

Disciplinary Actions

Disciplinary Actions Reported For May

NASD Regulation, Inc. (NASD Regulation®) 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, May 17, 1999. The information relating to matters contained in this *Notice* is current as of the end of April 22, 1999.

Firm Expelled, Individual Sanctioned

Smith, Benton & Hughes, Inc. (Los Angeles, California) and **Michael Zaman (Registered Principal, Calabasas, California)**. The firm was censured and expelled from NASD membership, and Zaman was censured and barred from association with any NASD member in any capacity. The sanctions were based on findings that the firm, acting through Zaman, filed a Form U-5 that contained inaccurate and misleading information, and failed to provide a reasonable basis for the information concerning the circumstances surrounding an associated person's termination.

Firms Fined, Individuals Sanctioned

Mills Financial Services, Inc. (Chicago, Illinois) and **Joseph Edward Kurczodyna (Registered Principal, Lake Bluff, Illinois)** submitted an Offer of Settlement pursuant to which they were censured and fined \$12,500, jointly and severally, and Kurczodyna was suspended from acting in a supervisory or managerial capacity for five business days. Without admitting or denying the allegations, the respondents con-

sented to the described sanctions and to the entry of findings that the firm, acting through Kurczodyna, conducted a securities business despite the fact that the firm did not have an appropriately qualified and registered limited financial and operations principal associated with it. The findings also stated that the firm failed to prepare an annual needs analysis and training plan regarding the Firm Element component of the Continuing Education Program requirement, and failed to evidence having conducted a requisite training program with its covered registered personnel at any time during 1996.

Sutro & Co., Inc. (San Francisco, California) and **Glenn P. Kernweis (Registered Representative, Burbank, California)** submitted Offers of Settlement pursuant to which the firm was censured and fined \$60,000. Kernweis was censured, fined \$30,000, suspended from association with any NASD member in any capacity for 60 days, and ordered to requalify by exam as a general securities representative. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that Kernweis failed to take appropriate action to prevent unsuitable recommendations that were made to a customer by another registered representative with whom Kernweis did business in a partnership called the KKS Group. Kernweis benefited substantially from the violative trading. Furthermore, the NASD determined that the firm failed to establish, maintain, and/or enforce clear lines of authority and responsibility in response to certain findings relating to its supervision of KKS Group that were cited in a New York Stock Exchange special examination report and the firm's undertakings made in response to the report.

Firms And Individuals Fined

Hattier, Sanford & Reynoir, L.L.P. (New Orleans, Louisiana) and Gus Anthony Reynoir (Registered Principal, New Orleans, Louisiana)

submitted an Offer of Settlement pursuant to which they were censured and fined \$10,000, jointly and severally. In addition, the firm must issue to public customers amended confirmations reflecting correct disclosures for the transactions at issue along with cover letters reviewed and approved by the NASD prior to issuance. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Reynoir, failed and neglected to provide full and complete disclosure on confirmation statements for municipal bond sales transactions with public customers in that the confirmation statements failed to disclose one or more of the following: (i) the lower of the yield to call or yield to maturity; (ii) the fact that the securities were initially offered at an "original issue discount"; (iii) the fact that the securities were subject to the alternative minimum tax; or (iv) the fact that the securities were non-rated.

J.P. Carey Securities, Inc.

(Atlanta, Georgia) and Joseph Carey Canouse (Registered Principal, Alpharetta, Georgia)

submitted a Letter of Acceptance, Waiver, and Consent pursuant to which they were censured and fined \$10,000, jointly and severally. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that Canouse functioned, and the firm permitted Canouse to function, as president of the firm while his registration was inactive as a result of his failure to satisfy the Regulatory Element of the NASD's Continuing Education Program.

Firms Fined

BancAmerica Robertson Stephens (San Francisco, California)

submitted a Letter of Acceptance, Waiver, and Consent pursuant to which the firm was censured and fined \$13,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it reported transactions to the Automated Confirmation Transaction ServiceSM (ACTSM) in violation of applicable securities laws and regulations regarding limit orders. The firm also provided written notification to its customers that the price listed was the reported price when the price listed was an average price. The findings also stated that the firm failed to establish, maintain, and enforce written supervisory procedures reasonably designed to achieve compliance with the applicable securities laws and regulations regarding locked and crossed markets, Small Order Execution SystemSM (SOESSM), limit orders, and best execution.

Barron Chase Securities, Inc.

(Boca Raton, Florida) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which the firm was fined \$27,000 and required to submit revised supervisory procedures to the NASD. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it failed to contemporaneously execute customer limit orders after it traded each subject security for its own market-making account at a price that would satisfy each such customer limit order. The NASD also determined that the firm reported transactions to ACT, designating its capacity as principal when it was actually acting as agent. The findings also stated that the firm failed to establish, maintain, and enforce written supervisory procedures regarding ACT compliance, best execution, books and records, limit order protec-

tion, SOES order eligibility, order handling, registration of trading personnel, trade reporting, markups/markdowns, locked and crossed markets, and the anti-competitive issues enumerated in the Securities and Exchange Commission's (SEC) 21(a) Report.

M.A. Berman Company (Boca Raton, Florida)

submitted a Letter of Acceptance, Waiver, and Consent pursuant to which the firm was censured and fined \$29,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it executed short-sale transactions in Nasdaq National Market[®] (NNM) securities at or below the inside bid when the current inside bid was below the preceding inside bid in the securities. The findings also stated that the firm executed short-sale orders in certain securities and failed to maintain a written record of the affirmative determination made for such orders, failed to report transactions to ACT with a short-sale indicator, and failed to mark properly the order tickets as short. In addition, the firm failed to report transactions in NNM securities to ACT that it was required to report, failed to designate some transactions as late, failed to include the time of executions in each transaction report, and failed to designate as ".T" a security transaction executed outside normal market hours. Moreover, the findings stated that the firm failed to prepare a training plan designed to implement the results of its needs analysis and failed to cause required employees to participate in the firm's Element Training, and failed to establish, maintain, and enforce adequate written supervisory procedures reasonably designed to achieve compliance with short sales, trade reporting, limit order protection, best execution, and ACT reporting rules.

Merrill Lynch, Pierce, Fenner & Smith, Inc. (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 a preferenced SelectNetSM order was presented to the firm at the firm's published bid or offer in an amount up to its published quotation. The NASD found that the firm failed to execute the orders and thereby, failed to honor its published quotation. In addition, the firm failed to establish and maintain written procedures reasonably designed to achieve compliance with the applicable securities laws and regulations SEC and NASD firm quote rules.

Seasongood and Mayer (Cincinnati, Ohio) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which the firm was censured and fined \$20,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it failed to adopt, maintain, and enforce an adequate supervisory system to ensure that individuals were properly qualified to engage in municipal securities activities.

Warburg Dillon Read L.L.C. (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 the firm reported transactions to ACT in violation of applicable securities laws and regulations regarding trade reporting, customer orders, and limit orders. The findings also stated that the firm failed to establish and maintain adequate written supervisory procedures reasonably designed to achieve compliance with the short-sale rules.

Individuals Barred Or Suspended

Ralph Charles Altomare (Registered Representative, Bellevue, Washington) submitted an Offer of Settlement pursuant to which he was censured and suspended from association with any NASD member in any capacity for two months. Without admitting or denying the allegations, Altomare consented to the described sanctions and to the entry of findings that he effected transactions in the accounts of public customers without the prior authorization of the customers.

Peter Scott Antonelli (Registered Representative, Valley Stream, New York) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$25,000, and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Antonelli consented to the described sanctions and to the entry of findings that prior to receiving approval from the NASD, he was improperly associated with a member firm, received monies from the firm, and was involved in assisting the firm in recruiting registered representative trainees.

William Joseph Beaton, III (Registered Representative, Dunwoody, Georgia) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured and suspended from association with any NASD member in any capacity for 30 business days. Without admitting or denying the allegations, Beaton consented to the described sanctions and to the entry of findings that he effected securities transactions in the accounts of public customers without the customers' authorization.

Gerald Don Behnkendorf (Registered Principal, Rolfe, Iowa) submitted a Letter of Acceptance, Waiver, and Consent pursuant to

which he was censured, fined \$63,095, and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Behnkendorf consented to the described sanctions and to the entry of findings that, without the knowledge or consent of his member firm, he converted \$12,619 to his own use and benefit.

Michael Evan Berger (Registered Representative, Peoria, Illinois) submitted an Offer of Settlement pursuant to which he was censured, fined \$30,000, and suspended from association with any NASD member in any capacity for 10 business days. Without admitting or denying the allegations, Berger consented to the described sanctions and to the entry of findings that he purchased shares of stock that traded at a premium in the secondary market, in violation of the NASD Free-Riding and Withholding Interpretation.

Craig Steven Berman (Registered Representative, Atlanta, Georgia) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$50,000, suspended from association with any NASD member in any capacity for 18 months, and required to pay restitution in the amount of \$93,370 to public customers. Without admitting or denying the allegations, Berman consented to the described sanctions and to the entry of findings that he made material misrepresentations and omitted to disclose material information in connection with the solicitation of transactions in securities to public customers. The findings also stated that Berman effected transactions without the prior authorization and consent of the customers in whose accounts the transactions were effected, predicted the future prices of a security to customers when he did not have a reasonable basis for the prediction, and failed to sell securities when instructed to do so. Furthermore, the NASD

found that Berman conducted a securities business with a public customer who resided in a state in which he was not yet registered, and indicated another representative's broker number on the new account card.

James Hugh Brennan, III (Registered Representative, Chattanooga, Tennessee) submitted an Offer of Settlement pursuant to which he was censured and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Brennan consented to the described sanctions and to the entry of findings that he executed unauthorized transactions in the accounts of public customers without the customers' knowledge or consent. The findings also stated that Brennan recommended and engaged in such transactions in the accounts of public customers without having reasonable grounds for believing these recommendations and resultant transactions were suitable for the customers on the basis of their investment objectives and needs. Furthermore, in connection with unsuitable transactions, the NASD found that Brennan verbally misrepresented to a public customer that the subject transactions had been effected in error and overstated the value of the account by approximately \$146,000. Brennan also guaranteed a public customer against loss in his accounts in that Brennan stated that he would be responsible for making up any shortfall in the value of securities that occurred in a specified time period.

John Thomas Bridges (Registered Representative, Ft. Worth, Texas) was censured, fined \$25,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Bridges failed to respond to NASD requests for information and to provide testimony about a cus-

tomers' allegations of unauthorized trading.

Lonnie Gene Brown (Registered Principal, Ninnekah, Oklahoma) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$5,000, and suspended from association with any NASD member in any principal capacity for one week. Without admitting or denying the allegations, Brown consented to the described sanctions and to the entry of findings that he failed and neglected to exercise reasonable and proper supervision over certain activities in a branch office of his member firm in that he permitted the payment of commissions to a registered representative who was not licensed to sell the securities products on which the commissions were paid.

Stephen Vaillancourt Burns (Registered Representative, Pasadena, California) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$25,000, and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Burns consented to the described sanctions and to the entry of findings that he failed to respond to NASD requests to provide documents and testimony.

Richard Lee Bushey (Registered Representative, Columbus, Ohio) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$36,250, and suspended from association with any NASD member in any capacity for 60 days. Without admitting or denying the allegations, Bushey consented to the described sanctions and to the entry of findings that he sold a securities product on behalf of an entity that was not an NASD member firm to public customers and failed to provide prior written notice to his member firm

describing the transactions and his role therein.

Teresa Fei Chan (Registered Representative, Seattle, Washington) was censured, fined \$10,000, and suspended from association with any NASD member in any capacity for 30 business days. The sanctions were based on findings that Chan exercised discretion in the securities account of a public customer without obtaining prior written authorization from the customer and without obtaining acceptance of the account as a discretionary account from her member firm.

Peter In Cho (Registered Principal, Buffalo Grove, Illinois) submitted an Offer of Settlement pursuant to which he was censured, fined \$25,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Cho failed to respond to NASD requests to appear to provide information.

Robert Leon Chris (Registered Representative, Caldwell, Idaho) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$85,000, barred from association with any NASD member in any capacity, and ordered to pay \$14,990 in restitution to a public customer. Without admitting or denying the allegations, Chris consented to the described sanctions and to the entry of findings that he received at least \$29,721 from a public customer for the purpose of helping her pay her bills and to otherwise manage her money. The NASD found that Chris used approximately \$10,126 to cover the customer's bills, returned a check in the amount of \$5,000 to the customer, spent the balance of funds, \$14,990, to pay his business and personal expenses, and to pay debts of other clients, without the authorization or consent of the customer.

James Edward Cohen (Registered Principal, Lattingtown, New York)

submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$200,000, and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Cohen consented to the described sanctions and to the entry of findings that he manipulated the price of certain stock to benefit himself and others. The manipulation artificially increased the price of registered shares and was also designed to increase the price of then-restricted shares in the event those shares became freely tradable, and to increase the price of those securities in anticipated future offerings. The findings also stated that Cohen failed to take appropriate steps or to establish and maintain procedures reasonably designed to achieve compliance with the Penny Stock Rules with respect to purchases of certain stock by public customers. Furthermore, the NASD found that Cohen failed to disclose and confirm in writing to customers the control relationship which existed between his member firm and the security as required by the NASD, or to establish and maintain procedures reasonably designed to achieve compliance with the NASD Rule concerning disclosure of a control relationship with an issuer.

Joseph Dubois Cornwell (Registered Principal, Canton, Georgia) and **Rodney Declay Sailor (Registered Representative, Berkeley Lake, Georgia)** were each censured, fined \$70,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Cornwell permitted Sailor to function as a registered representative and to execute transactions on behalf of customers without being registered as such with the NASD. In addition, Sailor effected unauthorized transactions in the

securities accounts of public customers. Sailor and Cornwell also failed to respond to NASD requests for information.

Mark David Couron (Registered Representative, Carlsbad, California) and **Steven Roy Schroeder (Registered Representative, Carlsbad, California)**

submitted Offers of Settlement pursuant to which Couron was censured and suspended from association with any NASD member in any capacity for 45 days, and Schroeder was censured and suspended from association with any NASD member in any capacity for 30 days. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that they participated in private securities transactions but failed to provide prompt written notification to their respective member firms prior to participating in such transactions.

Kelly Gene Culpepper (Registered Representative, Warsaw, Missouri)

submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$25,000, and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Culpepper consented to the described sanctions and to the entry of findings that he submitted applications to purchase variable and/or fixed insurance policies for fictitious customers.

Robert Lee Davis, Jr. (Registered Representative, Sacramento, California)

was censured, fined \$75,000, barred from association with any NASD member in any capacity, and ordered to pay \$8,500, plus interest, in restitution to a public customer. The sanctions were based on findings that Davis failed to deposit \$8,500 he received from a public customer for the purchase of real estate in an escrow account, failed to

use the funds for investment purposes, or to return the funds to the customer, and, without the knowledge or consent of the customer, used the funds to pay his business and personal living expenses. Davis also failed to respond to NASD requests for information.

Patrick Michael Dennis (Registered Representative, Bay Shore, New York) was censured, fined \$25,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Dennis failed to respond to NASD requests for information relating to the investigation of customer complaints.

Jasen Michael Devlin (Registered Principal, Bayshore, New York)

submitted an Offer of Settlement pursuant to which he was censured, fined \$27,000, and suspended from association with any NASD member in any capacity for three months. Without admitting or denying the allegations, Devlin consented to the described sanctions and to the entry of findings that he solicited public customers to purchase securities by means of misrepresentations and omissions of material facts and predictions of the future price of securities. The findings also stated that Devlin failed to sell securities when instructed to do so.

Adolphus Cleveland DuBose, Jr. (Registered Principal, Columbus, Ohio)

submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$3,000, and suspended from association with any NASD member in any capacity for three business days. Without admitting or denying the allegations, DuBose consented to the described sanctions and to the entry of findings that he effected transactions in securities, and received customer checks payable to his member firm, when the firm

failed to maintain the minimum required net capital.

Leslie Saul Feldman (Registered Representative, Evergreen, Colorado) was censured; fined \$103,563.95, with the proviso that the fine be reduced to \$20,000 upon demonstration to the NASD that he has made full restitution in compliance with a settlement agreement; and barred from association with any NASD member in any capacity. The sanctions were based on findings that Feldman misappropriated funds totaling \$16,712.79 from his member firm.

Derrick Fellows (Registered Representative, East Cleveland, Ohio) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Fellows consented to the described sanctions and to the entry of findings that, without the customer's knowledge or consent, he completed an insurance disbursement request form which caused a \$1,200 loan to be taken against the customer's insurance policy. Furthermore, the NASD found that Fellows forged the customer's name on both the disbursement request form, and the subsequent loan check issued in remittance of the loan proceeds, and used the funds for his own benefit. Moreover, the findings stated that Fellows created a letter in an attempt to conceal his activity, and forged the customer's name on the letter which he then submitted to his member firm.

Patrick John Flanagan (Registered Representative, Parlin, New Jersey) was censured, fined \$25,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Flanagan failed to respond to NASD requests for information.

Michael Harvey Gibson (Registered Representative, New York, New York) was censured, fined \$25,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Gibson failed to appear at an on-the-record interview scheduled by the NASD.

William Theodore Goldenberg (Associated Person, Flushing, New York) was censured, fined \$65,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Goldenberg entered indecorous, abusive, and threatening remarks on the survey portion of his Series 63 exam and attempted to cover up his conduct by entering another individual's name on that section. Goldenberg also failed to respond to NASD requests for information.

Peter Lawrence Greenberg (Registered Representative, New York, New York) submitted an Offer of Settlement pursuant to which he was censured, fined \$35,000, required to disgorge \$250 in net commissions, and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Greenberg consented to the described sanctions and to the entry of findings that he executed the purchase and sale of securities in a public customer's account, without the customer's prior knowledge, authorization, or consent. Greenberg also failed to respond to NASD requests for information.

Franklin Leonard Grey, Sr. (Registered Representative, Cooperstown, New York) was censured, fined \$60,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Grey participated in private securities transactions with public customers and

failed to give notice to his member firms of such transactions. Grey also failed to respond to NASD requests for information.

Philip Steven Harmon (Registered Representative, Camano Island, Washington) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$25,000, and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Harmon consented to the described sanctions and to the entry of findings that he failed to respond to NASD requests for information in connection with his alleged private securities transactions.

Michael Joseph Hayes (Registered Representative, Long Island City, New York) was censured, fined \$25,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Hayes failed to respond to NASD requests for information.

Javier Hernandez (Registered Representative, Brooklyn, New York) submitted an Offer of Settlement pursuant to which he was censured, fined \$2,500, and suspended from association with any NASD member in any capacity for five business days. Without admitting or denying the allegations, Hernandez consented to the described sanctions and to the entry of findings that he failed to respond to an NASD request to appear for an on-the-record interview.

Michael David Hersh (Registered Representative, Tipton, Pennsylvania) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$125,000, and barred from association with any NASD member in any capacity. Without admitting or

denying the allegations, Hersh consented to the described sanctions and to the entry of findings that he received checks totaling \$86,565.46 from public customers for the purpose of remitting the funds to his member firm to be applied toward either an insurance policy or an annuity. The NASD found that Hersh failed to follow the customers' instructions and deposited the checks in a personal bank account. Hersh also failed to respond to NASD requests for information.

William Felix Hughes, Sr. (Registered Representative, Sherman, Connecticut) was censured, fined \$25,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Hughes failed to respond to NASD requests for information.

Scott Kevin Kelly (Registered Representative, Grove City, Ohio) submitted an Offer of Settlement pursuant to which he was censured, fined \$78,000, and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Kelly consented to the described sanctions and to the entry of findings that he executed the purchase and sale of shares of stock in the accounts of public customers without the knowledge or consent of the customers and in the absence of written or oral discretionary authority in the accounts. The findings also stated that Kelly failed to respond to NASD requests for information.

Robert William Koch, II (Registered Representative, Katonah, New York) submitted an Offer of Settlement pursuant to which he was censured, suspended from association with any NASD member in any capacity for two years, and required to requalify by exam prior to becoming associated with any member

firm. Without admitting or denying the allegations, Koch consented to the described sanctions and to the entry of findings that he made baseless and improper price predictions pertaining to highly speculative securities and engaged in unauthorized trading in a customer's account. The findings also stated that Koch improperly discouraged or refused to execute sell orders, improperly promised to limit losses, and made false and misleading disclosures as to risk. Furthermore, the NASD determined that Koch made false and misleading statements as to an issuer and falsely claimed access to inside information.

James Raymond Lackey (Registered Representative, Ft. Myers, Florida) submitted an Offer of Settlement pursuant to which he was censured, fined \$5,000, and suspended from association with any NASD member in any capacity for two years. Without admitting or denying the allegations, Lackey consented to the described sanctions and to the entry of findings that he effected unauthorized trades in the accounts of public customers without the customers' prior authority.

James Robert Laymac (Registered Representative, Roswell, Georgia) submitted an Offer of Settlement pursuant to which he was censured, fined \$5,000, and suspended from association with any NASD member in any capacity for 30 business days. Without admitting or denying the allegations, Laymac consented to the described sanctions and to the entry of findings that he engaged in outside business activities and participated in private securities transactions without providing prior written notice to his member firm.

Sander Lee Lenenberg (Registered Representative, Pittsburgh, Pennsylvania) submitted an Offer of Settlement pursuant to which he was

censured, fined \$25,000, and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Lenenberg consented to the described sanctions and to the entry of findings that he failed to respond to NASD requests for information.

Michael Joseph Malone (Registered Principal, Ellicott City, Maryland) was censured, fined \$25,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Malone failed to respond to NASD requests for information.

Timothy James Manson (Registered Representative, Guttenberg, Iowa) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$10,000, and suspended from association with any NASD member in any capacity for one year. Without admitting or denying the allegations, Manson consented to the described sanctions and to the entry of findings that he affixed the signatures of public customers on forms without the customers' knowledge or consent.

Nancy Hoff Martin (Registered Principal, Tustin, California) submitted an Offer of Settlement pursuant to which she was censured, fined \$20,000, suspended from association with any NASD member in any capacity for 30 days, suspended from associating with any NASD member firm in the capacity of a general securities principal for two years, and ordered to requalify by exam as a general securities principal. Without admitting or denying the allegations, Martin consented to the described sanctions and to the entry of findings that she permitted unregistered persons to actively trade in public customer accounts, using her account executive number. The NASD also found that Martin failed to follow procedures reasonably

designed to carry out the supervision of a representative to ensure compliance with the NASD Membership and Registration Rules. Furthermore, Martin failed to carry out her supervisory responsibilities when confronted with, or exposed to, various situations that indicated that the representative was engaging in the securities business of a member firm without being properly registered.

Eddie Miller (Registered Representative, Woodmere, New York) submitted an Offer of Settlement pursuant to which he was censured, fined \$10,000, and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Miller consented to the described sanctions and to the entry of findings that he refused, or failed to follow, public customers' orders to sell shares of common stock on certain dates.

James Scott Morrill (Registered Representative, Staten Island, New York) was censured, fined \$35,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Morrill failed to respond to NASD requests for information.

Samuel Taylor Noland (Registered Principal, Evans, Georgia) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$25,000, and suspended from association with any NASD member in any capacity for one year. Without admitting or denying the allegations, Noland consented to the described sanctions and to the entry of findings that he changed the address of record of a public customer's account to his own business address, withdrew a total of \$80,000 from the customer's account paid out in three separate checks, forged the customer's endorsement on each of the checks, and received the pro-

ceeds, all without the customer's knowledge or authorization.

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

Joseph David Pichla, Jr. (Registered Representative, Bay City, Michigan) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Pichla consented to the described sanctions and to the entry of findings that he participated in private securities transactions and failed and neglected to provide written notice to, or to receive written authorization from, his member firms of his participation in such transactions.

Donald Eugene Radle (Registered Principal, Springfield, Missouri) was censured, fined \$50,000, barred from association with any NASD member in any capacity, and ordered to pay \$86,375, plus interest, in restitution to public customers. The sanctions were based on findings that Radle made unsuitable recommendations to customers.

Luis Jaime Ramirez (Registered Representative, Manhasset Hills, New York) submitted an Offer of Settlement pursuant to which he was censured, fined \$35,000, and barred from association with any NASD member in any capacity. Without admitting or denying the allegations,

Ramirez consented to the described sanctions and to the entry of findings that he requested his member firm issue checks totaling \$17,124.51 that represented dividend disbursements from public customers' life insurance policies, had the checks forwarded to his post office box, and deposited the proceeds from the checks into his own account without the knowledge, permission, or authority of the customers. The findings also stated that Ramirez engaged in forgery by causing his member firm to issue a disbursement check in the amount of \$5,759.46 to a public customer, when that customer had not given Ramirez permission or authority to issue the check, and had not provided the firm with a change of address notification that listed Ramirez's post office box as the customer's current address. Ramirez also failed to respond to NASD requests for information and documents.

Michael Jerome Roosa (Registered Representative, Hiawatha, Iowa) was censured, fined \$25,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Roosa failed to respond to NASD requests for information.

Robert Joseph Rosato (Registered Principal, Melville, New York) was censured, fined \$30,000, suspended from association with any NASD member in any capacity for eight months, and ordered to pay restitution in the amount of \$17,957.69 plus pre-judgment interest. The sanctions were based on findings that Rosato engaged in a baseless and improper price prediction and an improper promise to recover losses to a public customer. Rosato also engaged in unauthorized trading in the accounts of public customers.

Robin Michele Rushing (Registered Principal, San Diego, California) submitted a Letter of

Acceptance, Waiver, and Consent pursuant to which she was censured, fined \$5,000, jointly and severally, with a member firm, and suspended from association with any NASD member in any capacity for 15 business days. Without admitting or denying the allegations Rushing consented to the described sanctions and to the entry of findings that a member firm, acting under the direction and control of Rushing, failed to have and maintain sufficient minimum net capital.

Benjamin Vince Salmonese, Jr. (Registered Representative, New York, New York) was censured, fined \$11,250, and suspended from association with any NASD member in any capacity for one year. The sanctions were based on findings that Salmonese failed to respond to NASD requests for information in a timely manner.

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

William Edward Scuteri (Registered Representative, Northport, New York), Robert John Paulson (Registered Representative, Manor Park, New York), Brian Patrick Kearney (Registered Principal, Woodbury, New York), Timothy J. Matthews (Registered Principal, Nissequoque, New York), Joseph John Ferrante (Registered Principal, Deer Park, New York), Michael Howard Cohn (Registered Principal, Babylon, New York), Claudia Lyn Silver (Registered Representative, New York, New York), and Diana Coblin (Registered Principal, New York, New York) submitted Offers of Settlement

pursuant to which Scuteri was censured, fined \$100,000, barred from association with any NASD member in any capacity, and required to pay \$223,200 in restitution to customers. Paulson was censured, fined \$100,000, barred from association with any NASD member in any capacity, and required to pay \$82,006 in restitution to customers. Kearney was censured, fined \$100,000, barred from association with any NASD member in any capacity, and required to pay \$64,410 in restitution to customers. Matthews was censured, fined \$100,000, barred from association with any NASD member in any capacity, and required to pay \$135,706 in restitution to customers. Ferrante was censured, fined \$25,000, suspended from association with any NASD member in any capacity for six months, required to requalify by exam as a general securities representative, and required to pay \$75,577 in restitution to customers. Cohn was censured, fined \$100,000, barred from association with any NASD member in any capacity, and required to pay \$94,341 in restitution to customers. Silver was censured, fined \$12,500, suspended from association with any NASD member in any capacity for 30 days, required to requalify by exam as a general securities representative, and required to pay \$13,322.50 in restitution to customers. Coblin was censured, fined \$100,000, suspended from association with any NASD member in any capacity for two years, and required to pay \$152,347 in restitution to customers.

Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that they engaged in high pressure, "boiler room" sales practices, including fraudulent misrepresentations, baseless price predictions, and omissions of material facts in recommending to customers

that they purchase securities. The findings also stated that the respondents effected numerous unauthorized transactions in customer accounts.

David Eugene Singer (Registered Representative, Wellington, Florida) submitted an Offer of Settlement pursuant to which he was censured, fined \$10,000, and suspended from association with any NASD member in any capacity for two years. Without admitting or denying the allegations, Singer consented to the described sanctions and to the entry of findings that he completed a "request for verification of employment" form for a loan application that listed a false manager for his member firm and a false salary amount for himself, and forged the false manager's signature on the form.

Brian Mark Smith (Registered Representative, Dunwoody, Georgia) was censured, fined \$25,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Smith failed to respond to NASD requests for information.

Jerrold Alan Soff (Registered Representative, Seminole, Florida) submitted an Offer of Settlement pursuant to which he was censured, fined \$12,238, and suspended from association with any NASD member in any capacity for six months. Without admitting or denying the allegations, Soff consented to the described sanctions and to the entry of findings that he effected the sale of shares of common stock in the securities accounts of public customers without the customers' knowledge or consent. The findings also state that Soff effected the purchase of shares of common stock, some on margin, in the securities account of a public customer without the customer's knowledge or consent.

Gregory Scott Stafford (Registered Representative, Asheville, North Carolina) was censured, fined \$25,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Stafford failed to respond to NASD requests for information.

Kevin Harrison Stricklin (Registered Principal, Cranston, Rhode Island) submitted an Offer of Settlement pursuant to which he was censured, fined \$25,000, and suspended from association with any NASD member in any capacity for six months. Without admitting or denying the allegations, Stricklin consented to the described sanctions and to the entry of findings that he intentionally or recklessly employed devices to defraud public customers by recommending and urging customers to buy speculative and/or unseasoned securities through baseless price predictions and/or predictions of returns. The findings also stated that Stricklin omitted or misstated material information in sales of securities recommended by his member firm to customers.

Michele Mente Taylor (Associated Person, Ft. Lauderdale, Florida) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which she was censured, fined \$20,000, and barred from association with any NASD member in any principal capacity. Without admitting or denying the allegations, Taylor consented to the described sanctions and to the entry of findings that she functioned as a principal of a member firm without proper qualification and/or registration in any capacity.

Glen Loren Thormodsgaard (Registered Principal, Denver, Colorado) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$10,000, and suspended from

association with any NASD member in any capacity for one year. Without admitting or denying the allegations, Thormodsgaard consented to the described sanctions and to the entry of findings that he obtained commission checks payable to a former representative of his member firm to whom he had loaned money and a personal computer that had not been returned, and deposited the checks, which totaled \$416.47, into his personal bank account.

Robert Joseph Torres (Registered Representative, Rancho Mirage, California) submitted an Offer of Settlement pursuant to which he was censured, fined \$5,000, and suspended from association with any NASD member in any capacity for 30 business days. Without admitting or denying the allegations, Torres consented to the described sanctions and to the entry of findings that he failed to provide information in the form of testimony concerning a customer complaint involving apparent misuse of customer funds, selling away, and other apparent misconduct.

Ronald Anthony Travisano (Registered Principal, Tujunga, California) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$25,000, and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Travisano consented to the described sanctions and to the entry of findings that he failed to appear for an on-the-record interview requested by the NASD in connection with a customer complaint.

Mare Van Sickler (Registered Representative, Valley Village, California) was censured, fined \$25,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings

that Van Sickler failed to respond to NASD requests for information.

Joseph Anthony Watters (Registered Representative, Monroeville, Pennsylvania) submitted an Offer of Settlement pursuant to which he was censured, fined \$5,000, and suspended from association with any NASD member in any capacity for three months. Without admitting or denying the allegations, Watters 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. The findings also stated that Watters recommended to a public customer the purchase of securities when he did not have reasonable grounds for believing such recommendation (and resulting transaction) were suitable for the customer on the basis of the customer's financial situation, investment objectives, and needs. Furthermore, the NASD determined that Watters made misrepresentations to a customer regarding the safety and security associated with her investment, and guaranteed a return on the customer's investment although there was no reasonable basis for such representations.

James Clark Williams (Registered Representative, Bloomsburg, Pennsylvania) submitted an Offer of Settlement pursuant to which he was censured, fined \$932,800, and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Williams consented to the described sanctions and to the entry of findings that he received checks totaling \$166,560 from a public customer drawn to the order of Williams that the customer intended for investment purposes and for paying an insurance premium. The findings stated that Williams negotiated the checks and failed to remit the pro-

ceeds to his member firm, nor otherwise cause the proceeds to be applied to the purposes for which the customer gave him the checks. The NASD determined that Williams mailed the customer false account statements purporting to have been issued by his member firm for the customer's investments when, in fact, she did not have such accounts.

Individuals Fined

Frederick H. Camp (Registered Representative, Bellevue, Washington) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured and fined \$15,000. Without admitting or denying the allegations, Camp consented to the described sanctions and to the entry of findings that he participated in private securities transactions and failed to provide written notice to his member firm describing in detail the proposed transactions, his role therein, and stating whether he had received or might receive selling compensation in connection with the related transactions.

Robert Charles Madrid (Registered Representative, Blue Island, Illinois) was censured and fined \$10,000. The sanctions were based on findings that Madrid executed unauthorized transactions in the account of a public customer without the knowledge or consent of the customer.

Charles Wesley Rhodes, Jr. (Registered Representative, Portland, Oregon) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured and fined \$12,000. Without admitting or denying the allegations, Rhodes consented to the described sanctions and to the entry of findings that he participated in private securities transactions without providing written notice to his member firm describing

in detail the proposed transaction, his role therein, and stating whether he had received or might receive selling compensation in connection with the related transactions.

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 April 9, 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*.

George Evans Brooks (Registered Principal, Charlotte, North Carolina) was censured, fined \$25,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Brooks failed to respond to NASD requests for information.

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

Richard Stephen Levitov (Registered Principal, Bayonne, New Jersey) and **Ralph Joseph Angeline (Registered Principal, Katonah, New York)** were each censured, fined \$10,000, and suspended from association with any NASD member in any capacity for 18 months. The sanctions were based on findings that Levitov and Angeline failed to produce documents and to appear for on-the-record interviews.

Levitov and Angeline have appealed this action to the NAC and the sanctions are not in effect pending consideration of the appeal.

Complaints Filed

The following complaints were issued by the NASD. Issuance of a disciplinary complaint represents the initiation of a formal proceeding by the NASD in which findings as to the allegations in the complaint have not been made, and does not represent a decision as to any of the allegations contained in the complaint. Because these complaints are unadjudicated, you may wish to contact the respondents before drawing any conclusions regarding the allegations in the complaint.

Donna Marie Andres (Registered Representative, St. Ann, Missouri) was named as a respondent in an NASD complaint alleging that she received checks totaling \$1,500 payable to her member firm, and without the knowledge or consent of her firm, endorsed the checks, deposited them into a bank account she controlled, and converted the funds to her own use and benefit.

James Oakley Baxter, Jr. (Registered Representative, Norfolk, Virginia) was named as a respondent in an NASD complaint alleging that he effected securities transactions in the accounts of public customers, without the customers' knowledge or consent. The complaint also alleges that Baxter shared in the account of a public customer disproportionately to his interest by providing the difference between the minimum investment requirement for securities and the balance in order to purchase securities on behalf of the customer, when he had no personal interest in the securities investment made on behalf of the customer. The complaint also alleges that Baxter participated in private securities transactions without giving prior written notice to, and receiving written approval from, his member firm of his proposed participation in the transactions. The complaint also alleges that

Baxter failed to respond to NASD requests for information.

Donald Wayne Brasfield, Jr. (Registered Representative, Boca Raton, Florida) was named as a respondent in an NASD complaint alleging that he made misrepresentations to a public customer in order to induce him to purchase securities. The complaint also alleges that Brasfield effected securities transactions in the joint account of public customers, without the prior knowledge or authorization of the customers. The complaint also alleges that Brasfield failed to respond to NASD requests for information.

Sameer Yousuf Butt (Registered Representative, New York, New York) was named as a respondent in an NASD complaint alleging that he executed a transaction in the account of a public customer without the customer's knowledge, authorization, or consent.

Reginald Bernard Cunningham (Registered Representative, Chicago, Illinois) was named as a respondent in an NASD complaint alleging that he received \$154.20 in cash from public customers to reinstate their life insurance policies; never applied the premium payments to the policies, without the knowledge and authorization of either customer; and repaid the funds only after an investigation by his member firm. The complaint also alleges that Cunningham failed to respond to NASD requests for information.

Andrew Harold Geyer (Registered Representative, Kings Park, New York) was named as a respondent in an NASD complaint alleging that he effected securities transactions in the account of a public customer without the knowledge or consent of the customer and in the absence of written or oral authorization to exercise discretion in the customer's account.

The complaint also alleges that Geyer failed to respond to NASD requests for information.

Robert Louis Giardina (Registered Representative, Staten Island, New York) was named as a respondent in an NASD complaint alleging that he knowingly or recklessly employed devices to defraud a public customer by making untrue statements of material fact, or omitting to state material facts to make the statements not misleading, in connection with his sale of securities to that customer. The complaint alleges that Giardina made material misrepresentations to a public customer in order to persuade the customer to purchase certain securities and not to sell others. The complaint also alleges that Giardina failed to respond timely to NASD requests for information and to appear for an on-the-record testimony.

Adam Goldman (Associated Person, Brooklyn, New York) was named as a respondent in an NASD complaint alleging that he obtained blank checks for a bank account maintained by his firm, wrote checks ranging from \$800 to \$1,500, forged the signature of an official of his firm on the checks, endorsed the checks and negotiated them, and converted about \$4,100 for his own use and benefit, without the knowledge or authorization of his firm. The complaint also alleges that Goldman failed to respond to NASD requests for information.

James Orval Holton (Registered Representative, Gravois Mills, Missouri) was named as a respondent in an NASD complaint alleging that he received mutual fund liquidation checks totaling \$74,000 made payable to public customers, and without the knowledge or consent of the customers, used the funds to obtain bank cashier's checks made payable to an entity he controlled,

deposited the checks in a bank account he controlled, and converted the funds to his own use and benefit. The complaint also alleges that Holton failed to respond to NASD requests for information.

Gary Francis Honodel (Registered Principal, Colorado Springs, Colorado) was named as a respondent in an NASD complaint alleging that he received \$15,000 from a public customer for the purpose of investment, failed to apply the funds to the customer's investment and instead commingled the funds with his own, and used the aggregate of such funds to pay personal obligations and otherwise for his own benefit. The complaint also alleges that Honodel participated in private securities transactions without providing written notice to, or obtaining permission from, his member firm. The complaint also alleges that Honodel failed to provide all the information requested by the NASD.

Marcus Kevin Hughes (Registered Principal, Chicago, Illinois) and Christopher Aden (Associated Person, Yonkers, New York) were named as respondents in an NASD complaint alleging that they induced the purchase or sale of securities to public customers in a private placement by means of manipulative, deceptive, or other fraudulent devices or contrivances in that they made misstatements of material facts and made price predictions without having any reasonable basis for their projections. The complaint also alleges that Hughes failed to give written notice to, or receive written approval from, his member firm prior to engaging in private securities transactions. The complaint also alleges that Hughes permitted Aden and another individual to engage in the securities business prior to properly qualifying and/or registering in the appropriate capacity. The complaint alleges that Aden failed to

properly qualify and/or register in the appropriate capacity prior to engaging in the securities business. The complaint also alleges that Aden failed to appear for an interview requested by the NASD.

Henry Irvin Judy, Jr. (Registered Representative, Hilton Head, South Carolina) was named as a respondent in an NASD complaint alleging that he received a \$6,000 check from a public customer for deposit into her securities account and, contrary to the customer's instructions and without her knowledge or authorization, had the proceeds of that check deposited in his own business checking account and converted the funds to his own use and benefit. The complaint also alleges that Judy made inaccurate and false representations in communications with the public. The complaint also alleges that Judy failed to respond to NASD requests for information.

Lewis Liu (Registered Representative, Chicago, Illinois) was named as a respondent in an NASD complaint alleging that he received \$6,036.50 in cash from public customers to be applied to the premiums for their life insurance policies, failed to apply \$2,514.10 out of the \$6,036.50 he received, and instead used the funds for his own benefit, without the knowledge and authorization of either customer. The complaint also alleges that Liu failed to respond to NASD requests for information.

Edward Michael McKeown (Registered Representative, Santa Ana, California) was named as a respondent in an NASD complaint alleging that he executed securities transactions in the account of public cus-

tomers without the customers' knowledge, consent, or authorization, and in the absence of written or oral authority to exercise discretion in the account.

John Patrick Nichols (Registered Representative, Ft. Lauderdale, Florida) was named as a respondent in an NASD complaint alleging that he effected transactions in the securities account of a public customer without the customer's prior knowledge or authorization.

Henri Placek (Registered Representative, New York, New York) was named as a respondent in an NASD complaint alleging that he effected transactions in, or induced the purchase or sale of, securities by means of manipulative, deceptive, or other fraudulent device or contrivance. The complaint also alleges that Placek made untrue statements of material fact or omitted to state a material fact necessary in order to make the statements made not misleading to public customers.

Donna Lorine Post (Registered Representative, Mentone, California) was named as a respondent in an NASD complaint alleging that she received approximately \$203,000 from public customers for the purpose of purchasing various investments, failed and neglected to execute the purchase of the requested investments on the customers' behalf, and instead misappropriated the funds to her own use and benefit without the customers' knowledge or consent.

Dennis Frank Riggi (Registered Principal, Los Angeles, California) was named as a respondent in an NASD complaint alleging that in

order to induce public customers to purchase securities in a Series B private placement offering of preferred convertible stock, and in connection with his recommendation and sale to public customers of approximately \$449,286.50 of the securities, Riggi, acting through his firm, made an untrue statement of material fact, and/or omitted to state a material fact in order to make the statement made not misleading. The complaint alleges that the firm, acting through Riggi, delivered to such customers private placement memoranda which falsely represented that his firm, as placement agent, would be paid sales commissions of 10 percent, when in fact, at the time the representation was made and while knowing the representation was false and/or acting in reckless disregard as to its truth, the firm, acting through Riggi, collected 15 percent commissions.

Michael Ashby Willis (Registered Representative, Elkin, North Carolina) was named as a respondent in an NASD complaint alleging that he obtained \$42,959 from a public customer under false pretenses, and converted \$30,146 of the customer's funds to his own use and benefit. The complaint also alleges that Willis provided false and misleading information to the NASD.

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

C.A. Atlantic Securities, Inc., Medford, Massachusetts (April 13, 1999)

Marsh, Block & Co., Hackensack, New Jersey (April 13, 1999)

Firms Suspended/Canceled

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

Brownstone Capital Corp., New York, New York (April 15, 1999)

Investment Researched Plans, Inc., Los Angeles, California (March 18, 1999 - March 29, 1999)

Klein, Maus & Shire, Inc., New York, New York (March 18, 1999)

Kronos Investments Limited, Oklahoma City, Oklahoma (April 15, 1999)

Mystic Global Capital, Inc., Orange, California (April 9, 1999)

Parker Bromley Ltd., Garden City, New York (April 15, 1999)

Suspensions Lifted

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

Greig Middleton, Inc., Boston, Massachusetts (April 7, 1999)

Grigsby & Associates, San Francisco, California (April 1, 1999)

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

Davis, Dominic S., Phoenix, Arizona (April 13, 1999)

Dixon, James A., Portsmouth, New Hampshire (April 13, 1999)

Merrill, Arleigh C., Jacksonville, Florida (April 13, 1999)

Moreno, Jose R., Phoenix, Arizona (April 13, 1999)

Norris, Ninanne A., Spring Lake, New York (April 13, 1999)

Zinn, David H., Oldbridge, New Jersey (April 13, 1999)

NASD Regulation Charges R.D. White & Co., Inc. And Its Principals With Fraud And Receiving Illicit Profits In Excess Of \$3.5 Million

NASD Regulation announced that it issued a complaint charging R.D. White & Co., Inc., New York, NY; its Chief Executive Officer, Louis J. Pagano, Staten Island, NY; and its President, John R. Piscopo, Staten Island, NY; with fraud in connection with transactions in Genisys Reservation Systems, Inc. Class A and B warrants and Capital Beverage Corp. common stock and Class A warrants. Illicit profits from this activity netted the firm more than \$3.5 million.

According to the complaint, R.D. White, after acting as the managing underwriter of both companies' 1997 initial public offerings, dominated and controlled the trading in their securities. On the first day of trading when R.D. White purchased Genisys Reservation and Capital Beverage securities from its customers in 142

separate transactions, it underpaid them by charging fraudulently excessive markdowns. Excessive markdowns occur when a firm does not pay its customers a fair price for securities the firm purchases from them.

The Capital Beverage IPO also registered for sale securities owned by 26 individuals who had previously provided financing to the company. A total of 325,000 shares of common stock and 650,000 warrants were sold by these individuals to the firm within the first three minutes of trading. These securities were then redistributed to the public in solicited transactions throughout the remainder of the day. The firm's brokers received several times their normal compensation for selling this large block of stock. According to the complaint, while engaged in this activity, the firm, Pagano, and Piscopo violated the anti-fraud and distribution provisions of the federal securities laws and NASD rules. These anti-manipulative provisions prohibit a firm from artificially conditioning the aftermarket for a security by bidding for or purchasing securities while it is engaged in a distribution of those securities. Additionally, R.D. White failed to submit, for approval by NASD Regulation, as required, the maximum proposed underwriting compensation and collected over \$1 million in excessive underwriting compensation.

The firm, along with Pagano and Piscopo, was also charged with failing to establish, maintain, and enforce adequate written supervisory procedures designed to prevent the alleged misconduct.

In the complaint, NASD Regulation does not allege any wrongdoing on the part of Genisys Reservation Systems, Inc. or Capital Beverage Corporation.

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

Under NASD rules, the individuals and the firm 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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