

**STATE OF NORTH DAKOTA  
COUNTY OF BURLEIGH**

**BEFORE THE  
SECURITIES COMMISSIONER**

In the Matter of )  
Gruntal & Co., Inc., )  
and their Officers, Directors, )  
Agents and Employees, )  
Respondents. )

**CONSENT ORDER**

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The North Dakota Securities Commissioner has advised the Respondents that he is prepared to commence formal action pursuant to North Dakota Century Code Chapter 10-04 and has reason to believe as follows:

1. On January 16, 1996 Gruntal & Co., Inc. was the subject of a customer complaint by Kevin Pifer alleging unauthorized trades on his account with Gruntal & Co., Inc.;
2. on or about February 14, 1995 Robert Goldstein of Gruntal & Co., Inc. sold Kevin Pifer 100 shares of Quaker Oats Co. at a price of 34 3/8;
3. a margin call dated March 28, 1995 was sent to Kevin Pifer by Gruntal & Co., Inc. for \$1,860.00 to be in the hands of Gruntal & Co., Inc. no later than April 3, 1995;
4. on April 13, 1995 Gruntal & Co., Inc. sold 100 shares of Quaker Oats at 35 1/8 from Kevin Pifer's account;
5. Kevin Pifer alleges that he did not authorize the sale of shares of Quaker Oats shares from his account;
6. Kevin Pifer sent Gruntal & Co., Inc. a check in the amount of \$1,860.00 dated April 17, 1995 to cover the margin;
7. on or about December 27, 1995 Robert Goldstein of Gruntal & Co., Inc. sold Kevin Pifer 1,400 shares of Flagstar Companies, Inc. at a price of 3;
8. a maintenance call dated December 27, 1995 was sent to Kevin Pifer by Gruntal & Co., Inc. requiring \$2,005.00 additional margin to be forwarded to Gruntal & Co., Inc. by January 2, 1996;
9. on December 27, 1995 Gruntal & Co., Inc. sold 1,400 shares of Flagstar Companies, Inc. at a price of 3 from Kevin Pifer's account;

10. Kevin Pifer alleges that he did not authorize the sale of Flagstar Companies shares from his account;

11. More shares of Flagstar Companies were sold than were needed to cover the maintenance call;

12. Pursuant to § 10-04-16 N.D.C.C., whenever it shall appear to the Commissioner that any person has engaged in, or is engaging in, or is about to engage in any act or practice which is declared illegal in Ch. 10-04 N.D.C.C., the Commissioner may, in his discretion issue any order and collect civil penalties against any person found in an administrative action to have violated any provision of the chapter in an amount not to exceed \$10,000 for each violation;

13. the violations described above, if proven as separate violations of unauthorized trading, constitute sufficient grounds for the imposition of civil penalties under Ch. 10-04 N.D.C.C.;

14. it is the Respondent's position that all transactions in Kevin Pifer's account were proper and that all of the alleged wrongful sales were made appropriately pursuant to Regulation T promulgated by the Federal Reserve Board and firm margin policies and procedures;

15. Respondents consent to the entry of this Order by the Securities Commissioner without admitting or denying the allegations contained herein;

16. Respondents waive their right to a hearing in this matter and to present arguments to the Commissioner;

17. Respondents acknowledge their right to be represented by legal counsel throughout this proceeding, and have agreed to an informal disposition of this matter, without a hearing; and

18. The following Order is necessary and appropriate in the public interest.

**NOW, THEREFORE, IT IS ORDERED, THAT:**

1. Respondents shall offer a refund in an amount of not less than \$1,500 to:

Kevin Pifer  
c/o Nodak Mutual Insurance  
1101 1<sup>st</sup> Ave. N  
Fargo, ND 58102

2. Respondents shall pay a civil penalty of \$3,000 to the Office of the Securities Commissioner pursuant to § 10-04-16 N.D.C.C.;

3. This Order shall be effective upon signature of the Commissioner.

Dated at Bismarck, North Dakota, on this 23 day of May, 1996.



Cal Hoovestol  
CAL HOOVESTOL  
SECURITIES COMMISSIONER  
State Capitol-5th Floor  
Bismarck, ND 58505-0510  
(701) 328-2910

STATE OF NORTH DAKOTA  
COUNTY OF BURLEIGH

RECEIVED

BEFORE THE  
SECURITIES COMMISSIONER

MAY 20 1996

In the Matter of

Gruntal & Co., Inc.,

and their Officers, Directors,

Agents and Employees,

Respondents.

SECURITIES COMMISSIONER  
STATE OF NORTH DAKOTA

) CONSENT TO ENTRY  
) OF ORDER  
)

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The undersigned, acting on behalf of the Respondents, states that he/she has read the foregoing Consent Order; that he/she knows and fully understands its contents and effects; that he/she is authorized to execute this Consent to Entry of Order on behalf of the Respondents; that Respondents have waived their rights to a hearing with respect to this matter; and that Respondents consent to entry of the Consent Order by the Securities Commissioner without admitting or denying the findings of fact and conclusions of law contained herein. It is further expressly understood that the Consent Order constitutes the entire settlement agreement between the parties hereto, there being no other promises or agreements, either expressed or implied.

Dated this 15th day of May, 1996.

Gruntal & Co., Inc.

By: Lionel G. Hest  
(Type or Print Name)

Signed: [Signature]  
Capacity: Executive Vice President,  
General Counsel and  
Secretary

STATE OF NORTH DAKOTA  
COUNTY OF BURLEIGH

BEFORE THE  
SECURITIES COMMISSIONER

In the matter of )  
Gruntal & Co., Inc., )  
and their Officers, Directors, )  
Agents, and Employees, )  
 )  
Respondents. )

**AFFIDAVIT  
OF  
MAILING**

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I, Diane Lillis, being first duly sworn, state that I am a citizen of the United States over the age of twenty-one years and not a party to or interested in the above-entitled proceeding.

On, May 23, 1996 I deposited in the Central Mailing Bureau of the United States Post Office Department in the State Capitol in Bismarck, North Dakota, true and correct copies of the following document:

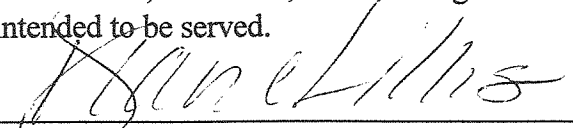
**CONSENT ORDER**

A copy of the above document was securely enclosed in an envelope with postage duly prepaid, sent via certified mail, return receipt requested, and addressed to:

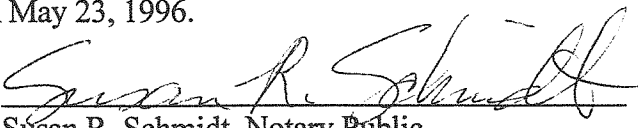
Gruntal & Co., Inc.  
Attention: David R. Rappaport  
Office of the General Counsel  
Fourteen Wall Street  
New York, NY 10005-8800

Kevin Pifer  
c/o Nodak Mutual Insurance  
1101 1<sup>st</sup> Avenue N  
Fargo, ND 58102

To the best of my knowledge, information, and belief, the address given above is the actual post office address of the party intended to be served.

  
\_\_\_\_\_  
Diane Lillis

Subscribed and sworn to before me on May 23, 1996.

  
\_\_\_\_\_  
Susan R. Schmidt, Notary Public  
Burleigh County, North Dakota  
My commission expires 9/25/2001