

Monthly Disciplinary Actions January 1996

Unless otherwise indicated, suspensions will begin with the opening of business on Monday, January 15, 1996. The information relating to matters contained in this section is current as of January 5, 1996. Information received subsequent to January 5, 1996 is not reflected in this section.

Firm Expelled, Individual Sanctioned

Worthington & Dunn Securities, Inc. (Dallas, Texas) and Jason Dru Dvorin (Registered Principal, Plano, Texas). The firm was expelled from NASD membership and Dvorin was fined \$25,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that the firm, acting through Dvorin, failed to maintain accurate books and records and filed a late and inaccurate FOCUS Part IIA report. Also, the firm, acting through Dvorin, held a customer's check while purporting to operate under the exemptive provisions of Rule 15c3-3 under the Securities Exchange Act of 1934 that would not permit the firm to do so, and failed to transmit promptly such check to an independent escrow agent. The firm, acting through Dvorin, maintained the registration of registered representatives who did not function as representatives of the firm and were not active in the investment banking or securities business of the firm, and failed to maintain subscription documents or any other documents reflecting the financial status and investment objectives of public customers. The firm, acting through Dvorin, also received compensation of \$11,000 in the form of an override, that was not disclosed to offerees and/or investors of fractional, undivided oil and gas interest.

Firm Suspended, Individual Sanctioned

Mid Continent Securities, Inc. (Arvada, Colorado) and Charlene Pratt (Registered Principal, Arvada, Colorado) submitted a Letter of Acceptance, Waiver and Consent pursuant to which they were fined \$33,500, jointly and severally. Also, the firm was suspended from NASD membership for 45 days. Pratt was suspended from association with any NASD member in any principal capacity for 90 days and required to requalify by exam as a principal. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Pratt, participated in two contingency offerings and, with respect to each working interest program, the escrow agreement set forth a minimum number of units required to be purchased to break escrow that was less than the number of units represented in the offering memoranda to be required to break escrow.

The findings also stated that the firm, acting through Pratt, broke escrow and released funds to the issuer before satisfying the minimum purchase contingency stated in the offering memoranda, and affiliates of the issuer purchased units before satisfying the minimum subscription contingency when the offering memoranda failed to include the disclosures necessary for such purchases to be deemed bona fide sales. The NASD also found that the firm, acting through Pratt, participated in the offering of interests in the two working interest programs after the expiration of the discretionary 90-day extension of the offering period permitted the issuer in the offering memoranda, when no reconfirmation offer with appropriate disclosures and amendments of the offering memoranda had occurred.

Firms Fined, Individuals Sanctioned

The Chapman Co. (Baltimore, Maryland) and Nathan A. Chapman, Jr. (Registered Principal, Baltimore, Maryland) submitted an Offer of Settlement pursuant to which they were fined \$30,000, jointly and severally. In addition, Chapman was suspended from association with any NASD member as a financial and operations principal for 10 business days. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Chapman, effected transactions in non-exempt securities while failing to maintain its required minimum net capital. The findings also stated that the firm, acting through Chapman, prepared inaccurate computations of net capital and/or aggregate indebtedness and filed inaccurate FOCUS Part I reports. The NASD also found that the firm, acting through Chapman, failed to give timely notice of its net capital deficiencies.

Paramount Investments International, Inc. (Denver, Colorado), Craig L. Edelmann (Registered Principal, Littleton, Colorado), and Thomas L. Gottschalk (Registered Principal, Arvada, Colorado). The firm submitted an Offer of Settlement pursuant to which it was fined \$15,000, \$10,000 of which is payable jointly and severally with Gottschalk. The firm also was suspended from NASD membership for five business days with the proviso that the firm may effect unsolicited sell transactions for its customers during the suspension period and must designate a new financial and operations principal. Gottschalk was suspended from association with any NASD member in any principal capacity for 10 business days and required to requalify by exam in any principal capacity. Edelmann was fined \$20,000, suspended from association with any NASD member in any principal capacity for 30 days, and required to requalify by exam in any principal capacity. The National Business Conduct Committee (NBCC) imposed the sanctions against Edelmann and Gottschalk following appeal of a Denver District Business Conduct Committee (DBCC) decision. Without admitting or denying the allegations, the firm consented to the described sanction and to the entry of findings that the firm, acting through Edelmann and Gottschalk, allowed an individual to function as an associated person of the firm when he or she was subject to a statutory disqualification and was ineligible to be associated with the firm.

The firm's suspension will begin May 20, 1996, and conclude May 24, 1996.

Firms And Individuals Fined

Benbrook Wheeler Securities, Ltd. (Houston, Texas) and W. Buckner Ogilvie, Jr. (Registered Principal, Houston, Texas) were fined \$15,000, jointly and severally, and Ogilvie must requalify by exam in all capacities. The sanctions were based on findings that the firm and Ogilvie failed to maintain accurate books and records. The firm and Ogilvie also prematurely instructed an escrow agent to break escrow and disburse the funds to them, and failed to deposit and retain all customer funds in an escrow account. Also, the firm, acting through Ogilvie, failed to comply with its exemption under the Securities Exchange Rule 15c3-3 in that they had direct access to and took possession of customer funds and failed to maintain the requisite amount of net capital. The firm, acting through Ogilvie, also failed to renew an expired fidelity bond, failed to review and approve sales correspondence, and failed to conduct an annual review of a branch office.

Cullum & Sandow Securities, Inc. (Dallas, Texas) and Richard L. Sandow (Registered Principal, Southlake, Texas) submitted an Offer of Settlement pursuant to which the firm and Sandow were fined \$15,000, jointly and severally. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that they failed to supervise adequately the activities of a registered individual.

Firm Fined

Pruco Securities Corporation (Newark, New Jersey) submitted a Letter of Acceptance, Waiver and Consent pursuant to which the firm was fined \$15,000. Without admitting or denying the allegations, the firm consented to the described sanction and to the entry of findings that certain agents solicited retail customers to purchase a variable life insurance product. Upon obtaining customer instructions to purchase the variable product, an order was entered to purchase a fixed life insurance product that was exchanged for a variable product when these agents became registered with the NASD.

Individuals Barred Or Suspended

Scott Allen Atwood (Registered Representative, Sherwood, Oregon) was fined \$25,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Atwood received from public customers checks totaling \$4,268.26 for deposit in their investment accounts. Atwood failed to deposit timely the checks for their intended purposes and, instead, kept the checks in his possession until after his termination from his member firm. Atwood also failed to respond to NASD requests for information.

Michael Bartow (Registered Representative, Beach Park, Illinois) was fined \$13,000, barred from association with any NASD member in any capacity, and ordered to pay \$2,600 in restitution to a member firm. The sanctions were based on findings that Bartow received from a public customer \$2,600 with instructions that the funds be deposited in the customer's variable appreciable life insurance policy. Bartow failed to follow said instructions and used the funds for some purpose other than for the customer's benefit. Bartow also failed to respond to NASD requests for information.

James Brian Bishop (Registered Representative, Dallas, Texas) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Bishop issued, or caused to be issued, personal checks drawn on insufficient bank funds that he delivered to his member firm or its clearing firm in purported settlement of securities transactions, thereby causing the firm to suffer a loss in excess of \$7,000. Bishop also reimbursed a public customer \$3,000 for losses allegedly incurred by the customer in securities transactions that Bishop had previously effected. Bishop also effected unauthorized transactions in the account of a public customer and failed to respond to NASD requests for information.

Phillip Bommarito (Registered Representative, Albion, Michigan) was fined \$10,000, suspended from association with any NASD member in any capacity for six months, and required to requalify by exam as a representative. The sanctions were based on findings that Bommarito participated in the sale of a fixed annuity product and failed to give prompt written notification of his outside business activities to his member firm.

David Martin Burrows (Registered Representative, Dallas, Texas) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$29,250 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Burrows consented to the described sanctions and to the entry of findings that he received from a public customer an \$850 check and converted the funds for his own use and benefit. The NASD also found that Burrows engaged in a private securities transaction without giving prior written notice to and receiving approval from his member firm. The findings also stated that Burrows failed to respond to NASD requests for information.

Joseph D. Caieiro (Registered Representative, Somerville, Massachusetts) was fined \$35,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that, without the knowledge or consent of policyholders, Caieiro

withheld and misappropriated for his own use and benefit insurance dividend checks totaling \$3,400. Caieiro also failed to respond to NASD requests for information.

Melvin Louis Christian (Associated Person, Detroit, Michigan) was fined \$70,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Christian participated in the offer and sale of securities on a private basis to public customers and failed to give prior written notice to or obtain prior written authorization from his member firm to engage in such activities. Christian also failed to respond to NASD requests for information.

Kieron D. Cole (Registered Representative, Cambridge, Massachusetts) was fined \$50,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Cole submitted fictitious loan requests on traditional life insurance policies for two policyholders wherein he obtained the checks, forged the policyholders' signatures, and converted the proceeds totaling \$7,500 for his own use and benefit. Cole also failed to respond to NASD requests for information.

Timothy Leroy Colen (Registered Representative, Chicago, Illinois) was barred from association with any NASD member in any capacity. The sanction was based on findings that Colen received from a public customer \$17,000 with instructions to use the funds to purchase securities. Colen failed to follow the instructions and used the funds for some purpose other than for the customer's benefit. Colen also failed to respond to NASD requests for information.

Selwyn Keith Conley (Registered Representative, Detroit, Michigan) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Conley failed to respond to NASD requests for information.

Cambodochine Dao (Registered Representative, Gaithersburg, Maryland) submitted an Offer of Settlement pursuant to which he was fined \$30,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Dao consented to the described sanctions and to the entry of findings that he forged, or caused to be forged, a public customer's signature on two checks totaling \$2,002.42, negotiated the checks, and converted the proceeds for his personal use and benefit. The NASD also found that Dao failed to respond to NASD requests for information.

Richard Thomas DeBrino (Registered Representative, Yakima, Washington) submitted an Offer of Settlement pursuant to which he was fined \$5,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, DeBrino consented to the described sanctions and to the entry of findings that he received from a public customer a \$5,000 check and added, or caused to be added, his name as a second payee to the check and deposited the check into a bank account under his control. The findings stated that subsequently an account was opened for the customer using a \$2,000 cashier's check purchased by DeBrino.

Henry D. Deshaies (Registered Representative, Massena, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$10,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Deshaies consented to the described sanctions and to the entry of findings that he forged disbursement forms and converted customer funds totaling \$1,969.95 for his own use and benefit.

Scott Charles Galbraith (Registered Representative, Stockton, California) was suspended from association with any NASD member in any capacity for 90 days and required to requalify by exam. The sanctions were based on findings that Galbraith participated in the purchase of notes by investors without giving prior written notification to his member firm.

Trevor A. Garrick (Registered Representative, Dorchester, Massachusetts) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$10,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Garrick consented to the described sanctions and to the entry of findings that he signed a public customer's name to a \$1,929.01 check made payable to the customer and converted the funds for his own use and benefit.

Edward Arms Gaylord (Registered Representative, Holladay, Utah) was barred from association with any NASD member in any capacity. The sanction was based on the findings that Gaylord sold short, in his personal account, \$30,000,000 of U.S. Treasury Bonds on a when-issued basis and covered the short position in his account at a loss of \$382,762, resulting in a total debit balance in his account of \$436,108, of which he failed and neglected to pay.

Robert D. Gersh (Registered Representative, Burlington, Massachusetts) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$20,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Gersh consented to the described sanctions and to the entry of findings that he failed to respond to NASD requests for information.

Steven Douglas Graham (Registered Representative, San Jose, California) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$22,500 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Graham forged a public customer's signature to a disbursement request form and submitted it to his member firm, received a \$4,500 check, and attempted to convert the proceeds for his own use and benefit.

James Gregory Greenwood (Registered Representative, Sparks, Nevada) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Greenwood failed to respond to NASD requests for information concerning a customer complaint.

Minetta Hare (Registered Representative, Detroit, Michigan) was fined \$120,000, barred from association with any NASD member in any capacity, and ordered to pay \$20,600 in restitution to a member firm. The sanctions were based on findings that Hare received from public customers \$20,663.33 in cashier's and redemption checks with instructions to use the funds to purchase various securities and investments. Hare failed to follow the instructions and used the funds for some purpose other than for the customers' benefit. Hare also failed to respond to NASD requests for information.

Alberto Hernandez (Registered Representative, Los Angeles, California) was fined \$25,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Hernandez made false representations to his member firm concerning his prior employment with another member firm. Hernandez also placed an order on behalf of his member firm to purchase bonds while failing to submit the order ticket for approval by an officer of the firm. Furthermore, Hernandez failed to obtain delivery

instructions from the customer and failed to obtain required approvals or sufficient customer information when he opened a new account for a public customer.

James R. Hornibrook (Registered Representative, Little Rock, Arkansas) submitted an Offer of Settlement pursuant to which he was fined \$50,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Hornibrook consented to the described sanctions and to the entry of findings that he engaged in private securities transactions without giving prior written notice to and receiving prior approval from his member firm. The NASD also found that Hornibrook misrepresented or failed to state certain material facts to public customers about these activities.

Robert L. Johnson (Registered Representative, Chicago, Illinois) was fined \$25,000, barred from association with any NASD member in any capacity, and ordered to pay \$124.20 in restitution to a member firm. The sanctions were based on findings that Johnson obtained from public customers \$124.20 in cash with instructions to pay the premium on their insurance policies. Johnson failed to follow the instructions and used the funds for some purpose other than for the customers' benefit. Johnson also failed to respond to NASD requests for information.

Wolcott Kenyon (Registered Representative, Bridgewater, Connecticut) submitted an Offer of Settlement pursuant to which he was fined \$1,000 and suspended from association with any NASD member in any capacity for 30 days. Without admitting or denying the allegations, Kenyon consented to the described sanctions and to the entry of findings that he failed to respond to formal written requests for information.

Richard I. Kessler (Registered Representative, Staten Island, New York) submitted an Offer of Settlement pursuant to which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Kessler consented to the described sanctions and to the entry of findings that, twice, he falsely claimed that he was the individual scheduled to take a Series 7 exam, presented identification bearing the individual's name, and took the exam for the individual.

Dennis George Laspesa (Registered Representative, Orland Park, Illinois) was fined \$49,500, barred from association with any NASD member in any capacity, and ordered to pay \$5,863.23 in restitution to a member firm. The sanctions were based on findings that Laspesa received from a public customer checks totaling \$5,863.23 with instructions to use such funds to pay premiums on variable appreciable life policies. Laspesa failed to follow the instructions and used the funds for some purpose other than for the customer's benefit. Laspesa also failed to respond to NASD requests for information.

Carmine Manna, Jr. (Registered Representative, San Francisco, California) was fined \$5,000 and suspended from association with any NASD member in any capacity for five business days. The sanctions were based on findings that Manna effected the purchase of shares of stock in the accounts of public customers without their prior knowledge or consent.

John Peter Mazza (Registered Representative, Seattle, Washington) submitted an Offer of Settlement pursuant to which he was fined \$5,000 and suspended from association with any NASD member in any capacity for 30 days. Without admitting or denying the allegations, Mazza consented to the described sanctions and to the entry of findings that he recommended to public customers the purchase of securities, and in the course of dealing with the customers, violated his responsibility of fair dealing with his customers. The findings also stated that Mazza recommended the purchase of securities that were unsuitable for the

customers in view of the facts disclosed by the customers as to their other security holdings, financial situations and needs, and the size and nature of the recommended transactions.

John C. McNeil, II (Registered Representative, Skaneateles, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$5,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, McNeil consented to the described sanctions and to the entry of findings that he forged the signatures of public customers to refund checks totaling \$250 and converted the proceeds for his own use and benefit.

Roger Allen Meyer (Registered Representative, Wheaton, Illinois) was fined \$90,000, suspended from association with any NASD member in any capacity for 10 business days, and required to requalify by exam as a general securities representative. The sanctions were based on findings that Meyer participated in private securities transactions and failed to provide prior written notice to or obtain prior written authorization from his member firm to engage in such activities.

Francis George Nenes, Jr. (Registered Principal, Glendale, Arizona) submitted an Offer of Settlement pursuant to which he was fined \$2,500, suspended from recommending any security subject to Securities and Exchange Commission (SEC) Rule 15g et. seq. for 60 days, and required to requalify as a general securities principal. Without admitting or denying the allegations, Nenes consented to the described sanctions and to the entry of findings that a member firm, acting through Nenes, effected securities transactions without complying with the requirements of SEC Rule 15g of the Securities Exchange Act of 1934.

The suspension for Nenes began November 13, 1995, and concluded January 11, 1996.

John Carl Oberhausen (Registered Representative, Fort Worth, Texas) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Oberhausen engaged in an outside business activity without providing written notice to his member firm. Oberhausen also failed to respond to an NASD request for information.

Phillip B. Phair (Registered Representative, Chicago, Illinois) was fined \$120,000, barred from association with any NASD member in any capacity, and ordered to pay \$71,480 in restitution to a member firm. The sanctions were based on findings that Phair obtained from public customers \$71,480 in checks and wire transfers with instructions to use the funds to purchase securities. Phair failed to follow the instructions in that he used the funds for some purpose other than for the customers' benefit.

Steven J. Roennebeck (Registered Representative, Salt Lake City, Utah) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Roennebeck failed to respond to NASD requests for information concerning his termination from a member firm.

Jeffrey S. Schulman (Registered Representative, Tempe, Arizona) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Schulman failed to respond to NASD requests for information concerning a customer complaint.

Menka Z. Scott (Registered Representative, Knoxville, Tennessee) was fined \$25,000, barred from association with any NASD member in any capacity, and must pay \$400 in restitution. The sanctions were based on findings that Scott received from a public customer

\$400.90 in cash as payment for insurance policies, failed and neglected to submit the funds to her member firm, and, instead, converted the funds for her own use and benefit without the knowledge or consent of the public customer. Scott also failed to respond to an NASD request for information.

[Click on the above link to see additional information about this disciplinary action in FINRA BrokerCheck.](#)

Robert W. Snider (Registered Representative, Bayport, Michigan) was fined \$70,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Snider participated in the offer and sale of securities on a private basis to a public customer and failed and neglected to give prior written notice to or obtain prior written authorization from his member firm to engage in such activities. Snider also failed to respond to NASD requests for information.

Joseph Anthony Stailey (Registered Representative, Taylor, Michigan) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Stailey failed to respond to NASD requests for information.

Brent Yee Suen (Registered Representative, Dallas, Texas) submitted an Offer of Settlement pursuant to which he was suspended from association with any NASD member in any capacity for six months. Without admitting or denying the allegations, Suen consented to the described sanction and to the entry of findings that he prepared and delivered misleading letters to a mortgage company and financial services company in regard to his employment with his member firm to obtain a residential mortgage.

Blair J. Taylor (Registered Representative, Los Angeles, California) was fined \$27,500 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Taylor effected, or caused to be effected, the purchase of shares of stock for the account of a public customer without the customer's knowledge or consent. Taylor also failed to respond to NASD requests for information.

Charles Kenneth VanVliet (Registered Representative, Grand Rapids, Michigan) was fined \$45,000, barred from association with any NASD member in any capacity, and required to pay \$34,735 plus interest in restitution to public customers. The sanctions were based on findings that VanVliet participated in private securities transactions and failed and neglected to give prior written notice to and obtain prior approval from his member firm to engage in such activities. VanVliet also failed to respond to NASD requests for information.

John Henry Vecchioni (Associated Person, Bloomfield Hills, Michigan) was fined \$70,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Vecchioni engaged in private securities transactions and failed and neglected to give prior written notice of and to obtain prior written approval from his member firm to engage in such activities. Vecchioni also failed to respond to NASD requests for information.

Gilson J. Viator (Registered Representative, Austin, Texas) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$56,550 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Viator consented to the described sanctions and to the entry of findings that he received from public customers checks totaling \$6,310 and converted the funds to his own use and benefit. The findings also stated that Viator forged a public customer's signature to a \$5,000 refund check and failed to respond to NASD requests for information.

Rossi Lamont Walter (Registered Representative, Dallas, Texas) submitted an Offer of Settlement pursuant to which he was fined \$20,000 and suspended from association with any NASD member in any capacity for five business days. Without admitting or denying the allegations, Walter consented to the described sanctions and to the entry of findings that he effected unauthorized transactions in the accounts of a public customer and improperly switched securities in such accounts through transactions consisting of the purchases and sales of shares of mutual funds with similar investment objectives.

Individuals Fined

Nicholas Michael Diminico (Registered Representative, Houston, Texas) was fined \$10,000. The sanction was based on findings that Diminico effected unauthorized purchases of a common stock in the accounts of public customers.

Byung Ki Kim (Registered Representative, Scarsdale, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$15,000 and ordered to requalify as a general securities representative. Without admitting or denying the allegations, Kim consented to the described sanctions and to the entry of findings that he engaged in business activities outside the scope of his relationship with his member firm without providing prompt written notice to the firm.

Firms Suspended Pursuant To Article VI Section 2 Of The NASD Code Of Procedures For Failure To Pay Arbitration Awards

The date the suspension began is listed after each entry.

M. Rimson & Co., Inc., New York, New York (November 29, 1995)

R.B. Webster Investments, Inc., Lauderhill, Florida (December 5, 1995)

Westmark Securities Corp., Van Nuys, California (December 7, 1995)

Individuals Whose Registrations Were Revoked For Failure To Pay Fines, Costs, And/Or Provide Proof Of Restitution In Connection With Violations

Riley W. Barker, Niwot, Colorado

Fores J. Beaudry, Portland, Oregon

Brett L. Bouchy, Gilbert, Arizona

James G. Cook, Del Norte, Colorado

Keith B. Kiger, Winston-Salem, North Carolina

Kelvin L. Nash, Grand Prairie, Texas

Stanley E. Nygaard, Valrico, Florida

Sara B. Sharpe, Fort Worth, Texas

Henry M. Shields, Jr., Tucson, Arizona

Patricia H. Smith, Hanover, Pennsylvania

Harold B. Stancil, Jr., Greensboro, North Carolina

Robert L. Stevens, Denver, Colorado

Ernesto O. Torres, Aurora, Colorado

Individuals Whose Registrations Were Canceled/Suspended Pursuant To Article VI, Section 2 Of the NASD Code Of Procedures For Failure To Pay An Arbitration Award

The date the suspension began is listed after each entry.

Henry Walter Custin, Norwalk, Connecticut (December 15, 1995)

Warren S. Green, New York, New York (December 5, 1995)

NASD Takes Disciplinary Action And Assesses Fines Totaling \$110,000 Against Johnston Kent Securities, Inc., And Individuals

The NASD accepted an Offer of Settlement to resolve two formal actions taken against former member **Johnston Kent Securities, Inc.**, and its principals, **George Johnston** and **Franklyn Frye**. In connection with the settlement, the firm agreed to withdraw its broker/dealer registration or face expulsion, Johnston agreed to be barred from association with a broker/dealer in any capacity, and Frye consented to a bar in any capacity requiring registration as a principal. The firm and Johnston also were fined \$100,000, jointly and severally, and the firm and Frye were fined \$10,000, jointly and severally.

The respondents consented to findings that the firm, acting through Johnston, engaged in a course of contact involving misrepresentations and deceptive acts, including the preparation and delivery of documents purporting to confirm large transactions in U.S. government securities that never occurred in accounts at Johnston Kent that never existed and sending letters to independent auditors verifying that the positions represented the confirmations. "Based on our investigation, we believe that these activities were in furtherance of a broader scheme, involving others not subject to our jurisdiction, to defraud and possibly steal money from several employer self-insurance funds," noted NASD District 3 Director Frank J. Birgfeld. "Fortunately, we were able to move quickly against the member involved and take definitive actions." He added that during its investigation the District staff had been in contact with federal officials interested in the matter.

The findings also included a failure by Frye to supervise Johnston in a manner reasonably designed to prevent the violations described above and a net capital and related violations by the firm and Johnston.

The bars took effect on November 22, 1995.