

Disciplinary Actions

Disciplinary Actions Reported For November

NASD Regulation, Inc. (NASD RegulationSM) has taken disciplinary actions against the following firms and individuals for violations of National Association of Securities Dealers, Inc. (NASD[®]) rules; federal securities laws, rules, and regulations; and the rules of the Municipal Securities Rulemaking Board (MSRB). Unless otherwise indicated, suspensions will begin with the opening of business on Monday, November 15, 1999. The information relating to matters contained in this *Notice* is current as of the end of October 21, 1999.

Firm And Individual Fined

ACAP Financial, Inc. (CRD #7731, Salt Lake City, Utah) and Kirk Lynn Ferguson (CRD #1307741, Registered Principal, Centerville, Utah) submitted an Offer of Settlement pursuant to which they were censured, fined \$24,000, jointly and severally, and required to pay \$800, jointly and severally, in restitution to a public customer. The firm was fined \$5,000 individually and Ferguson was fined \$2,000 individually. The firm and Ferguson were also required to retain an independent consultant acceptable to the NASD to review the firm's supervisory and compliance procedures and to provide written recommendations for modifications and additions to its procedures. The consultant's written recommendations shall be provided to the NASD with the procedures the firm and Ferguson have modified or adopted as a result of the recommendations. Without admitting or denying the allegations, the firm and Ferguson consented to the described sanctions and to the entry of findings that the firm, acting through Ferguson, reported transactions to the Automated Confirmation Transaction ServiceSM (ACTSM) as

agency transactions when they should have been reported as principal transactions, reported short-sale transactions with the incorrect short-sale modifier, and executed an order for the sale of securities in a principal capacity at a price that was unfair when taking into account all relevant circumstances. The findings also stated that the firm, acting through Ferguson, bid for the common stock of the issuer for which it was a distribution participant; failed to file any reports of customer complaints with the NASD; and failed to establish, maintain, and enforce written supervisory procedures reasonably designed to achieve compliance with all applicable laws, rules, and regulations. In addition, Ferguson functioned in the capacity of a registered principal while his Continuing Education status was inactive. **(NASD Case #C3A990044)**

Firms Fined

Bear, Stearns Securities Corp. (CRD #28432, Whippany, New Jersey) 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 on occasions where Bear, Stearns & Co. acted as principal for its own account, Bear, Stearns Securities Corp. produced customer confirmations that failed to comply with the Securities and Exchange Commission (SEC) rule concerning the use of average price confirmation disclosures. The findings also stated that institutional Depository Trust Company confirmations produced by Bear, Stearns, Securities Corp. for Bear, Stearns & Co. did not state that

each of these transactions was, in fact, an average price transaction. **(NASD Case #CMS990116)**

Correspondent Services Corporation (CRD #25927, 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 failed to prevent its parent member firm from entering orders into the Small Order Execution SystemSM (SOESSM) on behalf of non-public customers. The findings also stated that Correspondent Services Corp. failed to establish, maintain, and enforce written supervisory procedures reasonably designed to achieve compliance with applicable securities laws, regulations, and NASD rules relating to the use of SOES. **(NASD Case #CMS990124)**

TD Securities (USA) Inc. (CRD #18476, New York, New York) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which the firm was censured and fined \$15,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that the firm executed short-sale transactions at or below the inside bid when the current inside bid was below the preceding inside bid in the security, failed to create and maintain a written record of the affirmative determination for short-sale orders, and failed to report short-sale transactions to ACT with a short-sale indicator. The findings also stated that the firm failed to properly mark the order tickets as short for short-sale orders. In addition, the firm failed to establish, maintain, and enforce

written supervisory procedures reasonably designed to achieve compliance with the short-sale rule. **(NASD Case #CMS990122)**

Individuals Barred Or Suspended

Andrew Antonucci (CRD #2418788, Registered Principal, Hilton, New York) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was fined \$3,400 and suspended from association with any NASD member in any capacity for five business days. Without admitting or denying the allegations, Antonucci consented to the described sanctions and to the entry of findings that he sold shares of a security to public customers, received compensation from the sales, and failed to provide prior written notice to his member firm detailing the proposed transactions and his role therein. Antonucci also failed to receive written approval from his member firm to participate in the transactions. **(NASD Case #C8B990031)**

Jeffrey Lee Barber (CRD #1912907, Registered Representative, Casper, Wyoming) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was fined \$265,000, barred from association with any NASD member in any capacity, and required to pay \$13,000, plus interest, in restitution to a public customer. Without admitting or denying the allegations, Barber consented to the described sanctions and to the entry of findings that he received \$48,000 from a public customer for investment, failed to invest the funds, and used the funds instead for his own benefit. The findings also stated that Barber failed to provide prompt notification to his member firm of his involvement in

an outside business activity. **(NASD Case #C3A990056)**

Jeffrey Joseph Barron (CRD #2108213, Registered Principal, Brooklyn, New York) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was fined \$55,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Barron consented to the described sanctions and to the entry of findings that he executed the purchase of shares and warrants in the accounts of public customers without their prior knowledge, authorization, or consent and failed to report transactions to ACT in ACT eligible securities. The findings also stated that Barron failed to testify accurately and truthfully during an NASD on-the-record interview. **(NASD Case #C10990171)**

Matthew John Beaulieu (CRD #2233143, Registered Principal, Rochester, New York) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was fined \$2,626 and suspended from association with any NASD member in any capacity for three business days. Without admitting or denying the allegations, Beaulieu consented to the described sanctions and to the entry of findings that he sold shares of a security to public customers, received compensation from the sales, and failed to provide prior written notice to his member firm detailing the proposed transactions and his role therein. Beaulieu also failed to receive written approval from his member firm to participate in the transactions. **(NASD Case #C8B990032)**

William Daniel Brett, Jr. (CRD #30090, Registered Principal, Hattiesburg, Mississippi)

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 \$214,169.98, plus interest, in restitution to public customers. Without admitting or denying the allegations, Brett consented to the described sanctions and to the entry of findings that he received funds totaling \$214,169.98 from public customers intended for the purchase of securities and converted the funds to his own use and benefit without the customers' knowledge or consent. **(NASD Case #C05990044)**

Stephen Glenn Buxton (CRD #2291322, Registered Representative, Fort Lee, New Jersey) was fined \$65,000, suspended from association with any NASD member in any capacity for two years for effecting unauthorized trades, barred from association with any NASD member in any capacity for failing to execute customer orders, ordered to pay \$750, plus interest, in restitution to a public customer, and ordered to requalify by exam as a general securities representative prior to association with any member firm. The sanctions were based on findings that Buxton effected unauthorized trades in the accounts of public customers and failed to execute customer orders to sell securities. **(NASD Case #CAF970002)**

James William Byrd (CRD #1702339, Registered Representative, Lynn, Indiana) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was fined \$50,000, barred from association with any NASD member in any capacity, and required to pay restitution to appropriate parties. Without

admitting or denying the allegations, Byrd consented to the described sanctions and to the entry of findings that he failed to negotiate a \$50,000 check from a public customer intended for the purchase of a mutual fund, and, instead, cashed the check, and used the funds for purposes other than for the benefit of the customer. **(NASD Case #C8A990068)**

Tsuihua Cathy Chen (CRD #2034887, Registered Representative, Cotati, California) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which she was fined \$25,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Chen consented to the described sanctions and to the entry of findings that she failed to respond to NASD requests to provide information and documentation concerning her termination by a member firm. **(NASD Case #C01990021)**

Thomas John Cox, Jr. (CRD #2235172, Registered Representative, Staten Island, New York) 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, Cox consented to the described sanctions and to the entry of findings that he failed to respond to NASD requests for information concerning a public customer's allegations that he had engaged in violative conduct. **(NASD Case #C10990077)**

Delio Pereira Da Silva (CRD #1726594, Registered Representative, San Francisco, California) submitted an Offer of Settlement pursuant to which he

was fined \$14,000 and suspended from association with any NASD member in any capacity for six months. Without admitting or denying the allegations, Da Silva consented to the described sanctions and to the entry of findings that he effected an \$11,813.75 sale and an \$11,813.95 purchase of funds in the account of public customers without their knowledge and consent, thereby misusing \$11,813.95 belonging to the customers. The findings also stated that Da Silva provided a business card to another public customer that falsely represented himself as a principal in a member firm. In addition, Da Silva failed to respond to NASD requests for documentation. **(NASD Case #C01980014)**

John Mike Dabal (CRD #1585467, Registered Principal, Smithtown, New York) submitted an Offer of Settlement pursuant to which he was fined \$30,000, suspended from association with any NASD member in any capacity for five months, required to pay \$32,500 in restitution to a public customer, and required to requalify by passing the Series 7 exam before functioning in that capacity with any NASD member following his suspension. Without admitting or denying the allegations, Dabal consented to the described sanctions and to the entry of findings that he made recommendations to public customers when he did not have reasonable grounds to believe that his recommendations were suitable. The findings also stated that Dabal made materially false or misleading statements to customers for which there was no reasonable basis in fact including statements which, in substance and effect, constituted unwarranted predictions or assurances that purchases would quickly result in substantial profits and failed to disclose material facts

including the risks associated with purchases. In addition, Dabal effected purchases in the accounts of the customers without their knowledge or authorization. **(NASD Case #C10990028)**

Richard David Dearcop (CRD #2397152, Registered Principal, Rochester, New York) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was fined \$2,806 and suspended from association with any NASD member in any capacity for four business days. Without admitting or denying the allegations, Dearcop consented to the described sanctions and to the entry of findings that he engaged in private securities transactions for compensation and failed to provide prior written notice to his member firm detailing the proposed transactions and his role therein. The findings also stated that Dearcop failed to receive written approval from his firm to participate in the transactions. **(NASD Case #C8B990030)**

James David DeLong (CRD #1962282, Registered Representative, Freeland, Michigan) submitted an Offer of Settlement pursuant to which he was fined \$30,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, DeLong consented to the described sanctions and to the entry of findings that he participated in private securities transactions and failed to give written notice of his intention to engage in such activities to his member firm or to receive written approval from the firm prior to engaging in such activities. The findings also stated that DeLong failed to respond to NASD requests for documents and information. **(NASD Case #C8A990040)**

William Max DeMarco (CRD #2986374, Registered Representative, Flushing, 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 three months. Without admitting or denying the allegations, DeMarco consented to the described sanctions and to the entry of findings that he failed to disclose on a Form U-4 his recent conviction in Illinois for arson involving damage to personal property, a felony offense under state law. **(NASD Case #C9B990023)**

Oscar Conrad Dotson (CRD #2585430, Registered Representative, Providence, Rhode Island) was fined \$37,783 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Dotson received a check for \$556.70 from a public customer to reinstate an insurance policy, failed to apply the funds to the policy, and deposited the check into his personal account. Dotson also failed to respond to NASD requests for information concerning his termination from a member firm. **(NASD Case #C11990020)**

Teri Annette Dupre (CRD #2396791, Associated Person, North Branch, Minnesota) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which she was fined \$206,750 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Dupre consented to the described sanctions and to the entry of findings that she converted \$41,350 to her own use and benefit without the knowledge or consent of her member firm. **(NASD Case #C04990041)**

Harold Richard Eighme (CRD #1073737, Registered Representative, St. Clairsville, Ohio) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was fined \$50,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Eighme consented to the described sanctions and to the entry of findings that he misrepresented to public customers that a new variable life insurance policy could be acquired for little or no additional cash payments by using cash values and/or future dividends from existing life insurance policies when, in fact, the customers were required to make payments to maintain the insurance coverage. The findings also stated that Eighme misrepresented to an employer that variable life insurance was solely a retirement plan and failed to disclose the life insurance elements of the product. In addition, Eighme sold variable life insurance to customers for whom the purchases were not suitable, misrepresented that variable life insurance was solely an investment product, and failed to disclose the life insurance elements of the product. **(NASD Case #CAF990021)**

David Scott Eli (CRD #1717625, Registered Representative, Clarksburg, West Virginia) submitted an Offer of Settlement pursuant to which he was fined \$325,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Eli consented to the described sanctions and to the entry of findings that he received \$53,259.16 from public customers for payments on variable and non-variable life insurance policies and for investment in interest-bearing investments, negotiated the checks,

and failed to remit the proceeds for their intended purposes. Eli also failed to respond to NASD requests for information concerning matters disclosed in an amended Form U-5. **(NASD Case #C9A990035)**

Steven Fishman (CRD #2428781, Registered Principal, Brooklyn, New York) submitted an Offer of Settlement pursuant to which he was fined \$5,000, suspended from association with any NASD member as a general securities principal for six months, and ordered to requalify by exam as a general securities principal. If Fishman fails to requalify, he will be suspended in such capacity until the exam is successfully completed. The National Adjudicatory Council (NAC) accepted the Offer following Fishman's appeal of a New York District Business Conduct Committee (DBCC) decision. Without admitting or denying the allegations, Fishman consented to the described sanctions and to the entry of findings that a member firm, acting through Fishman, operated a securities business without a financial and operations limited principal and conducted a securities business while it failed to maintain the minimum net capital requirement. The findings also stated that the member firm, acting through Fishman, failed to establish, maintain, and enforce written supervisory procedures addressing the receipt of customer checks made payable to the firm. **(NASD Case #C10960032)**

Michael Ray Floyd (CRD #210276, Registered Principal, Issaquah, Washington) was fined \$25,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Floyd failed to respond to NASD requests for information. **(NASD Case #C3B980025)**

Edward Michael Gabbert (CRD #2798883, Registered Representative, Wilmington, Delaware) was censured, fined \$25,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Gabbert failed to respond to NASD requests for information. **(NASD Case #C9A980044)**

Constantine Theodore Georgiades (CRD #1567476, Associated Person, Cranberry Township, Pennsylvania) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was fined \$160,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Georgiades consented to the described sanctions and to the entry of findings that he improperly caused a total of \$29,948.83 to be transferred from proprietary accounts of his member firm to his own account at the firm. **(NASD Case #C9A990049)**

Stephen Jay Gluckman (CRD #1139571, Registered Representative, Los Angeles, California) was censured, fined \$55,000, and barred from association with any NASD member in any capacity. The SEC sustained the sanctions following appeal of a January 1998 NAC decision. The findings stated that Gluckman engaged in private securities transactions without providing prior written notice to his member firm. **(NASD Case #C02960042)**

Katherine Joan Grady (CRD #2218371, Registered Representative, Carrollton, Texas) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which she was fined \$100,000 and barred from association with any NASD member

in any capacity. Without admitting or denying the allegations, Grady consented to the described sanctions and to the entry of findings that she participated in private securities transactions and failed to provide written notice to her member firm describing the proposed transactions, her role therein, and whether she had received, or might receive, selling compensation in connection with the transactions. **(NASD Case #C06990015)**

Keith Taylor Hamilton (CRD #1281968, Registered Representative, Tallahassee, Florida) submitted an Offer of Settlement pursuant to which he was suspended from association with any NASD member in any capacity for two years. Without admitting or denying the allegations, Hamilton consented to the described sanctions and to the entry of findings that he caused \$14,033.97 in proceeds to be withdrawn from a public customer's IRA account without her knowledge or consent, misrepresented to the customer that these funds would be deposited in an IRA rollover account, and neglected to effect the rollover, thereby misusing the \$14,033.97. The findings also stated that Hamilton received \$31,352.27 from other public customers to establish, and later to contribute to, individual IRA rollover accounts. Hamilton neglected to either establish the accounts on behalf of the customers or to deposit the funds appropriately, thereby misusing funds totaling \$31,352.27. **(NASD Case #C05990017)**

Mary Ann Hampton (CRD #2753505, Registered Representative, Harlan, Kentucky) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which she was fined

\$260,000, barred from association with any NASD member in any capacity, and required to pay \$52,000, plus interest, in restitution to a public customer. Without admitting or denying the allegations, Hampton consented to the described sanctions and to the entry of findings that she received a \$52,000 check from a public customer to purchase a fixed annuity policy, neglected to purchase the policy on the customer's behalf, and, instead, converted the funds to her own use and benefit without the customer's knowledge or consent. **(NASD Case #C05990046)**

James Orval Holton (CRD #2589553, Registered Representative, Gravois Mills, Missouri) was fined \$445,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Holton redeemed income fund and mutual fund shares totaling \$74,000 from the account of public customers and deposited proceeds into an account that he co-owned, thereby converting the customers' funds to his own use. Holton also failed to respond to NASD requests for information. **(NASD Case #C04990016)**

Musbah A. Kammourie (CRD #2526085, Registered Representative, Broadview Heights, Ohio) 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, Kammourie consented to the described sanctions and to the entry of findings that he failed to respond to NASD requests for information and documents. **(NASD Case #C8B990023)**

Rhett Howard Kirchhoff, Sr. (CRD #1693172, Registered Principal, Beesleys Point, New Jersey) 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, Kirchhoff consented to the described sanctions and to the entry of findings that he failed to respond to NASD requests for information concerning a customer complaint. **(NASD Case #C9A990045)**

Robert Newton Koch, II (CRD #2379707, Registered Principal, New Tripoli, Pennsylvania) submitted an Offer of Settlement pursuant to which he was fined \$10,000 and suspended from association with any NASD member in any capacity for 10 business days. Without admitting or denying the allegations, Koch consented to the described sanctions and to the entry of findings that he failed to amend his Form U-4 in a timely manner to disclose his indictment on felony counts. The findings also stated that he failed to reasonably supervise an individual in that he failed to cause her to file amendments to her Form U-4 to disclose her indictment and subsequently, her felony conviction within 10 calendar days after the date of conviction. **(NASD Case #C9A990041)**

Edwin Leslie Lawrence, Jr. (CRD #2282684, Registered Representative, Dix Hills, New York) was censured, fined \$75,000, barred from association with any NASD member in any capacity, and ordered to pay restitution of \$76,639.75, plus interest, to public customers. The sanctions were based on findings that Lawrence executed transactions in the

accounts of public customers without the knowledge or consent of the customers, and in the absence of written or oral authorization to exercise discretion in the accounts. **(NASD Case #C10980088)**

Ronald David Luczak, Jr. (CRD #2626188, Registered Representative, West Caldwell, 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, Luczak consented to the described sanctions and to the entry of findings that he testified untruthfully and evasively during an NASD interview. The findings also stated that he failed to respond to further NASD requests for on-the-record interviews. **(NASD Case #C10990097)**

Fred Richard Luthy (CRD #727391, Registered Principal, Basking Ridge, New Jersey) 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 suspended from association with any NASD member in any principal capacity for one year during which time he shall not directly or indirectly supervise any registered persons. The two suspensions shall run consecutively, starting with the 15 business-day suspension in all capacities. In addition, Luthy is required to demonstrate, in writing, to the NASD that he has successfully completed at least 20 hours of Continuing Education course work covering compliance, broker/dealer supervision, underwriting, and/or Regulation M before he can seek to become registered, or to act in a principal or supervisory capacity, following his

suspensions. Without admitting or denying the allegations, Luthy consented to the described sanctions and to the entry of findings that he failed to remedy fraudulent sales practices in connection with his firm's sale of low-priced, highly speculative securities. The findings also stated that Luthy failed to undertake an investigation concerning the inordinate number of purchase transaction cancellations, failed to determine what, if any, remedial measures were needed, and failed to undertake an investigation to determine the adequacy of the firm's supervisory infrastructure and written supervisory procedures to effectively address issues raised in customer complaints. In addition, Luthy took no disciplinary action and failed to disclose possible wrongdoing to regulatory authorities. **(NASD Case #C10970143)**

Mark Gene McKernan (CRD #3102326, Associated Person, Denver, Colorado) submitted a Letter of Authorization, Waiver, and Consent pursuant to which he was fined \$2,500 and suspended from association with any NASD member in any capacity for 10 business days. Without admitting or denying the allegations, McKernan consented to the described sanctions and to the entry of findings that he failed to disclose on a Form U-4 that he had been charged with second degree burglary and theft. **(NASD Case #C3A990052)**

Richard Case Miller (CRD #2067123, Registered Representative, Oklahoma City, Oklahoma) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was fined \$250,000, barred from association with any NASD member in any capacity, and required to pay

\$273,532.26 in restitution to public customers. Without admitting or denying the allegations, Miller consented to the described sanctions and to the entry of findings that he diverted funds totaling approximately \$440,000 from public customers intended for the purchase of securities, failed and neglected to execute the purchases of securities on the customers' behalf, and, instead, converted the funds to his own use and benefit, without the customers' knowledge or consent. The findings also stated that Miller failed to respond to NASD requests for information. **(NASD Case #C05990045)**

Michael Ray Pope (CRD #871535, Registered Representative, Des Moines, Iowa) 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, Pope consented to the described sanctions and to the entry of findings that he failed to respond to NASD requests for information relating to his conduct while associated with a member firm. **(NASD Case #C04990040)**

John Richard Russell (CRD #1320693, Registered Representative, Albuquerque, New Mexico) 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, Russell consented to the described sanctions and to the entry of findings that he failed to promptly invest the proceeds that he received from the liquidation of a public customer's mutual funds or to place the proceeds in an account in the name of the customer, and retained possession and control of the funds until a later date. The

findings also stated that Russell failed to respond completely to NASD requests for information and documentation. **(NASD Case #C3A990039)**

James Curtiss Sammis (CRD #2433652, Registered Representative, Beacon Falls, Connecticut) was fined \$25,000 and barred from association with any NASD member in any capacity. The findings stated that Sammis failed to respond to NASD requests for information concerning the circumstances of his termination by a member firm. **(NASD Case #C11990025)**

Bret Lee Sander (CRD #2187325, Registered Principal, Middletown, Ohio) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was fined \$51,136.65 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Sander consented to the described sanctions and to the entry of findings that he engaged in private securities transactions and failed to provide written notice to his member firms detailing the private transactions and his role therein and failed to receive written approval from his firms to participate in the transactions. The findings also stated that Sander failed to promptly amend his Form U-4 to disclose an Ohio investigation of his sales activity while registered with a member firm. In addition, Sander failed to respond truthfully and/or completely to NASD requests for information. **(NASD Case #C8B990034)**

Ronald Franklin Sivak (CRD #2778560, Registered Representative, Mobile, Alabama) was fined \$75,000 and barred from association with any NASD member in any capacity. The

sanctions were based on findings that Sivak misused customer funds by effecting an unauthorized transfer of funds. Sivak forged a public customer's signature on an Authorization to Journal Securities or Funds and transferred \$9,000 from the customer's account to the account of other customers. Sivak also failed to respond to NASD requests for information. **(NASD Case #C05990003)**

Darrin Patrick Sullivan (CRD #2629796, Registered Representative, Holbrook, New York) was fined \$127,500, barred from association with any NASD member in any capacity, and ordered to pay \$373,068.57, plus interest, in restitution to public customers. The sanctions were based on findings that Sullivan made material misrepresentations and omissions of fact to induce public customers to purchase securities. The findings also stated that Sullivan made baseless price predictions in his sale of securities. In addition, Sullivan engaged in abusive conduct directed towards a customer and failed to respond to an NASD request for an on-the-record interview. **(NASD Case #C3A980050)**

Serdrick Lee Thomas (CRD #2054286, Registered Representative, Rochester, New York) was fined \$25,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Thomas failed to respond to NASD requests for information concerning a customer complaint. **(NASD Case #C8B990005)**

Luis Rafael Torres (CRD #1253590, Registered Representative, Miami, Florida) was fined \$442,250, barred from association with any NASD member in any capacity, and

ordered to pay \$3,500, plus interest, in restitution to a public customer. The sanctions were based on findings that Torres converted \$63,450 of public customer funds for his own use and failed to respond to NASD requests for information. **(NASD Case #C07980043)**

Noble Bradford Trenham (CRD #449157, Registered Principal, Pasadena, California) and **George Edward Hall (CRD #2876326, Registered Principal, Alhambra, California)** submitted a Letter of Acceptance, Waiver, and Consent pursuant to which they were fined \$2,000, jointly and severally, with a member firm. Trenham was fined an additional \$3,000, jointly and severally, with the firm and suspended from association with any NASD member in any principal capacity for 10 business days. Hall was fined an additional \$1,000 and suspended from association with any NASD member in any capacity for five business days. Without admitting or denying the allegations, Hall and Trenham consented to the described sanctions and to the entry of findings that a member firm, acting through Trenham, failed to have and maintain sufficient minimum net capital as required by the SEC. The deficiencies were variously attributable to a misclassification of a significant portion of a \$94,955 concessions receivable as an allowable asset and inaccurate haircut deductions on certain of the firm's proprietary positions. The findings also stated that the firm, acting through Trenham, failed to designate a qualified financial and operations principal to carry out the firm's financial and operational responsibilities and permitted Hall to function as the firm's financial and operations principal without the benefit of proper registration. **(NASD Case #C02990054)**

Rickie Owen Troxel (CRD #1266232, Registered Representative, Scottsdale, Arizona) 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 \$15,000, plus interest, in restitution to a public customer. Without admitting or denying the allegations, Troxel consented to the described sanctions and to the entry of findings that he obtained \$15,000 from a public customer by representing that the funds would be used in connection with a purchase of real estate to be jointly owned by the customer and Troxel. Contrary to his representations, Troxel used the funds for personal expenses and in partial payment of an obligation to a third party. **(NASD Case #C3A990053)**

Wei John Wang (CRD #2549111, Registered Representative, Nashville, Tennessee) submitted an Offer of Settlement pursuant to which he was fined \$45,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Wang consented to the described sanctions and to the entry of findings that he forged the signature of a public customer to a form which effected a change of broker/dealer for the customer's account, without the customer's knowledge or consent. The findings also stated that Wang provided the NASD with a copy of a letter purportedly written and signed by the customer representing that he was satisfied with the manner in which his account had been handled by Wang. Wang knew, or should have known, that the letter was not written by the customer and that the purported signature was a forgery. In addition, the findings stated that Wang exercised

discretion in another public customer's account without having obtained prior written authorization from the customer and prior written acceptance of the account as discretionary by his member firm. Wang also provided the NASD with a copy of a letter purportedly written and signed by the customer retracting a complaint against Wang when Wang knew, or should have known, that the letter was not written by the customer and the purported signature was a forgery. **(NASD Case #C05990014)**

Willis White, III (CRD #1854757, Registered Representative, Hempstead, New York) was fined \$25,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that White failed to respond to NASD requests for information. **(NASD Case #C10980138)**

Michael Ashby Willis (CRD #2268680, Registered Representative, Elkin, North Carolina) was fined \$280,730 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Willis deceived a public customer into withdrawing a total of \$42,959 from his account and converted \$30,146 of the funds to his own use and benefit. The findings also stated that Willis provided false responses to an NASD request for information. **(NASD Case #C07990020)**

Walter Mark Wolff (CRD #1579100, Registered Representative, Wilmington, Delaware) 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 10 business days. Without admitting or denying the allegations, Wolff

consented to the described sanctions and to the entry of findings that he effected the sale and purchase of shares in a public customer's IRA securities account without her prior authorization. **(NASD Case #C9A990038)**

Christopher William Yoder (CRD #2095608, Registered Representative, Islip, New York) was fined \$25,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Yoder failed to respond to NASD requests for information. **(NASD Case #C10990049)**

Benjamin Michael Zabriski (CRD #1163856, Registered Representative, Hudson, Pennsylvania) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was fined \$35,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Zabriski consented to the described allegations and to the entry of findings that he received \$9,500 from public customers for the purpose of purchasing life insurance policies, failed to use all of the funds to purchase the policies, and instead converted \$4,700 to his own use and benefit without the customers' knowledge or consent. **(NASD Case #C9A990051)**

Jason Eric Zwilling (CRD #2473750, Registered Representative, Queens, New York) 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, Zwilling consented to the described sanctions and to the entry of findings that he failed to respond to

NASD requests for information concerning a customer complaint. **(NASD Case #C10990101)**

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 October 8, 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*.

James Oakley Baxter, Jr. (CRD #1176297, Registered Representative, Norfolk, Virginia) was fined \$45,000 and suspended from association with any NASD member in any capacity for 90 business days for unauthorized transactions, sharing in a customer account, and engaging in private securities transactions. Baxter was barred from association with any NASD member in any capacity for failing to respond to NASD requests for information. The sanctions were based on findings that Baxter effected unauthorized transactions for public customers, shared in a customer's account without the prior written approval of his member firm, and engaged in private securities transactions without prior written notice to his firm describing in detail the proposed transactions, his proposed role therein, and without receiving prior approval from his firm. The findings also stated that Baxter failed to respond to NASD requests for information.

Baxter has appealed this action to the NAC and the sanctions are not in effect pending consideration of the appeal. **(NASD Case #C07990016)**

Timothy Joseph Rieu (CRD #1535954, Registered Representative, West Friendship, Maryland) was fined \$50,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Rieu gave false or misleading testimony in an NASD investigation.

Rieu has appealed this action to the NAC and the sanctions are not in effect pending consideration of the appeal. **(NASD Case #C9A980032)**

Jonathan Hudson Webb (CRD #1408674, Registered Principal, Evanston, Illinois) and **Nicholas Thomas Avello (CRD #1488144, Registered Principal, Addison, Illinois)**. Webb was fined \$250,000, barred from association with any NASD member in any principal or owner capacity, suspended from association with any NASD member in any capacity for two years, and required to requalify as a general securities representative. Avello was fined \$5,000 and suspended from association with any NASD member in any financial and operations principal capacity for 30 days. The findings stated that a member firm, acting through Webb and Avello failed to maintain the minimum required net capital while effecting securities transactions, prepared inaccurate general ledgers, trial balances, and net capital computations, and filed inaccurate FOCUS IIA reports as a result. In addition, the firm, acting through Webb, conducted a municipal securities business while failing to employ a properly qualified and registered municipal securities principal and financial and operations principal and properly qualified and registered general securities principals. The findings also stated that Webb violated his firm's Restrictive Agreement that required the firm to maintain minimum net capital,

acted in the capacity of a municipal securities principal even though he was not properly qualified and registered, and failed to respond completely to NASD requests for information and documents. Webb also failed to disclose on Forms U-5 and U-4 that he was the subject of an NASD investigation.

Webb has appealed this action to the NAC and the sanctions are not in effect pending consideration of the appeal. The decision has been called for review as to Avello. The sanctions are not in effect pending consideration of the review. **(NASD Case #C8A980059)**

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.

Charles Michael Lee, III (CRD #2320124, Registered Representative, Closter, New Jersey) was named as a respondent in an NASD complaint alleging that he guaranteed a customer against loss in a securities account and made a false statement to the customer in the solicitation of a purchase of a security. The complaint also alleges that Lee falsified customer account records in order to sell securities not registered for sale under the laws of the state in which the public customer lived. **(NASD Case #C10990138)**

Stephen Roger Lennox, Jr. (CRD #2613210, Registered Representative, Smyrna, Georgia) was named as a respondent in an NASD complaint alleging that he effected transactions in a public customer's account without the customer's knowledge or consent. The complaint also alleges that Lennox made unsuitable recommendations that were contrary to the customer's stated investment objectives, were too speculative, and involved too high a degree of risk given the customer's financial situation, investment objectives, experience, and employment situation. **(NASD Case #C07990063)**

Paul Anthony Romero (CRD #2817671, Registered Representative, Littleton, Colorado) was named as a respondent in an NASD complaint alleging that he intercepted a \$4,600 refund check issued to a public customer for cancellation of a life insurance policy application, forged the signature of the customer, endorsed the check over to himself, and converted the \$4,600 to his own use. **(NASD Case #C3A990058)**

Frank Joseph Santoli (CRD #2732828, Registered Representative, Staten Island, New York) was named as a respondent in an NASD complaint alleging that he opened an account for public customers and entered false information on a New Account Form regarding the customers' net worth, security holdings, and investment objectives. The complaint also alleges that Santoli executed transactions in the customers' account without the customers' prior knowledge, authorization, or consent. The complaint also alleges that Santoli failed to respond to NASD requests to provide documents and

information. (NASD Case #C10990177)

Firm Expelled For Failure To Pay Fines, Costs, And/Or Provide Proof Of Restitution In Connection With Violations

Del Mar Financial Services, Incorporated, Irvine, California (October 8, 1999)

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 cancellations commenced is listed after the entry.

A.S. Goldmen & Co., Inc., Red Bank, New Jersey (October 1, 1999)

Mystic Global Capital Inc., Orange, California (October 1, 1999)

Spectrum Securities, Inc., Agoura Hills, California (October 1, 1999)

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.

CI Investments, Inc., Lawrenceville, Georgia (October 5, 1999)

Global Merchant Group, Inc., Cambridge, Massachusetts (October 5, 1999)

JNR Securities, Inc., Oakland, California (October 5, 1999 - October 14, 1999)

Remington Securities Corp., New York, New York (October 19, 1999)

Tiffany Capital Corp., Hialeah, Florida (October 12, 1999)

Tiger Investment Group, Inc., Waltham, Massachusetts (October 5, 1999 - October 25, 1999)

Firm Suspended Pursuant To NASD Rule Series 9510 For Failure To Pay Arbitration Awards

Argent Securities, Inc., Atlanta, Georgia (October 13, 1999)

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

Angiuli, Brian D., Port Washington, New York (October 8, 1999)

Landis, Eric T., Weston, Connecticut (October 8, 1999)

Meyers, Stacy, Staten Island, New York (October 8, 1999)

Salberg, Adam, Rockway, New Jersey (October 8, 1999)

Stricklin, Kevin H., Cranston, Rhode Island (October 8, 1999)

Individual Suspended Pursuant To NASD Rule Series 9510 For Failure To Pay Arbitration Awards

Parker, Curtiss Brian, Highland Beach, Florida (October 11, 1999)

NASD Regulation Files Complaint Against Renaissance Financial Securities Corp. And AJC Equities, Inc. For Obstructing An NASD Regulation Investigation

NASD Regulation announced that it has issued a complaint charging Renaissance Financial Securities Corp., Professional Concepts and Planning, Inc., known as AJC Equities, and 10 current and former employees of the two firms for, among other things, obstructing or attempting to obstruct an NASD Regulation investigation. The investigation focused on the firm's employment of Stanley Cohen, who had been barred from the securities industry by the Securities and Exchange Commission (SEC) in 1973, and as a result, is a "statutorily disqualified person." Named in the complaint, in addition to Stanley Cohen, are his son and daughter, Adam Cohen and Jamie K.C. Scher, respectively.

Renaissance and a number of the individuals named in the complaint have been charged with violations relating to improper or impermissible association with Stanley Cohen, as a disqualified person, and failure to properly register him with the firm.

According to the complaint, in late 1997 NASD Regulation staff in the New York District Office initiated an investigation into Stanley Cohen's role at Renaissance. In connection

with that investigation, the individuals named in the complaint are alleged to have provided false, misleading, inaccurate, or incomplete information to NASD Regulation staff concealing the fact that Stanley Cohen was acting as a trader and manager at the firm, and that the firm allowed him considerable control over the firm's retail operation. In addition, the complaint alleges that, at various times, Adam Cohen and Jamie Scher attempted to influence others to provide untruthful testimony to NASD Regulation.

The complaint names:

1. **Adam Cohen:** former President of Renaissance, current owner and Chief Executive Officer of AJC Equities, and son of Stanley Cohen;
2. **Jamie K.C. Scher:** former in-house counsel to Renaissance, current in-house counsel to AJC Equities, registered representative for Renaissance and AJC Equities, and daughter of Stanley Cohen;
3. **Stanley H. Cohen:** formerly associated with Renaissance, and currently unemployed. In 1973, Cohen was barred from the securities industry by the SEC, with a right to reapply after two years, for engaging in fraudulent and manipulative activities in connection with the initial public offering and immediate aftermarket trading

of stock. As a result of the SEC bar, Cohen is considered a "statutorily disqualified person," and may not associate, in any capacity, with any NASD member firm without the approval of the NASD and the SEC;

4. **Todd Spehler:** former Chief Executive Officer and Chief Financial Officer of Renaissance;
5. **David Hausch:** a former registered broker and principal of Renaissance and AJC Equities;
6. **Michael Monahan:** former registered broker and principal of Renaissance and AJC Equities;
7. **James Jay Christiano:** a former broker with Renaissance, currently registered with AJC Equities as a principal;
8. **Eileen Torrillo:** a former principal of Renaissance and currently registered as a principal with AJC Equities;
9. **James R. Buschle:** a former broker with Renaissance, currently registered as a broker with AJC Equities;
10. **Richard Mika:** a former broker with Renaissance, currently registered as a broker with AJC Equities;

11. Renaissance: a broker/dealer formerly located in Mineola, New York, which withdrew from NASD membership in the spring of 1998; and

12. AJC Equities: a registered broker/dealer, which commenced operations in the spring of 1998. The firm is also based in Mineola, New York.

The issuance of a disciplinary complaint represents the initiation of a formal proceeding by NASD Regulation 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 this complaint is unadjudicated, the respondents should be contacted before drawing any conclusion regarding the allegations in the complaint.

Under NASD Regulation rules, the individuals and the firms named in the complaint can file a response and request a hearing before an NASD Regulation disciplinary panel. Possible sanctions include a fine, suspension, bar, or expulsion from the NASD.

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