

the Executive Vice President, Chief of Staff, Compliance Director, general principal and a director of Government Securities Corporation (GSC), a broker-dealer registered with the Commission. Without admitting or denying the findings, Klaus consented to the issuance of the Order which found that he failed reasonably to supervise the activities of certain registered representatives at GSC who violated the antifraud provisions of the federal securities laws by selling public fund clients high-risk Collateralized Mortgage Obligations (CMOs), including Inverse Floaters, Interest Only and Principal Only CMOs by referring to the high-risk CMOs as "Fannie Mae," "Freddie Mac," or "FMMA" securities, while omitting to disclose that the instruments were volatile CMO tranches. Moreover, these registered representatives misrepresented these CMOs as suitable investments which were consistent with clients' objectives of safety of principal, liquidity, market stability, short duration and low risk. In addition, these clients were not informed that these instruments were highly sensitive to changes in interest rates. These registered representatives also misrepresented the IOs and Inverse IOs as government guaranteed instruments whose principal was fully protected, and failed to disclose that these instruments carried an inherent risk of loss of principal and illiquidity. The Commission's order suspends Klaus from association with any broker, dealer, investment company, investment adviser or municipal securities dealer for 6 months, followed by a bar from such association in a supervisory capacity, with a right to reapply after one year, and orders him to pay a \$15,000 civil penalty within 21 days. (Rel. 34-39165)

COMMISSION DENIES MOTION OF ROBERT AINBINDER TO SET ASIDE DEFAULT

The Commission has denied the motion of Robert E. Ainbinder of West Hempstead, New York, to set aside a 1993 Commission order that barred Ainbinder from association with any broker, dealer, investment company, investment adviser or municipal securities dealer. The 1993 order was based on Ainbinder's default in failing to answer the charges against him.

Ainbinder sought to blame the default on his former attorney. However, the Commission stated that, having voluntarily chosen the attorney as his representative, Ainbinder could not avoid the consequences of the attorney's acts or omissions. The Commission also concluded that Ainbinder's motion had not been filed within a reasonable time after the default order was entered, as required by Commission rules. (Rel. 34-39177)

COLLATERAL BAR IMPOSED ON MEYER BLINDER

The Commission has barred Meyer Blinder from association with a broker, dealer, municipal securities dealer, investment adviser, investment company, or a member of a national securities exchange or registered securities association (a collateral bar). This collateral bar was based on Blinder's criminal conviction for violations of the securities laws of the Racketeer Influenced and Corrupt Organizations Act, as well as his having been permanently enjoined from violations of the securities laws (See, U.S. v.

