

Disciplinary Actions

Disciplinary Actions Reported For January

NASD Regulation, Inc. (NASD RegulationSM) has taken disciplinary actions against the following firms and individuals for violations of National Association of Securities Dealers, Inc. (NASD[®]) rules; federal securities laws, rules, and regulations; and the rules of the Municipal Securities Rulemaking Board (MSRB). Unless otherwise indicated, suspensions will begin with the opening of business on Monday, January 18, 1999. The information relating to matters contained in this *Notice* is current as of the end of December 21, 1998.

Firms Fined, Individuals Sanctioned

C.A. Atlantic Securities, Inc. (Boston, Massachusetts) and **James Arthur Dixon (Registered Principal, Portsmouth, New Hampshire)** submitted a Letter of Acceptance, Waiver, and Consent pursuant to which they were censured and fined \$50,000, jointly and severally. In addition, Dixon was suspended from association with any NASD member in any principal or managerial capacity for 30 days and required to requalify as a general securities principal by taking and successfully passing the general securities principal exam (Series 24). Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm failed to report trades within 90 seconds of execution and without the “.SLD” modifier. The findings also stated that the firm entered trades into the Small Order Execution SystemSM (SOESSM) for the benefit of the firm’s trading account, entered trades into SOES for the benefit of registered representatives or accounts they controlled, and entered trades into SOES as split orders. In addition, C.A. Atlantic, acting through Dixon, failed to prepare, maintain, and/or enforce adequate written supervisory

procedures and failed to carry out a supervisory system relative to market making, order room functions, and trade reporting.

Graicap, Inc. (Detroit, Michigan), Fred L. Prime, III (Registered Principal, Southfield, Michigan), and Kern David Smith (Registered Principal, Detroit, Michigan) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which the firm was censured and fined \$15,000. Prime was censured, fined \$7,500, and suspended from association with any NASD member in a supervisory and managerial capacity for 10 business days, and Smith was censured, fined \$10,000, and suspended from association with any NASD member in the capacity of a limited principal – financial and operations – for 30 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 Prime and Smith, conducted a securities business while failing to maintain adequate net capital. The findings also stated that the firm, acting through Smith, failed to compute its net capital accurately, failed to maintain accurate books and records, submitted inaccurate FOCUS Part II reports, and failed to file its audited annual financial statements in a timely manner. In addition, the NASD found that the firm failed to submit an accurate quarterly Form G-37/38, and the firm, acting through Prime, failed to maintain a record of the date that the Forms G-37/38 were sent to the MSRB.

Hattier, Sanford & Reynoir (New Orleans, Louisiana), Gus A. Reynoir (Registered Principal, New Orleans, Louisiana), and Vance G. Reynoir (Registered Principal, New Orleans, Louisiana) were censured and fined \$60,000, jointly and severally. In addition, the

firm was required to engage an independent auditor within 90 days to review its books and records and supervisory procedures and to implement the auditor's recommendations in a manner satisfactory to the NASD. Gus Reynoir and Vance Reynoir were suspended from association with any NASD member in any capacity for 30 days, suspensions not to run concurrently. Gus Reynoir and Vance Reynoir were required to requalify as a general securities principal and as a municipal securities principal, respectively, within 180 days or be suspended until they requalify. The U.S. Court of Appeals for the Fifth Circuit affirmed the sanctions following appeal of a January 1998 Securities and Exchange Commission (SEC) decision. The sanctions were based on findings that the firm, acting through Gus Reynoir and Vance Reynoir, issued 453 confirmations that misrepresented the capacity in which trades were executed.

Gus Reynoir's suspension will commence on the opening of business January 18, 1999, and will conclude at the close of business February 16, 1999. Vance Reynoir's suspension will commence with the opening of business February 17, 1999, and will conclude at the close of business March 18, 1999.

LCP Capital Corp. (New York, New York) and Charles Steven Stoffers (Registered Principal, Staten Island, New York) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which they were censured and fined \$37,500, jointly and severally, and Stoffers was required to requalify by taking the Series 24 exam prior to acting again as a general securities 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 Stoffers, failed to report timely and accurately to the NASD statistical summary information regarding customer complaints. The findings also stated that the firm, acting through Stoffers, failed to report timely disciplinary information to the NASD and failed to implement the Firm Element of its Continuing Education program.

Firm And Individual Fined

Capital West Investment Group, Inc. (Phoenix, Arizona) and Lawrence Lester Kohler (Registered Principal, Scottsdale, Arizona) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which the firm was censured and fined \$3,500, jointly and severally, with Kohler; fined \$6,500 jointly and severally with Kohler and another individual; and fined \$5,000, jointly and severally, with a third individual. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that the firm, acting through an individual, conducted a securities business while failing to maintain its minimum required net capital, failed to prepare and maintain the required books, records, and reports called for as a result of "self-clearing" customer transactions, and failed to establish a "Special Reserve Account for the Exclusive Benefit of Customers" and perform the required customer reserve computation. The findings also stated that the firm, acting through Kohler, failed to designate a principal responsible for the Regulatory Element and Firm Element of the NASD's Continuing Education requirements, failed to address the Regulatory Element in its procedures, and failed to prepare a needs analysis and develop a written training program. Furthermore, the NASD determined that the firm, acting through Kohler and another individual, guaranteed a customer against loss in the customer's account.

Firms Fined

American Third Market Corporation (New York, New York) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which the firm was censured and fined \$17,500. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it reported transactions to the Automated Confirmation Transaction ServiceSM (ACTSM) in violation of applicable securities laws and regulations regarding trade reporting. The findings also stated that the firm failed to establish, maintain, and enforce adequate written supervisory procedures with respect to SOES execution, best execution, limit orders, order handling, anti-competitive practices, and trading and market making functions.

Huntington Capital Corp. (Columbus, Ohio) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which the firm was censured and fined \$20,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it failed to establish and maintain an adequate enforcement system to ensure that individuals were properly registered to perform activities in which they were engaged. According to the findings, the firm permitted an individual to engage in activities requiring registration as a registered options principal without being registered in that capacity.

Morgan Stanley & Co., Inc. (New York, New York) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which the firm was censured and fined \$60,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that the firm failed to execute Select-NetSM orders and thereby, failed to honor its published quotation. The findings also stated that the firm

failed to establish, maintain, and enforce written supervisory procedures reasonably designed to achieve compliance with applicable securities laws and regulations concerning SEC and NASD firm quote rules.

Securities America, Inc. (Omaha, Nebraska) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which the firm was censured and fined \$10,000. In addition, the firm must retain an independent consultant to complete a review and needs assessment of the firm's current supervisory system. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it failed to supervise the activities of an individual and to establish, maintain, and enforce written supervisory procedures to ensure that the individual refrained from engaging in unsuitable recommendations of discretionary purchases and sales in the securities account of a public customer, including excessive trading, excessive use of margin, and short position exposure. The findings also stated that the firm's supervisory procedures failed to include procedures for all the types of business in which the firm engaged, failed to designate the principal responsible for the supervision of registered representatives and principals in the firm's Offices of Supervisory Jurisdiction, and failed to identify the individual responsible for the updating of the written procedures. Moreover, the procedures failed to outline the methodology for supervision of account activity, concentration, and use of margin in connection with accounts located in single person Offices of Supervisory Jurisdiction and branch offices.

Individuals Barred Or Suspended

Salvatore Joseph Anzelone (Registered Representative, Amherst,

New York) was censured, fined \$25,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Anzelone failed to respond to NASD requests for information.

Shaun Patrick Attwood (Registered Principal, Phoenix, Arizona) and Scott Dominic Davis (Registered Representative, Phoenix, Arizona).

Attwood was censured, fined \$68,016.90, and barred from association with any NASD member in any capacity. Davis was censured, fined \$11,164.80, suspended from association with any NASD member in any capacity for one year, and ordered to requalify by exam before re-associating with any member firm. The sanctions were based on findings that Attwood and Davis engaged in excessive trading in a customer account. Attwood also failed to respond to NASD requests for information.

Troy D. Bachis (Registered Representative, Albuquerque, New Mexico) was censured, fined \$45,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Bachis forged a public customer's signature on an application to purchase a variable annuity contract, without the customer's authorization and consent, and presented such documents as genuine. Bachis also failed to respond to NASD requests for information.

Joseph Randolph Belew (Registered Principal, Jackson, Mississippi) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$4,957,000, barred from association with any NASD member in any capacity, and required to pay \$601,625.80 in restitution to the appropriate parties. Without admitting or denying the allegations, Belew consented to the described sanctions and to the entry of findings that he received funds totaling approximately \$971,425.80

from public customers for the purpose of investment, failed to make any investments on the customers' behalf, and either misused or converted the funds to his own use and benefit without the customers' knowledge or consent.

Gregory James Best (Registered Representative, Mogadore, Ohio) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$25,000, and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Best consented to the described sanctions and to the entry of findings that he failed to respond to NASD requests for information in connection with customer complaints.

Deidra J. Blake (Registered Representative, Plainfield, Illinois) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which she was censured, fined \$20,000, and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Blake consented to the described sanctions and to the entry of findings that she participated in private securities transactions and failed to provide written notice to, or to receive written authorization from, her member firm to participate in such transactions.

William Hinton Clark (Registered Principal, Staten Island, New York) submitted an Offer of Settlement pursuant to which he was censured, fined \$25,000, suspended from association with any NASD member in any capacity for six months, and required to requalify by exam in all capacities prior to functioning again in any capacity that requires requalification. Without admitting or denying the allegations, Clark consented to the described allegations and to the entry of findings that he engaged in a securities business as a registered repre-

sentative and executed transactions on behalf of public customers during a one month bar imposed by the New York Stock Exchange.

John D'Aversa (Registered Representative, Waterbury, Connecticut) submitted an Offer of Settlement pursuant to which he was censured, fined \$25,000, and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, D'Aversa consented to the described sanctions and to the entry of findings that he failed to respond to NASD requests for information.

Herbert Lewis Davis, Jr. (Registered Representative, Milwaukee, Wisconsin) was censured, fined \$20,000, and barred from association with any NASD member in any capacity. The National Adjudicatory Council (NAC) affirmed the sanctions following appeal of a Chicago District Business Conduct Committee (DBCC) decision. The sanctions were based on findings that Davis signed a customer's name to a \$945.58 check without the customer's authorization, knowledge, or consent and used the proceeds for some purpose other than for the customer's benefit. Davis also failed to respond to NASD requests for information.

David Dembinsky (Registered Representative, Brooklyn, New York) submitted an Offer of Settlement pursuant to which he was censured, fined \$8,000, and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Dembinsky consented to the described sanctions and to the entry of findings that he changed the addresses of record of policyholders without the knowledge or authorization of the policyholders to post office boxes held in the name of a client and acquaintance of Dembinsky. Loans requested against each of the policies, without the knowledge or consent of the policyholders, resulted in

the issuance of checks totalling \$14,000 to the post office boxes. Dembinsky facilitated the transfer of the checks to a third party who negotiated the checks and agreed to remit to Dembinsky four percent of the proceeds of the negotiated checks for his assistance. The remaining proceeds were alleged to have been returned to another firm representative. Dembinsky also provided a false written statement to the NASD.

Steven Laver Edelson (Registered Principal, Brooklyn, New York) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$7,500, and suspended from association with any NASD member in any capacity for 10 days. Without admitting or denying the allegations, Edelson consented to the described sanctions and to the entry of findings that he failed to file in a timely manner quarterly statistical and summary information reports with the NASD regarding customer complaints received by his member firm.

Edward Michael Freund (Registered Representative, Eastpointe, Michigan) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$2,500, and suspended from association with any NASD member in any capacity for five business days. Without admitting or denying the allegations, Freund consented to the described sanctions and to the entry of findings that he signed and filed a Form U-4 that failed to disclose he had plead guilty to a misdemeanor in the state of Michigan involving larceny under \$100.

Semos Gardner (Registered Representative, West Hollywood, California) was censured, fined \$25,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Gardner failed to respond to NASD requests for information.

Donald Ray Gates (Registered Representative, Cabot, Arkansas) was censured, fined \$53,261.05, suspended from association with any NASD member in any capacity for six months, and required to requalify by exam before acting in any capacity requiring registration. The NAC imposed the sanctions following appeal of a New Orleans DBCC decision. The sanctions were based on findings that Gates engaged in securities transactions while not registered with the NASD or with the state where the customer was domiciled.

Gates has appealed this action to the SEC and the sanctions are not in effect pending consideration of the appeal.

Robert Anthony Gatto (Associated Person, Brooklyn, New York) was censured, fined \$45,469.20, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Gatto forged the signatures of his member firm's officers on a \$1,093.84 compensation check and converted the proceeds of the check. Gatto also failed to respond to NASD requests for information.

Jeff Vaughn Gordy (Registered Representative, Chicago, Illinois) submitted an Offer of Settlement pursuant to which he was censured, fined \$25,000, and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Gordy consented to the described sanctions and to the entry of findings that he failed to respond to NASD requests for documents and information.

David Lee Griffin (Registered Representative, Chalkhill, Pennsylvania) was censured, fined \$25,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Griffin failed to respond to NASD requests for information.

Philip David Growick (Registered Representative, West Hartford, Connecticut) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$10,000, suspended from association with any NASD member in any capacity for one year, and required to disgorge \$58,071.03 in commissions. Without admitting or denying the allegations, Growick consented to the described sanctions and to the entry of findings that he engaged in private securities transactions without providing prior written notice to, and receiving approval from, his member firm.

George W. Guttman (Registered Principal, Brooklyn, New York) submitted an Offer of Settlement pursuant to which he was censured, fined \$25,000, and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Guttman consented to the described sanctions and to the entry of findings that he purchased shares of stock for the account of a public customer without having obtained prior written authorization from the customer and without prior written acceptance of the account as discretionary by his member firm. Guttman also agreed to reimburse the customer for the unauthorized transaction without the prior knowledge, authorization, or consent of his firm. The findings also stated that Guttman promised the customer that if he was unable to reimburse him, his member firm would assume full financial responsibility, without the prior knowledge or consent of the firm. Guttman also purchased for, or sold from, public customers' accounts securities without the customers' knowledge, consent, or authorization. The findings also stated that Guttman guaranteed a customer against loss.

Jerry Michael Hall (Registered Representative, Mesa, Arizona) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he

was censured, suspended from association with any NASD member in any capacity for 30 days which shall have been deemed served concurrent with the suspension imposed by the State of Arizona in its proceeding, and required to pay restitution to public customers in the amount of \$10,000. Without admitting or denying the allegations, Hall consented to the described sanctions and to the entry of findings that he participated in a private securities transaction without providing his member firm prior written notice of such participation.

Hall's suspension began January 14, 1998, and concluded February 14, 1998.

Pamela Ann Hartsock (Registered Representative, Montoursville, Pennsylvania) was censured, suspended from association with any NASD member in any capacity for two years, and required to requalify by exam in any capacity in which she seeks to participate in the securities industry. The NAC imposed the sanctions following review of a Philadelphia DBCC decision. The sanctions were based on findings that Hartsock failed to remit customer funds and failed to inform her member firm of her omission.

Blake Vincent High (Registered Representative, Plano, Texas) was censured, fined \$25,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that High failed to respond to an NASD request for information and to provide testimony.

Fred Cordery Knight, Jr. (Registered Representative, Edmond, Oklahoma) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$175,000, barred from association with any NASD member in any capacity, and required to pay

\$75,432.45 in restitution to the appropriate parties. Without admitting or denying the allegations, Knight consented to the described sanctions and to the entry of findings that he engaged in acts, practices, and a course of business which operated as a fraud or deceit upon various persons, in connection with the purchase and sale of shares of common stock, by directly entering into transactions with stockholders that were executed at excessive and fraudulent prices. The findings also stated that Knight engaged in private securities transactions without prior written notice to and approval from his member firm.

Timothy James Kopacka (Registered Representative, Grosse Point Shores, Michigan) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$340,289, and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Kopacka consented to the described sanctions and to the entry of findings that he participated in private securities transactions and failed to give written notice of his intention to engage in such activities to his member firms, and failed to receive written approval from the firms prior to engaging in such activities.

Gerald Patrick Leffel (Registered Representative, Brook Park, Ohio) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$51,500, and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Leffel consented to the described sanctions and to the entry of findings that he accepted cash payments for traditional life insurance policy premiums totaling \$299 from a public customer and failed to forward the proceeds to the insurance company in payment of the premiums. Instead, the NASD found that Leffel used the proceeds for his own benefit

without the prior authorization or consent of the customer.

Alfred Gertha Leonard (Associated Person, Queens, New York) submitted an Offer of Settlement pursuant to which he was censured, fined \$30,000, and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Leonard consented to the described sanctions and to the entry of findings that he failed to complete his Form U-4 accurately. Leonard also failed to respond to NASD requests for information.

John Li (Registered Representative, Chicago, Illinois) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$5,500, and suspended from association with any NASD member in any capacity for 10 business days. Without admitting or denying the allegations, Li consented to the described sanctions and to the entry of findings that he purchased or sold securities for the account of a public customer without the knowledge or consent of the customer and in the absence of written or oral authorization to exercise discretion in the customer's account.

Thomas Dominic Loffredo (Registered Principal, New City, New York) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$5,000, suspended from association with any NASD member in any capacity for 10 business days, and ordered to requalify as a general securities representative. If Loffredo fails to requalify within a 90-day mandated period, he will be suspended from association with any NASD member in any capacity until such examination is successfully completed. Without admitting or denying the allegations, Loffredo consented to the described sanctions and to the entry of findings that he engaged in private

securities transactions without providing written notice to, and receiving written approval from, his member firm.

Kevin William Loomis (Registered Principal, East Northport, New York) submitted an Offer of Settlement pursuant to which he was censured, fined \$20,000, suspended from association with any NASD member in any capacity for one year, and required to requalify by Series 7 exam prior to acting in that capacity. Without admitting or denying the allegations, Loomis consented to the described sanctions and to the entry of findings that he made baseless and improper price predictions for speculative securities to public customers and made unauthorized trades in the accounts of public customers by purchasing more than he was authorized to purchase. The findings also stated that Loomis required that customers purchase aftermarket shares as a condition of purchasing initial public offering units.

James R. Mancuso (Registered Principal, Patchogue, New York) submitted an Offer of Settlement pursuant to which he was censured, fined \$25,000, suspended from association with any NASD member in any capacity for 30 days, required to requalify as a general securities representative, and required to demonstrate that prior to associating with a member firm, he has made restitution totalling \$55,613 to public customers. Without admitting or denying the allegations, Mancuso consented to the described sanctions and to the entry of findings that he made material misrepresentations and omitted material information in the offer and sale of securities. Mancuso also made fraudulent price predictions in the offer and sale of securities.

David Eugene Manning (Registered Principal, Webster, Texas) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he

was censured, fined \$1,000, suspended from association with any NASD member in the capacity of registered options principal for two years, and required to requalify as a registered options principal. Without admitting or denying the allegations, Manning consented to the described sanctions and to the entry of findings that a member firm, acting by and through Manning, failed to properly establish and maintain an adequate supervisory system that was reasonably designed to achieve compliance with applicable securities laws and regulations, and with the rules of the NASD. Specifically, the firm failed to supervise the activities of each registered representative with respect to options trading since it failed to establish and maintain adequate written procedures to supervise trading in options.

Tony Dale Moore (Registered Representative, Brandon, Mississippi) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$165,000, and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Moore consented to the described sanctions and to the entry of findings that he received a check for \$2,989.25 from a public customer for the purpose of paying the premium on a fixed annuity policy; failed and neglected to remit the funds to his member firm; and, instead, endorsed the check and deposited it into his personal bank account thereby converting the \$2,989.25 to his own use and benefit, without the customer's knowledge or consent. In response to an NASD request for information, Moore provided false and misleading statements and documents, including falsified correspondence, bank statements, and cashiers' checks in an apparent attempt to mislead the staff during its investigation.

Kirk Robert Nehdar (Registered Representative, West Hills, California) was fined \$5,000 and suspended from association with any NASD member in any capacity for 10 business days. The sanctions were based on findings that Nehdar engaged in purchase and sale transactions in various securities for the joint account of public customers without having reasonable grounds for believing that the transactions were suitable for the customers in view of the size, frequency, and nature of the recommended transactions and the facts disclosed by the customers as to their financial situation, objectives, circumstances, and needs.

Ronald Alvin Okum (Registered Representative, San Marino, California) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$10,000, and suspended from association with any NASD member in any capacity for one year. Without admitting or denying the allegations, Okum consented to the described sanctions and to the entry of findings that he participated in private securities transactions without providing prior written notice to his member firm describing the proposed transactions and his proposed role therein.

William Francis Palla (Registered Principal, Haverford, Pennsylvania) was censured, fined \$20,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Palla failed to respond to NASD requests for information.

Charles Vaughn Pankey (Registered Principal, Denver, Colorado) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$20,000, suspended from association with any NASD member in any capacity for 10 days, suspended from association with any NASD member

as a general securities principal for six months, and required to requalify by taking the Series 24 exam prior to resuming general securities principal duties. Without admitting or denying the allegations, Pankey consented to the described sanctions and to the entry of findings that he engaged in private securities transactions without giving his member firm prior written notice of his activities. The findings also stated that Pankey, as president of a member firm, failed to comply with all of the conditions outlined in the membership agreement for the firm.

Peter Anthony Perez (Registered Representative, Parkland, Florida) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$25,000, and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Perez consented to the described sanctions and to the entry of findings that he recommended and engaged in a course of trading in the account of a public customer that was unsuitable for the customer based upon her other securities holdings, and financial situation and needs. The findings also stated that Perez participated in private securities transactions without providing prior written notice to his member firm.

John Louis Quaadman (Registered Representative, Chicago, Illinois) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$5,000, and suspended from association with any NASD member in any capacity for six months. Without admitting or denying the allegations, Quaadman consented to the described sanctions and to the entry of findings that he affixed the signatures of public customers on Individual Retirement Account transfer and/or risk acknowledgment forms without the customers' knowledge or consent.

Ralph Rufus Rush (Registered Representative, El Paso, Texas) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$25,000, and suspended from association with any NASD member in any capacity for one month. Without admitting or denying the allegations, Rush consented to the described sanctions and to the entry of findings that he received payments of commissions in connection with the sale of variable annuity products, in the form of checks written by a registered representative associated with another member firm, without prior oral or written authorization from his member firm. Furthermore, the NASD determined that, at the time of these transactions and resultant payments, his member firm was not authorized to sell variable annuity products in the state where the sales took place.

Elie M. Sakaran (Registered Representative, San Dimas, California) submitted an Offer of Settlement pursuant to which he was censured, fined \$14,400, and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Sakaran consented to the described sanctions and to the entry of findings that he recommended, offered, and sold corporate securities to public customers when he was not registered to do so by the NASD. Sakaran used the account executive number of a registered representative who received the commission checks for the trades and signed the commission checks over to Sakaran.

Robert Scalzi (Registered Representative, Scottsdale, Arizona) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$50,000, and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Scalzi consented to the described sanctions and to the entry

of findings that he engaged in private securities transactions without giving his member firm prior written notice of his activities. The findings also stated that Scalzi allowed an advertisement for an investment program to be placed in a newspaper identifying himself as the sales representative without having the advertisement approved by a principal of his member firm.

Joshua S. Shainberg (Registered Principal, New York, New York)

submitted an Offer of Settlement pursuant to which he was censured, fined \$35,000, and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Shainberg consented to the described sanctions and to the entry of findings that he arranged to have another individual complete the Series 27, Financial and Operations Principal Qualification Examination on his behalf. Shainberg also failed to respond to NASD requests to provide information and documentation.

Louis Elvin Sharp (Registered Representative, Lafayette, Colorado)

submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$25,000, barred from association with any NASD member in any capacity, and ordered to pay \$1,405 in restitution to public customers. Without admitting or denying the allegations, Sharp consented to the described sanctions and to the entry of findings that he participated in private securities transactions without providing written notification to, and obtaining approval from, his member firm before participating in such transactions. The findings also stated that Sharp purchased units in a limited partnership and then sold such units to members of the public at prices that substantially exceeded the prices Sharp paid contemporaneously for the transactions, and at prices that were not reasonably related to the

market price for these securities at the time of the sales. Moreover, the NASD determined that Sharp failed to disclose to members of the public to whom he sold the securities that he had made the purchases at such prices. In addition, Sharp received purchase payments from public customers, deposited the funds into a bank account he controlled, and failed to request a transfer of the securities from his name to the customers' name until a later date.

Mark E. Swett (Registered Representative, Omaha, Nebraska)

submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$5,000, and suspended from association with any NASD member firm in any capacity for three months. Without admitting or denying the allegations, Swett consented to the described sanctions and to the entry of findings that he purchased securities in his personal margin account at his member firm and utilized the proceeds from the sale of the same securities to pay for the purchases without otherwise paying for the trades or maintaining sufficient margin excess in the account.

Gerald M. Trevor (Registered Representative, Metairie, Louisiana)

submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$15,000, and suspended from association with any NASD member in any capacity for two years. Without admitting or denying the allegations, Trevor consented to the described sanctions and to the entry of findings that he received a check for \$5,000 from a public customer for the purpose of investment. Instead, Trevor erroneously deposited the funds into a bank account he controlled and failed to return the funds to the customer until a later date. The findings also stated that Trevor sent correspondence to the customer that incorrectly stated the customer had an account

balance of \$6,585 invested at his firm. In addition, Trevor failed to respond timely to NASD requests for information.

Dennis Nick VanAuken (Registered Representative, Buffalo, Minnesota)

submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$75,000, and barred from association with any member firm in any capacity. Without admitting or denying the allegations, VanAuken consented to the described sanctions and to the entry of findings that in connection with the solicitation and sale of shares of stock to public customers, he, intentionally or recklessly, made untrue statements of material facts and/or omitted to state material facts necessary in order to make the statements, in light of the circumstances under which they were made, not misleading. The findings also stated that VanAuken intentionally or recklessly made projections of future prices without a reasonable basis for predicting such price increases.

Wayne Beckley Vaughan (Registered Representative, Cumming, Georgia)

was censured, suspended from association with any NASD member in any capacity for 30 business days, and required to requalify by exam in any capacity in which he seeks to do business. The NAC imposed the sanctions upon appeal and review of an Atlanta DBCC decision. The sanctions were based on findings that Vaughan engaged in unsuitable trading for a public customer's account.

Chris John Votsis (Registered Representative, Brooklyn, New York)

was censured, fined \$25,000, barred from association with any NASD member in any capacity, and ordered to disgorge all net commissions received from 1995 through 1996 inclusive. The sanctions were based on findings that Votsis arranged to

have an impostor take the Series 7 qualification exam on his behalf.

Jon Jerard Ward (Registered Representative, Verona, Pennsylvania)

was censured, fined \$25,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Ward failed to respond to NASD requests for information.

Michael David Wooden (Registered Representative, Perry, Kansas)

submitted an Offer of Settlement pursuant to which he was censured, fined \$25,000, and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Wooden consented to the described sanctions and to the entry of findings that he failed to respond to an NASD request to provide an on-the-record statement and documentation.

Steven David Wyman (Registered Principal, Boynton Beach, Florida)

submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$10,000, and suspended from association with any NASD member in any principal or supervisory capacity for 10 business days. Without admitting or denying the allegations, Wyman consented to the described sanctions and to the entry of findings that he failed to reasonably supervise registered representatives' handling of public customers' accounts in order to prevent and/or detect unsuitable trading in the accounts.

David Hirsch Zinn (Registered Representative, Oldbridge, New Jersey)

was censured, fined \$5,000, suspended from associating with any NASD member in any capacity until such time as he fully complies with an arbitration award, but no less than 30 business days. The sanctions were based on findings that Zinn failed to pay a Chicago Board Options

Exchange arbitration award of \$13,072.16 plus interest.

Individuals Fined

Joseph Edward Haick (Registered Principal, Spring Lake, New Jersey)

submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured and fined \$10,000. Without admitting or denying the allegations, Haick consented to the described sanctions and to the entry of findings that he directed a trader to send mixed-lot SelectNet orders to a competing Market Maker in a security in retaliation for the manner in which the firm was quoting and trading the stock, in violation of the NASD's Anti-Intimidation/Coordination Interpretation.

Roger David McClammer (Registered Representative, Greenfield, Indiana)

submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured and fined \$25,000. Without admitting or denying the allegations, McClammer consented to the described sanctions and to the entry of findings that he received a check in the amount of \$8,030.16 from a public customer for the purpose of establishing a money market mutual fund. The NASD found that contrary to the customer's instructions, McClammer failed to open the fund until a later date at which time he signed the customer's name to the fund account application without the customer's knowledge or consent.

Beth Kohinhofer Raskovich (Registered Representative, Bloomington, Minnesota)

submitted a Letter of Acceptance, Waiver, and Consent pursuant to which she was censured and fined \$12,509. Without admitting or denying the allegations, Raskovich consented to the described sanctions and to the entry of findings that she opened a securities account

at a member firm and did not provide written notice to the firm that she had become registered as an investment company and variable contracts representative. In addition, Raskovich failed to provide written notice to her employing member firm that she had a beneficial interest in this securities account at the time she opened the account. Raskovich also purchased shares or units of public offerings which traded at a premium when the secondary market commenced for each security.

Eric John Wiegandt (Registered Principal, Hilliard, Ohio)

submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured and fined \$10,000. Without admitting or denying the allegations, Wiegandt consented to the described sanctions and to the entry of findings that he engaged in activities requiring registration as a registered options principal without being registered in that capacity.

Decisions Issued

The following decisions have been issued by the DBCC or the Office of Hearing Officers and have been appealed to or called for review by the NAC as of December 21, 1998. The findings and sanctions imposed in the decision may be increased, decreased, modified, or reversed by the NAC. Initial decisions whose time for appeal has not yet expired will be reported in the next *Notices to Members*.

Sandy Charles Giglio (Registered Representative, Palm Coast, Florida)

was censured, fined \$20,000, suspended from association with any NASD member in any capacity for five days, and required to requalify as a general securities representative by taking and passing the Series 7 exam. The sanctions were based on findings that Giglio forged the signatures of public customers on "change of

Broker Dealer/Representative” forms to move their accounts from other member firms to his current member firm.

Giglio has appealed this action to the NAC and the sanctions are not in effect pending consideration of the appeal.

Ansula Pet Hwa Liu (Registered Representative, Brooklyn Park, Minnesota) was censured, fined \$100,000, barred from association with any NASD member in any capacity, and ordered to pay \$50,000, plus interest, in restitution. The sanctions were based on findings that Liu engaged in private securities transactions without providing prior written notification to her member firm. Liu also failed to respond to NASD requests for information.

Liu has appealed this action to the NAC and the sanctions are not in effect pending consideration of the appeal.

Kellie Anne Will (Registered Representative, Derby, New York) was censured, fined \$25,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Will failed to respond to NASD requests for information.

Will has appealed this action to the NAC and the sanctions are not in effect pending consideration of the appeal.

Complaints Filed

The following complaints were issued by the NASD. Issuance of a disciplinary complaint represents the initiation of a formal proceeding by the NASD in which findings as to the allegations in the complaint have not been made, and does not represent a decision as to any of the allegations contained in the complaint. Because these complaints are unad-

judicated, you may wish to contact the respondents before drawing any conclusions regarding the allegations in the complaint.

James Hugh Brennan, III (Registered Representative, Chattanooga, Tennessee) was named as a respondent in an NASD complaint alleging that he executed unauthorized securities transactions in the accounts of a public customer without the customer’s knowledge or consent. The complaint alleges that Brennan recommended and engaged in such purchase transactions and did not have reasonable grounds for believing that these recommendations and resultant transactions were suitable for the customer on the basis of investment objectives and needs. The complaint also alleges that in connection with unauthorized purchase transactions, Brennan verbally misrepresented to a public customer that the subject transactions had been effected in error, and made material misrepresentations to the customer by overstating the value of the account by approximately \$146,000. The complaint also alleges that Brennan guaranteed a public customer against loss in that he stated that he would be responsible for making up any shortfall in the value of securities that occurred in a specified time period.

John Steven DeSane (Registered Principal, Mt. Sinai, New York) was named as a respondent in an NASD complaint alleging that he made material misrepresentations and omissions in connection with his solicitation of public customers to purchase securities. The complaint also alleges that DeSane made fraudulent price predictions in connection with his solicitation of public customers. The complaint alleges that DeSane effected transactions in a public customer’s account without the prior authorization of the cus-

tomers. The complaint also alleges that DeSane failed to execute a sale of securities as ordered by a public customer.

Edward Michael Gabbert (Registered Representative, Wilmington, Delaware) was named as a respondent in an NASD complaint alleging that he caused \$20,795.71 in funds – to which he was not entitled – to be transferred from accounts in which he did not have an ownership interest to an account in which he did have an ownership interest. The complaint also alleges that Gabbert failed to respond to NASD requests for information.

Kenneth Edward Grant (Registered Representative, Oxford, Michigan) was named as a respondent in an NASD complaint alleging that he obtained checks totaling \$2,622 made payable to public customers which included repayments for insurance policies, as well as a mistaken overpayment for the insurance policies, and endorsed the checks by writing the customers’ names on the checks, without the customers’ knowledge or consent. The complaint alleges that Grant then cashed the checks and used \$2,185 for some purpose other than the benefit of the insurance company or the customers, then later paid the funds to the insurance company.

Michael Lee Eng King (Registered Principal, Portland, Oregon) was named as a respondent in an NASD complaint alleging that he exercised effective control over the account of a public customer and recommended to such customer the purchase and sale of securities, without having reasonable grounds for believing that such recommendations were suitable for the customer, in view of the frequency and nature of the recommended transactions (short sales) and the customer’s financial situation, circumstances, and needs.

Robert Albert Skulman (Registered Representative, Ft. Smith, Arkansas) was named as a respondent in an NASD complaint alleging that he recommended and engaged in securities transactions in the accounts of public customers without having reasonable grounds for believing that these recommendations and resultant transactions were suitable for the customers on the basis of their financial situations, investment objectives, and needs. The complaint also alleges that Skulman provided an inaccurate annual income figure on a new account form for one public customer and inflated annual income and net worth figures on a new account form for another public customer. The complaint also alleges that Skulman executed unauthorized securities transactions in the account of a public customer without the customer's knowledge or consent.

Thomas F. White & Co., Inc. (San Francisco, California), Raymond M. C. Lui (Registered Principal, Alameda, California), Robert Thomson Angle (Registered Principal, San Francisco, California) and **Peter William Shea (Registered Principal, Alameda, California)** were named as respondents in an NASD complaint alleging that Lui exercised discretion in the accounts of public customers without having received written authorization from the customers and acceptance of the accounts as discretionary by his firm. The complaint alleges that Lui exercised effective control over the accounts of public customers and recommended purchases and sales of securities without having reasonable grounds for believing that the recommendations were suitable for the customers in light of their size and frequency and based upon the facts disclosed by the customers as to their other security holdings and their financial situations and needs. The complaint also alleges that Lui

failed to respond to NASD requests for documents. The complaint alleges that the firm, acting through Angle and Shea, failed to establish and implement written supervisory procedures adequate to detect and prevent the violations alleged against Lui and to otherwise adequately supervise Lui's activities in connection with customer accounts. The complaint also alleges that the firm, acting through Angle, entered into settlement agreements with public customers which contained confidentiality clauses that prohibited or discouraged the customers from discussing the settlements with or disclosing the underlying facts to NASD and other regulators.

Firms Suspended/Canceled

The following firms were suspended/canceled from membership in the NASD for failure to comply with formal written requests to submit financial information to the NASD. The actions were based on the provisions of NASD Rule 8210 and Article VII, Section 2 of the NASD By-Laws. The date the suspensions/cancellations commenced is listed after the entry. If the firm has complied with the requests for information, the listing also includes the date the suspension concluded.

Advanta OTC Securities, Philadelphia, Pennsylvania (December 10, 1998)

Alden Capital Markets, Inc., New York, New York (December 4, 1998)

American Freedom Securities, Inc., Rochester, New York (December 4, 1998)

Ash Financial Corp., New York, New York (December 4, 1998)

Cassidy & Co., Inc., Blue Bell, Pennsylvania (December 4, 1998)

Clark Melvin Securities, Hato Rey, Puerto Rico (December 10, 1998)

Elswick, Banks and Associates, Inc., Atlanta, Georgia (December 4, 1998)

Fisher Hill Securities Corporation, San Francisco, California (December 4, 1998)

Fundamental Service Corporation, New York, New York (December 4, 1998)

Great American Securities, Phoenix, Arizona (December 21, 1998)

J. Robbins Securities, LLC, New York, New York (December 4, 1998)

Kenerson Financial Advisors, LLC, Boston, Massachusetts (December 4, 1998)

McCormick-O'Mara Securities Co., New York, New York (December 21, 1998)

Northbridge Financial Services, Farmington Hills, Michigan (December 4, 1998)

Firms Expelled For Failing To Pay Fines, Costs, And/OR Provide Proof Of Restitution
KBC Securities, Inc., Cincinnati, Ohio (December 17, 1998)

Paul Morigi & Company, Inc., Old Greenwich, Connecticut (December 9, 1998)

Portfolio Management, Inc., Little Rock, Arkansas (December 17, 1998)

Suspensions Lifted

The NASD has lifted the suspension from membership on the dates shown for the following firms because they have complied with formal written requests to submit financial information.

First International Capital Ltd., Hamilton, Bermuda (December 17, 1998)

Hampton Securities, Inc., Los Angeles, California (November 16, 1998)

Firms Suspended Pursuant To NASD Rule Series 9510 For Failure To Pay Arbitration Award

Dunhill Equities, Inc., Garden City, New York (December 11, 1998)

Investors Associates, Inc., Hackensack, New Jersey (December 17, 1998)

Island Securities, Inc., Garden City, New York (December 16, 1998)

J.S. Securities n/k/a First National Equity Corp., Point Pleasant, New Jersey (November 6, 1998)

L.C. Wegard & Co., New York, New York (December 11, 1998)

LT Lawrence & Co., Inc., New York, New York (November 27, 1998)

Monitor Investment Group, New York, New York (December 10, 1998)

Quantum Group, Ltd. a/k/a J.P. Milligan, Inc., Sloatsburg, New York (December 2, 1998)

Sterling Foster & Co., Inc., Uniondale, New York (December 2, 1998)

Suppes Securities, Inc., New York, New York (December 3, 1998)

Waldron & Co., Inc., Irvine, California (December 2, 1998)

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

Violations

Bassin, Ira Warren, Plainview, New York (November 19, 1998)

Bowman, Samuel L., III, Little Rock, Arkansas (December 17, 1998)

Elliott, Jeffrey L., Jacksonville, Florida (December 9, 1998)

Fischer, Stephen J., Manhattan Beach, California (December 17, 1998)

Friedland, Adam C., Woodbury, New York (November 19, 1998)

Gray, John R., Kemah, Texas (December 17, 1998)

Jann, Christopher E., Middle Island, New York (December 17, 1998)

Kideys, Ian T., Los Angeles, California (December 17, 1998)

Maier, Donald C., Monte Sereno, California (December 17, 1998)

Martin, David R., Thousand Oaks, California (December 17, 1998)

McLaurin, David C., Birmingham, Alabama (December 17, 1998)

Pellone, Glenn, Denver, Colorado (November 19, 1998)

Sauceda, Benito, III, Denver, Colorado (November 19, 1998)

Sclafani, Michael A., Brooklyn, New York (December 17, 1998)

Stevens, Robert L., Denver, Colorado (November 19, 1998)

Van der Put, Christiaan P., Pittsburgh, Pennsylvania (December 17, 1998)

Individuals Suspended Pursuant To NASD Rule Series 9510 For Failure To Pay

Arbitration Awards

Borden, Dianne A., Westfield, New Jersey (December 2, 1998)

Buchter, Ronald Leonard, New York, New York (November 27, 1998 - December 2, 1998)

Burmann, John Edward, Missouri City, Texas (December 1, 1998)

Clarke, Leauwandeau, Sherman Oaks, California (December 9, 1998)

Duffy, Frank Gerard, III, Amityville, New York (December 7, 1998)

Elgindy, Amr Ibrahim, Colleyville, Texas (December 16, 1998)

Forman, Scott Brian, Brooklyn, New York (November 30, 1998)

Friedland, Adam Craig, Woodbury, New York (November 30, 1998)

Greer, Leonard B., Rye, New York (December 11, 1998)

Hagans, David Lebron, New York, New York (December 10, 1998)

Jones, Shelley, La Mesa, California (December 4, 1998)

Jones, William E., Marietta, Georgia (November 23, 1998)

Kauffman, Brian Charles, Trevoze, Pennsylvania (December 11, 1998)

Kiperman, Neil Lewis, New York, New York (November 24, 1998)

Lemaich, Christopher D., Boca Raton, Florida (December 16, 1998)

Lieberman, Adam R., Roslyn Heights, New York (December 7, 1998)

Monroe, Lamarde A., Miami, Florida (December 11, 1998 - December 21, 1998)

Monroig, Frank J., Nissequogue, New York (December 7, 1998)

Perle, Cery Bradley, Corona Del Mar, California (December 2, 1998)

Porush, Daniel Mark, Oyster Bay Cove, New York (November 30, 1998)

Rich, Jason Allen, Jericho, New York (November 24, 1998)

Ruggiero, Salvatore F., Brooklyn, New York (December 10, 1998)

Sperling, Peter, Sugarland, Texas (December 3, 1998)

Trocchio, Michael S., Staten Island, New York (December 10, 1998)

Vink, Lawrence Jack, Poway, California (December 1, 1998)

Zimmerman, Sheldon G., San Diego, California (December 2, 1998)

NASD Regulation Sanctions And Fines VTR Capital, Inc. And Former President For Market Manipulation And Illegal Profits; Additional \$300,000 Restitution Ordered

NASD Regulation announced that it has censured and fined VTR Capital, Inc., currently known as Fairchild Financial Group, Inc., and Edward J.

McCune, owner and former President of VTR Capital, \$100,000. Fairchild Financial Group has agreed to pay \$300,000 in restitution and interest to nearly 150 VTR Capital customers in 30 states including Colorado, Florida, Illinois, New York, Ohio, and Pennsylvania. McCune, currently CEO of Fairchild Financial, has been suspended from the securities industry for eight months.

While neither admitting nor denying NASD Regulation's allegations, VTR Capital and McCune settled charges that the firm and McCune had participated in an illegal distribution and fraudulent manipulation of Interiors, Inc. Class A common stock.

In April 1995, VTR Capital and McCune acquired a block of 300,000 shares of Interiors common stock, representing approximately 28 percent of the outstanding shares. Specifically, VTR Capital and McCune arranged to purchase 300,000 shares of Interiors common stock from five short-term investors, including the firm's attorney, at prices ranging from \$.95 to \$.98 per share. VTR Capital and McCune then arbitrarily increased the market price of the stock to over \$2 per share while selling the block to the firm's customers. Because of a regulatory restriction, the firm was prevented from directly selling the shares to its customers from its own account. To circumvent this limitation, the shares

were actually sold by traders at two other firms who, in turn, obtained the shares from VTR almost immediately thereafter. This circular trading scheme artificially inflated the reported trading volume by 42 percent and created the deceptive appearance of an active market in the stock. The case is continuing against the two accommodating traders, Howard R. Perles of Fairchild Financial Group (formerly associated with I. A. Rabinowitz) and Laurence M. Geller of Wien Securities Corp.

While continuing to make a market in the Interiors stock and in the process of selling the shares, the firm paid additional compensation to the firm's brokers and used high-pressure sales tactics in violation of the federal securities laws. In addition, VTR Capital and McCune neglected to disclose to customers that they had received unfair and excessive compensation from underwriting the distribution of these shares. Interiors was not named in the complaint and is not alleged to have engaged in any wrongdoing.

At the time of the violations, VTR, based in New York City, was a full-service brokerage firm and employed about 70 brokers.

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