

# Disciplinary Actions

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## Disciplinary Actions Reported For March

NASD Regulation, Inc. (NASD Regulation<sup>SM</sup>) has taken disciplinary actions against the following firms and individuals for violations of National Association of Securities Dealers, Inc. (NASD<sup>®</sup>) rules; federal securities laws, rules, and regulations; and the rules of the Municipal Securities Rulemaking Board (MSRB). The information relating to matters contained in this *Notice* is current as of the end of February 2002.

### Firms Fined, Individuals Sanctioned

**Dain Rauscher, Inc. (CRD #31184 Minneapolis, Minnesota) and Gary Franklin Hayden (CRD #240386, Registered Representative, Seattle, Washington)** submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured and fined \$15,000. In addition, the firm and Hayden were jointly and severally liable for costs of the exchange of shares offered to public customers of \$82,942.87 and Hayden was fined \$15,000 and suspended from association with any NASD member in any capacity for 10 business days. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that Hayden recommended the purchase of Class B shares of growth funds to public customers and omitted to inform the customers that they would have benefited from investing in Class A shares because of the ability to receive discounts on sales charges of large purchases and the lower ongoing fees and expenses of the Class A shares.

The findings also stated that Hayden failed to disclose material facts necessary to make the statements made in the course

of his recommendations not misleading, including a comparison of the 12b-1 fees, front-end sales charges, and the impact of time on these costs and charges; thus, the customers were not adequately informed of their investment options. The NASD determined that the firm failed to maintain adequate procedures to provide for the prompt review of large purchases of Class B mutual funds or otherwise provide specific tools or other supervisory policies to assist its sales practice supervisors in adequately assessing the suitability of Class B share purchases by public customers. Furthermore, the findings stated that the firm had no automated or manual system in place to detect mutual fund breakpoints, purchase limitations, or problematic patterns in Class B share purchases of mutual funds. Finally, the firm's written supervisory procedures gave no direction to branch office managers or other supervisors as to how to detect and prevent breakpoint problems, Class B share purchase suitability problems, and how to evidence their supervisory review.

Hayden's suspension began February 19, 2002, and concluded at the close of business March 4, 2002. **(NASD Case #C04020002)**

**Pacific Crest Securities, Inc. (CRD #6619, Portland, Oregon) and Scott Edwards Sandbo (CRD #2410092, Registered Principal, Portland, Oregon)** submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured and fined \$10,000 and Sandbo was fined \$45,000 and suspended from association with any NASD member in any capacity 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 Sandbo, failed to ensure that Sandbo was properly registered as a principal when he was actively engaged in the management of the firm's business, or to remove him from active engagement in the management of the firm's business until properly registered. The findings also stated that the firm, acting through another individual, permitted the individual to act as a registered person when his registration status with the NASD was inactive due to his failure to complete the Regulatory Element of the NASD's Continuing Education Requirement. In addition, the NASD found that the firm used a non-compliant, non-synchronized, mechanical time stamp machine that failed to provide the "seconds" field to document the times of receipt and execution of customers' orders.

Sandbo's suspension began February 18, 2002, and concluded at the close of business March 1, 2002. **(NASD Case #C3B020001)**

#### **Firm And Individual Fined**

**Magna Securities Corp. (CRD #30935, New York, New York) and Patricia Ann Winans (CRD #1526364, Registered Principal, New York, New York)** submitted a Letter of Acceptance, Waiver, and Consent in which they were censured and fined \$22,500, jointly and severally. Without admitting or denying the allegations, the respondents consented to the described sanctions and the entry of findings that the firm, acting through Winans, permitted individuals to act in a capacity that required registration while their registration status with the NASD was inactive due to their failure to complete the Regulatory Element of NASD's Continuing Education

Requirement. The findings also stated that the firm, acting through Winans, failed to complete a training needs analysis and to develop a written training plan as required by the Firm Element of the NASD's Continuing Education Requirement. **(NASD Case #C10020005)**

#### **Firms Fined**

**American United Life Insurance Company (CRD #1075, Indianapolis, Indiana)** submitted an Offer of Settlement in which the firm was censured and fined \$25,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it distributed advertising materials and sales literature for variable annuity contract products that contained material omissions, unbalanced representations, or misrepresentations. The findings also stated that the firm failed and neglected to establish, maintain, and enforce adequate written supervisory procedures governing the review, approval, and distribution of advertising materials and sales literature relating to variable annuity contract products. **(NASD Case #C05010011)**

**Ascend Financial Services, Inc., n/k/a Securian Financial Services, Inc. (CRD #15296, St. Paul, Minnesota)** submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured and fined \$25,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it failed to establish, maintain, and enforce adequate written supervisory procedures relating to the supervision of registered representatives who were general agents of the insurance company

affiliated with the firm. **(NASD Case #C05020004)**

**C. E. Unterberg, Towbin (CRD #24790, New York, New York)** submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured, fined \$20,000, required to pay \$22,219.94, plus interest, in restitution to investors, and ordered to revise its written supervisory procedures concerning firm quote compliance. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it failed to use reasonable diligence to ascertain the best inter-dealer market, and failed to buy or sell in such market so that the resultant price to its customers was as favorable as possible under prevailing market conditions. The findings also stated that the firm, as a registered market maker in securities, failed to execute orders presented at the firm's published bid or published offer in an amount up to its published quotation size, and upon presentment, failed to honor its published quotation. In addition, the findings stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to applicable securities laws and regulations concerning firm quote compliance. Specifically, the firm's supervisory system did not include written supervisory procedures providing for the identification of the person responsible at the firm to ensure compliance with the applicable rules; a statement of the steps that such person should take to ensure compliance; a statement as to how often such person should take such steps; and a statement as to how enforcement of such written supervisory procedures should be documented at the firm. **(NASD Case #CMS020003)**

**Global Capital Securities Corporation (CRD #16184, Englewood, Colorado)** submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured, fined \$17,500, and required to pay \$3,888.69, plus interest, in restitution to investors. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it failed to use reasonable diligence to ascertain the best inter-dealer market and failed to buy or sell in such market so that the resultant price to its customers was as favorable as possible under prevailing market conditions; failed to report transactions in eligible securities to the Automated Confirmation Transaction Service<sup>SM</sup> (ACT<sup>SM</sup>) within 90 seconds after execution; failed to report an accurate execution price to ACT; and reported a nonexistent transaction to ACT. The findings also stated that the firm failed to show the correct time of execution and/or the correct time of entry on the memorandum of brokerage orders and failed to preserve for a period of not less than three years, the first two in an accessible place, the memorandum of brokerage orders. **(NASD Case #CMS020011)**

**Gruntal & Co., L.L.C. (CRD #372, New York, New York)** submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured, fined \$42,500, required to pay \$928.13, plus interest, in restitution to customers, and required to revise its written supervisory procedures concerning the reporting of transactions in high-yield corporate debt securities to the NASD. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it failed, within 90 seconds after execution, to transmit through ACT, last-sale

reports of transactions in Nasdaq National Market (NNM) and Nasdaq SmallCap<sup>SM</sup> securities, and failed to designate through ACT such last-sale reports as late. The findings also stated that the firm failed to report to ACT the correct time of execution in transactions in NNM securities and failed to report to ACT a transaction in an NNM security that it was required to report. Furthermore, the NASD found that the firm failed to contemporaneously or partially execute customer limit orders in Nasdaq securities after it traded each security for its own market making account at a price that would have satisfied each customer's limit order; failed to use reasonable diligence to ascertain the best inter-dealer market and failed to buy or sell in such market so that the resultant price to its customers was as favorable as possible under prevailing market conditions; and, when acting as a principal for its own account, failed to provide written notification disclosing to its customers the reported price.

The NASD also determined that the firm failed to display immediately customer limit orders in Nasdaq securities in its public quotation, when each such order was at a price that would have improved the firm's bid or offer for each such security, or when the order was priced equal to the firm's bid or offer and the national best bid or offer for each such security, and the size of the order represented more than a de minimis amount in relation to the size associated with the firm's bid or offer in each such security; when it acted as principal for its own account, failed to provide written notification disclosing to its customers the correct reported trade price and to disclose to its customers that it was a market maker in each such security; and

failed to disclose on customer confirmations the correct symbol indicating whether the transactions were buy or sell transactions. The NASD also determined that the firm failed to provide written notification disclosing to its customers its correct capacity in the transactions; failed to provide written notification disclosing to its customers that the transaction was executed at an average price; failed to maintain a record of a customer confirmation; failed to report to ACT the correct symbol indicating whether the firm executed a transaction in an eligible security in a principal or agency capacity; and failed to report to ACT the correct symbol indicating whether the transaction was a buy, sell, sell short, sell short exempt, or cross for transactions in eligible securities.

In addition, the NASD found that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to applicable securities laws and regulations concerning trading and market making functions, best execution, the Limit Order Protection Interpretation, the Limit Order Display Rule, customer confirmation disclosure, the SEC's One Percent Rule, rules applicable to the Small Order Execution System, the rule applicable to locked or crossed markets, and the rules applicable to short sales and front running. Specifically, the firm's supervisory system did not include written supervisory procedures providing for the identification of the person responsible at the firm to ensure compliance with the applicable rules; a statement of the steps that such person should take to ensure compliance; a statement as to how often such person should take such steps; and a statement as to how enforcement of such written

supervisory procedures should be documented at the firm. **(NASD Case #CMS020008)**

**J. Alexander Securities, Inc. (CRD #7809, Los Angeles, California)** submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured, fined \$14,000, and required to revise its written supervisory procedures. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that the firm failed to report to ACT the contra side executing broker transactions in eligible securities. The findings also stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to applicable securities laws and regulations concerning the following: ACT compliance, best execution, limit order protection, limit order display, firm quote rule, the SEC's One Percent Rule, the registration of traders and supervisors, trade reporting, books and records, locked and crossed markets, pricing convention, size convention, coordination of quotes, late and inaccurate trade reporting, exchange of proprietary information, improper collaboration and coordination, the failure to honor quotes, harassment, short sales, and Order Audit Trail System (OATS). Specifically, the firm's supervisory system did not include written supervisory procedures providing for the identification of the person responsible at the firm to ensure compliance with the applicable rules; a statement of the steps that such person should take to ensure compliance; a statement as to how often such person should take such steps; and a statement as to how enforcement of such written

supervisory procedures should be documented. **(NASD Case #CMS020004)**

**J. Alexander Securities, Inc. (CRD #7809, Los Angeles, California)** submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured, fined \$40,000, and required to revise its written supervisory procedures with respect to trade reporting compliance. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it failed, within 90 seconds after execution, to transmit through ACT, last-sale reports of transactions in NNM, Nasdaq SmallCap, and OTC Equity securities and failed to designate through ACT such last-sale reports as late. The findings also stated that the firm failed to report the time of execution through ACT; failed to show on memorandum late last-sale reports in NNM, Nasdaq SmallCap, and OTC Equity securities reported outside of normal market hours with the ".T" modifier; and failed to report the time of execution through ACT in last-sale reports in NNM, Nasdaq SmallCap, and OTC Equity securities reported more than 90 seconds after execution.

Furthermore, the NASD found that the firm failed to show the correct time of execution, the correct order entry time, the correct price of execution, the execution price, an order entry time, and that the orders were sales transactions. In addition, the findings stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to applicable securities laws and regulations concerning trade-reporting compliance. Specifically, the firm's supervisory system did

not include written supervisory procedures providing for the identification of the person responsible at the firm to ensure compliance with the applicable rules, a statement of the steps that such person should take to ensure compliance, a statement as to how often such person should take such steps, and a statement as to how enforcement of such written supervisory procedures should be documented at the firm. **(NASD Case #CMS020005)**

**Roth Capital Partners, LLC (CRD #15407, Newport Beach, California)** submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured, fined \$25,000, and required to pay \$7,367, plus interest, in restitution to customers. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it failed to use reasonable diligence to ascertain the best inter-dealer market, and failed to buy or sell in such market so that the resultant price to its customers was as favorable as possible under prevailing market conditions. **(NASD Case #CMS020014)**

**Sanders Morris Harris Inc. (CRD #20580, Houston, Texas)** submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured, fined \$10,000, and required to revise its written supervisory procedures concerning firm quote compliance. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that as a registered market maker in securities, it failed to execute orders presented at the firm's published bid or published offer in an amount up to its published quotation size, and, upon

presentment, failed to honor its published quotation. The findings also stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to applicable securities laws and regulations concerning firm quote compliance. Specifically, the firm's supervisory system did not include written supervisory procedures providing for a statement as to how enforcement of such written supervisory procedures should be documented at the firm. **(NASD Case #CMS020001)**

**The Third Market Corporation (CRD #30181, Chicago, Illinois)** submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured, fined \$16,000, and required to revise its written supervisory procedures relating to short sales and OATS. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it purchased an eligible security at or below the price at which it held an unexecuted limited price order to purchase such security for a customer. The findings also stated that the firm failed to display immediately customer limit orders in its public quotation, when each such order was at a price that would have improved its bid or offer in each such security. Also, the NASD determined that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to applicable securities laws and regulations concerning short sales and OATS. Specifically, the firm's supervisory system did not include written supervisory procedures providing for the identification of the person responsible at the firm to ensure compliance with the applicable rules; a statement of the steps that

such person should take to ensure compliance; a statement as to how often such person should take such steps; and a statement as to how enforcement of such written supervisory procedures should be documented at the firm. Furthermore, the findings stated that the firm failed to synchronize and maintain the synchronization of its business clocks used for recording the date and time of events that must be recorded pursuant to NASD By-Laws or rules to the time source designated by the NASD in conformity with the procedures prescribed by the NASD. **(NASD Case #CMS020012)**

**Wachovia Securities, Inc. (CRD #431, Charlotte, North Carolina)** submitted a Letter of Acceptance, Waiver, and Consent in which the firm was censured and fined \$35,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that its supervisory system failed to detect unsuitable activity in the accounts of public customers because the firm failed to follow its written supervisory procedures pertaining to the review and monitoring of customer account activity. **(NASD Case #C07020001)**

### **Individuals Barred Or Suspended**

**George Anaya, Jr. (CRD #2830436, Registered Representative, Jupiter, Florida)** submitted an Offer of Settlement in which he was fined \$40,000, including the disgorgement of \$20,000 of commissions received, and suspended from association with any NASD member in any capacity for two years. The fine must be paid before Anaya reassociates with any NASD member following the suspension

or before requesting relief from any statutory disqualification. Without admitting or denying the allegations, Anaya consented to the described sanctions and to the entry of findings that he engaged in a course of excessive and unsuitable trading in the account of a public customer. The findings also stated that Anaya failed to respond to NASD requests to appear and give testimony.

Anaya's suspension began February 19, 2002, and will conclude at the close of business February 18, 2004. **(NASD Case #C07010064)**

**John Robert Bacon (CRD #4064268, Registered Representative, Deerfield Beach, Florida)** was barred from association with any NASD member in any capacity and required to pay \$5,000 in restitution to a public customer. The sanctions were based on findings that Bacon received checks totaling \$5,000 made payable to him from a public customer to be invested. Rather than establish an account and make the investment as instructed, Bacon converted the funds to his own use and benefit. In addition, Bacon failed to respond to NASD requests for information. **(NASD Case #C07010074)**

**Richard Theodore Bredhoff (CRD #1425420, Registered Representative, East Windsor, New Jersey)** submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Bredhoff consented to the described sanction and to the entry of findings that he effected the sale of unregistered shares of common stock to his member firm's customers. The NASD also

found that Bredhoff, on behalf of a member firm, sold shares of a penny stock prior to receiving a manually executed and dated written statement from any of the unaccredited investors. The findings also stated that a member firm, acting through Bredhoff, utilized the instrumentalities of interstate commerce to conduct a securities business while failing to maintain its minimum required net capital. Furthermore, the NASD found that a member firm, acting through Bredhoff, filed a false and misleading FOCUS report and permitted individuals to engage in the investment banking or securities business and/or function as representatives and/or principals with the firm without properly qualifying and/or registering in the appropriate capacities. In addition, the findings stated that Bredhoff failed to respond completely to NASD requests for documents and information. **(NASD Case #C9B020005)**

**Jeffrey Charles Bruteyn (CRD #2575306, Registered Principal, Dallas, Texas)** submitted an Offer of Settlement in which he was fined \$15,000 and suspended from association with any NASD member in any capacity for 18 months. The fine must be paid before Bruteyn reassociates with any NASD member following the suspension or before requesting relief from any statutory disqualification. Without admitting or denying the allegations, Bruteyn consented to the described sanctions and to the entry of findings that he executed purchase transactions in the account of a public customer without the customer's prior knowledge or consent. The findings also stated that Bruteyn guaranteed a public customer's account against loss in exchange for the customer granting Bruteyn discretionary

authority over her account. The NASD also found that Bruteyn failed to follow a customer's instructions to terminate the margin agreement on her account, to use only the cash in her account to make investments, not to borrow against her securities account to make investments, and to liquidate the customer's securities account. The findings further stated that Bruteyn represented to the customer that he had followed the customer's instructions when, in fact, he continued to execute margin transactions in the customer's account.

Bruteyn's suspension began February 19, 2002, and will conclude at the close of business August 18, 2003. **(NASD Case #C06010029)**

**Stephen Daniel Carcaterra (CRD #2674226, Registered Representative, Seabright, New Jersey)** was suspended from association with any NASD member in any capacity for 30 business days for engaging in private securities transactions and barred from association with any NASD member in any capacity for failure to appear. The National Adjudicatory Council (NAC) imposed the sanctions following appeal of an Office of Hearing Officers (OHO) decision. The sanctions were based on findings that Carcaterra participated in a private securities transaction without giving his member firm prior written notice. The findings also stated that Carcaterra failed to respond to an NASD request to appear for an on-the-record interview.

Carcaterra's bar became effective December 13, 2001. **(NASD Case #C10000165)**

**Pat James Cenicola (CRD #855316, Registered Representative, Hackensack, New Jersey)** submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity and required to pay \$54,000 in disgorgement of commissions in partial restitution to the customers. The restitution amounts must be paid before Cenicola reassociates with any NASD member or before requesting relief from any statutory disqualification. Without admitting or denying the allegations, Cenicola consented to the described sanctions and to the entry of findings that he engaged in private securities transactions without prior written notice to, and approval from, his member firm. **(NASD Case #C9B020003)**

**Ramon Todd Chimelis (CRD #1632927, Registered Representative, Maitland, Florida)** submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Chimelis consented to the described sanction and to the entry of findings that he failed to respond to NASD requests for information. **(NASD Case #C07010088)**

**John Right Crawford (CRD #710758, Registered Supervisor, High Point, North Carolina)** submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Crawford consented to the described sanction and to the entry of findings that he received approximately \$29,294 of funds from an investment club for

investment purposes, failed to deposit the funds as directed, and converted the funds to his own use and benefit. **(NASD Case #C07020004)**

**Anthony Francis DeCarlo (CRD #2568723, Registered Representative, Woodbridge, New Jersey)** submitted an Offer of Settlement in which he was fined \$10,000 and suspended from association with any NASD member in any capacity for one year. Without admitting or denying the allegations, DeCarlo consented to the described sanctions and to the entry of findings that he reimbursed a public customer for the surrender charge incurred without the knowledge or approval of his member firm. The NASD also found that DeCarlo provided false and/or misleading testimony during an NASD on-the-record interview.

DeCarlo's suspension began March 4, 2002, and will conclude at the close of business March 3, 2003. **(NASD Case #C9B010085)**

**Daren John DeLuca (CRD #1675213, Registered Representative, Howell, New Jersey)** submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$27,000, representing disgorgement of net commissions, and suspended from association with any NASD member in any capacity for six months. The fine must be paid before DeLuca reassociates with any NASD member following the suspension or before requesting relief from any statutory disqualification. Without admitting or denying the allegations, DeLuca consented to the described sanctions and to the entry of findings that he exercised control over the account of a public customer and effected numerous and excessive securities

transactions in the account, in a manner that was inconsistent with the customer's investment objectives. The NASD found that DeLuca recommended and engaged in purchase and sale transactions in the account of a public customer and did not have reasonable grounds for believing that these recommendations and resultant transactions were suitable for the customer on the basis of her financial situation, investment objectives, and needs.

DeLuca's suspension began February 19, 2002, and will conclude August 18, 2002. **(NASD Case #C9B020001)**

**Donald Matthew Dirren (CRD #1409432, Registered Representative, Scottsdale, Arizona)** submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$10,000 and suspended from association with any NASD member in any capacity for one year. The fine must be paid before Dirren reassociates with any NASD member following the suspension or before requesting relief from any statutory disqualification. Without admitting or denying the allegations, Dirren consented to the described sanctions and to the entry of findings that he willfully failed to disclose material information on his Uniform Application for Securities Industry Registration or Transfer (Form U-4).

Dirren's suspension began February 19, 2002, and will conclude at the close of business February 19, 2003. **(NASD Case #C3A020003)**

**Dennis A. Dudnik (CRD #2805579, Registered Representative, Brooklyn, New York)** submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$7,610, including the disgorgement of

\$110 in commissions received, and suspended from association with any NASD member in any capacity for 20 days. Without admitting or denying the allegations, Dudnik consented to the described sanctions and to the entry of findings that he failed to execute a public customer's order to sell shares of stock. The NASD also found that Dudnik purchased and sold shares of stocks in the accounts of public customers without their authorization.

Dudnik's suspension began February 19, 2002, and concluded March 10, 2002. **(NASD Case #C9B020004)**

**Jack Michael Ferraro (CRD #709674, Registered Principal, Scarborough, New York)** submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$25,000 and suspended from association with any NASD member in any capacity for 180 days. Without admitting or denying the allegations, Ferraro consented to the described sanctions and to the entry of findings that he failed to provide written notice to his member firm that he had engaged in business activities, for compensation, outside the scope of his employment with his firm. The findings also stated that Ferraro failed to inform clients for whom he had discretionary trading authority and purchased shares of stock in three companies that he had helped raise money for, and had been compensated by, these companies.

Ferraro's suspension began February 19, 2002, and will conclude August 17, 2002. **(NASD Case #CAF020003)**

**Jeremiah Richard Fink (CRD #3173563, Registered Representative, New Lenox, Illinois)** submitted a Letter of Acceptance, Waiver, and Consent

in which he was suspended from association with any NASD member in any capacity for 15 business days. In light of the financial status of Fink, no monetary sanction has been imposed. Without admitting or denying the allegations, Fink consented to the described sanction and to the entry of findings that he exercised discretion in the account of a public customer without having obtained prior written authorization from the customer and prior written approval of the account as discretionary by his member firm.

Fink's suspension began March 4, 2002, and will conclude at the close of business March 22, 2002. **(NASD Case #C8A020005)**

**Cavin Wayne Galtieri (CRD #3051437, Registered Representative, Austin, Texas)** submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$5,000 and suspended from association with any NASD member in any capacity for six months. The fine must be paid before Galtieri reassociates with any NASD member following the suspension or before requesting relief from any statutory disqualification. Without admitting or denying the allegations, Galtieri consented to the described sanctions and to the entry of findings that he willfully failed to disclose material facts on his Form U-4.

Galtieri's suspension began February 19, 2002, and will conclude August 18, 2002. **(NASD Case #C06010049)**

**Candice Anna Gill (CRD #801714, Registered Representative, Chandler, Arizona)** submitted a Letter of Acceptance, Waiver, and Consent in which she was barred from association with any NASD

member in any capacity. Without admitting or denying the allegations, Gill consented to the described sanction and to the entry of findings that she falsified new account information for public customers. Specifically, the NASD determined that Gill recommended that the customers purchase various limited partnerships. However, based on their financial situations, the customers did not qualify for the limited partnerships as set out in the Offering Memoranda. The NASD findings stated that in order to qualify the customers for the investments and thereby consummate the transactions, Gill inserted false financial information including annual income, net worth, and liquid net worth on subscription documents and new account information to qualify the customers for the recommended investments. The findings also stated that Gill sold illiquid limited partnership interests to public customers without having reasonable grounds for believing that the recommendations were suitable for each customer based on other security holdings, financial situations, and needs. **(NASD Case #C3A020004)**

**Dmitry Gorodetsky (CRD #3074712, Registered Representative, Brooklyn, New York)** submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$10,185, including the disgorgement of \$185 of commissions received, and suspended from association with any NASD member in any capacity for 30 days. Without admitting or denying the allegations, Gorodetsky consented to the described sanctions and to the entry of findings that he failed to execute a public customer's order to sell shares of stock. The NASD also found that Gorodetsky purchased and sold shares of

stocks in the accounts of public customers without their authorization.

Gorodetsky's suspension began March 4, 2002, and will conclude at the close of business April 2, 2002. **(NASD Case #C9B020004)**

**Luther Allen Hanson (CRD #1956960, Registered Representative, Charlestown, West Virginia)** was fined \$79,105.62, suspended from association with any NASD member in any capacity for six months, and required to requalify by exam as a general securities representative within six months. The NAC imposed the sanctions following the review of an OHO decision. The sanctions were based on findings that Hanson engaged in private securities transactions without providing prior written notice to, and obtaining written approval from, his member firm.

Hanson's suspension began January 21, 2002, and will conclude July 20, 2002. **(NASD Case #C9A000027)**

**Robert John Hilgers (CRD #1200193, Registered Representative, Barrington, Illinois)** submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity and required to pay \$50,035 in disgorgement. The disgorgement must be paid before Hilgers reassociates with any NASD member or before requesting relief from any statutory disqualification. Without admitting or denying the allegations, Hilgers consented to the described sanctions and to the entry of findings that he participated in private securities transactions without providing prior written notice to, or receiving written permission from, his

member firm to participate in the transactions. **(NASD Case #C3A020005)**

**James Howard Jones (CRD #731895, Registered Representative, Indianapolis, Indiana)** submitted an Offer of Settlement in which he was fined \$2,500 and suspended from association with any NASD member in any capacity for 18 months. The fine must be paid before Jones reassociates with any NASD member following the suspension or before requesting relief from any statutory disqualification. Without admitting or denying the allegations, Jones consented to the described sanctions and to the entry of finding that he received a \$5,735 check from a public customer to purchase shares in a variable annuity product. The NASD found that Jones failed to apply the funds as directed, and without the knowledge and authorization of the customer, used the funds for his own benefit or for some purpose other than the benefit of the customer.

Jones' suspension began January 22, 2002, and will conclude at the close of business July 21, 2003. **(NASD Case #C8A010037)**

**Fereadoon Kalantari (CRD #1611327, Registered Representative, Jonesboro, Georgia)** submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$90,000, including the disgorgement of \$84,537.55 of commissions received, and suspended from association with any NASD member in any capacity for one year. The fine must be paid before Kalantari reassociates with any NASD member following the suspension or before requesting relief from any statutory disqualification. Without admitting

or denying the allegations, Kalantari consented to the described sanctions and to the entry of findings that he engaged in outside business activities for compensation, failed to provide prompt written notice to his firm, and failed to amend his Form U-4 to add this affiliation.

Kalantari's suspension began February 19, 2002, and will conclude at the close of business February 18, 2003. **(NASD Case #C07020003)**

**Linda Lee Kangur (CRD #4351780, Associated Person, West Chester, Pennsylvania)** submitted a Letter of Acceptance, Waiver, and Consent in which she was fined \$5,000 and suspended from association with any NASD member in any capacity for 30 business days. The fine must be paid before Kangur reassociates with any NASD member following the suspension or before requesting relief from any statutory disqualification. Without admitting or denying the allegations, Kangur consented to the described sanctions and to the entry of findings that she willfully failed to disclose a material fact on a Form U-4.

Kangur's suspension began February 19, 2002, and will conclude at the close of business April 1, 2002. **(NASD Case #C9A020004)**

**Nicholas Nicolaou (CRD #2901449, Associated Person, Jersey City, New Jersey)** submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Nicolaou consented to the described sanction and to the entry of findings that he engaged in the investment banking or securities

business and/or functioned as a representative and/or principal with a former member firm without properly qualifying and/or registering in the appropriate capacities. **(NASD Case #C9B020007)**

**John Perez (CRD #1093871, Registered Representative, Alhambra, California)** was barred from association with any NASD member in any capacity and required to pay \$5,000 in restitution to a public customer. The sanctions were based on findings that Perez received \$5,000 from public customers to be invested and, rather than make the investment as instructed, he converted the funds for his own use and benefit. In addition, Perez failed to respond to NASD requests for information. **(NASD Case #C07010067)**

**Michael Pizzulli (CRD #2478300, Registered Representative, Millstone, New Jersey)** submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$5,000, including the disgorgement of \$230 in commissions earned, and suspended from association with any NASD member in any capacity for five business days. Without admitting or denying the allegations, Pizzulli consented to the described sanctions and to the entry of findings that he executed an unauthorized purchase transaction of shares of stock in the account of a public customer, without the customer's prior knowledge or consent.

Pizzulli's suspension began March 4, 2002, and concluded at the close of business March 8, 2002. **(NASD Case #C9B020008)**

**Jay R. Rice (CRD #1832274, Registered Representative, Salt Lake City, Utah)** was fined \$130,363, suspended from

association with any NASD member in any capacity for 12 months, ordered to requalify by examination in all capacities for engaging in private securities transactions, and fined \$5,000 and suspended from association with any NASD member in any capacity for 10 business days for the failure to disclose information on a Form U-4. The sanctions were based on findings that Rice participated in private securities transactions without providing prior written notification to, or receiving approval from, his member firm to participate and to receive compensation, and for failing to disclose material information on his Form U-4.

Rice's suspensions began February 4, 2002, and will conclude at the close of business February 4, 2003. **(NASD Case #C3A010005)**

**William Ferd Schaufert (CRD #412722, Registered Representative, Cincinnati, Ohio)** submitted a Letter of Acceptance, Waiver, and Consent in 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, Schaufert consented to the described sanctions and to the entry of findings that he engaged in a securities transaction away from his member firm and failed to provide his firm detailed written notice of the transaction, his role therein, and to obtain permission from the firm to engage in the transaction.

Schaufert's suspension began March 4, 2002, and will conclude at the close of business April 2, 2002. **(NASD Case #C8B020002)**

**Jose Luis Serrano, Jr. (CRD #2616498, Registered Representative, Chicago, Illinois)** was fined \$5,000 and suspended from association with any NASD member in all capacities for one year for forgery, and barred from association with any NASD member in any capacity for failing to respond. The fine shall be due and payable prior to Serrano's reentry into the securities business. The sanctions were based on findings that Serrano forged a public customer's name on a form without the authorization or consent of the customer. In addition, Serrano failed to respond to NASD requests for information.

Serrano's bar became effective January 7, 2002. **(NASD Case #C8A010050)**

**Douglas Adam Sheinberg (CRD #1912229, Registered Representative, Del Ray Beach, Florida)** submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Sheinberg consented to the described sanction and to the entry of findings that he effected transactions in the account of public customers without their prior knowledge, authorization, or consent. **(NASD Case #C10020008)**

**Jerry Herbert Shulak (CRD #1993089, Registered Representative, Scottsdale, Arizona)** submitted an Offer of Settlement in which he was fined \$10,000 and suspended from association with any NASD member in any capacity for 31 days. Without admitting or denying the allegations, Shulak consented to the described sanctions and to

the entry of finding that he engaged in excessive trading in the account of public customers.

Shulak's suspension began March 4, 2002, and will conclude at the close of business April 3, 2002. **(NASD Case #C3A010048)**

**Alayna Michelle Slaughter (CRD #4365152, Registered Representative, Minneapolis, Minnesota)** submitted a Letter of Acceptance, Waiver, and Consent in which she was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Slaughter consented to the described sanction and to the entry of findings that she willfully failed to disclose a material fact on a Form U-4. The findings also stated that Slaughter failed to respond to NASD requests for information. **(NASD Case #C04020003)**

**Anthony Salvatore Socci (CRD #1863263, Registered Representative, Trumbull, Connecticut)** submitted a Letter of Acceptance, Waiver, and Consent in which he was fined \$5,000 and suspended from association with any NASD member in any capacity for three months. Without admitting or denying the allegations, Socci consented to the described sanctions and to the entry of findings that, without the knowledge or consent of a public customer, he forged the customer's signature to a form, authorizing an insurance company to debit the customer's checking account for the purpose of paying insurance premiums.

Socci's suspension began February 19, 2002, and will conclude May 18, 2002. **(NASD Case #C11020005)**

**Nick James Spatola (CRD #3053271, Associated Person, Morganville, New Jersey)** submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Spatola consented to the described sanction and to the entry of findings that he engaged in the investment banking or securities business and/or functioned as a representative and/or principal with a former member firm without properly qualifying and/or registering in the appropriate capacities. **(NASD Case #C9B020006)**

**Genifer Claudia St. Ange (CRD #2615002, Associated Person, Union, New Jersey)** submitted a Letter of Acceptance, Waiver, and Consent in which she was fined \$5,000 and suspended from association with any NASD member in any capacity for one year. The fine must be paid before St. Ange reassociates with any NASD member or before requesting relief from any statutory disqualification. Without admitting or denying the allegations, St. Ange consented to the described sanctions and to the entry of findings that she altered an annuity application for a public customer by taking an annuity application that the customer had completed for an earlier annuity investment and changing the information thereon and submitting such application for processing without the customer's knowledge or consent.

St. Ange's suspension began February 19, 2002, and will conclude at the close of business February 19, 2003. **(NASD Case #C9B020002)**

**Richard Goodwin Whitley (CRD #1195472, Registered Representative, Monroe, North Carolina)** submitted a Letter of Acceptance, Waiver, and Consent in which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Whitley consented to the described sanction and to the entry of findings that he caused checks totaling \$7,700 to be issued as loans against the insurance policy of a public customer without the customer's authorization, obtained the proceeds of the checks, and then converted the proceeds for his own use and benefit. **(NASD Case #C07020002)**

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

**Vernard Benny Green, Jr. (CRD #2831764, Registered Representative, Brooklyn, New York)** was named as a respondent in an NASD complaint alleging that he made purchases in the individual retirement accounts of public customers without reasonable grounds for believing that the purchases were suitable for the customers on the basis of their investment objectives, other security holdings, and financial situation and needs. The complaint also alleges that, in connection

with the purchase and sale of securities in the accounts of public customers, Green, directly or indirectly, by the use of any means or instrumentalities of interstate commerce or of the mails, or of any facility of any national securities exchange, employed artifices, devices, or schemes to defraud; made untrue statements of material fact or omitted to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit. In addition, the complaint alleges that Green effected transactions in, or induced the purchase or sale of, securities by means of a manipulative, deceptive, or other fraudulent device or contrivance.

Furthermore, the complaint alleges that Green failed to respond to NASD requests to provide documents and/or information. **(NASD Case #C10010164)**

**Richard Scott Gregory (CRD #2837455, Registered Representative, Dallas, Texas)** was named as a respondent in an NASD complaint alleging that he executed a purchase transaction in the account of a public customer without the customer's prior knowledge or authorization. **(NASD Case #C06010045)**

**Chet C. Harris (CRD #2770791, Registered Representative, Brooklyn, New York)** was named as a respondent in an NASD complaint alleging that, in connection with the sale and purchase of securities, Harris, directly or indirectly, by the use of any means or instrumentalities of interstate commerce or the mails, or of any facility of any national securities exchange, employed artifices, devices, or schemes to

defraud; made untrue statements of material fact or omitted to state a material fact necessary in order to make the statement made, in light of the circumstances under which they were made, not misleading; or engaged in acts, practices, or courses of business that operated or would operate as a fraud or deceit. The complaint also alleges that Harris effected transactions in, or induced the purchase or sale of, securities by means of a manipulative, deceptive, or other fraudulent device or contrivance. **(NASD Case #C10010166)**

**Timothy Joseph O'Hare** (CRD #2350627, Registered Representative, Long Beach, New York) was named as a respondent in an NASD complaint alleging that he effected transactions in the joint account of public customers without their prior knowledge, authorization, or consent. **(NASD Case #C10020004)**

**David Phillip Scheyer** (CRD #1362617, Registered Representative, Cincinnati, Ohio) was named as a respondent in an NASD complaint alleging that he received funds totaling at least \$8,459.01 from members of the public, representing insurance premium payments, and failed to apply the payments to the applicable policies or in any other manner for the benefit of the members of the public. The complaint also alleges that Scheyer failed to respond to NASD requests for information. **(NASD Case #C8B020001)**

### **Firms Suspended Pursuant To NASD Rule Series 9510 For Failure To Comply With An Arbitration Award Or A Settlement Agreement**

The date the registration was suspended is included after the entry. If the firm has complied, the listing also includes the date the suspension was lifted.

**O'Donnell Securities Corp.**  
Mayfield Heights, Ohio  
(January 22, 2002)

**Shamrock Partners, Ltd.**  
Media, Pennsylvania  
(January 23, 2002)

### **Individuals Barred Pursuant To NASD Rule 9544 For Failure To Provide Information Requested Under NASD Rule 8210. (The date the bar became effective is listed after the entry.)**

**Adkins, James R.**  
Prescott Valley, Arizona  
(January 28, 2002)

**Andrina, Robert I.**  
Seattle, Washington  
(January 14, 2002)

**Atienza, Jr., Prospero**  
Buena Park, California  
(January 22, 2002)

**Awes, Michael G.**  
Long Lake, Minnesota  
(January 24, 2002)

**Davis, Rodney J.**  
West New York, New Jersey  
(January 15, 2002)

**Farris, Lorette**  
Hempstead, New York  
(January 25, 2002)

**Grant, Holly V.**  
Tyler, Texas  
(January 31, 2002)

**Hartlieb, Michael**  
St. Petersburg, Florida  
(January 15, 2002)

**Hubbard, George**  
Virginia Beach, Virginia  
(January 28, 2002)

**Johnson, Eric K.**  
South Branch, New Jersey  
(January 22, 2002)

**Knopp, Brian D.**  
Vacaville, California  
(January 24, 2002)

**Lalle, Gregory**  
Clearwater, Florida  
(January 22, 2002)

**Lam, Thach N.**  
Westminster, California  
(January 28, 2002)

**Levin, Stephanie S.**  
New York, New York  
(January 24, 2002)

**Navard, Masoud H.**  
Columbus, Ohio  
(January 14, 2002)

**Nhekairo, Mabasha**  
Alpharetta, Georgia  
(January 28, 2002)

**Spector, Gary J.**  
Burbank, California  
(January 22, 2002)

**Stern, Howard B.**  
Boca Raton, Florida  
(January 22, 2002)

**Thomas, Mark Allen**  
St. Joseph, Missouri  
(January 22, 2002)

**Yacapraro, Jr., Joseph-Anthony**  
Coshocton, Ohio  
(January 28, 2002)

**Individuals Suspended Pursuant To NASD Rule 9541(b) For Failure To Provide Information Requested Under NASD Rule 8210. (The date the suspension began is listed after the entry.)**

**Macaluso, Susan**  
McAllen, Texas  
(February 1, 2002)

**Pierre, Petruce**  
Spring Valley, New York  
(January 18, 2002)

**Rooney, Patrick W.**  
Chula Vista, California  
(January 10, 2002)

**Individuals Suspended Pursuant To NASD Rule Series 9510 For Failure To Comply With An Arbitration Award Or A Settlement Agreement**

The date the registration was suspended is included after the entry. If the individual has complied, the listing also includes the date the suspension was lifted.

**Bodenstein, Dennis**  
New York, New York  
(January 11, 2002 - February 5, 2002)

**Burke, Jr., John P.**  
Bozeman, Montana  
(January 30, 2002)

**Cerny, Timothy C.**  
Ft. Lauderdale, Florida  
(January 28, 2002)

**O'Malley, Michael P.**  
Madison, Wisconsin  
(January 28, 2002)

**Soler, Stephen**  
New York, New York  
(January 25, 2002 - February 4, 2002)

**NASD Regulation Expels First Federal Securities, Inc. And Bars Its Owner And President For False Membership Information**

NASD Regulation, Inc., announced that it expelled First Federal Securities, Inc., of Las Vegas, NV, and barred its owner and President Kellie McKinzie for intentionally providing false information in connection with the firm's application for membership with the NASD.

First Federal applied for NASD membership in January 2001. In the application, McKinzie misrepresented that she was its sole owner and that there were no other principals affiliated with the firm. The firm and McKinzie specifically did not disclose that Jeffrey Schwertfeger, an Investment Company/Variable Contracts Products Representative, who was then the subject of an NASD Regulation disciplinary proceeding alleging sales practice violations, was affiliated with First Federal. McKinzie was aware at the time she filed the application for First Federal's membership that NASD Regulation considered this fact to be material to the application.

On March 15, 2001, McKinzie falsely reaffirmed to NASD Regulation that this individual was not affiliated with First Federal and four days later, NASD Regulation approved First Federal's membership. Subsequently, NASD Regulation obtained additional facts and determined that Schwertfeger was in fact in control of the management and policies of First Federal.

NASD Regulation found that the firm and McKinzie engaged in conduct inconsistent with just and equitable principles of trade. NASD Regulation barred McKinzie

and expelled First Federal from association with an NASD member. The expulsion and bar were imposed through a settlement in which the firm and owner did not admit or deny the allegations.

NASD rules require that all information filed with respect to membership be complete, accurate and not otherwise misleading. In addition, an applicant is obligated to correct any inaccurate or misleading information given during the application process. Where, as here, if a firm is admitted to membership based on misleading or inaccurate information, NASD Regulation may bring a disciplinary action to bar the responsible individual and expel the firm from membership. NASD Regulation's Los Angeles District Office investigated this case.