

RB-01-04
May 22, 2001

TO: ALL PACIFIC EXCHANGE MEMBERS AND MEMBER ORGANIZATIONS
FROM: ENFORCEMENT DEPARTMENT
SUBJECT: DISCIPLINARY SANCTIONS IMPOSED AND ARBITRATION AWARDS RENDERED

The purpose of this Regulatory Information Bulletin is to advise Members and Member Organizations of certain final disciplinary actions that resulted in the imposition of penalties for violations of specified provisions of the federal securities laws and/or the Constitution and Rules of the Exchange. This Bulletin also advises the Membership of the results of arbitration proceedings that were resolved at the Exchange.

A. Disciplinary Sanctions imposed during the Period October 1, 2000 through March 31, 2001

The Exchange Regulatory Staff resolved the following matters pursuant to the Minor Rule Plan:

OPTIONS:

- OS9910293 A Member was fined Two Hundred Fifty Dollars (\$250.00) for using abusive or hostile language. (PCX Rule 6.2(c)(2)(A)(iv))
- OS0002287 A Member was fined Two Hundred Fifty Dollars (\$250.00) for failing to use due diligence in executing an order. (PCX Rule 6.46(a))
- OS9907289 A Member was fined Five Hundred Dollars (\$500.00) for a second instance of using abusive or hostile language. (PCX Rule 6.2(c)(2)(A)(iv))
- OS9905183 A Member was fined Fifteen Hundred Dollars (\$1500.00) for engaging in unprofessional, disruptive conduct, and using physical contact on the trading floor. (PCX Rule 6.2(c)(2)(A)(iii))
- OS9912303 A Member was fined Two Hundred Fifty Dollars (\$250.00) for failing to use due diligence in executing an order. (PCX Rule 6.46(a))
- OS9910293 A Member was fined Five Hundred Dollars (\$500.00) for a second instance of using abusive or hostile language. (PCX Rule 6.2(c)(2)(A)(iv))
- OS9912223 A Member Firm was fined Five Hundred Dollars (\$500.00) for a second instance of failing to use due diligence in executing an order. (PCX Rule 6.46(a))
- OS0003025 A Member was fined Two Hundred Fifty Dollars (\$250.00) for failing to use due diligence in executing an order. (PCX Rule 6.46 (a))
- OS0002289 A Member Firm was fined Five Hundred Dollars (\$500.00) for failing to use due diligence in executing an order and for unauthorized trading. (PCX Rule 6.46(a) and 6.2(a))
- OS0002289 A Member was fined Two Hundred Fifty Dollars (\$250.00) for making an unauthorized transaction. (PCX Rule 6.2(a))
- OS9910138 A Member was fined Two Hundred Fifty Dollars (\$250.00) for failing to report price on trade. (PCX Rule 6.69(a))
- OS0001205 A Member was fined One Hundred Dollars (\$100.00) for failing to maintain dissemination of revised bid or offer for a reasonable period of time. (PCX Rule 6.37(d) Comm. 09)

- OS0003022 A Member was fined Two Hundred Fifty Dollars (\$250.00) for a second instance of failing to maintain dissemination of revised bid or offer for a reasonable period of time. (PCX Rule 6.37(d) Comm. 09))
- OS9902111 A Member was fined Five Hundred Dollars (\$500.00) for failing to properly identify account origin. (PCX Rule 6.86(a), (b))

Summary Sanctions issued by PCX Options Floor Officials pursuant to the Minor Rule Plan:

- OS0103142 A Member was fined One Hundred Dollars (\$100.00) for failing to log off Auto-Ex when leaving the trading crowd. (PCX Rule 6.87(d)(3))
- OS0102122 A Member was fined Two Hundred Fifty Dollars (\$250.00) for failing to time-stamp trade ticket. (PCX Rule 6.68(2))
- OS0102143 A Member was fined One Hundred Dollars (\$100.00) for failing to wear appropriate dress attire. (PCX Rule 6.2(c)(1)(B))
- OS0103063 A Member was fined Two Hundred Dollars (\$200.00) for a second instance of failing to wear appropriate dress attire. (PCX Rule 6.2(c)(1)(B))
- OS0102141 A Member was fined Two Hundred Fifty Dollars (\$250.00) for failing to time-stamp trade ticket. (PCX Rule 6.69)
- OS0102123 A Member was fined Two Hundred Fifty Dollars (\$250.00) for failing to time-stamp trade ticket. (PCX Rules 6.68,6.69)
- OS0103064 A Member was fined One Hundred Dollars (\$100.00) for unprofessional conduct. (PCX Rule 6.2(c)(2)(A)(iii))
- OS0103143 A Member was fined Two Hundred Fifty Dollars (\$250.00) for failing to time-stamp trade ticket. (PCX Rules 6.68, 6.69)
- OS0103144 A Member was fined Two Hundred Fifty Dollars (\$250.00) for failing to time-stamp trade ticket. (PCX Rules 6.68, 6.69)
- OS0103145 A Member was fined Two Hundred Fifty Dollars (\$250.00) for engaging in disruptive and unprofessional behavior. (PCX Rule 6.2(c)(2)(A)(ii))
- OS0011031 A Member was fined Seven Hundred Fifty Dollars (\$750.00) for a third instance of using abusive or hostile language. (PCX Rule 6.2(c)(2)(A)(iv))
- OS0102061 A Member was fined One Hundred Dollars (\$100.00) for failing to wear appropriate dress attire. (PCX Rule 6.2(c)(1)(B))
- OS0012012 A Member was fined Seven Hundred Fifty Dollars (\$750.00) for a third instance of using abusive or hostile language. (PCX Rule 6.2(c)(2)(A)(iv))
- OS0012071 A Member was fined Two Hundred Fifty Dollars (\$250.00) for using abusive or hostile language. (PCX Rule 6.2(c)(2)(A)(iv))
- OS0012151 A Member was fined One Hundred Dollars (\$100.00) for failing to log off Auto-Ex when leaving the trading crowd. (PCX Rule 6.87(d)(3))

OS0012152 A Member was fined Two Hundred Fifty Dollars (\$250.00) for using abusive or hostile language. (PCX Rule 6.2(c)(2)(A)(iv))

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OS0012153 A Member was fined Two Hundred Fifty Dollars (\$250.00) for engaging in physical contact on the Options Floor. (PCX Rule 6.2(c)(2)(A)(iii))

OS0101111 A Member was fined One Thousand Five Hundred Dollars (\$1,500.00) for engaging in physical contact on the Options floor. (PCX Rule 6.2(c)(2)(A)(iii))

OS0101241 A Member was fined One Hundred Dollars (\$100.00) for failing to wear appropriate dress attire. (PCX Rule 6.2(c)(1)(B))

OS0101242 A Member was fined One Hundred Dollars (\$100.00) for failing to wear appropriate dress attire. (PCX Rule 6.2(c)(1)(B))

OS0101243 A Member was fined One Hundred Dollars (\$100.00) for failing to wear appropriate dress attire. (PCX Rule 6.2(c)(1)(B))

OS0002221 A Member was fined Five Hundred Dollars (\$500.00) for a second instance of using abusive or hostile language. (PCX Rule 6.2(c)(2)(A)(iv))

OS0011035 A Member was fined One Hundred Dollars (\$100.00) for documentation error. (PCX Rule 6.68(2))

OS0011036 A Member was fined One Hundred Dollars (\$100.00) for failing to wear appropriate dress attire. (PCX Rule 6.2(c)(1)(A)(i))

OS0010277 A Member was fined Seven Hundred Fifty Dollars (\$750.00) for a third instance of using abusive or hostile language. (PCX Rule 6.2(c)(2)(A)(iv))

OS0010276 A Member was fined One Hundred Dollars (\$100.00) for failing to wear appropriate dress attire. (PCX Rule 6.2(c)(1)(B)(i))

OS9912307 A Member was fined Seven Hundred Fifty Dollars (\$750.00) for a third instance of using abusive or hostile language. (PCX Rule 6.2(c)(2)(A)(iv))

OS0010278 Member was fined Two Hundred Fifty Dollars (\$250.00) for using abusive or hostile language. (PCX Rule 6.2(c)(2)(A)(iv))

OS0010275 A Member was fined Two Hundred Fifty Dollars (\$250.00) for using abusive or hostile language. (PCX Rule 6.2(c)(2)(A)(iv))

OS0008281 A Member was fined One Thousand Five Hundred Dollars (\$1,500.00) for engaging in physical contact on the Options floor. (PCX Rule 6.2(c)(2)(A)(iii))

OS0010093 A Member was fined One Hundred Dollars (\$100.00) for failing log off Auto-Ex when leaving the trading crowd. (PCX Rule 6.87(a)(3))

OS0001101 A Member was fined Two Hundred Fifty Dollars (\$250.00) for disruptive and unprofessional conduct. (PCX Rule 6.2(a)(c)(2)(A)(i))

OS0009274 A Member was fined One Hundred Dollars (\$100.00) for failing log off Auto-Ex when leaving the trading crowd. (PCX Rule 6.87(a)(3))

OS0009275 A Member was fined Two Hundred Fifty Dollars (\$250.00) for failing to time-stamp ticket. (PCX Rule 6.68(2))

OS0009276 A Member was fined Two Hundred Fifty Dollars (\$250.00) for failing to time-stamp ticket. (PCX Rule 6.68(2))

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OS0009277 A Member was fined Two Hundred Fifty Dollars (\$250.00) for failing to time-stamp ticket. (PCX Rule 6.68(2))

OS0009278 A Member was fined One Hundred Dollars (\$100.00) for failing to log off Auto-Ex when leaving the trading crowd. (PCX Rule 6.87(a)(3))

OS0009279 A Member was fined Two Hundred Fifty Dollars (\$250.00) for using abusive or hostile language. (PCX Rule 6.2(c)(2)(A)(iv))

OS0009281 A Member was fined One Hundred Dollars (\$100.00) for failing to log off Auto-Ex when leaving the trading crowd. (PCX Rule 6.87(a)(3))

OS0009272 A Member was fined Two Hundred Fifty Dollars (\$250.00) failing to time-stamp ticket. (PCX Rule 6.68(2))

OS0009282 A Member was fined Five Hundred Dollars (\$500.00) for a second instance of failing to time-stamp ticket. (PCX Rule 6.68(2))

OS0009273 A Member was fined Two Hundred Fifty Dollars (\$250.00) unprofessional conduct. (PCX Rule 6.2(a)(c)(2)(A)(iv))

OS0010094 A Member was fined Two Hundred Fifty Dollars (\$250.00) for using abusive or hostile language. (PCX Rule 6.2(a)(c)(2)(A)(iv))

OS0010207 A Member was fined Two Hundred Fifty Dollars (\$250.00) for unprofessional conduct on the Options floor. (PCX Rule 6.2(c)(2)(A)(iii))

OS9912306 A Member was fined Five Hundred Dollars (\$500.00) for disruptive conduct on the Options floor. (PCX Rule 6.2(c)(2)(A)(iii))

The Exchange Regulatory Staff resolved the following matters pursuant to the Minor Rule Plan:

EQUITIES:

ES001117-1 A Specialist was fined Five Hundred Dollars (\$500.00) for violation of short sale rule (PCXE Rule 7.40(a))

ES000313-1 A Specialist was fined One Hundred Dollars (\$100.00) and issued an Official Letter of Warning for violation of customer unexecuted limit order/priority. (PCXE Rule 6.7(b))

ES000316-1 A Specialist was fined Two Hundred Fifty Dollars (\$250.00) for failing to properly transfer badge to another member in his absence. (EFPA 1-C (ii))

ES000703-1 A Specialist was fined Five Hundred Dollars (\$500.00) for violation of short sale rule. (PCXE Rule 7.40(a))

ES001102-2 A Specialist was fined One Hundred Dollars (\$100.00) for failing to properly display orders. (SEC Rule 11Ac-1-4)

ES000928-1 A Specialist was fined Five Hundred Dollars (\$500.00) for violation of short sale rule. (PCXE Rule 7.40(a))

- ES000622-3 A Specialist was fined Two Hundred Fifty Dollars (\$250.00) and issued an Official Letter of Warning for violation of customer unexecuted limit order/priority. (PCXE Rule 6.7(b))
- ES000907-1 A Specialist was fined One Hundred Dollars (\$100.00) for failing to properly transfer badge to another member in his absence. (EFPA 1-C (ii))
- ES000602-1 A Specialist was fined Fifty Dollars (\$50.00) for failing to properly transfer badge to another member in his absence. (EFPA 1-C (ii))

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- ES001012-1 A Specialist was fined Fifty dollars (\$50.00) for failing to time-stamp orders/tickets. (PCXE Rule 7.35(d) and EFPA-3A)
- ES000823-1 A Specialist was fined One Thousand Dollars (\$1000.00) for violation of short sale. (PCXE Rule 7.40(a))
- ES000927-1 A Specialist was fined Two Thousand Five Hundred Dollars (\$2,500.00) for violation of short sale rule. (PCXE Rule 7.40(a))
- ES000705-2 A Specialist was fined One Hundred Dollars (\$100.00) for failing to properly transfer badge to another member in his absence. (EFPA 1-C(ii))
- ES000531-1 A Specialist was fined Five Hundred Dollars (\$500.00) for violation of short sale. (PCXE Rule 7.40(a))
- ES000912-1 A Specialist was fined One Hundred Dollars (\$100.00) and issued an Official Letter of Warning for failing to properly display orders. (SEC Rule 11 Ac-1-4)
- ES000720-1 A Specialist was fined One Hundred Dollars (\$100.00) for failing to properly display orders. (SEC Rule 11 Ac-1-4)
- ES000811-2 A Specialist was fined Two Hundred Fifty Dollars (\$250.00) for failing to properly display orders. (SEC Rule 11Ac-1-4)
- ES000811-3 A Specialist was fined Two Hundred Fifty Dollars (\$250.00) for failing to properly display orders. (SEC Rule 11Ac-1-4)
- ES000314-2 A Specialist was fined Two Hundred Fifty Dollars (\$250.00) for violation of customer unexecuted limit order/priority. (PCXE Rule 6.7(b))
- ES000209-2 A Specialist was fined Five Hundred Dollars (\$500.00) for violation of customer unexecuted limit order/priority. (PCXE Rule 6.7(b))
- ES000313-2 A Specialist was fined Seven Hundred Fifty Dollars (\$750.00) for violation of customer unexecuted limit order/priority. (PCXE Rule 6.7(b))
- ES000516-1 A Specialist was fined Two Hundred Fifty Dollars (\$250.00) for violation of customer unexecuted limit order/priority. (PCXE Rule 6.7(b))
- ES000531-3 A Specialist was fined Five Hundred Dollars (\$500.00) for violation of customer unexecuted limit order/priority. (PCXE Rule 6.7(b))
- ES000712-1 A Specialist was fined One Hundred Dollars (\$100.00) for failing to properly display orders. (SEC Rule 11Ac-1-4)
- ES000725-1 A Specialist was fined One Hundred Dollars (\$100.00) for failing to properly display orders. (SEC Rule 11Ac-1-4)
- ES00531-2 A Specialist was fined Five Hundred Dollars (\$500.00) for violation of customer unexecuted limit

order/priority. (PCXE Rule 6.7(b))

- ES000224-1 A Specialist was fined One Hundred Dollars (\$100.00) for failing to properly transfer badge to another member in his absence. (EFPA 1C (ii))
- ES000208-1 A Specialist was fined Two Hundred Fifty Dollars (\$250.00) and issued an Official Letter of Warning for violation of customer unexecuted limit order/priority. (PCXE Rule 6.7(b))
- ES000602-3 A Specialist was fined One Hundred Dollars (\$100.00) for failing to wear appropriate dress attire. (EFPA1-A)

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- ES000128-1 A Specialist was fined Two Hundred Fifty Dollars (\$250.00) for violation of customer limit order/priority. (PCXE Rule 6.7(b))
- ES000705-1 A Specialist was fined One Hundred Dollars (\$100.00) for failing to transfer badge to another member in his absence. (EFPA 1-C (ii))
- ES000612-2 A Specialist was fined One Hundred Dollars (\$100.00) for failing to properly display orders. (SEC Rule 11 AC-1-4)
- ES000526-1 A Specialist was fined One Hundred Dollars (\$100.00) for failing to properly display orders. (SEC Rule 11 AC-1-4)
- ES000717-1 A Specialist was fined One Hundred Dollars (\$100.00) for failing to properly display orders. (SEC Rule 11 AC-1-4)
- ES000828-1 A Specialist was fined Five Hundred Dollars (\$500.00) for violation of short rule sale. (PCXE Rule 7.40(a))
- ES000204-4 A Specialist was fined Five Hundred Dollars (\$500.00) for violation of short rule sale. (PCXE Rule 7.40(a))
- ES000119-1 A Specialist was issued an Official Letter of Warning for violation of customer limit order/priority. (PCX Rule 6.7(b))
- ES000425-1 A Specialist was issued an Official Letter of Warning for violation of customer limit order/priority. (PCX Rule 6.7(b))
- ES000717-2 A Specialist was issued an Official Letter of Warning for failing to properly display orders. (SEC Rule 11 AC-1-4)
- ES0001023-1 A Specialist was issued an Official Letter of Warning for failing to properly display orders. (SEC Rule 11 AC-1-4)
- ES000605-1 A Specialist was issued an Official Letter of Warning for violation of customer limit order/priority and failing to properly display orders. (PCX Rule 6.7(b) and SEC Rule 11 AC-1-4)
- ES000810-1 A Specialist was issued an Official Letter of Warning for violation of customer limit order/priority. (PCX Rule 6.7(b))
- ES000811-1 A Specialist was issued an Official Letter of Warning for violation of short rule sale. (PCXE Rule 7.40(a))
- ES000830-1 A Specialist was issued an Official Letter of Warning for failing to properly display orders. (SEC Rule 11AC-1-4)

- ES000619-2 A Specialist was issued an Official Letter of Warning for violation of customer limit order/priority. (PCX Rule 6.7(b))
- ES000526-2 A Specialist was issued an Official Letter of Warning for violation of customer limit order/priority. (PCX Rule 6.7(b))
- ES000627-1 A Specialist was issued an Official Letter of Warning for failing to properly display orders. (SEC Rule 11AC-1-4)
- ES000707-1 A Specialist was issued an Official Letter of Warning for failing to properly display orders. (SEC Rule 11AC-1-4)
- ES000728-1 A Specialist was issued an Official Letter of Warning for failing to properly display orders. (SEC Rule 11AC-1-4)

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- ES000120-1 A Specialist was issued an Official Letter of Warning for failing to properly display orders. (SEC Rule 11AC-1-4)
- ES000711-1 A Specialist was issued an Official Letter of Warning for failing to properly display orders. (SEC Rule 11AC-1-4)
- ES000411-2 A Specialist was issued an Official Letter of Warning for violation of customer limit order/priority. (PCX Rule 6.7(b))
- ES000619-1 A Specialist was issued an Official Letter of Warning for violation of customer limit order/priority. (PCX Rule 6.7(b))
- ES000523-1 A Specialist was issued an Official Letter of Warning for failing to properly display orders. (SEC Rule 11AC-1-4)
- ES000322-1 A Specialist was issued an Official Letter of Warning for violation of customer limit order/priority. (PCX Rule 6.7(b))

The Ethics and Business Conduct Committee resolved the following matters by a rendering a Decision and or rendering a Decision accepting Offer of Settlement and Consent.

OPTIONS:

- OS9912308 NOAH AMENT was fined Five Hundred Dollars (\$500.00) by the Ethics and Business Conduct Committee for engaging in unprofessional, disruptive, and physical contact on the trading floor. (PCX Rule 6.2(c)(2)(A)(iii))
- ME9911042 ARIEL TRADING, LP consented to a penalty of Five Thousand Dollars (\$5,000.00) for failing to maintain adequate liquid assets and failing to report changes in financial operation. (PCX Rules 6.82(c)(11) and 6.82(c)(13))
- OS0001183 JEFFREY CLARK consented to a penalty of Two Thousand Five Hundred Dollars (\$2,500.00) for engaging in non-member trading on the options floor without authorization. (PCX Rule 6.2(a) and OFPA F-2)
- OS0005051 MICHAEL LAWLER consented to a penalty of Five Hundred Dollars (\$500.00) for failing to log back onto

Auto-Ex when re-entering the trading crowd and resuming trading. (PCX Rule 6.87(e)(4))

ME9901264 PACIFIC COAST CAPITAL consented to a penalty of Twenty Two Thousand Five Hundred Dollars (\$22,500.00) for failing to maintain current financial records, failing to furnish financial records in a timely manner, and failing to file a true, correct and accurate 1996 FOCUS Report. (PCX Rules 2.12(c) and 9.17) and Rules 17a-3(a)(2), and 17a-10(a) of the Securities Exchange Act of 1934.

OS9909305 GUY LEUNG consented to a penalty of Four Thousand Dollars (\$4,000.00) and censure for conduct inconsistent with just and equitable principles of trade and in violation of federal securities laws. (PCX Constitution Article XI, §2(b))

B. Arbitration Awards Rendered During the Period October 1, 2000 through March 31, 2001

Pursuant to PCX Rule 12.29(f), arbitration awards shall be made publicly available provided that the name of the customer party will not be disclosed if he/she so requests in writing.

Case Name Gus Boosalis, Boosalis Options v. Investec Ernst & Co.
Case Number 00-S027
Date Received 10/24/00
Summary of Issues Trade error
Amount In Dispute \$16,250
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Amount Awarded \$8,125
Date Awarded 3/27/01

Case Name Claimant v. Morgan Stanley Dean Witter
Herzog Heine Geduld, Inc. is third party respondent
Case Number 00-S006
Date Received 2/17/00
Summary of Issues "Busted" trade
Amount in Dispute \$16,759
Amount Awarded \$0
Date Awarded 1/31/01

Case Name Kim Young v. Charles Schwab
Case Number 99-S027
Date Received 6/8/99
Summary of Issues Failure to correct order error
Amount In Dispute \$120,000
Amount Awarded \$10,600
Date Awarded 10/31/00

Case Name J. Carl Peus, MD v. Prudential Securities
Case Number 00-S009
Date Received 3/22/00
Summary of Issues Breach of fiduciary duty, negligence
Amount in Dispute \$1,200,000
Amount Awarded \$40,000
Date Awarded 11/21/00

Case Name Claimant v. Charles Schwab
Case Number 00-S018
Date Received 6/16/00
Summary of Issues Misrepresentation, negligence
Amount in Dispute \$3,050
Amount Awarded \$1,042.50 plus interest

Date Awarded 12/1/00
Case Name Claimant vs. First
Case Number 00-L022
Date Received 6/26/00
Summary of Issues Breach of fiduciary duty, misdirection of funds
Amount in Dispute \$626,500 plus punitive and exemplary damages
Amount Awarded \$40,000
Date Awarded 12/3/00

Case Name Thomas Gingrich v. Everen
Case Number 00-S005
Date Received 2/17/00
Summary of Issues Lack of supervision, unsuitability
Amount in Dispute \$220,000
Amount Awarded \$0
Date Awarded 12/6/00

Award summaries will be published, as controversies are resolved. Upon written request, copies of the awards will be available from the Department of Arbitration of the Pacific Exchange.

Questions regarding Disciplinary Sanctions may be directed to Claire McMillan, Senior Enforcement Attorney, at (415) 393-4839. Questions regarding Arbitration Awards may be directed to Joan Clark, Arbitration Administrator, at (415) 393-4240.