

Disciplinary Actions

Disciplinary Actions Reported For June

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). This information is current as of May 22, 2000.

Firms Fined, Individuals Sanctioned

HFC Capital Corp (CRD #30539, New York, New York) and Ephram Pollack (CRD #1231145, Registered Principal, Flushing, New York) submitted a Letter of Acceptance, Waiver, and Consent (AWC) pursuant to which the firm and Pollack were censured and fined \$20,000, jointly and severally. Pollack was also suspended from association with any NASD member in any supervisory capacity for two years and ordered to requalify by exam as a general securities principal (Series 24) within 90 days of acceptance of the AWC. Without admitting or denying the allegations, the firm and Pollack consented to the described sanctions and to the entry of findings that the firm, acting through Pollack, failed to reasonably and properly supervise its representatives' activities so as to detect and prevent violations of NASD rules resulting from their offer and sale of stock.

Pollack's suspension began June 5, 2000, and will conclude at the close of business on June 4, 2002.
(NASD Case #C1000070)

Seaboard Securities, Inc. (CRD #755, Florham Park, New Jersey), Anthony DiGiovanni (CRD #601698, Registered Principal, Florham Park, New Jersey),

Joseph Zappala (CRD #475869, Registered Principal, Pilesgrove, New Jersey), David Goldblatt (CRD #1661615, Registered Principal, New York, New York) and John Joseph Plunkett (CRD #2321368, Registered Principal, Brooklyn, New York) submitted Offers of Settlements pursuant to which the firm was censured and fined \$150,000, jointly and severally, with Zappala and DiGiovanni. In addition, Zappala was fined \$10,000, suspended from association with any NASD member in any capacity for 15 days, and suspended from association with any NASD member in any principal capacity for 30 days. Goldblatt was censured, fined \$10,000, and suspended from association with any NASD member in any principal capacity for 45 days. Plunkett was censured, fined \$7,500, and suspended from association with any NASD member in any principal capacity for 15 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 Zappala, failed to adequately establish or maintain certain aspects of a supervisory system reasonably designed to ensure compliance with the securities laws; the respondents failed to hold annual compliance meetings, failed to conduct an annual inspection of all areas of business, failed to establish procedures for the review and endorsement by a registered principal of all transactions, failed to evidence background checks of newly hired registered representatives, and failed to register three of its Offices of Supervisory Jurisdiction in that capacity. The findings also stated that the firm, acting through Zappala, failed to establish,

maintain, and enforce adequate written supervisory procedures in certain areas of its business operations, including trading and market making, retail sales, mutual funds, and options, and allowed Plunkett to act as a general securities principal of the firm without being registered as a principal. The NASD also found that the firm, acting through Zappala, failed to register an office as a branch office; failed to file customer complaints received in a timely manner; allowed a registered representative to conduct an institutional securities business at the firm while his securities registration was inactive due to a failure to complete the Regulatory Element of the NASD's Continuing Education Program in a timely manner; and failed to prioritize its training needs and implement a written training plan for its Firm Element training requirement. The NASD also determined that the firm, acting through DiGiovanni, failed to develop and implement written procedures providing for the supervision of certain options accounts and orders in such accounts; deposited common stock and warrants that traded at a premium in the secondary account in its proprietary trading account in violation of the NASD's Free-Riding and Withholding Interpretation; and failed to obtain certain required information about the offering to determine that the account did not fall within a prohibited category according to the Free-Riding and Withholding Interpretation. Furthermore, the NASD determined that the firm, acting through DiGiovanni, reported transactions to the Automated Confirmation Transaction ServiceSM (ACTSM) in violation of applicable securities laws and regulations regarding trade reporting and failed to indicate on order tickets whether orders were solicited or unsolicited and

whether the order was a limit order or a market order. In addition, Goldblatt allowed an individual to continue to act as a general securities representative for the firm when his registration was inactive due to a failure to timely complete the Regulatory Element of the NASD's Continuing Education Program.

Zappala's suspension in all capacities began June 5, 2000, and will conclude at the close of business June 19, 2000; his suspension in a principal capacity began June 5, 2000, and will conclude July 4, 2000. Goldblatt's suspension will begin July 3, 2000, and will conclude at the close of business August 18, 2000. Plunkett's suspension began June 5, 2000, and will conclude at the close of business June 19, 2000. **(NASD Case #C9B000009)**

Firms And Individuals Fined
America First Associates Corp. (CRD #38245, New York, New York) and Joseph Ricupero (CRD #1457028, Registered Representative, Bayside, New York) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which the firm and Ricupero were censured and fined \$12,500, jointly and severally. Without admitting or denying the allegations, the firm and Ricupero consented to the described sanctions and to the entry of findings that the firm, acting through Ricupero, failed to develop a Continuing Education training needs analysis and training plan and failed to evidence that training took place within a calendar year. The findings also stated that the firm, acting through Ricupero, conducted a securities business while failing to maintain its minimum net capital requirement. In addition, the firm, acting through Ricupero,

failed to provide prompt written notice to the NASD of the departure of principals and failed to maintain the level of experience and qualifications of its principals as presented during the pre-membership application process. **(NASD Case #C10000050)**

D. H. Brush & Associates, Inc. (CRD #3667, Chicago, Illinois) and Edwin McBride (CRD #1195514, Registered Principal, Chicago, Illinois) submitted an Offer of Settlement pursuant to which the firm and McBride were fined \$10,000, jointly and severally. Without admitting or denying the allegations, the respondents consented to the described sanction and to the entry of findings that the firm, acting through McBride, failed to enforce supervisory procedures and failed to reasonably supervise an individual with a view to achieving compliance with the NASD's registration regulations. **(NASD Case #C8A990074)**

Major League Securities, LLC (CRD #32211, Jericho, New York) and Steven Bart Schonfeld (CRD #1051868, Registered Principal, East Hills, New York) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which the firm and Schonfeld were censured and fined \$13,500, jointly and severally. The firm was also fined an additional \$2,000. Without admitting or denying the allegations, the firm and Schonfeld consented to the described sanctions and to the entry of findings that the firm permitted separate agency orders in excess of the maximum order size to be split and entered into the Small Order Execution SystemSM (SOESSM) so as not to exceed the maximum permissible order size. The findings also stated that the firm, acting through Schonfeld, failed to make and keep order

memoranda concerning separate securities transactions and failed to record the correct time of execution for other securities transactions. The firm, acting through Schonfeld, maintained discretionary accounts without the customers' prior written authorization to specifically designated individuals and without the firm's acceptance, in writing, of the discretionary authorizations. In addition, the firm, acting through Schonfeld, failed to conduct an annual needs analysis, prepare a written training plan, or provide any training to its covered registered persons as required by the Firm Element of the Continuing Education Program. Further, the firm, acting through Schonfeld, failed to prepare, maintain, and enforce adequate written supervisory procedures covering each of the above areas. **(NASD Case #C10000047)**

Nathan & Lewis Securities, Inc. (CRD #8503, New York, New York) and Richard Berenger (CRD #1041622, Registered Principal, Bardonia, New York) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which the firm and Berenger were censured and fined \$10,000, jointly and severally. Without admitting or denying the allegations, the firm and Berenger consented to the described sanctions and to the entry of findings that the firm, acting through Berenger, failed to report statistical and summary information concerning customer complaints to the NASD. The findings also stated that the firm, acting through Berenger, failed to establish, maintain, and enforce adequate written supervisory procedures reasonably designed to achieve compliance with the NASD rule concerning customer complaint reporting procedures. **(NASD Case #C10000069)**

Self Trading Securities, Inc. (CRD #38439, Austin, Texas) and John Beckinridge Pearson (CRD #2427579, Registered Principal, Austin, Texas) submitted an Offer of Settlement pursuant to which the firm and Pearson were censured and fined \$27,500, jointly and severally, and the firm was fined an additional \$2,500. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Pearson, permitted individuals to engage in the investment banking or securities business of the firm, even though such individuals had not been registered with the firm in any capacity. The findings also stated that the firm, acting through Pearson, advertised on an Internet Web Site and the advertising failed to provide a sound basis for evaluating the services provided by the firm and included exaggerated and unwarranted statements that were potentially misleading. The firm also failed to complete a training needs analysis and develop a written training plan concerning the Firm Element of the Continuing Education Program. Furthermore, the firm failed to establish, maintain, and enforce written procedures that were reasonably designed to achieve compliance with applicable securities laws, regulations, and NASD rules, in that the firm's procedures failed to adequately address NASD rules governing registration of order input personnel and continuing education. **(NASD Case #C06000005)**

Trafalgar Financial Services, Inc. (CRD #36099, Boston, Massachusetts) and Carmen William Elio, Jr. (CRD #1861586, Registered Principal, Medford, Massachusetts) were censured and fined \$10,000, jointly and severally. The firm was fined an

additional \$1,000, jointly and severally, with another individual. The sanctions were based on findings that the firm, acting through an individual, effected securities transactions while failing to maintain the minimum required net capital. The findings also stated that the firm, acting through Elio and another individual, permitted an inactive registered representative to engage in the securities business of the firm. In addition, the firm, acting through Elio, failed to establish, maintain, and enforce written supervisory procedures that ensured compliance with the Regulatory Element of the NASD's Continuing Education Program. **(NASD Case #C11990042)**

Firms Fined

First Southwest Company (CRD #316, Dallas, Texas) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which the firm was censured and fined \$59,697. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that, acting as principal, it sold a portfolio of U.S. Treasury securities to a municipal issuer for a defeasance escrow without disclosing to the issuer that it would retain positive carry. The findings also stated that the firm's profit on this defeasance escrow transaction totaled 0.38 percent of the prevailing interdealer market prices of the U.S. Treasury securities. **(NASD Case #C05000020)**

Ingalls and Snyder, LLC (CRD #2288, New York, New York) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which the firm was censured and fined \$10,000. 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 Fixed Income Pricing SystemSM (FIPS[®]) in violation of applicable securities laws and regulations regarding the reporting of high yield corporate debt securities. The findings also stated that the firm failed to establish, maintain, and enforce supervisory procedures reasonably designed to achieve compliance with the applicable rules and regulations, and with the applicable rules of the NASD regarding the transaction reporting of high yield corporate debt securities. **(NASD Case #CMS000064)**

On-Site Trading, Inc. (CRD #30271, Great Neck, New York) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which it was censured and fined \$13,500. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it executed short-sale transactions in certain securities, all of which were Nasdaq National Market[®] (NNM) securities, at or below the inside bid when the current inside bid was below the proceeding inside bid in each of the securities. The findings also stated that the firm executed short-sale transactions in certain securities and failed to annotate an affirmative determination for each of these transactions and executed long-sale transactions and incorrectly reported each of these transactions to ACT with a short-sale indicator. Furthermore, the NASD determined that the firm failed to establish, maintain, and enforce written supervisory procedures reasonably designed to achieve compliance with applicable NASD short-sale rules. **(NASD Case #CMS000068)**

The Advisors Group, Inc. (CRD #14035, Bethesda, Maryland) submitted a Letter of Acceptance, Waiver, and Consent pursuant to

which the firm was censured and fined \$11,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it permitted an individual to perform duties as a registered person while his registration status with the NASD was inactive due to his failure to complete the Regulatory Element of the NASD's Continuing Education Program in a timely manner. **(NASD Case #C9A000016)**

The Thornwater Company, L.P. (CRD #36195, New York, New York) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which the firm was censured, fined \$40,000, and fined an additional \$2,500, jointly and severally with an individual. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it failed to report customer settlements and statistical and summary information regarding customer complaints to the NASD. The findings also stated that the firm, acting through an individual, failed to develop and administer written training plans in accordance with the Firm Element of the NASD's Continuing Education Program. In addition, the firm failed to enforce written supervisory procedures pertaining to the Regulatory and Firm Elements of the Continuing Education Program, trading, and market making. Furthermore, the firm failed to ensure that each registered representative of the firm participated, no less than annually, in an interview or meeting conducted by the firm at which relevant compliance issues were discussed. Moreover, the firm conducted a securities business and failed to maintain sufficient net capital and failed to report short-sale transactions correctly. **(NASD Case #C10000061)**

Waddell & Reed, Inc. (CRD #866, Shawnee Mission, Kansas) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which the firm was censured and fined \$75,000. 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 written supervisory procedures reasonably designed to achieve compliance with applicable laws, regulations, and NASD rules relating to forgery, unauthorized transactions, and misappropriation. The findings also stated that, when confronted with evidence of problems in these areas, the firm failed to respond adequately and to take appropriate action that was reasonably designed to prevent violations by its registered representatives and achieve compliance with applicable securities laws, regulations, and NASD rules. **(NASD Case #C11000007)**

Individuals Barred Or Suspended

Arthur Andrew Alonzo, III (CRD #2090475, Registered Representative, Boca Raton, Florida) was barred from association with any NASD member in any capacity and suspended from association with any NASD member in any capacity for one year. The sanctions were based on findings that Alonzo falsified client documents, engaged in unauthorized trade transactions, and made unsuitable recommendations to public customers. Alonzo also acted in a registered capacity without being registered and failed to respond to NASD requests for information.

Alonzo's suspension will begin on June 19, 2000, and will conclude on June 18, 2001. **(NASD Case #C07990070)**

Dmitry Aranovich (CRD #2373613, Registered Representative, New York, New York) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was fined \$15,000 and suspended from association with any NASD member in any capacity for 15 months. The fine shall be due and payable prior to reassociation with a member firm following the suspension or prior to any application or request for relief from any statutory disqualification. Without admitting or denying the allegations, Aranovich consented to the described sanctions and to the entry of findings that he purchased shares of stock in the account of a public customer without the prior knowledge, consent, or authorization of the customer. The findings also stated that Aranovich entered into a settlement agreement with the customer without providing his member firm with notice of the settlement.

Aranovich's suspension began June 5, 2000, and will conclude at the close of business on September 4, 2001. **(NASD Case #C10000068)**

Roy Allen Arp (CRD #1123392, Registered Representative, Charles City, Iowa) was barred from association with any NASD member in any capacity. The sanction was based on findings that Arp failed to respond to NASD requests for information. **(NASD Case #C04990048)**

Robert Smith Baldwin (CRD #813373, Registered Representative, Sarasota, Florida) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was fined \$7,000, which includes the disgorgement of financial benefits received of \$4,500, and suspended from association with any NASD

member in any capacity for 30 days. Payment of the fine and restitution shall be a prerequisite for consideration of any application for reentry into the securities industry. Without admitting or denying the allegations, Baldwin consented to the described sanctions and to the entry of findings that he served as a representative of another member firm, participated in outside business activities, and received compensation from the firm, without giving prompt written notice to his member firm of his association with another firm.

Baldwin's suspension began June 5, 2000, and will conclude on July 4, 2000. **(NASD Case #C07000028)**

Donald Dwight Bostic, Sr. (CRD #2262782, Registered Representative, St. Louis, Missouri) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Bostic consented to the described sanction and to the entry of findings that he received checks totaling \$43,273.43 from public customers and, without the knowledge or consent of the customers, deposited or cashed the checks and converted the funds to his own use and benefit. **(NASD Case #C04000021)**

John Christos Daskalis (CRD #2006603, Registered Representative, Bayside, New York) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was fined \$5,000 and suspended from association with any NASD member in any capacity for five business days. Without admitting or denying the allegations, Daskalis consented to the described sanctions and to

the entry of findings that he placed and effected orders for the purchase of fixed annuity and insurance products for clients directly with an insurance company and not through his member firm, or his firm's authorized insurance companies, and effected these transactions without providing written notice of such activity to his member firm.

Daskalis' suspension began June 5, 2000, and concluded at the close of business on June 9, 2000. **(NASD Case #C10000060)**

Juan Ramon Diaz (CRD #2751770, Registered Representative, Orlando, Florida) was barred from association with any NASD member in any capacity and ordered to pay \$84,439 in restitution plus pre-judgement interest to a public customer. The sanctions were based on findings that Diaz converted \$84,439 for his own use and benefit that he received from a public customer for investment purposes and made misrepresentations to the customer regarding his member firm's involvement in a private placement for a company owned by the customer. **(NASD Case #C07990055)**

Jerome Domershick (CRD #733884, Registered Principal, Malverne, New York) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was fined \$5,000, which includes disgorgement of unlawful profits of \$3,000, and suspended from association with any NASD member in any capacity for five days. Without admitting or denying the allegations, Domershick consented to the described sanctions and to the entry of findings that he engaged in a scheme to circumvent the NASD's Free-Riding and Withholding Interpretation when he,

acting through his wife and one of his customers, knowingly purchased shares of common stock in a hot issue conversion offering.

Domershick's suspension began on June 5, 2000, and concluded at the close of business on June 9, 2000. **(NASD Case #C9B000010)**

Arturo Ehrlich (CRD #2026759, Registered Representative, Key Biscane, Florida) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was fined \$5,000 and suspended from association with any NASD member in any capacity for 30 days. Without admitting or denying the allegations, Ehrlich consented to the described sanctions and to the entry of findings that he engaged in an outside business activity without providing written notice to his member firm.

Ehrlich's suspension began on June 5, 2000, and will conclude on July 4, 2000. **(NASD Case #C07000030)**

J. Patrick Flynn (CRD #1049094, Registered Principal, Encinitas, California) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$6,000, and suspended from association with any NASD member in any capacity for 90 days. Payment of the fine shall be a prerequisite for reentry into the securities industry. Without admitting or denying the allegations, Flynn consented to the described sanctions and to the entry of findings that he 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 the customer's financial situation, investment objectives, health consideration, and needs.

Flynn's suspension began on June 5, 2000, and will conclude on September 2, 2000. **(NASD Case #C02000011)**

Vito Gili, Jr. (CRD #2670123, Registered Principal, Boca Raton, Florida) submitted an Offer of Settlement pursuant to which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Gili consented to the described sanction and to the entry of findings that he failed to respond to NASD requests for information. **(NASD Case #C07000016)**

Keith Dennis Grossman (CRD #2127371, Registered Representative, Huntington Station, New York) was barred from association with any NASD member in any capacity and ordered to pay \$12,596, plus interest, in restitution to a public customer. The sanctions were based on findings that Grossman acted as part of a "boiler room" and executed unauthorized transactions in the accounts of public customers. The findings also stated that Grossman attempted to deceive one customer and to continue to execute transactions in the account of another customer after the customers had complained about the unauthorized transactions. **(NASD Case #CAF990042)**

Arthur Vincent Gunning, Jr. (CRD #2493535, Registered Representative, Brooklyn, New York) submitted an Offer of Settlement pursuant to which he was fined \$30,000, barred from association with any NASD member in any capacity with a right to reapply after two years, and

ordered to pay \$20,798, plus interest, in restitution to public customers. The fine and restitution shall be due and payable prior to reassociation with a member firm following the bar or prior to any application or request for relief from any statutory disqualification. Without admitting or denying the allegations, Gunning consented to the described sanctions and to the entry of findings that he executed trades in the accounts of public customers without their prior knowledge, authorization, or consent. The findings also stated that Gunning made baseless and improper price and performance predictions to public customers. In addition, Gunning guaranteed a customer against loss. **(NASD Case #C10990141)**

Steven Gordon Jaross (CRD #1796840, Registered Representative, Forest Hills, New York) was barred from association with any NASD member in any capacity. The sanction was based on findings that Jaross made baseless and improper price predictions, guarantees, and misrepresentations to public customers. The findings also stated that Jaross engaged in unauthorized trading in customer accounts and refused or failed to execute sell orders for customers. In addition, Jaross tied the sale of an initial public offering (IPO) to a customer's commitment to purchase in the aftermarket. **(NASD Case #CAF980031)**

Emerson Sung Lee (CRD #2001764, Registered Representative, Arcadia, California) was barred from association with any NASD member in any capacity. The sanction was based on findings that Lee failed to respond to NASD requests for information. **(NASD Case #C02990059)**

James Edward Lynch, Jr. (CRD #2872529, Registered Representative, St. Peters, Missouri) was barred from association with any NASD member in any capacity. The sanction was based on findings that Lynch falsified portfolio statements to reflect a \$10,000 variable annuity purchase for a public customer's benefit which, in fact, did not exist. Lynch also failed to respond to NASD requests for information. **(NASD Case #C04990049)**

Joseph John Mandaro (CRD #2559154, Registered Representative, Coral Springs, Florida) was barred from association with any NASD member in any capacity and ordered to pay \$105,852, plus interest, in restitution to public customers. The sanctions were based on findings that Mandaro made material misrepresentations and baseless price predictions to public customers and failed to disclose material facts including the risk of investing in highly speculative securities and negative information about the issuers. The findings also stated that Mandaro engaged in unauthorized trading in customer accounts for which he did not have discretionary authority and failed to execute customer sell orders. **(NASD Case #CAF990011)**

James Scott Marxer (CRD #2816890, Registered Principal, Poughkeepsie, New York) submitted an Offer of Settlement pursuant to which he was censured, fined \$5,000, and suspended from association with any NASD member in any capacity for 30 days. Payment of the fine shall be a prerequisite for reconsideration of any application for reentry into the securities industry. Without admitting or denying the allegations, Marxer consented to the described sanctions and to the

entry of findings that he failed to disclose on his Form U-4 that he was the subject of a customer complaint and that he was named as a defendant in a California civil action.

Marxer's suspension began June 5, 2000, and will conclude on July 4, 2000. **(NASD Case #C9B990030)**

James Albert Mayer, Jr. (CRD #2305774, Registered Representative, Bay Shore, New York) submitted an Offer of Settlement pursuant to which he was barred from association with any NASD member in any capacity and ordered to pay \$23,996.23, plus interest, in restitution to public customers. Without admitting or denying the allegations, Mayer consented to the described sanctions and to the entry of findings that he effected transactions in the accounts of public customers without the customers' knowledge or consent. The findings also stated that Mayer failed to execute sales in the accounts of public customers. **(NASD Case #C10990206)**

Richard McConnell (CRD #866561, Registered Representative, Henderson, Nevada) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, McConnell consented to the described sanctions and to the entry of findings that, without authorization from his member firms, McConnell used his firms' letterhead and purported auspices as a knowing and willing participant in a scheme to provide misleading and fraudulent "proof of funds" letters to potential third-party investors. The NASD found that through the "proof of funds" letters,

McConnell fraudulently claimed that individuals, some of whom were customers of the firms, maintained various substantial deposits with the firms, when, in fact, the individuals held either little or no funds on deposit with the firms. The purpose of the letters was to aid undisclosed third parties in an overall scheme to defraud potential investors. **(NASD Case #C02000012)**

Frederick Earl Meyer (CRD #1088572, Registered Representative, Los Angeles, California) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was fined \$10,000 and suspended from association with any NASD member in any capacity for one year. The fine shall be due and payable prior to reassociation with a member firm following the suspension or prior to any application or request for relief from statutory disqualification. Without admitting or denying the allegations, Meyer consented to the described sanctions and to the entry of findings that he participated in private securities transactions but failed to provide prior written notification to his member firm.

Meyer's suspension began June 5, 2000, and will conclude at the close of business on June 4, 2001. **(NASD Case #C02000014)**

Stacy Meyers (CRD #2080315, Registered Representative, Scotch Plains, New Jersey) submitted an Offer of Settlement pursuant to which she was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Meyers consented to the described sanction and to the entry of findings that she failed to respond to NASD requests to appear for on-the-record testimony. **(NASD Case #CAF990046)**

Arthur Julius Olson, Jr. (CRD #352426, Registered Principal, Hilton Head Island, South Carolina) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was suspended from association with any NASD member in any capacity for 90 days and required to provide proof of payment of \$15,000 in restitution. Payment of the restitution shall be a prerequisite for consideration of any application for reentry into the securities industry. In light of his financial status, the sanctions do not include a monetary fine but instead only includes the restitution referred to above. Furthermore, for one year after the date Olson reassociates with a member firm following the suspension, he must agree to refrain from accepting or maintaining employment in a sales capacity with any NASD member firm unless that firm has formulated special supervisory procedures to oversee and monitor his sales practices with customers.

Without admitting or denying the allegations, Olson consented to the described sanctions and to the entry of findings that he engaged in the purchase and sale of securities in a public customer's Revocable Living Trust account, without having reasonable grounds for believing that these transactions were suitable for the customer in light of her financial situation, investment objectives and needs, and the size and frequency of the transactions.

Olson's suspension began on June 5, 2000, and will conclude on September 2, 2000. **(NASD Case #C04000019)**

Roman Osmanov (CRD #2467401, Registered Representative, Brooklyn, New York) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was fined

\$12,825, which includes the disgorgement of commissions earned of \$325, and suspended from association with any NASD member in any capacity for 15 business days. Without admitting or denying the allegations, Osmanov consented to the described sanctions and to the entry of findings that he exercised discretionary authority and effected a purchase transaction in a public customer's account without obtaining prior written authorization from the customer or having the account accepted, in writing, as a discretionary account by his member firm. The findings also stated that in an attempt to mollify the customer, Osmanov proposed settlement terms to the customer without his firm's knowledge or consent.

Osmanov's suspension began June 5, 2000, and will conclude at the close of business on June 23, 2000. **(NASD Case #C10000053)**

Himanshu Thakorlae Parekh (CRD #1886324, Registered Representative, Chattanooga, Tennessee) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was fined \$7,500, which includes disgorgement of approximately \$1,000 earned on violative transactions, and suspended from association with any NASD member in any capacity for one month. Without admitting or denying the allegations, Parekh consented to the described sanctions and to the entry of findings that he engaged in the sale of mutual funds to public customers residing in states in which he was not registered in any capacity. The findings also stated that, in connection with the sale of these mutual funds, Parekh falsified address information on the mutual fund applications for the customers.

Parekh's suspension began June 5, 2000, and will conclude on July 4, 2000. **(NASD Case #C05000012)**

William Fred Ponce (CRD #1424682, Registered Representative, Laguna Niguel, 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. Payment of the fine shall be a prerequisite for consideration of any application for reentry into the securities industry. Ponce also, as a condition to reentering the securities business following the suspension, must qualify as a general securities representative. Without admitting or denying the allegations, Ponce consented to the described sanctions and to the entry of findings that he engaged in private securities transactions without providing prior written notice to, or receiving approval from, his member firms. The findings also stated that Ponce engaged in outside business activities and failed to provide his member firms with prompt written notification of his outside business activities.

Ponce's suspension began on June 5, 2000, and will conclude at the close of business on June 4, 2001. **(NASD Case #C02000015)**

Doyle Lardell Randall, Sr. (CRD #2462237, Registered Representative, Dix Hills, New York) was barred from association with any NASD member in any capacity. The sanction was based on findings that Randall made misrepresentations and omitted material facts to a public customer in connection with the purchase or sale of securities and engaged in activities requiring registration as a general securities representative

without being registered in that capacity. The findings also stated that Randall failed to respond to NASD requests to appear for an on-the-record interview. **(NASD Case #C10990162)**

Bertram Howard Rosenblatt (CRD #1275489, Registered Representative, Syosset, New York) submitted an Offer of Settlement pursuant to which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Rosenblatt consented to the described sanctions and to the entry of findings that he, without the knowledge, consent, or authorization of the customer, fabricated a letter of authorization purportedly signed by the customer that directed the transfer of shares of stock from the customer's account to the joint account of other customers. The findings also stated that Rosenblatt failed to respond to NASD requests for information and documentation. **(NASD Case #C10000027)**

Ali Safavi (CRD #1958071, Registered Representative, McLean, Virginia) was barred from association with any NASD member in any capacity. The sanction was based on findings that Safavi forged documents and converted customer funds totaling \$215,133 for his own use. The findings also stated that Safavi changed the addresses of public customers without their permission or knowledge. On at least one occasion, he changed their addresses to his own residential address. In addition, Safavi failed to respond to NASD requests for information. **(NASD Case #C07990060)**

Lance Jay Siedman (CRD #1719376, Registered Principal, Dix Hills, New York) submitted a

Letter of Acceptance, Waiver, and Consent pursuant to which he was fined \$45,000 and suspended from association with any NASD member in any capacity for 45 days. Without admitting or denying the allegations, Siedman consented to the described sanctions and to the entry of findings that he effected the sale of stock while his member firm was restricted from doing so because of its participation in the syndicate that was underwriting a secondary stock offering and he effected transactions in the stock on behalf of another firm which resulted in the circumvention of the other firm's trading restrictions. The findings also stated that Siedman recorded stock trades as proprietary transactions when they were actually agency transactions on behalf of another firm. Siedman failed to establish a new account for the firm that placed the order and to record the transactions in that account and not in his firm's proprietary trading account.

Siedman's suspension began May 22, 2000, and will conclude at the close of business on July 5, 2000. **(NASD Case #C10000049)**

Jeffrey Richard Talboom, Jr. (CRD #1871309, Registered Representative, Smithtown, New York) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was fined \$15,000 and suspended from association with any NASD member in any capacity for 18 months. Without admitting or denying the allegations, Talboom consented to the described sanctions and to the entry of findings that, while registered with a member firm, he opened a personal securities account at another firm without notifying his member firm, in writing, of the account and failed to notify the executing firm, in writing, of his association with a

member firm. The findings also stated that Talboom received \$20,000 from a public customer for the purpose of investing in an account, failed to deposit the funds in a separate account, and, instead, deposited the funds into his personal account without the customer's prior knowledge, authorization, or consent. Talboom used the funds to purchase securities until he returned the funds and profits made trading with the funds at a later date.

Talboom's suspension began June 5, 2000, and will conclude at the close of business on December 4, 2001. **(NASD Case #C10000064)**

Mikhail Vainshtok (CRD #2483935, Registered Representative, Brooklyn, New York) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was fined \$2,500 and suspended from association with any NASD member in any capacity for five business days. Without admitting or denying the allegations, Vainshtok consented to the described sanctions and to the entry of findings that he failed to respond to NASD requests for information in a timely manner.

Vainshtok's suspension began June 5, 2000 and concluded at the close of business on June 9, 2000. **(NASD Case #C10000056)**

Marlowe Robert Walker, III (CRD #1328130, Registered Representative, Hauppauge, New York) was barred from association with any NASD member in any capacity. The National Adjudicatory Council (NAC) imposed the sanction following an appeal of an Office of Hearing Officers decision. The sanction was based on findings that Walker associated with a member firm while he was subject

to statutory disqualification and knowingly submitted false, misleading, and inaccurate Forms U-4 and MC-400 to the NASD in regard to his employment with a member firm. The findings also stated that Walker failed to testify truthfully during an NASD on-the-record interview. **(NASD Case #C10970141)**

Samuel Lewis Wereb (CRD #2174774, Registered Principal, Columbus, Ohio) was barred from association with any NASD member in any capacity. The sanction was based on findings that Wereb failed to respond to NASD requests for information. **(NASD Case #C8B990036)**

David Randall Wright (CRD #2378371, Registered Representative, Irving, Texas) was barred from association with any NASD member in any capacity and ordered to pay \$34,333.29, plus interest, in restitution to his former member firm. The sanctions were based on findings that Wright placed orders to purchase securities with the intent of paying for the securities out of the proceeds from subsequent sales of the same securities. **(NASD Case #C06990008)**

Thomas Dennis Zoidis (CRD #477046, Registered Principal, Rydal, Pennsylvania) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$50,000, and suspended from association with any NASD member in a supervisory capacity for 30 days. Without admitting or denying the allegations, Zoidis consented to the described sanctions and to the entry of findings that he failed to adequately supervise the conduct of his member firm's municipal securities business and the activities of its associated persons.

The findings also stated that Zoidis failed to adopt, maintain, and enforce written supervisory procedures to ensure compliance with MSRB rules and applicable Securities and Exchange Commission rules. **(NASD Case #CAF000011)**

Individuals Fined

David Manning Fresne (CRD #1091992, Registered Representative, Millerton, New York) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$15,000, which includes disgorgement of \$5,000 earned as a result of outside business activities, and ordered to requalify as a general securities representative. If Fresne fails to requalify within 180 days of the issuance of this AWC, he shall not associate with any NASD member firm in any capacity until he requalifies as a general securities representative. Without admitting or denying the allegations, Fresne consented to the described sanctions and to the entry of findings that he failed to provide a timely response to an NASD request for information. The findings also stated that he failed to provide prompt written notice to his member firm regarding business activity outside the scope of his employment with the firm and the receipt of compensation for such employment. **(NASD Case #C10000059)**

Thomas Damian O'Rourke (CRD #1325169, Registered Principal, Englewood, New Jersey) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured and fined \$25,000. Without admitting or denying the allegations, O'Rourke consented to the described sanctions and to the entry of findings that he failed to report statistical and summary information

regarding customer complaints to the NASD. The findings also stated that O'Rourke determined that his member firm would participate in a firm commitment underwriting when he knew that the firm failed to have sufficient net capital. O'Rourke also failed to establish, maintain, and enforce written supervisory procedures pertaining to the Regulatory and Firm Elements of the Continuing Education Program, trading, and market making. In addition, O'Rourke failed to ensure that each registered representative of the firm participated, no less than annually, in an interview or meeting conducted by the firm at which relevant compliance issues were discussed. **(NASD Case #C10000062)**

Decision Issued

The following decision has been issued by the District Business Conduct Committee or the Office of Hearing Officers and has been called for review by the NAC as of May 12, 2000. 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*.

Stephen Earl Prout (CRD #857060, Registered Principal, Clovis, California) was fined \$10,000 and suspended from association with any NASD member in any capacity for nine months. The sanctions were based on findings that Prout falsified customers' dates of birth on variable annuity applications.

This action was called for review by the NAC and the sanctions are not in effect pending consideration of the review. **(NASD Case #C01990014)**

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.

Frederick Walter Azeltine (CRD #1969813, Registered Representative, Denver, Colorado) was named as a respondent in an NASD complaint alleging that he made unsuitable recommendations to a public customer in light of her financial circumstances and needs and negligently predicted the future price of a security to another public customer in connection with the solicitation of transactions. **(NASD Case #C3A000016)**

Mizanul Kabir (CRD #2128146, Registered Representative, New York, New York) was named as a respondent in an NASD complaint alleging that Kabir made misrepresentations to a public customer to induce him to purchase securities including a prediction of specific and substantial performance even though he had reason to know that such representations were false, inaccurate, misleading, or baseless. The complaint also alleges that Kabir omitted material information pertaining to risk factors in his recommendation to the customer that he purchase the securities. The complaint further alleges that Kabir required the customer to purchase securities in the aftermarket in order to receive an allocation of the

securities offered in the IPO. In addition, the complaint alleges that Kabir opened a new brokerage account at his member firm under the name of a public customer and executed the purchase of stock in the account without the customer's prior knowledge, authorization, or consent. **(NASD Case #C10000071)**

Edward Leccese (CRD #2847776, Registered Representative, Boca Raton, Florida) was named as a respondent in an NASD complaint alleging that he opened an account at his member firm for a public customer and purchased shares of stock in the account without the customer's prior knowledge, authorization, or consent. The complaint also alleges that Leccese failed to respond to NASD requests to appear for an on-the-record interview. **(NASD Case #C10000058)**

Samuel Colin Andrew Sampson (CRD #2881918, Registered Representative, Brooklyn, New York) was named as a respondent in an NASD complaint alleging that he received cash payments totaling \$290 from public customers as the initial premium payment for life insurance policies issued by his member firm, failed to forward the payments to his member firm, and instead, converted the funds to his own use and benefit without the customers' knowledge or consent. The complaint further alleges that Sampson failed to respond to NASD requests for information. **(NASD Case #C9B000012)**

Charles Keith Waddell (CRD #2347936, Registered Representative, Oklahoma City, Oklahoma) was named as a respondent in an NASD complaint alleging that he made representations to a public customer that a bond was reinsured

when he knew that it was not and implied that the bond had value as collateral for the customer's investment when he knew that the bond had no demonstrable value and that his firm would not hold the bond as collateral. The complaint also alleges that Waddell transferred the bond he was holding for the customer without the prior knowledge or consent of the customer. The complaint further alleges that Waddell participated in a private securities transaction without providing prior written notice to his member firm describing, in detail, the proposed transactions and his proposed role and stating whether he had received, or would receive, selling compensation in connection with the transaction. **(NASD Case #C05000021)**

Walsh Manning Securities, LLC (CRD #30826, New York, New York), Frank James Skelly (CRD #2160437, Registered Principal, Rockville Centre, New York) and Thomas Charles Hack (CRD #870520, Registered Principal, New York, New York) were named as respondents in an NASD complaint alleging that the firm, acting through Skelly and Hack, effected transactions in a common stock as principal at prices that were not fair and reasonable taking into consideration all of the relevant factors and charged its retail customers markdowns greater than five percent above the firm's interdealer sales contemporaneous with the transactions. The complaint further alleges that the firm, acting through Skelly and Hack, charged its retail customers excessive markdowns and prices that were not reasonably related to the prevailing market price of the security. In addition, the complaint alleges that the firm failed to establish, maintain, and enforce written supervisory procedures reasonably designed to

achieve compliance with applicable securities laws, regulations, and NASD rules concerning mark-downs. The complaint also alleges that Skelly failed to respond to NASD requests to appear to give testimony. **(NASD Case #CAF000013)**

Firms Canceled

The following firms were 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 cancellation commenced is listed after the entry.

Pegasus Capital Investment, LC, Greensboro, North Carolina (May 15, 2000)

Sterling Capital Group Limited, Westport, Connecticut (May 17, 2000)

Firms Suspended

The following firms were suspended 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 suspension 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.

First American Equities, Inc., Ft. Lauderdale, Florida (May 10, 2000)

Fuerst Securities Corporation, Grand Junction, Colorado (May 10, 2000)

Remington Securities Corp., New York, New York (May 9, 2000)

Retirement Foundations, Inc., Great Neck, New York (May 11, 2000)

R.P. Borgan, Inc., Gelnhausen, Germany (May 10, 2000)

Salisbury Capital Corporation, New York, New York (May 18, 2000)

Suspensions Lifted

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

BSR Securities, Inc., Boca Raton, Florida (April 28, 2000)

Canterbury Securities Corp., Chicago, Illinois (May 10, 2000)

Chadbourn Securities, Inc., Jacksonville, Florida (May 3, 2000)

Talented Tenth Investments, Inc., New York, New York (March 22, 2000)

Whitestone Capital Markets, LP, New York, New York (May 10, 2000)

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

Murphy, Michael K., Spring, Texas (May 1, 2000)

Odom, Mark D., Redmond, Washington (May 1, 2000)

Pankey, Charles V., Morrison, Colorado (May 1, 2000)

Sisson, Daniel W., San Francisco, California (May 1, 2000)

Smith, Robert Murray, Bryn Mawr, Pennsylvania (May 1, 2000)

Willet, Paul D., Eden Prairie, Minnesota (May 1, 2000)

NASD Regulation Fines Kemper Distributors \$100,000 For Mutual Fund Advertisement Violations

NASD Regulation announced a settlement in which it censured and fined Kemper Distributors, Inc., \$100,000 for running inaccurate mutual fund advertisements and for violating other NASD advertising-related rules.

NASD Regulation found that, from April through September 1997, Kemper published eight advertisements containing inaccurate graphs relating to the performance of the Kemper-Dreman High Return Equity Fund. The eight advertisements, placed in *The Wall Street Journal*, *Barron's*, *Investor's Business Daily*, and the *Chicago Sun-Times*, contained graphs depicting the performance of a hypothetical \$10,000 investment in the fund. Due to unequal distances between plot points on the graphs, many of the ads did not accurately portray increases and decreases in the value of the investment. Despite being cautioned by NASD Regulation's Advertising/Investment Companies Regulation Department not to use ads with these types of errors, the firm continued to run problematic ads.

Several of the ads showed dollar values along the vertical axis that did not correspond to actual

performance over time. For example, based on the \$10,000 hypothetical investment at the fund's inception, the return appeared to be approximately \$29,000 in the graph, when in fact it was \$22,000. In addition, when Kemper updated several of its performance ads, it continued to use the old graph lines rather than to re-draw and re-plot them.

Kemper also published an advertisement in March 1997 issues of *Barron's*, *The Wall Street Journal*, and *Investor's Business Daily*, which contained a straight line sloping upward from the lower left to the upper right of the advertisement. At the beginning of the line, the advertisement stated, "you are here," and at the top of the line, "your future is here." The advertisement's text stated, in part, "Any mutual fund company can tell you a comfortable future follows a long-term investment timeline. But precious few companies have long-term performance history to back up their promises." The advertisement violated the NASD's advertising rule because the straight upwardly sloping line did not convey the risks of fluctuating prices inherent in investing.

In addition, the firm used advertisements and sales literature without first obtaining registered principal approval and failed to properly file items with NASD Regulation's Advertising/Investment Companies Regulation Department.

In settling this matter, Kemper neither admitted nor denied NASD Regulation's findings.

In addition to a fine and a censure, Kemper will file all advertisements depicting performance information through the use of graphs, bar charts, or pie charts with NASD Regulation prior to use for a period of six months.

This case was brought by NASD Regulation's Enforcement Department with assistance from the Advertising/Investment Companies Regulation Department in Washington, D.C.

NASD Regulation Sanctions Steven Ehlers For Trading Ahead Of Research

NASD Regulation announced that it suspended and fined Steven Ehlers for trading ahead of a research report. Ehlers, previously associated with former NASD member firm Quantum Group, Ltd., was suspended for 60 days and fined \$10,000 for his conduct.

Ehlers consented to a finding that over a two-day period in February 1998, while employed at Quantum, he initiated trades which increased the firm's short position in the security Saf-T-Lok, Inc. (Nasdaq: LOCK). Ehlers short sold LOCK in anticipation of Quantum issuing a research report which recommended that investors sell the security. After causing the report to be distributed, Ehlers immediately bought shares of the security to cover the firm's short position, allowing his firm to profit as the price of the security fell. In settling this charge, Ehlers neither admitted nor denied NASD Regulation's findings.

NASD rules governing just and equitable principals of trade prohibit members from trading ahead of research reports. Specifically, the rules prohibit any member from engaging in trading activity that purposefully affects the firm's inventory position in a security in anticipation of the issuance of a research report in that security. These rules are designed to protect investors and the marketplace from individuals who have advance knowledge about a research report and thus, armed with that information, place them in a better position to take advantage of security prices prior to market reaction.

During the course of its investigation, NASD Regulation's Market Regulation Department found no evidence that either Saf-T-Lok, Inc., or its officers knew that its shares were in any way involved in wrongful conduct.

Quantum was based in New York and maintained a branch office in Florida. The firm's membership with the NASD was terminated as of September 23, 1998 due to its failure to pay fees.

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