

BEFORE THE SECURITIES COMMISSIONER  
OF THE STATE OF DELAWARE

IN THE MATTER OF:                    )  
  )  
RUSSELL GORDON KOCH,                )     Case No. 91-03-02  
KOCHCAPITAL, INC.,                    )  
  )  
  )  
      Respondents.                    )

SUMMARY ORDER OF SUSPENSION  
AND NOTICE OF INTENT TO REVOKE  
BROKER-DEALER AND AGENT REGISTRATION

WHEREAS, the Delaware Division of Securities ("Division") is a unit within the Department of Justice directed by the Securities Commissioner ("Commissioner") under the auspices of the Attorney General pursuant to the Delaware Securities Act ("Act"), Chapter 73, Title 6 of the Delaware Code;

WHEREAS, the Commissioner is charged under Del. C. sec. 7325 with enforcement of the provisions of the Act and is authorized under sec. 7316(a)(6) to suspend or revoke the registration of any broker-dealer or securities agent if he finds that it is in the public interest and if such firm or person within the last five years has been "suspended or expelled from a . . . national securities association . . . the effect of which has not been stayed by appeal or otherwise, or by order of the Securities and Exchange Commission . . . ."

WHEREAS, the Division staff has conducted an investigation of the recent disciplinary action by the National Association of Securities Dealers, Inc. ("NASD") against respondents, and as a result of that investigation the Division staff alleges as follows:

### Notice of Allegations

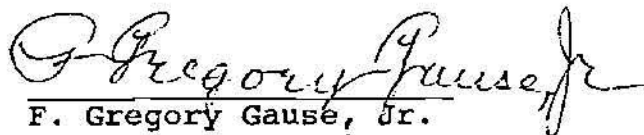
1. Respondent Russell Gordon Koch ("Koch") is the president and principal of Kochcapital, Inc. ("Kochcapital"), a securities firm located in Bellevue, Washington.

2. By decision dated January 28, 1991, the NASD expelled Kochcapital from its membership, and barred Koch from association with any NASD member. In the Matter of District Business Conduct Committee for District No. 1 vs. Kochcapital, Inc. et al., Complaint No. SEA-535. The NASD decided that Koch and Kochcapital (together with other employees of the firm) had committed 118 separate violations of Rule 15c2-6 (the penny stock rule), promulgated by the Securities and Exchange Commission ("SEC") and effective January 1, 1990, and also had violated the NASD Rules of Fair Practice. Specifically, the NASD found that the respondents had sold securities to retail customers before obtaining a manually signed and dated copy of each customer's written suitability statement, and also had sold securities to retail customers without having received from each customer a prior written agreement setting forth the identity and quantity of the security to be purchased. In addition, Koch and Kochcapital had failed to establish adequate written procedures to ensure compliance with SEC and NASD rules.

3. Koch and Kochcapital have appealed the NASD decision to the SEC, and requested a stay pending appeal. In the Matter of the Application of Kochcapital, Inc. and Russell Gordon Koch, Administrative Proceeding No. 3-7452. By order dated February 15, 1991, the SEC refused to stay the part of the NASD's decision

expelling Kochcapital from membership, and barring Koch from associating with any NASD member.

4. It is in the public interest that Koch's and Kochcapital's registration to sell securities in Delaware be suspended or revoked.

  
F. Gregory Gause, Jr.  
Securities Investigator

Dated: April 8, 1991

