediate close-out" procedures as provided in Section 59(i) of the NASD's Uniform Practice Code to close out open over-the-counter contracts. Also, Municipal Securities Rulemaking Board Rule G-12(h) provides that members may use the above procedures to close out transactions in municipal securities.

# Notice To Members

National Association of Securities Dealers, Inc.

November 1991

## Number 91-76

### Suggested Routing:\*

- Senior Management
- Corporate Finance
- Government Securities
- Institutional

- Internal Audit
- Legal & Compliance
- Municipal
- Mutual Fund

- Operations
- Options
- Registration
- Research

- Syndicate
- Systems
- Trading
- Training

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### Subject: Christmas Day and New Year's Day — Trade Date-Settlement Date Schedule

Securities exchanges and The Nasdaq Stock Market<sup>SM</sup> will be closed on Wednesday, December 25, 1991, Christmas Day, and Wednesday, January 1, 1992, New Year's Day. "Regular way" transactions made on the preceding business days will be subject to the settlement date schedule listed below.

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.

Trade Date	Settlement Date	Reg. T Date*
Dec. 17	Dec. 24	Dec. 27
18	26	30
19	27	31
20	30	Jan. 2, 1992
23	31	3
24	Jan. 2, 1992	6
25	Markets Closed	—
26	3	7
27	6	8
30	7	9
31	8	10
Jan. 1, 1992	Markets Closed	—
2	9	13

\*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.

November 1991

## Number 91-77

### 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           |

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### Subject: Nasdaq National Market Additions, Changes, and Deletions as of October 23, 1991

As of October 23, 1991, the following 24 issues listed on the Nasdaq National Market, bringing the total number of issues to 2,618:

Symbol	Company	SOES Entry Date	Execution Level
DTLN	Data Transmission Network Corporation	10/1/91	1000
LTCO	Lawyers Title Corporation	10/1/91	1000
TCNL	Tecnol Medical Products, Inc.	10/1/91	1000
USAS	USA Waste Services, Inc.	10/1/91	1000
PAGE	Paging Network, Inc.	10/2/91	1000
MPRS	MicroProse, Inc.	10/3/91	1000
GRND	Grand Casinos, Inc.	10/9/91	1000
MEDA	Medaphis Corporation	10/9/91	1000
AFFC	AmeriFed Financial Corp.	10/10/91	1000
ANRG	Anergen, Inc.	10/10/91	200
MEGX	Megacards, Inc.	10/10/91	200
SALT	Salton/Maxim Housewares, Inc.	10/10/91	1000
STEI	Stewart Enterprises, Inc. (Cl A)	10/10/91	1000
BDRM	Body Drama, Inc.	10/11/91	1000
CGRM	Centigram Communications Corporation	10/11/91	1000
RTST	Right Start, Inc. (The)	10/11/91	1000
SWST	Southwest Securities Group, Inc.	10/11/91	1000
USRX	U.S. Robotics, Inc.	10/11/91	500
SUPRP	Super Rite Corporation (Pfd)	10/15/91	500
WTNY	Whitney Holding Corporation	10/15/91	500
LANTF	Lannet Data Communications Ltd.	10/17/91	1000
RDRT	Read-Rite Corporation	10/18/91	500
BARE	Barefoot Inc.	10/23/91	1000
IFSC	Interferon Sciences, Inc.	10/23/91	1000

### Nasdaq National Market Symbol and/or Name Changes

The following changes to the list of Nasdaq National Market securities occurred since September 25, 1991:

New/Old Symbol	New/Old Security	Date of Change
ERTS/ERTS	Electronic Arts, Inc./Electronic Arts	9/27/91
SRAM/SMTK	Simtek Corporation/Simtek Corporation	9/30/91
SRAMW/SMTKW	Simtek Corporation (Wts)/Simtek Corporation (Wts)	10/1/91
KVLM/KVLM	Kevlin Corp./Kevlin Microwave Corporation	10/2/91
SYSM/NWPH	Systemed, Inc./Newport Pharmaceuticals International, Inc.	10/2/91
MPTBS/SETBS	Meridian Point Realty Trust 83/Sierra Real Estate Equity Trust 83	10/15/91
SAFE/SNCO	Safetytek Corp./Sensor Control Corp.	10/15/91
SISKF/SISK	Siskon Gold Corporation/Siskon Gold Corporation (Cl A)	10/17/91

### Nasdaq National Market Deletions

Symbol	Security	Date
CARN	Carrington Laboratories, Inc.	9/30/91
FAHSP	Farm & Home Financial Corporation (Pfd)	9/30/91
HCSB	Home and City Savings Bank	9/30/91
IGLWF	Insituform Group Limited (Wts)	9/30/91
FNWB	FNW Bancorp, Inc.	10/1/91
JETSE	Jetborne International, Inc.	10/4/91
CDGI	Courier Dispatch Group, Inc.	10/7/91
SNAT	Southern National Corporation	10/8/91
BLAK	Black Industries, Inc.	10/10/91
UNIH	United HealthCare Corporation	10/10/91
TATE	Ashton-Tate Corporation	10/14/91
ABCV	Affiliated Banc Corporation	10/15/91
JLUB	Jiffy Lube International, Inc.	10/17/91
ALNTC	Alliant Computer Systems	10/18/91
CESHW	CE Software Holdings, Inc. (Wts)	10/21/91
HCEN	Home Centers, Inc.	10/21/91
NVCR	NovaCare, Inc.	10/21/91

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.

# Disciplinary Actions

National Association of Securities Dealers, Inc.

November 1991

## Disciplinary Actions Reported for November

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, November 18, 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, INDIVIDUALS SANCTIONED

**Boardwalk Capital Corporation (Agoura Hills, California), Mason Alan Dinehart, III (Registered Principal, Los Angeles, California), and Dana Joseph Welch (Associated Person, Moorpark, California).** The firm was expelled from membership in the NASD, and Welch was barred from association with any member of the NASD in any capacity. In addition, Dinehart was fined \$7,500, suspended from association with any member of the NASD as a general securities principal (and as a financial and operations principal for 60 days), and thereafter must 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 District Business Conduct Committee (DBCC) for District 2. The sanctions were based on findings that the firm, acting through Dinehart and Welch, engaged in a general securities business while failing to maintain minimum required net capital. Furthermore, Welch, with the knowledge and consent of the firm, actively engaged in the management of a securities business without proper registration with the NASD.

**Intercontinental Brokerage Corporation (Los Angeles, California), Ronald Leon Brock (Registered Principal, Larkspur, California), Lutz Karl Willi Pilling (Associated Person, Dusseldorf, Germany), and Walter Uwe Zipfel (Foreign Associate, Woodland Hills, California).** The firm was fined \$20,000 and expelled from membership in the NASD, and Brock was barred from association with any member of the NASD in a principal capacity. In addition, Pilling and Zipfel

were each 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 1. The sanctions were based on findings that the firm, acting through Brock, Zipfel, and Pilling, failed to maintain accurate books and records and filed FOCUS Parts I and II reports for certain periods that contained false representations of facts. Moreover, the firm, acting through Brock, Zipfel, and Pilling, violated the firm's restriction agreement with the NASD in that it conducted business in contravention of the provisions of its net capital requirement.

### FIRM SUSPENDED, INDIVIDUAL SANCTIONED

**Allied Equity Group (Bodega Bay, California) and Richard Francis McCudden (Registered Principal, Bodega Bay, California).** The firm was fined \$90,773, jointly and severally with McCudden, and suspended from membership in the NASD for 360 business days. McCudden was also suspended from association with any member of the NASD in any capacity for 360 business days. 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 the firm, acting through McCudden, failed to file certain FOCUS Part IIA reports in a timely manner and engaged in a securities business while the firm was suspended from membership in the NASD. In addition, the firm, acting through McCudden, failed to file its annual audited financial reports in a timely manner for two years and failed to re-



spond to an NASD request for information.

#### **FIRMS FINED, INDIVIDUALS SANCTIONED**

**Kidder, Peabody & Co., Inc. (New York, New York)** and **Ira Elliot Saferstein (Registered Representative, New Rochelle, New York)** submitted Offers of Settlement pursuant to which the firm was fined \$30,000 and required to undertake an internal review of its compliance procedures governing the trading and sale of collateralized mortgage obligations (CMOs). Saferstein was fined \$10,000 and suspended from association with any member of the NASD in any capacity for six months, and two of the firm's supervisory personnel were sanctioned.

Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that Saferstein took advantage of a pricing error made by another member firm by selling to that firm CMOs totaling \$1,105,566.63. Saferstein covered the short position resulting from that sale by purchasing the same securities from another dealer for \$100,000. The findings stated that Saferstein concealed this activity by directing his subordinate to change the description of the securities on the confirmation to reflect a 9.95 percent coupon rate, rather than a zero coupon instrument.

The NASD also found that Saferstein opened a securities account for himself at Kidder, Peabody under another name without disclosing to the firm that he had a beneficial interest in the account. In addition, he opened a different account at another firm without notifying Kidder, Peabody in writing that he opened the account. According to the findings, Saferstein then purchased and resold the same bonds in these accounts, again taking advantage of the other dealer's pricing error. He received proceeds and interest totaling \$3,029,550 on the sale of bonds he had purchased for \$125,000.

The NASD determined that Kidder, Peabody, acting through the two supervisory personnel, failed to supervise the activities of Saferstein.

The suspension of Saferstein began with the opening of business on October 7, 1991.

**Livingston Securities, Inc. (Portland, Oregon)**, **Les Thomas Livingston (Registered Principal, Portland, Oregon)**, **Cletus Herman Niebur (Financial and Operations Principal, Beaverton, Oregon)**, and **Curtis Reginald Coleman (Regis-**

**tered Representative, Portland, Oregon)** submitted an Offer of Settlement pursuant to which the firm was fined \$20,000, jointly and severally with Les Livingston, and fined \$10,000, jointly and severally with Niebur. Also, Livingston and Niebur must requalify by examination as general securities principals. In addition, Coleman was fined \$2,500 and suspended from association with any member of the NASD in any capacity for five business days.

Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that Les Livingston and Coleman effected unauthorized purchases of securities for the accounts of public customers. The findings also stated that Coleman recommended the purchase of securities in the account of a public customer without having reasonable grounds for believing that such recommendations were suitable considering the customer's financial situation and needs.

In connection with the unsuitable recommendations made by Coleman, the NASD determined that the firm, acting through Les Livingston and Niebur, failed to supervise Coleman's activities properly and adequately and to establish adequate written supervisory procedures to assure his compliance with applicable rules. Furthermore, the NASD found that the firm, acting through Les Livingston, made misrepresentations to customers and failed to disclose certain information concerning the solicitation and sales of common stock to public customers.

#### **FIRM AND INDIVIDUAL FINED**

**Thomas P. Reynolds Securities, Ltd. (New York, New York)** and **Milton A. Netcher (Registered Principal, New York, New York)** were fined \$15,000, jointly and severally. The sanctions were affirmed by the Securities and Exchange Commission (SEC) following an appeal of a decision rendered by the NASD's Board of Governors. The sanctions were based on findings that the firm failed to carry a blanket fidelity bond; filed an annual audited report that was not reviewed by an independent accountant; and prepared an inaccurate general ledger and trial balance, and an inadequate net capital computation.

#### **FIRMS FINED**

**American Capital Equities, Inc. (St. Louis, Missouri)** was fined \$111,138. The sanction was

based on findings that the firm effected 258 principal transactions with public customers at prices that were unfair based on all relevant circumstances, including the fact that the firm was not a market maker in any of the securities. The markups charged in these transactions ranged from 4.76 to 62.5 percent over the firm's contemporaneous costs for these securities. Moreover, the firm failed to disclose the amount of markup or markdown charged to customers on at least 400 confirmations involving riskless principal transactions in a common stock for which the firm was not a market maker. American Capital also failed to enforce its written supervisory procedures in that it allowed excessive markups to be charged on retail securities transactions effected by a branch office.

**Finalco Capital Corp. (McLean, Virginia)** submitted an Offer of Settlement pursuant to which it was fined \$15,000. Without admitting or denying the allegations, the firm consented to the described sanction and to the entry of findings that it effected securities transactions while failing to maintain its required minimum net capital. In addition, the firm failed to maintain accurate net capital computations and filed inaccurate FOCUS Part IIA reports, according to the findings.

The findings also stated that Finalco employed an individual who was subject to a statutory disqualification and continued the firm's association in the NASD without notifying the NASD of this individual's disqualification. Moreover, in allowing the same individual to be associated with the firm while subject to disqualification, the NASD determined that the firm failed to supervise adequately. And the NASD found that Finalco failed to maintain a fidelity bond meeting the firm's minimum required coverage.

**Prudential Securities, Inc. (Danville, California)** was fined \$25,000. The sanction was based on findings that the firm failed to establish and implement adequate written supervisory procedures to detect and prevent certain violations and to otherwise supervise the activities of a registered representative.

#### INDIVIDUALS BARRED OR SUSPENDED

**Ivan D. Barnes (Registered Representative, Gunnison, Utah)** was fined \$50,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Barnes made improper use of customer funds

in that he accepted from a public customer two checks totaling \$15,000 intended for investment purposes and to pay interest on a loan. Instead, Barnes deposited the checks into his personal bank account. Moreover, he provided false and misleading information to the same customer in that Barnes sent a letter to the customer stating that he had invested \$10,000 in a mutual fund when, in fact, this investment had not been made.

**Bradley W. Becker (Registered Representative, Rockford, Illinois)** was fined \$110,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Becker obtained from a public customer funds totaling \$67,909.61 with instructions to invest the funds. Becker failed to invest all of the funds as instructed and, instead, without the customer's knowledge or consent, deposited \$57,829.61 into a bank account in which he had an interest, and converted the funds to his own use. Becker also failed to respond to NASD requests for information.

**George Milton Bollinger (Registered Representative, Albuquerque, New Mexico)** was fined \$100,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Bollinger used fraudulent documentation to solicit investments totaling \$142,507 from five public customers purportedly for the purchase of shares of a mutual fund that did not exist. Furthermore, Bollinger misused these funds for his own use and benefit. In addition, he failed to respond to NASD requests for information.

**Jerome U. Burke (Registered Principal, Little Silver, New Jersey)** and **Kevin J. Burke (Registered Principal, Westfield, New Jersey)** were suspended in any principal, managerial, supervisory, or proprietary capacity for six months. In addition, they must requalify as principals before acting in such capacity.

The sanctions were imposed by the NASD's Board of Governors following a remand of an NASD decision by the SEC. The sanctions were based on findings that a former member firm, acting through Jerome and Kevin Burke, effected 11 principal transactions in municipal securities with public customers at prices that were unfair and unreasonable. In addition, the firm, acting through Jerome and Kevin Burke, failed to designate a qualified municipal securities principal to be re-

sponsible for the overall supervision of the firm's municipal securities activities.

**Craig Alan Coder (Registered Representative, Redmond, Washington)** was fined \$13,600, suspended from association with any member of the NASD in any capacity for 30 days, and required to requalify by examination prior to acting again in any capacity requiring registration. The sanctions were based on findings that Coder effected 10 unauthorized purchases and 6 unauthorized sales of securities for the account of a public customer.

**George Eugene Cooper (Registered Representative, East Northport, New York)** was fined \$45,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Cooper failed to pay a \$12,035.18 arbitration award. In addition, Cooper failed to respond to NASD requests for information.

**Michael R. Coso (Registered Representative, Lorain, Ohio)** submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$53,206.03 and barred from association with any member of the NASD in any capacity. Without admitting or denying the allegations, Coso consented to the described sanctions and to the entry of findings that he misappropriated and converted to his own use customer checks totaling \$13,206.03. In addition, Coso failed to respond to NASD requests for information.

**Saroop Deol (Registered Principal, Oakbrook Terrace, Illinois)** was suspended from association with any member of the NASD in any principal capacity for one year. In addition, he must requalify by examination before again acting in any principal capacity. The sanctions were based on findings that, in connection with a previous NASD complaint concerning a net capital violation, Deol provided false and misleading information in his answer to the NASD and during testimony at a disciplinary hearing.

**Daniel Neal DeSpain (Registered Representative, Clackamas, Oregon)** submitted an Offer of Settlement pursuant to which he was fined \$1,500 and suspended from association with any member of the NASD in any capacity for five business days. Without admitting or denying the allegations, DeSpain consented to the described sanctions and to the entry of findings that he recommended that a customer purchase shares of common stock on mar-

gin without having reasonable grounds for believing such recommendation was suitable for the customer considering his financial situation and investment needs. Moreover, DeSpain effected this purchase transaction without the customer's prior authorization, according to the findings.

**Andrew J. Dougherty, Jr. (Registered Representative, Upper Darby, Pennsylvania)** was fined \$15,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Dougherty failed to respond to NASD requests for information concerning a customer complaint.

**Robert F. Durr, Jr. (Registered Representative, Zachary, Louisiana)** and **Charles L. King, Jr. (Registered Representative, Zachary, Louisiana)** were each fined \$50,000 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 \$23,900 from public customers for investment purposes. However, the respondents either cashed the checks or deposited the monies into a bank account of a company that they controlled, or did both, thereby converting the funds to their own use without the knowledge or consent of the customers. In addition, Durr and King acted in the capacity of a broker/dealer when they were not registered with a member firm.

**Herbert Mark Ehrman (Registered Representative, Scottsdale, Arizona)** was fined \$100,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Ehrman solicited at least 12 public customers to invest funds totaling \$483,061.39 into a private trading account at his member firm. Ehrman failed to invest these funds as represented and, instead, converted the funds to his own use and benefit. In addition, he solicited loans from six other customers while failing to provide prompt written notification to his member firm of his outside business activities.

**Dennis W. Fausey (Registered Representative, Selinsgrove, Pennsylvania)** was fined \$35,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Fausey received \$269 in cash from a public customer along with an application for insurance. Fausey failed to remit such application and monies and, instead, submitted to his member firm an unauthorized application

for another policy on which he had forged the customer's signature, and enclosed \$90.80 for premium payments. Furthermore, he retained the remaining \$178.20 for his own use and benefit. Fausey also failed to respond to NASD requests for information.

**Thomas John Freudenstein (Registered Representative, New Hope, Minnesota)** submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$2,500 and barred from association with any member of the NASD in any capacity. Without admitting or denying the allegations, Freudenstein consented to the described sanctions and to the entry of findings that he received a \$500 check from his member firm, made payable to another representative. The findings stated that Freudenstein deposited the check into his personal bank account and converted the proceeds to his own use and benefit without the knowledge or consent of his member firm or the representative.

**Ronald A. Furman (Registered Representative, Parma, Ohio)** submitted an Offer of Settlement pursuant to which he was fined \$42,825 and barred from association with any member of the NASD in any capacity. Without admitting or denying the allegations, Furman consented to the described sanctions and to the entry of findings that, on seven occasions, he misappropriated and converted to his own use customer funds totaling \$12,825.

**Laurence Mark Geller (Registered Representative, New York, New York)** submitted an Offer of Settlement pursuant to which he was fined \$1,500 and suspended from association with any member of the NASD in any capacity for one business day. Without admitting or denying the allegations, Geller consented to the described sanctions and to the entry of findings that he failed to pay four arbitration awards totaling \$5,007.

**John Edward Good (Registered Principal, Memphis, Tennessee)** was fined \$20,000, suspended from association with any member of the NASD in any capacity for one year, and barred from association with any member of the NASD in any principal capacity. The sanctions were based on findings that Good took advantage of his position as branch office manager and misused \$874,000 of his member firm's funds. In addition, he failed to disclose to his member firm both this fraudulent scheme and that he did not have suffi-

cient funds in his personal account for transactions that he effected.

**Milton C. Greim (Registered Principal, Morton, Pennsylvania)** submitted an Offer of Settlement pursuant to which he was fined \$75,000 and barred from association with any member of the NASD in any capacity. Without admitting or denying the allegations, Greim consented to the described sanctions and to the entry of findings that he converted to his own use and benefit funds totaling \$514,335.10 received by his member firm by causing such funds to be credited to his personal securities account. In addition, he failed to respond to NASD requests for information.

**Russell R. Haden (Registered Principal, Sandy, Utah)** was fined \$2,500 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 3. The sanctions were based on findings that Haden failed to maintain accurate books and records in that 12 customer accounts failed to properly credit deposits that were made for securities purchases.

**Daniel Edward Halligan (Registered Principal, Missoula, Montana)** and **Ronald Gene Heppner (Registered Principal, Missoula, Montana)**. Halligan was fined \$2,500, jointly and severally, with a former member firm. In a separate sanction, Halligan was fined an additional \$17,500 and barred from association with any member of the NASD in any principal capacity. Heppner was fined \$2,500 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 Heppner, filed a Uniform Application for Broker-Dealer Registration (Form BD) with the NASD Seattle office that failed to disclose the firm's affiliation with another corporation that was under common control of Heppner and Halligan. Moreover, Halligan failed to disclose this information during a district staff interview and failed to disclose that he was an employee and officer of the corporation on a Uniform Application for Securities Industry Registration (Form U-4). Furthermore, the firm, acting through Halligan, effected securities transactions when it failed to maintain minimum required net capital. Halligan also failed to respond to NASD requests for information.

**Abraham Charles Halpern (Registered**

**Representative, Larchmont, New York)** was fined \$20,000, suspended from association with any member of the NASD in any capacity for 20 business days, and required to requalify by examination as a general securities representative. The sanctions were based on findings that, in connection with a series of purchase and sale transactions, Halpern provided substantial assistance to another representative in executing these transactions at prices that were fraudulent, unfair, and detrimental to his member firm and public customers. In addition, the same representative exercised discretionary power in a customer's account through Halpern without submitting the customer's prior written authorization to his member firm and obtaining the firm's approval.

**Thomas Jackson Hannum (Registered Representative, San Diego, California)** was fined \$15,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Hannum failed to respond to NASD requests for information concerning his termination of employment from a member firm.

**Robert Edward Heinlein (Registered Representative, Tampa, Florida)** was fined \$25,000 and suspended from association with any member of the NASD in any capacity for 30 days. The sanctions were based on findings that, in connection with the offer of a common stock to public customers, Heinlein engaged in manipulative, deceptive, and other fraudulent devices through misrepresentations in an investment newsletter. Heinlein also failed to disclose that he was one of the authors of the newsletter.

**Jeffrey Matthew Hildebrandt (Registered Representative, Beverly Hills, California)** was fined \$30,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Hildebrandt received two bearer bonds from a public customer under the pretense that he would process their redemption. Hildebrandt instructed a bank to send the proceeds following the redemption to him and received from the bank two checks totaling \$10,150. Hildebrandt failed to remit the proceeds from the redemption to the customer and, instead, converted the funds to his own use and benefit.

**Keith H. Horrocks (Registered Representative, West Jordan, Utah)** was fined \$50,000 and barred from association with any member of the

NASD in any capacity. The sanctions were based on findings that Horrocks created 1,911 life insurance applications that contained false information and submitted these applications to his member firm. As a result, Horrocks received \$1,139,608 in commissions to which he was not entitled.

**Lefonza Jackson (Registered Representative, Orlando, Florida)** was fined \$5,000, suspended from association with any member of the NASD in any capacity for five business days, and required to requalify by examination as a general securities representative. The sanctions were based on findings that Jackson recommended the purchase of shares of a common stock to public customers without having reasonable grounds for believing such recommendations were suitable for the customers considering their financial situations and needs.

**Herbert M. Jacobi (Associated Person, New York, New York)** and **Robert James Mannes (Registered Principal, Manalapan, New York)**. Jacobi was fined \$15,000 and barred from association with any member of the NASD in any capacity. Mannes was fined \$10,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Jacobi and Mannes caused an inaccurate Uniform Application for Broker-Dealer Registration (Form BD) to be filed for their member firm and thereafter failed to file Form BD amendments to correct it.

Also, Jacobi engaged in the management of his member firm's securities business without proper registration as a principal. In addition, Jacobi and Mannes, acting on behalf of their member firm, conducted a securities business while failing to maintain its required minimum net capital.

**Donald L. Johnson (Registered Representative, Edina, Minnesota)** submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$10,000 and suspended from association with any member of the NASD in any capacity for 10 business days. Without admitting or denying the allegations, Johnson consented to the described sanctions and to the entry of findings that he guaranteed a customer against loss in connection with the purchase and sale of stock. The NASD also found that Johnson represented to a customer that he could sell in the future certain securities from his account at stated minimum prices without regard to the market price of the securities.

**Lik Law (Registered Representative, El Monte, California)** was fined \$15,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Law failed to respond to NASD requests for information concerning his termination of employment with a member firm.

**Jerold Draper Liberstein (Registered Representative, Webster Groves, Missouri)** 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, Liberstein consented to the described sanctions and to the entry of findings that, without the knowledge or consent of a public customer, he changed the customer's address and forged the customer's signature on a Letter of Authorization requesting a \$4,300 withdrawal check from the customer's account. The findings stated that Liberstein then endorsed the check, deposited the proceeds into his personal bank account, and converted the monies to his own use and benefit.

**Darius G. Lowber (Associated Person, North Wales, Pennsylvania)** was fined \$15,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Lowber failed to respond to NASD requests for information concerning a customer complaint.

**Joseph P. Madden III (Registered Representative, Phoenix, Arizona)** was fined \$10,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Madden completed new-account forms containing the names of fictitious customers. He then effected 11 transactions in these fictitious accounts.

**Thomas F. Maher (Registered Representative, Linden, Michigan)** was fined \$50,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Maher received from a public customer five checks totaling \$71,023.39 with instructions to deposit the funds into a mutual fund account. Without the customer's knowledge or consent, Maher opened a mutual fund account under his own name and deposited the customer's funds in the account. Moreover, he withdrew \$2,700 from the account and retained the funds for his personal benefit.

Maher also submitted to the NASD three Applications for Securities Industry Registration or Transfer (Form U-4) that failed to disclose a criminal conviction.

**Mark J. Mathis (Registered Representative, Boulder, Colorado)** was fined \$62,500 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Mathis effected excessive and unsuitable transactions in the accounts of seven public customers in view of their financial resources and investment objectives. In addition, he exercised discretion in four customer accounts without obtaining prior written discretionary trading authority from the customers and without obtaining the acceptance of these accounts as discretionary by his member firm. Mathis also effected three unauthorized transactions in another customer account.

**Marty A. McCandless (Registered Representative, Oakford, Illinois)** submitted an Offer of Settlement pursuant to which he was fined \$35,000 and barred from association with any member of the NASD in any capacity. Without admitting or denying the allegations, McCandless consented to the described sanctions and to the entry of findings that he received from public customers funds totaling \$19,806.40 with instructions to use such funds to purchase securities and life insurance policies. According to the findings, McCandless used \$12,149.52 as directed by his clients but failed to follow their instructions fully by crediting \$7,656.88 to other customers' accounts. McCandless also failed to respond to NASD requests for information.

**James W. McCartney, Jr. (Registered Representative, Mountain Lake Park, Maryland)** was fined \$35,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that McCartney misappropriated funds totaling \$957.20 given to him by insurance customers that were intended as insurance premium payments. In addition, McCartney failed to respond to NASD requests for information.

**Garland W.H. McDonald (Registered Representative, Mesa, Arizona)** submitted an Offer of Settlement pursuant to which he was fined \$5,000 and suspended from association with any member of the NASD in any capacity for five business days. In addition, he must requalify by examina-

tion as a general securities representative. Without admitting or denying the allegations, McDonald consented to the described sanctions and to the entry of findings that he participated in private securities transactions without providing prior written notice to his member firm.

**John M. Mickner (Registered Representative, Allentown, Pennsylvania)** submitted an Offer of Settlement pursuant to which he was fined \$250,000 and barred from association with any member of the NASD in any capacity. Without admitting or denying the allegations, he consented to the described sanctions and to the entry of findings that Mickner, without the knowledge or authorization of three public customers, prepared and submitted letters of instruction to an investment company requesting the redemption of shares in amounts totaling \$53,000.

According to the findings, he forged the customers' signatures on the letters of instruction and forged the signature of his member firm's president purportedly guaranteeing the customers' signature, causing the investment company to send a check payable to each customer to his member firm. The NASD found that Mickner intercepted and negotiated the checks and converted the funds to his own use and benefit.

The NASD also determined that Mickner obtained from public customers five checks totaling \$146,391.20 intended for investment purposes and deposited the checks in a bank account that he controlled. Moreover, he failed to invest the funds as instructed and converted the monies to his own use and benefit, the findings stated. Mickner also failed to respond to NASD requests for information.

**Joel William Mills (Registered Representative, Des Moines, Iowa)** submitted an Offer of Settlement pursuant to which he was fined \$1,000 and suspended from association with any member of the NASD in any capacity for two years. Without admitting or denying the allegations, Mills consented to the described sanctions and to the entry of findings that he received assistance while taking the Series 7 examination. The NASD found that he brought into the examination room and utilized notes regarding the subject matter of the exam.

**Joseph Miyamoto, Jr. (Registered Representative, Arvada, Colorado)** was fined \$100,000 and barred from association with any member of the NASD in any capacity. The sanctions were

based on findings that Miyamoto made certain fraudulent misrepresentations to a public customer in order to induce him to purchase securities. As president of a former member firm, Miyamoto accepted \$10,000 from the same customer for the purchase of shares of the firm's stock but failed to reflect the customer as a shareholder on the firm's books and records. Moreover, he failed to deliver a certificate for these shares but, instead, delivered a certificate for another unrelated company. In addition, at the time of this transaction, the shares of both securities were unregistered and not exempt from registration. Miyamoto sold these securities to the customer in contravention of the requirements of Section 5 of the Securities Act of 1933.

Furthermore, Miyamoto executed unauthorized transactions in the account of this same customer. Miyamoto also failed to respond to an NASD request for information.

**Rex J. Payne, Jr. (Registered Representative, Columbus, Ohio)** was fined \$45,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Payne misappropriated and converted to his own use customer funds totaling \$705 without the knowledge or consent of the customer. In addition, Payne failed to respond to NASD requests for information.

**Kristi Kay Peterson (Registered Representative, Playa Del Rey, California)** was fined \$15,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Peterson failed to respond to NASD requests for information regarding her termination of employment from a member firm.

**Michael Anthony Pleasant (Registered Representative, Chicago, Illinois)** was fined \$7,500 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Pleasant sold, for the account of a public customer, shares of common stock without the customer's knowledge or consent. In addition, he exercised discretion in the same customer's account without obtaining prior written discretionary trading authority. Pleasant also failed to respond to NASD requests for information.

**Benjamin M. Ragland (Registered Representative, Wingina, Virginia)** was fined \$35,000 and barred from association with any member of

the NASD in any capacity. The sanctions were based on findings that Ragland received from a public customer a \$2,323.75 check intended as a rollover investment. Ragland converted and used the funds for his own benefit. In addition, he failed to respond to NASD requests for information.

**Joseph V. Rantuccio (Registered Representative, Philadelphia, Pennsylvania)** submitted an Offer of Settlement pursuant to which he was fined \$15,000 and barred from association with any member of the NASD in any capacity. Without admitting or denying the allegations, Rantuccio consented to the described sanctions and to the entry of findings that he induced a policyholder to apply for the issuance of an additional life insurance policy by misrepresenting that the customer was applying for reinstatement of a lapsed policy.

According to the findings, Rantuccio submitted to his member firm a request to surrender the policyholder's existing lapsed policy for its cash nonforfeiture value without her knowledge or consent. The findings stated that Rantuccio forged the policyholder's signature on a Form W-9 (Payer's Request for Taxpayer Identification Number and Certification) and on the \$1,943.30 cash surrender check, and deposited the check with his member firm. The NASD also determined that he caused \$1,782 to be applied as advance premium payments on the customer's new policy and \$157.70 to be refunded to her.

**Charles V. Roberts, III (Registered Representative, Glenolden, Pennsylvania)** was fined \$200,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Roberts converted to his own use and benefit company funds totaling \$121,105.81 by causing such funds to be credited to his personal securities account. In addition, Roberts failed to respond to NASD requests for information.

**Ronald Lee Rogers (Registered Principal, Salinas, California)** was fined \$45,000 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 1. They were based on findings that Rogers received 36 payroll checks from his member firm and forged employee signatures on 31 of the checks. Moreover, he arranged for another individual to forge endorsements on the remaining five checks and

misappropriated the proceeds of all 36 checks.

**John Thyle Romanik (Registered Representative, Redwood City, California)** was fined \$542,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Romanik received funds totaling \$471,985.95 from public customers for the purchase of securities and misappropriated and converted the funds to his own use and benefit. Romanik also failed to respond to NASD requests for information.

**Paul D. Roussel (Registered Principal, Metairie, Louisiana)** was fined \$25,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Roussel failed to supervise properly the activities of a registered representative at his member firm. In addition, Roussel recommended and purchased shares of common stocks in the account of a public customer without having reasonable grounds for believing such recommendations were suitable for the customer in view of her security holdings, tax concerns, and financial situation and needs.

**Robert Joseph Salla (Registered Representative, Boca Raton, Florida)** was fined \$50,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that, without the knowledge or consent of public customers, Salla caused checks totaling more than \$15,000 to be issued from the customers' accounts, forged the customers' endorsements on the checks, and converted the funds to his own use and benefit. In addition, Salla failed to respond to an NASD request for information.

**Stephen B. Schofield (Registered Representative, Absecon, New Jersey)** submitted an Offer of Settlement pursuant to which he was fined \$35,000 and barred from association with any member of the NASD in any capacity. Without admitting or denying the allegations, Schofield consented to the described sanctions and to the entry of findings that, on two separate occasions, he forged signatures purporting to be those of policyholders on requests to withdraw accumulated policy dividends and then submitted such requests to his member firm.

As a result, the NASD found, Schofield came into possession of two checks totaling \$10,886.50 issued by the firm to the customers. Furthermore, the findings stated that he forged their endorse-



ments and negotiated the checks. Schofield also failed to respond to NASD requests for information.

**Paul B. Shute (Registered Representative, St. Louis Park, Minnesota)** submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$50,000 and barred from association with any member of the NASD in any capacity. Without admitting or denying the allegations, Shute consented to the described sanctions and to the entry of findings that, without the knowledge or consent of a public customer, he changed the customer's address and arranged for the issuance of checks totaling \$34,312.67 from the customer's account. The findings stated that Shute then endorsed the checks, deposited the proceeds therefrom into his personal bank account, and converted the proceeds to his own use and benefit.

**Frank L. Silvagni, Jr. (Registered Representative, Williamsport, Pennsylvania)** was fined \$35,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Silvagni received \$253.60 in cash from a public customer for payment on an insurance policy. Silvagni failed to remit such monies to his member firm and, instead, retained the funds for his own use and benefit. Moreover, he concealed such misappropriation by causing policy dividend accumulations to be withdrawn and applied to the payment of such premiums. Silvagni also failed to respond to NASD requests for information.

**Gary Clifford Smith (Registered Principal, Southern Pines, North Carolina)** was suspended from association with any member of the NASD in any capacity for three days. The sanction was based on findings that Smith failed to pay a \$71,274.22 arbitration award and \$3,750 in forum fees.

**James Robert Smith (Registered Representative, Jacksonville Beach, Florida)** was fined \$25,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Smith effected securities transactions in the accounts of public customers without the knowledge or consent of the customers. In addition, Smith failed to respond to an NASD request for information.

**Ronald Earl Smits (Registered Representative, Grandville, Michigan)** was fined \$5,000 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 Smits received a \$100,000 check from a public customer with instructions to use the funds to purchase a certificate of deposit. Smits failed to follow the customer's instructions and, instead, without the customer's knowledge or consent, used the funds to purchase interests in a limited partnership. Moreover, Smits recommended and effected this purchase without having reasonable grounds for believing such transaction was suitable for the customer considering her financial situation and investment objectives.

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

**Paul Edward Surmay (Registered Principal, Louisville, Kentucky)** was fined \$5,000, suspended from association with any member of the NASD in any capacity for three days, required to make restitution of \$44,515 to public customers, and required to requalify by examination in any capacity. The sanctions were based on findings that, in connection with the solicitation and sale of various common stocks with public customers, Surmay made misrepresentations and guarantees to the customers without having a factual basis for such representations.

**Daniel Glenn Thurston (Registered Representative, Rapid City, South Dakota)** 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, Thurston consented to the described sanctions and to the entry of findings that he obtained funds from public customers through both fraudulent redemption of investment company shares and also sales of fictitious certificates of deposit. The NASD found that Thurston converted \$529,000 of those funds to his own use and benefit without the knowledge or consent of the customers.

**Robert W. Wetzel (Registered Representative, Tucson, Arizona)** was fined \$30,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Wetzel received \$1,500 from a pub-

lic customer for the purchase of common stock. He failed to both deliver a stock certificate to the customer and to repay the funds.

**Melinda Schmidt Zeller (Registered Representative, South Bound Brook, New Jersey)** was fined \$105,000 and barred from association with any member of the NASD in any capacity. The sanctions were based on findings that Zeller forged the signatures of nine customers on disbursement request forms, requested the issuance of unauthorized loan checks to be sent to her, and forged the customers' endorsements on the checks, which totaled \$36,078.93. In addition, Zeller failed to respond to NASD requests for information.

#### INDIVIDUALS FINED

**Frederick C. Heller (Registered Representative, Englewood, Colorado)** was fined \$12,500. The sanction was imposed by the NASD's Board of Governors following an appeal of a decision by the DBCC for District 3. The fine was based on findings that Heller effected excessive transactions in the account of public customers in view of the resources and nature of the customers' account and of their investment objectives. Furthermore, Heller exercised discretion in the same account without obtaining written discretionary trading authority from these customers or his member firm.

This case has been appealed to the SEC, and the sanction is not in effect pending consideration of the appeal.

**John E. Ingold (Registered Principal, Pittsburgh, Pennsylvania)** submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$10,000. Without admitting or denying the allegations, Ingold consented to the described sanction and to the entry of findings that, in contravention of the Board of Governors' Free-Riding and Withholding Interpretation, he purchased shares of a new issue that traded at a premium in the immediate aftermarket.

**James C. Scheidell (Registered Representative, Midvale, Utah)** was fined \$12,000. The sanction was imposed by the NASD's Board of Governors on review of a decision by the DBCC for District 3. The sanction was based on findings that Scheidell effected 10 unauthorized transactions in the account of two public customers. Moreover, Scheidell wired \$1,445 into the same customers' bank account for losses incurred as a result of the aforementioned transactions without ob-

taining prior written authorization from his member firm.

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

**Boardwalk Capital Corporation**, Agoura Hills, California

**Great Lakes Equities Company**, Birmingham, Michigan

#### 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 suspension 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.

**Amerifidelity Securities Corp.**, Orlando, Florida (October 8, 1991)

**Douglas Stewart, Inc.**, New York, New York (October 8, 1991)

**Sovran Securities, Inc.**, Williamsville, New York (October 8, 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.

**DeLaureal, Munroe Securities Corp.**, New York, New York (September 19, 1991)

**C.G. Lopp Securities, Inc.**, New York, New York (September 24, 1991)

**Great Cumberland Group, Inc.**, West Newbury, Massachusetts (September 26, 1991)

**Monarch Investment Company**, Duluth, Georgia (October 15, 1991)

**SEI Securities, Inc.**, Duluth, Georgia (October 8, 1991)

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

Edward D. Bagley, Salt Lake City, Utah

James D. Barry, San Diego, California

Disciplinary Actions

Eric R. Bryen, Troy, Michigan  
Susan C. Cumpston, Englewood, Colorado  
Norman Kaufman, Santa Monica, California  
William J. Kennedy, Englewood, Colorado  
Roy A. Lightner, Houston, Texas  
Joan Matweyew, Thousand Oaks, California

Nolen L. Mendenhall, Salt Lake City, Utah  
Peter F. Mercaldi, Jr., Fairchild, Connecticut  
James A. Ryan, Phoenix, Arizona  
Benito A. Silva, Houston, Texas  
George R. Sims, Birmingham, Michigan  
Ali R. Zenhari, Las Vegas, Nevada

# For Your Information

National Association of Securities Dealers, Inc.

November 1991

## Three PLATO Centers Relocate, New Center to Open in Emeryville, California

Effective immediately, the Edina, Minnesota PLATO Professional Development Center has relocated to 8300 Norman Center Drive, Suite 850, Bloomington, MN 54437. The telephone number remains the same.

Effective November 25, 1991, the Birmingham, Alabama PLATO Professional Development Center will relocate to Lakeshore Park Plaza, 2204 Lakeshore Drive, Suite 305, Birmingham, AL 35209. The new telephone number will be (205) 870-9836. The current location will be

closed on Thursday and Friday, November 21 and 22.

Effective December 16, 1991, the Albuquerque, New Mexico PLATO Professional Development Center will relocate to 6400 Uptown Boulevard, NE, Suite 476-W. A new telephone number has not been assigned yet.

A new PLATO Professional Development Center will open in mid-December in the San Francisco/Berkeley area. The address will be 6425 Christie Avenue, Emeryville, CA 94608. The telephone number has not yet been assigned.

## Kansas, Illinois, Nevada Increase Agent Registration, Transfer, and Renewal Fees

Effective October 7, 1991, Kansas increased its agent fees. Agent registration, transfer, and renewal fees all rose from \$25 to \$30. Broker/dealer registration and renewal fees remained at \$100 each.

Effective November 1, 1991, Illinois also boosted its agent fees. Agent registration, transfer, and renewal fees climbed from \$40 to \$50. Bro-

ker/dealer registration and renewal fees remained at \$300 each.

Effective October 1, 1991, Nevada increased its agent registration, transfer, and renewal fees from \$50 to \$55.

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

## Correction to October 1991 "For Your Information"

The October 1991 *Notices to Members* "For Your Information" article titled "Alaska, Puerto Rico Increase Broker/Dealer, Agent Registration Fees" erroneously referred to Texas instead of Alaska in the first sentence. The fees mentioned

are for Alaska. The Texas fee change information was listed correctly in the "For Your Information" section of the September 1991 *NASD Notices to Members*.