

Disciplinary Actions

Disciplinary Actions Reported For January

NASD Regulation, Inc. (NASD RegulationSM) has taken disciplinary actions against the following firms and individuals for violations of National Association of Securities Dealers, Inc. (NASD[®]) rules; federal securities laws, rules, and regulations; and the rules of the Municipal Securities Rulemaking Board (MSRB). Unless otherwise indicated, suspensions will begin with the opening of business on Tuesday, January 18, 2000. The information relating to matters contained in this *Notice* is current as of the end of December 29, 1999.

Firms Expelled, Individuals Sanctioned

Coastline Financial, Inc. (CRD #16711, Mission Viejo, California) and **Donald Allyson Williams, Sr. (CRD #1899764, Registered Principal, Mission Viejo, California)** were censured and fined \$50,000, jointly and severally. The firm was also expelled from membership in the NASD and ordered to repay any outstanding promissory notes with the stated interest. Williams was barred from association with any NASD member in any capacity. The Securities and Exchange Commission (SEC) affirmed the sanctions following appeal of a National Business Conduct Committee decision. The sanctions were based on findings that the firm and Williams engaged in misrepresentations in connection with the sales of promissory notes to investors. **(NASD Case #C02950059)**

Sterling Foster & Co., Inc. (CRD #36052, Uniondale, New York) and **Adam Richard Lieberman (CRD #1466902, Registered Principal, Roslyn Heights, New York)** submitted an Offer of Settlement pursuant to which they

were censured and the firm was expelled from membership in the NASD. Lieberman was fined \$1,000,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, they consented to the described sanctions and to the entry of findings that the firm and Lieberman engaged in a recurring pattern of improper underwritings, manipulative trading, and fraudulent “boiler room” sales practices. The findings also stated that the firm acted as managing underwriter and placed approximately 74 percent of an initial public offering (IPO) with its customers. The firm and Lieberman, through high pressure sales tactics, sold approximately double the number of shares available in the public float, resulting in enormous short positions in the firm’s trading account. The firm and Lieberman dominated and controlled aftermarket trading in the securities and established arbitrary and artificially inflated prices. In addition, the firm’s short position was covered through purchases of stock from insiders of the company at prices that represented a tremendous discount to the prevailing market price and resulted in approximately \$53,000,000 in illicit profits to the firm, Lieberman, and the firm’s brokers. **(NASD Case #CMS960174)**

Firm And Individual Sanctioned

Hampton Securities, Inc. (CRD #18305, Los Angeles, California) and **Patrick Alexander Anthony (CRD #2080102, Registered Principal, Los Angeles, California)** submitted a Letter of Acceptance, Waiver, and Consent (AWC) pursuant to which they were fined \$20,000, jointly and severally, and suspended from participating in

new underwritings for 30 days. Anthony was ordered to requalify by exam as a financial and operations principal within 60 days of notice of acceptance of the AWC. Without admitting or denying the allegations, they consented to the described sanctions and to the entry of findings that the firm, acting under the direction and control of Anthony, effected transactions in securities when it failed to have and maintain sufficient net capital and failed to file annual audited financial statements in a timely manner. In addition, the firm, acting under the direction and control of Anthony, participated in an underwriting and failed to promptly transmit customer checks, totaling more than \$162,000, to the issuer. **(NASD Case #C02990063)**

Firms Fined, Individuals Sanctioned

Empire Securities, Inc. of Washington (CRD #13854, Spokane, Washington) and David Allen Taisey (CRD #128009, Registered Principal, Elk, Washington) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which the firm was censured and fined \$15,000 and Taisey was censured and barred from association with any NASD member in the capacity of a general securities principal with the right to reapply after five years. Without admitting or denying the allegations, they consented to the described sanctions and to the entry of findings that the firm, acting through Taisey, failed to establish, maintain, and enforce written supervisory procedures reasonably designed to ensure that the firm's registered representatives refrained from engaging in recommendations to customers that resulted in unsuitable over-concentrations of securities in customers' accounts. The findings also stated that Taisey

failed to adequately supervise registered representatives regarding their unsuitable recommendations. In addition, the findings stated that Taisey recommended purchases to public customers that were unsuitable based on these customers' other security holdings, financial situations, objectives, and needs. **(NASD Case #C3B990033)**

Lumiere Securities, Inc. (CRD #13414, Denver, Colorado) and Larry Irwin Kravetz (CRD #275211, Registered Principal, Denver Colorado) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which they were censured, fined \$50,000, jointly and severally, and ordered to disgorge \$125,000 in profits. Also, if a firm controlled by Kravetz applies for NASD membership within four years of this AWC becoming final, that firm must retain an independent consultant at its own expense to review the firm's supervisory and compliance policies and procedures regarding making Form 211 filings and making markets in equity securities that trade on the OTC Bulletin Board® or in the pink sheets. If the consultant makes recommendations for preventing or detecting improper conduct, this firm will implement the recommendations in a timely manner and report the progress in writing to the consultant. Kravetz also cannot become associated in a principal capacity with any member firm that is a Market Maker in, or effects principal or agency transactions in, equity securities not traded on The Nasdaq Stock Market, Inc. for two years from the date this AWC becomes final unless the NASD permits such association. Without admitting or denying the allegations, the firm and Kravetz consented to the described sanctions and to the

entry of findings that the firm, acting through Kravetz, received compensation, directly or indirectly, from issuers, affiliates of issuers, and/or promoters for making Form 211 filings, entering quotations, and/or making a market. The findings also stated that the firm, acting through Kravetz, entered a priced quotation for which it had previously filed a Form 211 for unpriced quotations without filing supplements, and entered a quotation and commenced making a market without a reasonable, independent basis for the quotation. Furthermore, the findings also stated that the firm, acting through Kravetz, maintained inventory in amounts that exceeded the amount permitted by the firm's restriction agreement, failed to implement Firm Element Continuing Education, and failed to report Non-Nasdaq® OTC transactions in a timely manner or with the correct capacity designator. **(NASD Case #C3A990063)**

Firms And Individuals Fined

Black & Company, Inc. (CRD #95, Portland, Oregon) and Dennis Burton Reiter (CRD #373898, Registered Principal, Portland, Oregon) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which they were censured and fined \$10,000, jointly and severally. Reiter was also required to requalify by exam as a financial and operations principal (Series 27) within 90 days of the acceptance of the AWC. If Reiter fails to requalify, he will be unable to act as a financial and operations principal until he successfully passes the exam. Without admitting or denying the allegations, they consented to the described sanctions and to the entry of findings that the firm, acting through Reiter in his capacity as its financial principal, effected transactions in

securities while failing to maintain its minimum required net capital. **(NASD Case #C3B990034)**

Colonial Securities, Inc. (CRD #3013, New York, New York), Yee Yee Wong (CRD #809335, Registered Principal, Flushing, New York) and David Wong (CRD #2095703, Registered Principal, Flushing, New York) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which they were censured and fined \$12,500, jointly and severally. The firm and Y. Wong were fined an additional \$1,000, jointly and severally. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Y. Wong and D. Wong, failed to maintain adequate written supervisory procedures covering the receipt of customer checks, review of customer transactions to prevent excessive cancellations and the use of the firm's error account, NASD reporting requirements, the need to conduct an annual needs analysis and to develop an employee training plan, and the designation of a principal to be in charge of each business conducted by the firm. The findings also stated that the firm failed to conduct a Continuing Education needs analysis, establish a satisfactory training plan, and evidence that training was conducted for two years. The firm also failed to report to the NASD a settlement of \$25,717.97 with a public customer. In addition, the firm, acting through Y. Wong, conducted a securities business while failing to maintain its minimum required net capital. **(NASD Case #C10990203)**

Firms Fined

Chicago Capital, Inc. (CRD #39274, Chicago, Illinois) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which the firm was censured, fined \$3,500 jointly and severally with an individual, and fined an additional \$9,500. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that, acting through an individual, it purchased shares of an IPO, at the IPO price, for the joint account of public customers when trading began at a premium over the IPO price in the secondary market. The firm also inaccurately reported transactions, failed to timely decline or accept transactions in which the firm was the non-reporting member, and inaccurately reported short sales to the Automated Confirmation Transaction ServiceSM (ACTSM) by failing to include the ".S" modifier. The findings also stated that the firm executed transactions in the Small Order Execution SystemSM (SOESSM) for the accounts of persons associated with the firm when such persons had physical access to a terminal capable of entering orders into SOES. Furthermore, the findings also stated that the firm failed to communicate to the NASD its best bids and offers when it entered proprietary orders into SelectNetSM at better prices than its published quote and failed to update its published quote or to update its published quote promptly. In addition, the firm failed to prepare or accurately prepare order tickets for transactions and failed to establish, maintain, and enforce written supervisory procedures reasonably designed to achieve compliance with applicable rules, regulations, and NASD laws concerning trading and market-making activities. **(NASD Case #C8A990078)**

King Financial Services, Inc. (CRD #25843, Iselin, New Jersey) 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 failed to respond in a timely manner to NASD requests for an automated submission of trading data for Nasdaq National Market[®] (NNM) securities and one request for an automated submission of trading data for a non-Nasdaq security. The findings also stated that the firm submitted an automated submission of trading data more than 30 days after the date such information was required to be provided. **(NASD Case #CMS990157)**

Piper Jaffray, Inc. (CRD #665, Minneapolis, Minnesota) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which the firm was censured and fined \$12,500. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it failed to provide its customers with written notification of the reported trade price in transactions and, in one case, failed to provide the customer with written notification that the price he received was an average price. The findings also stated that the firm failed to immediately display customer limit orders either when the orders were at a price that would have improved the firm's bid or offer in each security related to those orders or when the orders were priced equal to the firm's bid or offer and the national best bid or offer and the orders represented more than a *de minimus* change in relation to the size associated with the firm's bid or offer in each security. In addition, the firm failed

to establish, maintain, and enforce written supervisory procedures reasonably designed to achieve compliance with applicable rules regarding limit order display and protection, best execution, trade reporting, and the use of SOES. **(NASD Case #CMS990145)**

PMK Securities & Research, Inc. (CRD #40145, Delray Beach, Florida) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which the firm 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 failed to report transactions in NNM securities to ACT, failed to identify to ACT aggregated transaction reports in NNM securities in a manner directed by the NASD, and improperly aggregated individual executions in an NNM security into a single transaction report. The findings also stated that the firm failed to identify order tickets of aggregated trades in NNM securities in a manner directed by the NASD; failed to show the correct time of execution on the memorandum of brokerage orders; and, while acting in instances as principal for its own account, failed to provide written notification disclosing to its customer that it was a Market Maker. In addition, the firm failed to establish, maintain, and enforce written supervisory procedures reasonably designed to achieve compliance with applicable laws, regulations, and NASD rules regarding transaction reporting, recordkeeping, and customer confirmation disclosures. **(NASD Case #CMS990156)**

Sands Brothers & Co., Ltd. (CRD #26816, New York, New York) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which the firm was censured, fined \$18,500, and required to disgorge

\$27,789 to the NASD. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that, in connection with contingency offerings of securities, it failed to handle customer funds properly; the firm failed to utilize a written escrow agreement and distributed offering materials that misrepresented that a non-interest bearing escrow account would be established for investors' funds, when the funds were instead placed in an interest-bearing account with the interest earned paid to the firm. The findings also stated that the firm failed to properly record the receipt of customer funds on the firm's books and records for purchases of interests in contingency offerings of securities. In addition, the firm failed to indicate the limit order terms and conditions on order tickets to reflect that the customers' limit orders had been changed to market orders and that it held unexecuted customer limit orders in Nasdaq securities while it continued to trade the securities for its market-making account at prices that would have satisfied the customers' limit orders. Moreover, the findings stated that the firm failed to immediately publish bids or offers that reflected the prices and the full size of customer limit orders which were at prices that would have improved the firm's bid or offer in certain securities. The firm also neglected to execute transactions in a timely manner and allowed an individual to engage in the firm's securities business prior to his becoming registered with the NASD as a general securities representative. **(NASD Case #C05990053)**

SK International Securities Corporation (CRD #7850, San Diego, California) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which the firm was censured, fined \$12,000, and

required to submit revised supervisory procedures to the NASD pertaining to the findings in this AWC. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it failed to transmit through ACT transactions in NNM and OTC equity securities in a timely manner and failed to designate such transactions as late to ACT, thereby engaging in a pattern or practice of late transaction reporting without exceptional circumstances. The findings also stated that the firm incorrectly reported to ACT whether it had executed trades as principal or agent in transactions. In addition, the findings stated that the firm failed to establish, maintain, and enforce written supervisory procedures reasonably designed to achieve compliance with applicable laws, regulations, and NASD rules concerning transaction reporting and ACT compliance. **(NASD Case #CMS990158)**

Tucker Anthony, Incorporated (CRD #837, New York, New York) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which the firm was censured and fined \$17,500. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it failed to immediately display customer limit orders in Nasdaq securities in its public quotation when the orders were at prices that would have improved the firm's bid or offer in the securities or when the orders were priced equal to the firm's bid or offer and the national best bid or offer for the securities and the size of the orders represented more than a *de minimus* change in relation to the size associated with the firm's bid or offer in the securities. The findings also stated that the firm failed to contemporaneously

execute or to 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. In addition, when the firm acted as principal for its own account, it failed to provide written notification disclosing to its customer the correct reported trade price or that it was a Market Maker in each such security. The firm also failed to provide written notification disclosing to a customer that the transaction executed was at an average price. **(NASD Case #CMS990147)**

Zions Investment Securities, Inc. (CRD #17776, Salt Lake City, Utah) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which the firm was censured, fined \$6,000 jointly and severally with individuals, and ordered to disgorge \$18,933 in net commissions accrued to the firm. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it conducted a securities business while it failed to maintain the required minimum net capital; failed to prepare, maintain, and issue account statements to its customers notifying them of customer free credit/debit balances; and failed to send each customer information regarding its financial condition. The findings also stated that the firm, acting through an individual, allowed persons to remain associated with the firm, transact a securities business, and collect commissions while their licenses were inactive due to failure to complete the Regulatory Element of Continuing Education. In addition, the firm, acting through the individual, failed to have adequate written supervisory procedures addressing the handling of customer free credit and debit balances, the firm's obligation to

send semi-annual financial statements to customers for which the firm holds customer money balances, compliance with the Regulatory and Firm Elements of Continuing Education, and compliance with the firm's obligations to report customer complaints and other events to the NASD. **(NASD Case #C3A990066)**

Individuals Barred Or Suspended

Stephen F. Agnese (CRD #2529358, Registered Principal, Staten Island, New York) submitted an Offer of Settlement pursuant to which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Agnese consented to the described sanctions and to the entry of findings that he failed to respond to NASD requests for information and to provide documents. **(NASD Case #C10990153)**

Michael Brooks Belton (CRD #1197442, Registered Representative, Leesburg, 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 20 business days. Without admitting or denying the allegations, Belton consented to the described sanctions and to the entry of findings that, in the extended absence of his member firm's president, he forged the signature of the president on an NASD Offer of Settlement to facilitate the resolution of a complaint against the president and the firm and then submitted the Offer of Settlement to the NASD, without the president's knowledge or consent. **(NASD Case #C07990076)**

Howard Brett Berger (CRD #2284367, Registered Principal, Roslyn Heights, New York) submitted an Offer of Settlement pursuant to which he was fined \$20,000, suspended from association with any NASD member in a principal capacity for two years, suspended from association with any NASD member in any capacity for 120 days, and required to comply with an undertaking to never serve as a Director of Compliance or to otherwise function as the highest ranking person in the compliance department of any NASD member. Without admitting or denying the allegations, Berger consented to the described sanctions and to the entry of findings that he, acting with at least one other individual, placed over 15 percent of the total offering of an IPO into customer accounts and arranged with the customers to sell their units back to his member firm in the immediate aftermarket trading of the security or reasonably believed the purchasing customers would sell their units back to the firm in the immediate aftermarket trading of the security. The firm, acting through Berger and another individual, bid for and purchased securities which were the subject of the distribution and induced other persons to purchase such securities before the distribution was completed. The firm's other customers were not informed of the "flipping" or that the IPO was not a *bona fide* public distribution. The findings also stated that Berger failed to take steps to register unregistered individuals who were selling securities for his firm or to prevent them from selling while unregistered. In addition, Berger failed to establish and maintain adequate written supervisory procedures to address compliance with securities laws and regulations pertaining to the underwriting and distribution of securities. **(NASD Case #CAF980098)**

Howard Stephen Blanck (CRD #1815177, Registered Representative, Reading, Pennsylvania) submitted an Offer of Settlement pursuant to which he was suspended from association with any NASD member in any capacity for 15 business days and ordered to pay the sum of \$7,197 to the Trustee appointed by the court in *SEC v. The Infinity Group Company et al.* within 90 days of the acceptance of the Offer of Settlement. Without admitting or denying the allegations, Blanck consented to the described sanctions and to the entry of findings that he engaged in securities transactions outside of the normal course or scope of his association with a member firm for selling compensation, without providing prior written notice to, or receiving prior written approval from, his member firm. **(NASD Case #C9A990046)**

Gregory Scott Boyd (CRD #1691952, Registered Representative, Denver, Colorado) was fined \$25,000 and barred from association with any NASD member in any capacity for failure to appear, fined \$25,000 and suspended from association with any NASD member in any capacity for two years for private securities transactions, and fined \$30,000 and barred from association with any NASD member in any capacity for misuse of customer funds and failure to secure an intended investment. The sanctions were based on findings that Boyd failed to respond to NASD requests for information and to appear for an on-the-record interview. The findings also stated that Boyd engaged in private securities transactions without prior notification of his member firm. The findings further stated that Boyd received \$5,832.20 from a public customer for investment purposes, deposited the funds into his

personal bank account, and failed to return or invest the funds, thereby misusing customer funds. In addition, Boyd failed to arrange for delivery of genuine stock certificates to the customer representing his investments and, instead, delivered fake certificates to the customer in an attempt to deceive and to conceal the fact that he had not completed the transactions. **(NASD Case #C3A990038)**

Neil Howard Brauner (CRD #2571484, Registered Representative, New York, New York) was fined \$10,000 and suspended from association with any NASD member in any capacity for two years for material misrepresentations; fined \$2,500 and suspended from association with any NASD member in any capacity for 30 business days for guaranteeing a customer against loss; and barred from association with any NASD member in any capacity for effecting unauthorized transactions and providing false information to a request for information. Payment of the fines shall be a condition to Brauner's eligibility to associate with a member firm. The sanctions were based on findings that Brauner misrepresented that he was placing stop-loss orders on stock purchases sold to public customers to induce them to purchase stock and guaranteed a customer that he would not suffer a loss on a purchase. The findings also stated that Brauner engaged in unauthorized transactions in a customer's account and effected transactions in another customer's account after the customer had sent Brauner written direction to liquidate and close the account. In addition, Brauner failed to respond truthfully to an NASD request for information. **(NASD Case #C10990081)**

Stanley Paul Buck (CRD #2304732, Registered Representative, Liberty, Missouri) was barred from association with any NASD member in any capacity. The sanctions were based on findings that Buck entered inaccurate deposit records into his member firm's computer system and failed to respond to NASD requests for information. **(NASD Case #C04990038)**

Omar Luis Buttari, Sr. (CRD #37337, Registered Principal, Chicago, Illinois) submitted an Offer of Settlement pursuant to which he was suspended from association with any NASD member in any capacity for 30 days. Without admitting or denying the allegations, Buttari consented to the described sanctions and to the entry of findings that he failed to make a cash payment of \$62,553 to a member firm pursuant to a New York Stock Exchange arbitration award or to make a motion to vacate or modify the award in a timely manner. The findings also stated that Buttari failed to respond to NASD requests to submit a signed and notarized financial questionnaire and to provide tax returns in a timely manner. **(NASD Case #C02980078)**

Craig Thomas Butzbach (CRD #1348291, Registered Representative, East Greenwich, Rhode Island) 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, Butzbach consented to the described sanctions and to the entry of findings that he made improper use of \$10,000 belonging to a client. **(NASD Case #C11990051)**

Douglas John Cabell (CRD #733516, Registered Representative, Bettendorf, Iowa) 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 business days. Without admitting or denying the allegations, Cabell consented to the described sanctions and to the entry of findings that he participated in private securities transactions without providing prior written notice to, and receiving written approval from, his member firm. **(NASD Case #C04990044)**

Sylvester Cannon, Jr. (CRD #2766126, Registered Representative, Detroit, Michigan) was fined \$25,000 and barred from association with any NASD member in any capacity. The NAC imposed the sanctions following appeal of a Chicago DBCC decision. The sanctions were based on findings that Cannon failed to respond to NASD requests for information.

Cannon has appealed this action to the SEC and the sanctions, other than the bar, are not in effect pending consideration of the appeal. **(NASD Case #C8A980054)**

Kenneth M. Caraglio (CRD #2580769, Registered Representative, Miami, Florida) was fined \$50,000 and barred from association with any NASD member. If Caraglio applies to re-enter the securities industry, the fine will be reduced by the amount of restitution, if any, he has paid to public customers. The sanctions were based on findings that Caraglio failed to follow public customers' instructions repeatedly and prepared and sent false confirmations and order tickets of trades that had not been made. The

findings also stated that Caraglio failed to respond to NASD requests for information. **(NASD Case #C07990046)**

Roger Harry Chlowitz (CRD #501445, Registered Principal, Northridge, California) was barred from association with any NASD member in any capacity. The National Adjudicatory Council (NAC) imposed the sanctions following appeal of a Los Angeles District Business Conduct Committee (DBCC) decision. The sanctions were based on findings that Chlowitz failed to respond to NASD requests for information. **(NASD Case #C02980025)**

John Samuel Crossman (CRD #1660492, Registered Principal, San Antonio, Texas) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was fined \$7,500 and suspended from association with any NASD member in any capacity for 10 business days. Without admitting or denying the allegations, Crossman consented to the described sanctions and to the entry of findings that he borrowed money from a customer and misrepresented that fact to his member firm. **(NASD Case #C06990022)**

Marc Jason Dannenberg (CRD #2569254, Registered Representative, Thornwood, New York) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was fined \$7,500 and suspended from association with any NASD member in any capacity for 17 months and one week. Without admitting or denying the allegations, Dannenberg consented to the described sanctions and to the entry of findings that he effected a transaction in the securities account of a public customer

without the customer's prior knowledge, authorization, or consent and left a threatening message on the customer's home telephone answering machine after he refused to pay for the stock purchase. The findings also stated that Dannenberg made false statements on his Form U-4 concerning violations of state investment regulations or statutes. **(NASD Case #C10990199)**

Charles A. DiMaggio (CRD #2443379, Registered Representative, Brooklyn, New York) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$50,000, barred from association with any NASD member in any capacity, and required to disgorge \$70,332.45 in earnings to the NASD. Without admitting or denying the allegations, DiMaggio consented to the described sanctions and to the entry of findings that he had an impostor take the Series 7 exam on his behalf and refused to appear for an NASD on-the-record interview. **(NASD Case #C10990194)**

John Robert Doughty (CRD #1341074, Registered Representative, Vero Beach, Florida) submitted an Offer of Settlement pursuant to which he was fined \$10,000, suspended from association with any NASD member in any capacity for one year, and ordered to disgorge \$23,850, plus interest, in sales compensation. The sanctions were based on findings that Doughty sold joint venture agreements outside the scope of his regular employment with a member firm and received approximately \$23,850 in sales compensation without providing prior written notice to, or receiving prior written approval from, his member firm. The findings also stated that

Doughty failed to disclose to the investors that approximately 13 to 14 percent of their investments was to pay sales compensation, a material fact necessary for investors to make an informed decision regarding the purchase of securities. **(NASD Case #C07990059)**

Linh Julia Dyer (CRD #2530791, Registered Representative, Keansburg, New Jersey) was barred from association with any NASD member in any capacity. The sanctions were based on findings that Dyer failed to respond to NASD requests for information regarding an allegation of converting customer funds. **(NASD Case #C9B990017)**

Robert John Eldridge (CRD #1059162, Registered Principal, Cumberland, Rhode Island) was fined \$25,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Eldridge failed to respond to NASD requests for information relating to his activities in connection with trading losses and a deficit in one of his member firm's proprietary accounts. **(NASD Case #C11990027)**

Arnold J. Feldman (CRD #1132591, Registered Representative, Long Beach, New York) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was fined \$25,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Feldman consented to the described sanctions and to the entry of findings that he received checks totaling \$2,469 from public customers to be deposited with his member firm for purposes of restoring funds which had

previously been drawn against their insurance policies, failed to deposit the checks, and instead, converted the funds to his own use and benefit without the customers' knowledge or consent. The findings also stated that Feldman misrepresented to the customers that the checks were required to be issued to replace other checks which his firm had issued in error and which had been drawn against their insurance policies when, in fact, the checks were not issued in error but were issued at the request of Feldman without the customers' consent. **(NASD Case #C9B990036)**

Alina Fuentes (CRD #2812427, Registered Representative, Pacoima, California) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which she was censured, fined \$90,000, and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Fuentes consented to the described sanctions and to the entry of findings that she falsified an annuity application, established a fraudulent annuity policy in the name of a fictitious individual, created the impression that the annuity was funded with the use of a fraudulent check, and sent a letter to her member firm in the name of the fraudulent individual instructing the firm to cancel the policy and refund the cost which resulted in a \$9,382 refund check being issued. The findings also stated that Fuentes endorsed the check and deposited it into her personal bank account. **(NASD Case #C10990197)**

Steven Douglas Goodman (CRD #1510905, Registered Principal, Allison Park, Pennsylvania) was fined \$75,000 and barred from association with any NASD member in any capacity. The NAC

imposed the sanctions following appeal of a Washington, D.C. DBCC decision. The sanctions were based on findings that Goodman engaged in sales practice abuses that included material misrepresentations and omissions and unfounded price predictions.

Goodman has appealed this action to the SEC and the sanctions, other than the bar, are not in effect pending consideration of the appeal. **(NASD Case #C9B960013)**

Edward Jon Graziano (CRD #1100519, Registered Representative, Fairport, New York) was fined \$25,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Graziano failed to respond to NASD requests for information and documents pertaining to his termination from member firms under circumstances concerning his potential outside business activity. **(NASD Case #C8B990019)**

Anthony Lamar Green (CRD #3196919, Associated Person, Schwensville, Pennsylvania) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was fined \$25,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Green consented to the described sanctions and to the entry of findings that he failed to respond, in writing, to an NASD request for information relating to his termination for cause from a member firm. **(NASD Case #C9A990059)**

Dwight Raymond Guthrie (CRD #1580936, Registered Representative, Apollo, Pennsylvania) submitted a Letter

of Acceptance, Waiver, and Consent pursuant to which he was fined \$150,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Guthrie consented to the described sanctions and to the entry of findings that he received \$18,661 from a public customer to be applied toward the payment of insurance premiums and/or for investment in securities, failed to apply the funds as directed, and converted the funds to his own use and benefit. The findings also stated that Guthrie failed to respond to NASD requests for information concerning possible misappropriation of customer funds. **(NASD Case #C9A990055)**

Jo Ann Lee Harper (CRD #2390689, Registered Representative, Norfolk, Virginia) 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, Harper consented to the described sanctions and to the entry of findings that she failed to respond to an NASD request for information concerning an ongoing investigation of a customer complaint against her. **(NASD Case #C07990056)**

Bruce Alan Hawkes (CRD #1073573, Registered Representative, North Reading, Massachusetts) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was fined \$5,000, suspended from association with any NASD member in any capacity for 30 days, and required to pay \$9,603, plus interest, in restitution to public customers. Without admitting or denying the allegations, Hawkes consented to the described

sanctions and to the entry of findings that he engaged in private securities transactions without prior written notice to, or approval from, his member firm and received \$9,603 in commissions as a result of the transactions. **(NASD Case #C11990049)**

David Burton Hollister (CRD #1732780, Registered Representative, New York, New York) submitted an Offer of Settlement pursuant to which he was fined \$25,000, suspended from association with any NASD member in any capacity for one year, and required to requalify by examination within 180 days from the date he becomes associated with any NASD member firm following his one-year suspension. Without admitting or denying the allegations, Hollister consented to the described sanctions and to the entry of findings that he electronically entered fictitious trades on the books and records of his member firm. **(NASD Case #C10990148)**

Joseph Imbrenda (CRD #2624795, Registered Representative, Holmdel, New Jersey) submitted an Offer of Settlement pursuant to which he was fined \$25,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Imbrenda consented to the described sanctions and to the entry of findings that he intentionally and willfully gave false, misleading, inaccurate, and/or incomplete testimony in response to questions posed to him by the New Jersey Bureau of Securities examiners regarding his and his member firm's sales and business practices. **(NASD Case #C10990129)**

Robert Jay Kendzierski (CRD #1290761, Registered Representative, Erie, Pennsylvania) was fined \$80,000 and barred from association with any NASD member in any capacity. The NAC imposed the sanctions following appeal of a Philadelphia DBCC decision. The sanctions were based on findings that Kendzierski converted \$6,000 in customer funds to his own use and benefit. **(NASD Case #C9A980021)**

Norvin Kirkendall (CRD #1617954, Registered Representative, Noblesville, Indiana) 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, Kirkendall consented to the described sanctions and to the entry of findings that he engaged in private securities transactions, failed to give prior written notice of his intention to engage in such activity to his member firm, and failed to receive prior written approval from his firm. **(NASD Case #C8A990073)**

Peter S. Lau (CRD #866720, Registered Representative, Edison, New Jersey) was fined \$25,000, barred from association with any NASD member in any capacity, and ordered to pay \$75,114, plus interest, in restitution to a public customer. The fine and restitution must be paid before Lau can be eligible for future association with a member firm. The sanctions are based on findings that Lau received over \$75,000 for investment purposes from a public customer, failed to invest the funds, and converted all but \$1,500 to his own use and

benefit. The findings also stated that Lau failed to respond to NASD requests for information. **(NASD Case #C10990119)**

Charles Michael Lee, III (CRD #2320124, Registered Representative, Brooklyn, New York) submitted an Offer of Settlement pursuant to which he was suspended from association with any NASD member in any capacity for 30 business days. Without admitting or denying the allegations, Lee consented to the described sanctions and to the entry of findings that he unsuccessfully attempted to induce a customer to purchase stock by assuring the customer he could cancel the trade if the investment was not profitable within two weeks and falsely told the customer that he had personally bought shares of the stock when he had not done so. The findings also stated that Lee falsified account records to reflect a different home state for the customer in order to sell the stock which was not registered for sale under the laws of the customer's state of residence. **(NASD Case #C10990138)**

Michael Lee (CRD #3073397, Registered Representative, Owings Mills, Maryland) was fined \$5,000 and suspended from association with any NASD member in any capacity for 30 business days. Lee will not be eligible for association with any member firm in any capacity until the fine is paid. The sanctions are based on findings that Lee failed to disclose a misdemeanor theft conviction in Illinois on his Form U-4. **(NASD Case #C9A990017)**

Richard Stephen Levitov (CRD #602479, Registered Principal, Bayonne, New Jersey) and **Ralph Joseph Angeline (CRD #6094, Registered Principal, Katonah,**

New York) were each suspended from association with any NASD member in any capacity for one year. At the end of one year, each will be barred if he has not fully and unconditionally provided NASD with on-the-record testimony. The NAC imposed the sanctions following appeal by NASD Regulation's Department of Enforcement and cross-appeal by Levitov and Angeline of an NASD Regulation Hearing Panel decision. The sanctions were based on findings that Levitov and Angeline failed to respond to an NASD request to appear for on-the-record testimony after having been denied continuance requests.

Levitov's and Angeline's suspensions began at the opening of business on December 2, 1999, and, if the conditions imposed in the decision are satisfied, will conclude at the close of business on December 1, 2000. **(NASD Case #CAF980025)**

Joseph John Librandi (CRD #2642824, Registered Representative, Massapequa Park, New York) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was fined \$5,000, suspended from association with any NASD member in any capacity for 10 business days, and required to requalify by exam as either a general securities representative (Series 7) or a corporate securities representative (Series 62) no later than March 28, 2000. Failure to requalify by that date will result in suspension from association with any member firm in any capacity until Librandi passes a registration exam. Without admitting or denying the allegations, Librandi consented to the described sanctions and to the entry of findings that he executed a purchase of stock in a public customer's account without

the customer's authorization, consent, or knowledge of the transaction. **(NASD Case #C10990201)**

David Vincent Liuzza (CRD #2331632, Registered Representative, Covington, Louisiana) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was fined \$100,000, barred from association with any NASD member in any capacity, and required to pay \$215,850, plus interest, in restitution to a member firm. Without admitting or denying the allegations, Liuzza consented to the described sanctions and to the entry of findings that he executed unauthorized sale transactions in the accounts of public customers in order to withdraw funds from their accounts and made misrepresentations to public customers as to his use of funds received from them. The findings also stated that Liuzza forged documents, including checks and letters of authorization, in order to withdraw funds from customers' accounts and provided fictitious account statements to the customers. **(NASD Case #C05990052)**

John Francis Mara (CRD #1646745, Registered Representative, Bedford, Massachusetts) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was fined \$70,000, which includes the disgorgement of \$68,750 in earned commissions, and suspended from association with any NASD member in any capacity for four months. Without admitting or denying the allegations, Mara consented to the described sanctions and to the entry of findings that he engaged in private securities transactions without giving prior written notice to, or

receiving approval from, his member firm and received \$68,750 in commissions as a result of those transactions. **(NASD Case #C11990052)**

Michael Motsykulashvili (CRD #2382306, Registered Representative, Hicksville, New York) 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, Motsykulashvili consented to the described sanctions and to the entry of findings that he induced public customers to purchase securities by making predictions that were without adequate, accurate, or reasonable basis in fact and purchased securities for public customers without their prior knowledge, authorization, or consent. **(NASD Case #C10990209)**

Vito Gerard Padulo (CRD #2370645, Registered Representative, Englishtown, New Jersey) was barred from association with any NASD member in any capacity. The sanctions were based on findings that Padulo failed to respond to NASD requests for information concerning a customer complaint. **(NASD Case #C9B990015)**

Frank Mark Paladino, Jr. (CRD #1503957, Registered Representative, Guilford, Connecticut) was fined \$59,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Paladino used a public customer's credit card and withdrew \$9,800 from her account at his member firm, without her authorization, and converted the funds to his own use and benefit. **(NASD Case #C11990024)**

Keith Malvin Peters (CRD #2247575, Registered Principal, Commack, New York) submitted an Offer of Settlement pursuant to which he was suspended from association with any NASD member in any capacity for six months. Without admitting or denying the allegations, Peters consented to the described sanctions and to the entry of findings that he made material misrepresentations, omitted to disclose material facts, and predicted the future prices of speculative securities in connection with the offer and sale of securities. The findings also stated that Peters effected a transaction in a public customer account that exceeded the size previously authorized by the customer. In addition, Peters failed to sell securities when instructed to do so by a customer. **(NASD Case #C3A990022)**

Henri Placek (CRD #2676196, Registered Representative, London, England) submitted an Offer of Settlement pursuant to which he was fined \$15,000 and suspended from association with any NASD member in any capacity for six months. Without admitting or denying the allegations, Placek consented to the described sanctions and to the entry of findings that he interfered with market forces and placed the interests of his member firm ahead of those of a customer. **(NASD Case #C10990052)**

Charles Anthony Schlapfer (CRD #2045197, Registered Representative, Brick, New Jersey) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was fined \$500,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Schlapfer consented to the described sanctions and to the

entry of findings that he received approximately \$122,956 from public customers for investment, failed to cause the funds to be invested as instructed, and, without the authorization or knowledge of the customers, deposited the funds into either a personal bank account or a bank account owned by his fiancée. Schlapfer converted all but \$22,256 to his own use or benefit. The findings also stated that Schlapfer altered account statements for a public customer's account to falsely reflect a value greater than the actual value of the account and transmitted the false account statements to the customer. **(NASD Case #C9A990057)**

Jeffrey Mark Schuler (CRD #1077640, Registered Principal, Delray Beach, Florida) submitted an Offer of Settlement pursuant to which he was suspended from association with any NASD member in any capacity for 30 days and required to pay \$32,659.17 in restitution to a public customer. Without admitting or denying the allegations, Schuler consented to the described sanctions and to the entry of findings that he recommended transactions for public customers that were unsuitable based upon their tax status, investment objectives, financial situations, and needs. **(NASD Case #C07980045)**

Lissa Ann Searfoss (CRD #1952678, Registered Representative, San Francisco, California) was barred from association with any NASD member in any capacity. The sanctions were based on findings that Searfoss failed to respond to NASD requests for information concerning a customer complaint. **(NASD Case #C01990008)**

Anthony Michael Tanico (CRD #2400898, Registered Representative, Staten Island,

New York) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was fined \$75,000, barred from association with any NASD member in any capacity, and ordered to disgorge \$134,334 to the NASD. Without admitting or denying the allegations, Tanico consented to the described sanctions and to the entry of findings that he arranged for an impostor to take the Series 7 and Series 63 qualification exams on his behalf. Tanico also failed to complete an NASD on-the-record interview. **(NASD Case #C10990204)**

Charles Burtran Walker (CRD #1893276, Registered Representative, South Orange, New Jersey) submitted an Offer of Settlement pursuant to which he was fined \$5,000 and suspended from association with any NASD member in any capacity for six months. Without admitting or denying the allegations, Walker consented to the described sanctions and to the entry of findings that he engaged in business activities outside his employment with a member firm and failed to provide his firm with prompt, or any, prior written notice of his activities. **(NASD Case #C10990113)**

James Anthony Wengler (CRD #2121904, Registered Principal, San Antonio, Texas) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was fined \$7,500 and suspended from association with any NASD member in any capacity for 10 business days. Without admitting or denying the allegations, Wengler consented to the described sanctions and to the entry of findings that he borrowed money from a customer and misrepresented that fact to his member firm. **(NASD Case #C06990023)**

Individual Fined

Scott Farrell Merlis (CRD #1222722, Registered Representative, Westport Connecticut) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$9,000, ordered to requalify as a general securities representative within 90 days of approval of this AWC by the NASD, and required to disgorge \$14,427.35 in profits to the NASD. If Merlis fails to requalify, he cannot associate with any NASD member in any capacity until he requalifies. Without admitting or denying the allegations, Merlis consented to the described sanctions and to the entry of findings that, while associated with a member firm, he purchased securities in IPOs through a brokerage account that he maintained with another member firm. The IPOs traded at a premium in the immediate aftermarket and were thus “hot issues.” The findings also stated that Merlis failed to notify his member firm promptly that he had maintained a brokerage account with another firm. **(NASD Case #C10990200)**

Decisions Issued

The following decisions have been issued by the DBCC or the Office of Hearing Officers and have been appealed to or called for review by the NAC as of December 10, 1999. 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*.

David Lloyd Foran (CRD #861746, Registered Principal, Royal Oak, Michigan) was fined \$35,000 and barred from association with any NASD member in any capacity. Payment of the fine, in full, shall be a prerequisite for consideration of any application for association with a member firm. The sanctions are based on findings that Foran misappropriated more than \$5,000 in commissions from his firm’s commission account and misapplied the funds, thereby converting the funds to his own use and benefit.

Foran has appealed this action to the NAC and the sanctions are not in effect pending consideration of the appeal. **(NASD Case #C8A990017)**

Philip John Milligan (CRD #1874103, Registered Principal, Guttenberg, New Jersey) was barred from association with any NASD member in any capacity. The sanctions were based on findings that Milligan failed to respond to NASD requests to appear for on-the-record testimony.

Milligan has appealed this action to the NAC and the sanctions are not in effect pending consideration of the appeal. **(NASD Case #C10990058)**

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.

James Burling Chase (CRD #368743, Registered Principal, Milwaukee, Wisconsin) was named as a respondent in an NASD complaint alleging that he effected common stock purchases for the accounts of a public customer, one of which was a margin account opened by Chase, without a reasonable basis for believing that the recommendations were suitable based upon the facts known to Chase concerning the nature of the securities, the concentration of the securities in the customer's account, and the customer's investment objectives, financial situation, and needs. **(NASD Case #C8A990081)**

Bruce Thomas Gmahle, Jr. (CRD #2044839, Registered Representative, Point Pleasant Beach, New Jersey) was named as a respondent in an NASD complaint alleging that he executed transactions in the accounts of public customers without their prior knowledge, authorization, or consent. The complaint also alleges that Gmahle executed transactions in the account of a deceased customer without the authorization of the customer or the prior knowledge, authorization, or consent of any representative or

agent of the customer or his estate. **(NASD Case #C10990211)**

Keith Dennis Grossman (CRD #2127371, Registered Representative, Huntington Station, New York) was named as a respondent in an NASD complaint alleging that he engaged in unauthorized trades in the accounts of public customers without discretionary trading authority for the accounts. The complaint also alleges that Grossman effected transactions in or induced the purchase or sale of securities by means of manipulative, deceptive, or other fraudulent devices and contrivances. **(NASD Case #CAF990042)**

Brett Howard Hamburger (CRD #1974666, Registered Representative, Sunrise, Florida) was named as a respondent in an NASD complaint alleging that he executed transactions in the account of a public customer without the customer's prior knowledge, authorization, or consent. The complaint also alleges that Hamburger acted in a capacity requiring registration without being registered with the NASD, used a name other than his own when soliciting a customer to purchase or sell securities, and solicited the purchase and sale of securities from a customer without being registered in the state where the customer resided. In addition, the complaint alleges that Hamburger failed to respond to an NASD request to appear for an on-the-record interview. **(NASD Case #C10990210)**

Frank Joseph Maggio, Jr. (CRD #2238463, Registered Representative, Lake Ronkonkoma, New York) was named as a respondent in an NASD complaint alleging that, in

connection with the sale of stock to a public customer, he knowingly or recklessly made misrepresentations or omissions concerning the association of his investment advisory business with a member firm and the nature of the customer's investment. The complaint also alleges that Maggio retained for his own use \$8,700 in sale proceeds received from the sale of stock, without the customer's consent or authority. In addition, the complaint alleges that Maggio failed to respond to NASD written requests for information. **(NASD Case #C9B990034)**

James Albert Mayer, Jr. (CRD #2305774, Registered Representative, Bay Shore, New York) was named as a respondent in an NASD complaint alleging that he effected the purchase and sale of securities in the accounts of public customers without their knowledge or consent. The complaint also alleges that Mayer failed to execute sales in the accounts of public customers. **(NASD Case #C10990206)**

Marcus Eugene Rivers (CRD #1170703, Registered Representative, Mobile, Alabama) was named as a respondent in an NASD complaint alleging that he received checks totaling \$93,764.85 from a public customer for the purpose of investing in securities, failed and neglected to apply all funds received for the purchase of securities on the customer's behalf, and retained the sum of \$58,764.85 which he converted to his own use and benefit, without the customer's knowledge and consent. The complaint also alleges that Rivers failed to respond to NASD requests for information. **(NASD Case #C05990054)**

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 suspensions 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.

Airmark Investments, Inc.,
Tucker, Georgia
(December 6, 1999)

First American Equities, Inc.,
Boca Raton, Florida
(December 15, 1999)

G.F.B. Securities, Inc., East Meadow, New York
(December 15, 1999)

M. Cornfeld, Inc., Los Angeles, California (December 6, 1999)

Muller Sports Securities, LLC, New York, New York
(December 6, 1999)

Tiger Investment Group, Inc., Waltham, Massachusetts
(December 6, 1999)

U.S.A. Investments Incorporated, Morristown, New Jersey
(December 6, 1999)

NASD Regulation Sanctions Eight Former Monitor Investment Group Executives And Brokers For Manipulative And Deceptive Practices

NASD Regulation announced that eight individuals previously associated with Monitor Investment Group, Inc. (Monitor), including the firm's president and two other principals, have been fined a total of \$750,000, and permanently barred or suspended from the securities industry.

After a 14-day hearing, an NASD Regulation Hearing Panel imposed these sanctions on the following individuals named as a result of their participation in a fraudulent stock manipulation scheme which violated federal securities laws and NASD rules:

- John Montelbano, former president of Monitor and general principal, was permanently barred from the securities industry and fined \$90,000. Montelbano has appealed this decision to the NAC;
- Michael Galasso, Jr., former trader at Monitor and registered representative, was permanently barred from the securities industry and fined \$130,000. Galasso has appealed this decision to the NAC;
- Emmanuel Gennuso, former operations and compliance officer of Monitor and general principal, was permanently barred from the securities industry and fined \$215,000;
- Gerald McMahon, former research analyst of Monitor and registered representative, was permanently barred from the securities industry and fined

\$90,000. McMahon has appealed this decision to the NAC;

- Patrick Giglio, registered representative, was permanently barred from the securities industry and fined \$80,000;
- Steven Goldstein, registered representative, was permanently barred from the securities industry and fined \$50,000;
- Dwayne Leverett, general principal, was suspended from associating with any member of the NASD for 120 days, fined \$55,000, and ordered to requalify by passing the Series 7 and 63 examinations within 90 days of the Panel's decision becoming final and the Series 24 examination within 180 days of the Panel's decision becoming final; and
- Todd Nejaime, registered representative, was suspended from associating with any member of the NASD for 90 days, fined \$40,000, and ordered to requalify by passing the Series 7 and 63 examinations within 90 days of the Panel's decision becoming final and the Series 24 examination within 180 days of the Panel's decision becoming final.

The Hearing Panel determined that, in connection with Monitor's sale of the common stock of Accessible Software, Inc., the named eight individuals engaged in a scheme which ultimately resulted in a "massive fraud" being perpetrated on the investing public. The Panel found that John Montelbano, Emmanuel Gennuso, Michael Galasso, and Gerard McMahon

implemented a scheme to manipulate the stock's price and distribute the shares to Monitor's customers at predetermined prices. Critical aspects of the scheme were found by the Hearing Panel to have included exploiting Monitor's position as the stock's only Market Maker to illegally raise the per share price from \$1 to \$6 3/4 over a two-hour period, encouraging Monitor's sales force to make misrepresentations and baseless predictions to their customers, and manipulating the market to create an artificial demand for the stock.

The Hearing Panel also found that Patrick Giglio, Steven Goldstein, Dwayne Leverett, and Todd Nejaime engaged in manipulative and deceptive sales practices during their sales of the manipulated stock. These individuals were found to have sold the stock to their clients at predetermined prices that had no relation to market forces and failed to disclose to investors the brokers'

excessively high commissions. Giglio, Goldstein, and Leverett also were found to have made baseless performance predictions to their customers. In addition, Galasso and Gennuso were found to have excessively and fraudulently marked up the price of the stock, charging customers undisclosed markups from 10 to 74 percent on their purchases.

The Hearing Panel also found that Galasso created false and fictitious records; Gennuso, Leverett, and Montelbano failed to prevent, detect, or correct the illegal conduct; and Gennuso permitted an unregistered individual to act as a broker. Further, Galasso, Gennuso, Giglio, Leverett, McMahon, Montelbano, and Nejaime obstructed NASD Regulation's investigation by lying to and concealing information from NASD Regulation staff.

Accessible Software, Inc. (ASWE) is not a party to this action and

there are no allegations or findings that it or its officers knew that its shares were being manipulated or were in any way involved in illegal conduct.

Monitor was based in Pennsylvania but conducted most of its business through three branch offices located in New York City. The firm withdrew its membership from the NASD in October 1996.

Unless the matter is appealed to the NAC, or called for review by the NAC, the Hearing Panel's decision becomes final after 45 days. The sanctions imposed by the Hearing Panel are not effective during this period. If the decision is appealed or called for review, the sanctions may be increased, decreased, modified, or reversed. Each individual may choose to appeal the decision.

© 2000, National Association of Securities Dealers, Inc. (NASD). All rights reserved.