

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 16, 1998. The information relating to matters contained in this *Notice* is current as of the end of October 23.

Firm Expelled, Individuals Sanctioned

Hampton Capital Management Corp., (Stamford, Connecticut), Marquis Barnes Quetant (Registered Principal, Rosedale, New York), and Rhett McIntosh (Associated Person, Brooklyn, New York).

The firm was censured, fined \$40,000, and expelled from NASD membership. Quetant was censured, fined \$75,000, and barred from association with any NASD member in any capacity, and McIntosh was censured, fined \$65,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Quetant and McIntosh refused to allow the NASD staff to enter the firm's branch office to examine the firm's books and records and to otherwise conduct an on-site examination. Furthermore, Quetant and McIntosh falsely advised the staff that there was no one present at the branch office at the time of the NASD's visit and McIntosh also falsely advised the NASD that he was not employed by the firm. The firm, Quetant, and McIntosh also failed to appear at NASD pre-hearing conferences.

Firm Fined, Individuals Sanctioned

Lexington Capital Corporation (New York, New York), Alan Michael Berkun (Registered Principal, East Rockaway, New York), and Joseph Marc Blumenthal (Registered Representative, North Woodmere, New York) submitted an Offer of Settlement pursuant to which the firm was censured, fined \$100,000, required to disgorge \$236,247.89, jointly and severally, with Berkun. In addition, the firm and Berkun are ordered to undertake to ensure that Berkun is not employed, affiliated, or otherwise associated with the firm and does not participate, directly or indirectly, in the management and/or operation of the firm after December 31, 1998. However, Berkun shall be permitted to retain a passive ownership interest in the firm until April 1, 1999, and shall have no direct or indirect ownership interest in the firm after April 1, 1999. The firm is also ordered to undertake to ensure that between September 16, 1998, and January 1, 1999, Berkun does not function in any supervisory or managerial capacity, and further, will ensure that he is only permitted to perform those duties specifically stated in the firm's Letter of Mitigation. Furthermore, the firm was ordered to undertake to review, modify, and improve its compliance and supervisory procedures so as to address the allegations (particularly those relating to penny stocks and markups) and to be immediately and permanently expelled from NASD membership if it fails to comply with any of the terms set forth in its Offer of Settlement. Berkun was censured, fined \$150,000, required to disgorge \$236,247.89, jointly and severally, with the firm, barred from association with any NASD member in the capacity of a general securities principal effective January 1, 1999, and barred from association with any NASD member as a general securities representative, with a right to

reapply in two years, effective January 1, 1999. Berkun will be eligible to reapply as a general securities representative on January 1, 2001. Berkun will be immediately and permanently barred from association with any NASD member in any capacity if he fails to comply with any of the terms set forth in his Offer of Settlement (including, but not limited to, that he only engage in those activities set forth in the firm's Letter of Mitigation). Blumenthal was censured, fined \$100,000, and barred from association with any NASD member in any capacity.

Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Berkun and others, allowed a statutorily disqualified individual to be associated with and conduct activities on behalf of the firm without first receiving the proper regulatory approvals. The firm failed to disclose on said individual's application for employment with the firm that he was the present and sole owner of a non-member firm and paid a commission to the non-member firm owned by the aforementioned statutorily disqualified person. The firm also failed to report to the NASD that it had conducted business with a firm owned by a person subject to a statutory disqualification. The findings also stated that the firm, acting through Berkun and others, executed sales of penny stocks to public customers while failing to make both the appropriate suitability determinations and disclosures required by the penny stock rules, and violated the firm's restriction agreement with the NASD by effecting penny stock transactions. Berkun failed to adequately supervise the firm's sales staff to ensure adherence to the aforesaid suitability and disclosure requirements. Furthermore, the NASD determined that the firm, acting through Berkun, sold unregistered

securities to the investing public improperly, and in connection with such sales, charged its customers fraudulently excessive markups, failed to disclose that the firm was acting as principal, and failed to disclose the amount of remuneration received by the firm. Additionally, the NASD found that the firm, acting through Berkun, allowed Blumenthal to conduct a securities business at the firm while his registration was inactive; falsified firm records, confirmations, orders tickets, and customer account statements; and engaged in a scheme to circumvent the NASD and various state registration requirements by deliberately processing transactions effected by Blumenthal under Berkun's registered representative number. The firm failed to adopt, maintain, and enforce a system to supervise the activities of the firm's registered representatives and associated persons that was reasonably designed to achieve compliance with applicable securities laws, regulations, and NASD rules.

Firms And Individuals Fined
Dillon-Gage Securities, Inc. (Dallas, Texas) and Stephen Watterson Miller (Registered Principal, Dallas, Texas) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which they were censured and fined \$12,500, jointly and severally. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Miller, participated in a public offering prior to filing the documents and information to be reviewed by the NASD, and receiving an opinion from the NASD that it has no objections to the proposed underwriting; and failed to enforce its own written supervisory procedures in that it failed to obtain a no-objection letter from the NASD prior to participating in an offering of securities.

The findings also stated that the firm, acting through Miller, participated in a contingency offering and failed to disclose to purchasers that the minimum would be reached through sales to affiliates of the issuer and since the sale to an affiliate represented a significant and material amount, the offering memorandum failed to disclose such purchase as a risk factor.

Paragon Capital Corporation (New York, New York) and Danny Jay Levine (Registered Principal, West Caldwell, New Jersey) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which they were censured and fined \$40,000, jointly and severally. The firm was also fined \$95,000. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm and Levine reported transactions to the Automated Confirmation Transaction ServiceSM (ACTSM) in violation of applicable securities laws and regulations regarding trade reporting and recordkeeping. The firm also permitted an individual to engage in the investment banking or securities business of the firm when he was not registered with NASD. The findings also stated that the firm and Levine failed to establish, maintain, and enforce written supervisory procedures reasonably designed to achieve compliance with applicable securities laws and regulations regarding trade reporting, the limit order protection interpretation, the Small Order Execution SystemSM (SOESSM), best execution, the registration of persons with the NASD, and recordkeeping.

Providential Securities, Inc. (Fountain Valley, California) and Henry Dack Fahman (Registered Principal, Huntington Beach, California) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which they were censured and fined

\$28,500, jointly and severally. In addition, Fahman was ordered to requalify by exam as a financial and operations principal. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting under the direction and control of Fahman, effected transactions in securities and/or induced or attempted to induce the purchase or sale of securities when the firm failed to have and maintain sufficient net capital. The findings also stated that the firm, acting through Fahman, failed to send public customers the requisite written notification or confirmation in securities transactions in that it did not disclose the difference in the price securities were purchased from and sold to customers and the firm's contemporaneous offsetting purchase or sale price to or from a Market Maker.

Firms Fined

GFI Group Inc. (New York, New York) 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 reported transactions to ACT in violation of applicable securities laws and regulations regarding trade reporting and recordkeeping. The findings also stated that the firm failed to accept or decline a transaction in an eligible security within 20 minutes after execution, and failed to show on the memoranda of brokerage orders the time of execution or the correct time of execution. Furthermore, the NASD determined that the firm failed to establish, maintain, and enforce written supervisory procedures reasonably designed to achieve compliance with applicable securities laws and regulations regarding trade reporting and registration of persons with the NASD.

International Securities Corporation (New York, New York) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which the firm was censured, fined \$10,000, and ordered to undertake to revise its written supervisory procedures relating to firm quote compliance in a manner not unacceptable to the NASD. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that the firm failed to execute orders presented to it and thereby failed to honor its published quotation. The findings also stated that the firm failed to establish, maintain, and enforce written supervisory procedures reasonably designed to achieve compliance with applicable securities laws and regulations concerning the Securities and Exchange Commission (SEC) and NASD firm quote rules.

John Hancock Distributors, Inc. (Boston, Massachusetts) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which the firm was censured and fined \$100,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that, in connection with the offer and sale of interests in various limited partnerships, the firm distributed certain "internal use only" sales communications to its registered representatives and also provided certain sales communications to the public that omitted material information and included exaggerated, unwarranted, or misleading statements or claims regarding investments in certain limited partnerships.

Paribas Corporation (New York, New York) 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 report transactions in Nasdaq National Market[®], Nasdaq SmallCapSM, over-the-counter, and listed securities in which it had reporting responsibility. The findings also stated that the firm reported transactions to ACT in violation of applicable securities laws and regulations regarding trade reporting, and failed to provide written notification accurately disclosing the firm's reported price and the difference between the price to the customer and the reported trade price. Furthermore, the NASD determined that the firm failed to consistently and accurately reflect the time of entry and time of execution on order tickets and failed to implement and enforce adequate supervisory procedures reasonably designed to achieve compliance with applicable securities laws and regulations relating to trade reporting.

Individuals Barred Or Suspended

Stanley Alan Anderson, Jr. (Registered Representative, Cartersville, Georgia) submitted an Offer of Settlement pursuant to which he was censured, fined \$379,583.75, barred from association with any NASD member in any capacity, and ordered to pay \$69,916.75 in restitution to a public customer. Without admitting or denying the allegations, Anderson consented to the described sanctions and to the entry of findings that he received a savings bond redemption check payable to a public customer in the amount of \$8,732.04. Rather than depositing the check in a government fund account as instructed by the customer, Anderson deposited it in his personal bank account, purchased only \$3,023.04 worth of the government fund, and converted the remaining \$5,709.00 to his own use and benefit. The findings also stated that Anderson withdrew \$2,029.66 from the customer's savings account and sold shares of stock totaling

\$34,219.71, without the customer's knowledge or authorization, and used the funds to purchase shares of the government fund for the customer. Furthermore, the NASD determined that Anderson made unauthorized sales from the customer's government fund, forged the customer's endorsement on redemption checks totaling \$15,224.61, and converted the proceeds and deposited the funds in his bank account and converted a \$4,750 check and additional funds totaling \$44,233.14 from the bank account of the customer without the customer's knowledge or consent. In addition, the findings stated that Anderson made numerous misrepresentations to the customer regarding her investments, falsely represented himself as another employee of his member firm, submitted new accounts applications that contained false information regarding the accounts, and failed to respond to NASD requests for information.

Mark Scott Blonder (Registered Principal, Plainview, 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 Blonder failed to respond to NASD requests for information.

Thomas J. Brown (Registered Representative, Nanuet, New York)

was censured, fined \$160,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Brown misappropriated funds in the amount of \$24,000 that he received from a public customer as a premium payment on the customer's life insurance policy. Brown also failed to respond to NASD requests to appear for an on-the-record interview and to respond to NASD requests for information.

Frank John Bursinger, III (Registered Representative, Seal Beach, California)

submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$7,280, and suspended from association with any NASD member in any capacity for one year. Without admitting or denying the allegations, Bursinger consented to the described sanctions and to the entry of findings that he participated in private securities transactions but failed to provide prior written notification to and receive permission from his member firm.

Ming Cheng (Registered Representative, Ridgewood, New York)

was censured, fined \$78,745, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Cheng caused his member firm to issue a check for \$749 to him on behalf of an insurance customer, forged the customer's signature on the check, and converted the funds to his own use and benefit. Cheng also failed to respond to NASD requests for information.

Darcie Coy (Registered Principal, Lakewood, Colorado)

submitted a Letter of Acceptance, Waiver, and Consent pursuant to which she was censured, fined \$2,500, suspended from association with any NASD member in any capacity as a financial and operations principal for 30 days, and required to requalify by exam before functioning again in that capacity. Without admitting or denying the allegations, Coy consented to the described sanctions and to the entry of findings that her member firm acting through Coy failed to deposit promptly to an escrow account checks received from public customers of her firm in connection with the offer and sale of securities subject to a minimum sales contingency.

Michele Ann Desilets (Registered Principal, Littleton, Colorado)

submitted a Letter of Acceptance, Waiver, and Consent pursuant to which

she was censured, fined \$10,000, suspended from association with any NASD member in any principal capacity for 10 business days which shall be served in two five-business-day periods in successive months. Without admitting or denying the allegations, Desilets consented to the described sanctions and to the entry of findings that she failed to establish a supervisory system that was reasonably designed to achieve compliance with applicable SEC and NASD laws, rules, and regulations.

Desilets' second suspension for five business days will begin December 21, 1998, and will conclude at the close of business on December 28, 1998.

Ernesto Diaz (Associated Person, Corona, 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, Diaz consented to the described sanctions and to the entry of findings that he failed to respond to NASD requests for information.

Sidney C. Eng (Registered Principal, Mill Valley, California)

was censured, fined \$75,000, and barred from association with any NASD member in any capacity. The SEC affirmed the sanctions following appeal of an April 1997 National Business Conduct Committee (NBCC) decision. The sanctions were based on findings that Eng engaged in insider trading by purchasing shares of stock while in possession of material, non-public information.

Robert Vance Manuel English (Registered Principal, San Diego, California)

submitted an Offer of Settlement pursuant to which he was censured, fined \$232,858.45, and

barred from association with any NASD member in any capacity. Without admitting or denying the allegations, English consented to the described sanctions and to the entry of findings that he received \$20,571.69 from a public customer intended for investment purposes and without the customer's knowledge or consent, converted the funds to his own use and benefit by depositing the checks into his member firm's general operating bank account and wrote checks on the account payable to himself and to cash. In order to conceal his misconduct, English provided the customer with fabricated statements to mislead the customer into believing that her funds had been safely invested and were accumulating interest. English also failed to respond to NASD requests for information and to provide testimony.

Gary Wayne Fenster (Registered Representative, Council Bluffs, 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 10 business days. Without admitting or denying the allegations, Fenster consented to the described sanctions and to the entry of findings that he exercised discretion in the accounts of public customers without having obtained prior written authorization from the customers and prior written acceptance of the accounts as discretionary by his member firm.

John Kevin Finn (Registered Principal, Dubuque, Iowa) 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, Finn consented to the described sanctions and to the entry of findings

that he failed to respond completely to NASD requests for information.

Brad B. Fletcher (Registered Representative, Aventura, Florida) was censured, fined \$25,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Fletcher failed to respond to an NASD request for information.

Dean Scott Friedman (Registered Principal, Glen Head, New York), Kenneth James Fuina (Registered Principal, White Plains, New York), George Patsis (Registered Representative, Brooklyn, New York), Joseph Teseo (Registered Representative, Atlantic Beach, New York), and Peter T. Tsadilas (Registered Representative, North Hills, New York) submitted Offers of Settlement pursuant to which Friedman was censured, fined \$15,000, suspended from association with any NASD member in any capacity for six months, and required to requalify by taking the Series 7 exam prior to acting in that capacity. Fuina was censured, fined \$10,000, suspended from association with any NASD member in any capacity for six months, and required to requalify by exam for the Series 7 or Series 62 prior to becoming associated with any NASD member firm. Patsis was censured, fined \$50,000, and barred from association with any NASD member in any capacity. Teseo was censured, fined \$20,000, 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 NASD member firm, and Tsadilas 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 NASD member firm.

Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that Friedman, Fuina, Patsis, Teseo, and Tsadilas made baseless and improper price predictions pertaining to highly speculative securities and engaged in unauthorized trading in the accounts of public customers. The findings also stated that Friedman, Fuina, Teseo, and Tsadilas discouraged or failed to execute customer sell orders, and Patsis discouraged or failed to execute sell orders on a timely basis. Furthermore, the NASD determined that Friedman, Patsis, and Teseo made false promises to customers to limit their losses, Friedman made improper comparisons between unrelated securities, and Patsis misled a customer as to risk and falsely led a customer to believe he had access to inside information as to an issuer whose securities he was selling. The NASD also determined that Teseo and Tsadilas provided false testimony during an NASD investigation and Tsadilas improperly promised to make up losses with new trading, and falsified a customer's account records as to the customer's state of residence and financial condition.

Jay J. Gelfenbaum (Registered Representative, Coral Springs, Florida) was censured, fined \$25,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Gelfenbaum failed to respond to NASD requests for information.

Henry C. Glogowski (Registered Representative, Butler, Pennsylvania) 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, Glogowski con-

sent to the described sanctions and to the entry of findings that he failed to respond to NASD requests for information.

John Edward Guerriero, Jr. (Registered Representative, Rockville Centre, New York) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$30,000, and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Guerriero consented to the described sanctions and to the entry of findings that he failed to appear to testify on the record before the NASD. The findings also stated that without his member firm's knowledge or authorization, Guerriero entered into a separate agreement with public customers under which he agreed to make monetary payments to the respective customers and thereafter paid money to them in settlement of a claim or complaint against him by the customers.

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

Steven Albert Kirschbaum (Registered Representative, Coral Springs, Florida) was censured, fined \$50,000, and barred from association with any NASD member in any capacity. The National Adjudicatory Council (NAC) imposed the sanctions following appeal and call for review of an Atlanta District Business Conduct Committee (DBCC) decision. The sanctions were based on findings that Kirschbaum forged the signatures of public customers on change of dealer forms or new account forms.

Michael Richard MacCaull (Registered Representative, Commack, New York) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$185,673, barred from association with any NASD member in any capacity with the right to reapply after five years, and ordered to pay \$23,672 in restitution to a public customer or demonstrate that he has paid the customer such amount as has been determined in an arbitration or other proceeding or settlement to be owed to the customer. Without admitting or denying the allegations, MacCaull consented to the described sanctions and to the entry of findings that he made material misrepresentations and omitted to disclose material facts in connection with his recommendations of securities to public customers. The findings also stated that MacCaull guaranteed a public customer against loss in the customer's account; entered a purchase order in the account of a public customer without obtaining the customer's authorization; and made fraudulent, baseless, and unreasonable price predictions to customers. Furthermore, the NASD determined that MacCaull failed to follow a customer's instructions to sell securities in the customer's account.

Timothy Francis Manning, Jr. (Registered Representative, Spring Lake Heights, New Jersey) 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, Manning consented to the described sanctions and to the entry of findings that he failed to respond to NASD requests for information.

Scott Thomas McMahon (Registered Representative, South Bend, Indiana) submitted a Letter of Acceptance, Waiver, and Consent

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, McMahon consented to the described sanctions and to the entry of findings that he received checks totaling \$8,500 from a public customer made payable to McMahon for deposit in a non-qualified tax deferred annuity account, negotiated and cashed the checks, and used the funds for some purpose other than for the benefit of the customer.

Michael Joseph Minnehan (Registered Representative, Milford, Massachusetts) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$40,930.80, and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Minnehan consented to the described sanctions and to the entry of findings that, without the knowledge or consent of public customers, he endorsed and cashed policyholder cash surrender checks totaling \$6,186.16, which were payable to the customers and converted the funds to his own use and benefit.

Kent Davis Peterson (Registered Representative, St. George, Utah) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$15,000, suspended from association with any NASD member in any capacity for one month, and required to re-take the Series 63 exam within 90 days of the conclusion of the suspension. Without admitting or denying the allegations, Peterson consented to the described sanctions and to the entry of findings that he made cash payments totaling \$900 to an individual who made a public customer referral to him. The findings also stated that Peterson affixed the signatures of public customers to

various documents required by his member firm to be signed by the customers, with the knowledge and consent of the customers, but failed to disclose to his firm that he, not the customers, had affixed the signatures.

Mark Eugene Rowe (Registered Representative, Wexford, Pennsylvania) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$5,800, suspended from association with any NASD member in any capacity for 15 business days, and required to requalify by exam as a general securities representative. Without admitting or denying the allegations, Rowe consented to the described sanctions and to the entry of findings that he recommended to a public customer and effected in the customer's securities accounts, the purchase of securities without having reasonable grounds for believing the respective securities were suitable for the customer.

Bernice Anne Sanders (Registered Principal, Clinton, Maine) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which she was censured and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Sanders consented to the described sanctions and to the entry of findings that she engaged in private securities transactions by selling \$184,000 in promissory notes to public customers without prior written notice to and approval from her member firm.

James Leonard Schermerhorn (Registered Representative, Santa Maria, California) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$40,762.70, and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Schermer-

horn consented to the described sanctions and to the entry of findings that he received insurance premium payments from a public customer totaling \$8,344.54, forwarded only \$2,192 of the customer's funds to the insurance company, and converted the remaining funds for his personal benefit.

Kevin Eric Shaughnessy (Registered Principal, Pittsburgh, Pennsylvania) was censured, fined \$11,675, barred from association with any NASD member in any capacity, required to pay \$390 in losses to customers, and required to pay \$1,526.37 in commissions to customers. The SEC affirmed the sanctions following appeal of a Market Regulation Committee decision. The sanctions were based on findings that Shaughnessy entered into an arrangement with a non-registered individual whereby he agreed to sell shares of stock to his retail customers in exchange for compensation, without disclosing the arrangement with the customers or his member firm.

Evan Russell Stoopler (Registered Principal, Jericho, New York) 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 week. Without admitting or denying the allegations, Stoopler consented to the described sanctions and to the entry of findings that he exercised discretion in the accounts of public customers without having obtained prior written authorization from the customers and prior written acceptance of the accounts as discretionary by his member firm. The findings also stated that Stoopler failed to indicate on the order tickets for these transactions that such trades were discretionary, and incorrectly indicated on the order tickets that such trades were unsolicited.

Richard Ray Vaillant (Registered Representative, Tacoma, Washington) submitted a Letter of Acceptance, Waiver, and Consent 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, Vaillant consented to the described sanctions and to the entry of findings that he failed to respond to NASD requests for information.

Wayne E. Warren-Young (Registered Representative, Atlanta, Georgia) was censured, fined \$85,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Warren-Young accepted a \$50,000 check from a public customer for investment in mutual funds, deposited the check in a bank account of a private company contrary to the customer's instruction and, without his member firm's knowledge, failed to comply with the customer's demand for return of the money. Warren-Young also failed to respond to NASD requests for information.

Gerald Mark Wilkinson (Registered Representative, York, Nebraska) submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured, fined \$2,500, and suspended from association with any NASD member in any capacity for 30 business days. Without admitting or denying the allegations, Wilkinson consented to the described sanctions and to the entry of findings that he functioned as an investment company and variable contract products representative and engaged in a securities business by preparing a variable annuity application and accepting a customer check for such investment before his registration in such capacity was effective.

Individuals Fined

Steven Morris Goldsmith (Associated Person, Wayzata, Minnesota)

submitted a Letter of Acceptance, Waiver, and Consent pursuant to which he was censured and fined \$16,621. Without admitting or denying the allegations, Goldsmith consented to the described sanctions and to the entry of findings that he failed to advise his member firm that he opened an account with another firm, and failed to provide written notification to the executing firm of his association with the member firm. The findings also stated that Goldsmith purchased shares of stock that traded at a premium in the secondary market in violation of the NASD Board of Governors' Free-Riding and Withholding Interpretation.

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 23, 1998.

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*.

Steven Douglas Goodman (Registered Principal, Allison Park, Pennsylvania), Albert Joseph Ford (Registered Representative, Oakton, Virginia), and Douglas Francis Andrews (Registered Principal, Ashburn, Virginia). Goodman was censured, fined \$75,000, and barred from association with any NASD member in any capacity. Ford was censured, fined \$95,000, and barred from association with any NASD member in any capacity, and Andrews was censured, fined \$75,000, and barred from association with any NASD

member in any capacity. The sanctions were based on findings that the respondents, in their capacities as branch managers, through their supervisions of the activities of the registered representatives assigned to them, encouraged, directed, participated in and/or facilitated a "boiler room" operation featuring high pressure sales tactics, material misrepresentations and omissions, unfounded price predictions, the use of false and misleading scripts and research summaries, and unauthorized transactions, among other things, and, in their individual capacities as registered representatives, engaged in the same violative activities in their dealings with their own customers. In addition, Ford effected unauthorized securities transactions in customer accounts.

Goodman, Ford, and Andrews have appealed this action to the NAC and the sanctions are not in effect pending consideration of the appeal.

Stuart Gordon Horowitz (Registered Representative, Boca Raton, Florida) was censured, fined \$90,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Horowitz failed to amend a Form U-4 to disclose that his license to practice law had been suspended by the Supreme Court of Florida and that he was the subject of an investigation by the Florida Bar. Horowitz also failed to respond to NASD requests for information.

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

John David Morgan (Registered Representative, Dunedin, Florida) was censured, fined \$10,000, and

suspended from association with any NASD member in any capacity for three business days. The sanctions were based on findings that Morgan exercised discretion in a public customer's account without having a signed discretionary agreement giving him such authorization and effected unauthorized securities transactions in the account. Also, Morgan guaranteed the customer against loss in that he purchased additional shares of stock for the customer without the customer's knowledge in order to cover the drop in value of the first shares.

This action was called for review by the NAC and the sanctions are not in effect pending consideration of the review.

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.

Nicholas Mario Antonelli (Registered Representative, Hauppauge, New York) and **Alexander Velez (Registered Representative, Brentwood, New York)** were named as respondents in an NASD complaint alleging that they failed to obey public customers' instructions to sell securities in the customers' accounts. The complaint alleges that Antonelli effected a securities transaction in a public customer's account without the prior knowledge or authorization of the customer. The complaint also alleges that Antonelli knowingly completed a public cus-

customer's new account application with a false address in an effort to avoid the effect of the suspension of his member firm in the customer's state of residence. The complaint also alleges that Velez failed to complete his Form U-4 accurately in failing to disclose that he was the subject of complaints and investigations.

Delio Pereira DaSilva (Registered Representative, Campbell, California) was named as a respondent in an NASD complaint alleging that he effected transactions in the account of public customers without the knowledge and consent of the customers. The complaint alleges that DaSilva received and misused \$11,813.95 belonging to the customers. The complaint also alleges that DaSilva provided a business card to a public customer which falsely represented that DaSilva was a principal of an NASD member firm. The complaint also alleges that DaSilva failed to provide documents requested by the NASD.

Jasen Michael Devlin (Registered Principal, Bayshore, New York) was named as a respondent in an NASD complaint alleging that he made material misrepresentations and failed to disclose material facts to public customers in connection with his recommendations to purchase securities. The complaint alleges that Devlin predicted the future prices of securities without a reasonable basis to public customers in order to induce the customers to purchase securities. The complaint also alleges that Devlin failed to execute a public customer's orders to sell securities.

Jeffrey Harold Hamsher (Registered Representative, Sinking Spring, Pennsylvania) was named as a respondent in an NASD complaint alleging that he made material misrepresentations and omissions of material fact in connection with his purported offer and sale of Treasury

bonds to public customers. The complaint alleges that Hamsher used public customers' funds in an amount totaling approximately \$71,000, for some purpose other than for the benefit of the customers, without their consent or authority. The complaint also alleges that Hamsher engaged in private securities transactions without prior written notice to and approval from his member firm. The complaint also alleges that Hamsher failed to respond to NASD requests for information.

Frank James Hutton (Registered Representative, Brandon, Mississippi) was named as a respondent in an NASD complaint alleging that he executed securities transactions in the accounts of public customers without prior authorization from the customers. The complaint alleges that Hutton caused a check in the amount of \$29,972.71 to be issued from the joint account of public customers which represented the proceeds from the unauthorized sale of securities, and converted the \$29,972.71 to his own use and benefit by forging the customers' signatures to the check and depositing the check into a bank account under his control, without the customers' knowledge or consent. The complaint alleges that in an effort to conceal the unauthorized transactions, Hutton prepared and mailed to the customers a fictitious monthly account statement that did not reflect the unauthorized transactions and that did not reflect his withdrawal of funds. The complaint also alleges that Hutton effected withdrawals totaling \$96,552.40 from the joint account of other public customers, and converted the \$96,552.40 to his own use and benefit by forging the customers' signatures on checks and maintaining possession of the funds, without the customers' knowledge or consent. The complaint also alleges that Hutton failed to respond to NASD requests for information.

Brian Joseph Lichtlin (Registered Representative, Secaucus, New Jersey) 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, and in the absence of written or oral authorization to exercise discretion in the customers' accounts. The complaint alleges that in connection with these unauthorized transactions, Lichtlin affixed the customers' signatures on documents purporting to state that the transactions were unsolicited. The complaint also alleges that Lichtlin failed to respond to NASD requests for information.

Robert Charles Madrid (Registered Representative, Blue Island, Illinois) was named as a respondent in an NASD complaint alleging that he executed securities transactions in the account of a public customer without the knowledge or consent of the customer and exercised discretion in the account without the customer's written or oral authorization. The complaint alleges that Madrid failed to respond to NASD requests for information.

Jeffrey David Miller (Registered Representative, Moody, Alabama) was named as a respondent in an NASD complaint alleging that he received a check in the amount of \$2,558 from a public customer for the purchase of insurance policies, failed and neglected to execute the purchase of these insurance policies, and instead misappropriated or converted the \$2,558 to his own use without the customer's consent. The complaint alleges that Miller failed to amend his Form U-4 to disclose a civil judgment against him in the amount of \$11,293.85 and to disclose the filing of a federal tax lien against him by the Internal Revenue Service for payroll taxes in the amount of \$47,329.94. The complaint also alleges that Miller failed to

respond to NASD requests for information.

Luis Jaime Ramirez (Registered Representative, Manhasset Hills, New York) was named as a respondent in an NASD complaint alleging that he requested his member firm issue checks totaling \$17,124.50 that represented dividend disbursements from public customers' life insurance policies, then deposited proceeds from these checks into his own account without the knowledge, permission, or authority of the customers. The complaint alleges that Ramirez engaged in forgery in that he caused his member firm to issue a disbursement check in the amount of \$5,759.45 to a public customer at Ramirez's post office box, when the 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 her "current" address. The complaint also alleges that Ramirez failed to provide documents and/or information requested by the NASD.

Darrin Patrick Sullivan (Registered Representative, Holbrook, New York) was named as a respondent in an NASD complaint alleging that he made material misrepresentations and failed to disclose material facts to public customers in connection with his recommendations to purchase securities. The complaint alleges that Sullivan made baseless, fraudulent price predictions to public customers in connection with his recommendations to purchase securities. The complaint also alleges that Sullivan insulted and berated a public customer when the customer refused to purchase securities. The complaint also alleges that Sullivan failed to respond to an NASD request to appear for an on-the-record interview.

Victoria Jean Williams (Registered Representative, Sunset Beach, California) was named as a respondent in an NASD complaint alleging that she received \$1,000 from a public customer for investment in securities and instead, improperly caused the customer's funds to be deposited into the account of Williams' landlord without the customer's knowledge or consent.

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.

Aequus Equities, Inc., New York, New York (October 5, 1998)

Alliance Asset Group, Inc., Englewood Cliffs, New Jersey (October 5, 1998)

Biscayne Capital LLC, New York, New York (October 5, 1998)

Block Trading, Inc., Houston, Texas (October 5, 1998)

First International Capital LTD., Hamilton, Bermuda (October 5, 1998)

Great American Financial Network, Inc., Norcross, Georgia (October 5, 1998)

Great Lakes Capital, Inc., Vero Beach, Florida (October 5, 1998)

Hemisphere Capital Corp., New York, New York (October 5, 1998)

Nationwide Asset Management Corporation, Laguna Hills, California (October 5, 1998)

Firms Suspended Pursuant To NASD Rule Series 9510 For Failure To Pay Arbitration Award

Capital World Securities Corporation, City of Industry, California (October 13, 1998)

First Cambridge Securities Corp., New York, New York (September 23, 1998)

State Capital Markets Corp., New York, New York (September 23, 1998)

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

Buonocore, Louis T., Staten, Island, New York (October 16, 1998)

Donart, Donald C., Tucson, Arizona (September 18, 1998)

Elgindy, Amr I., Colleyville, Texas (September 18, 1998)

Falco, Michael J., Marshfield, Massachusetts (October 16, 1998)

Mooney, William J., Bayside, New York (October 16, 1998)

Portier, Frank J., Columbus, Ohio (October 16, 1998)

Schiano, Anthony D., Franklin Square, New York (October 16, 1998)

Wallach, John M., Lakeworth, Florida (October 16, 1998)

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

Feintuch, Ira, Englewood, New Jersey (October 9, 1998)

Fleischmakher, Isaac, Chicago, Illinois (September 9, 1998)

Gaer, Jason Robert, Paramus, New Jersey (September 25, 1998 - October 1, 1998)

Lantieri, John Charles, Edison, New Jersey (October 2, 1998)

Leffel, Jasen E., Maineville, Ohio (October 2, 1998)

Liounis, Peter, Brooklyn, New York (September 23, 1998)

Richardson, Michael J., Astoria, New York (September 23, 1998 - September 29, 1998)

Ruffler, Kirk, Perrineville, New Jersey (September 9, 1998)

Smith, Tony Raynard, New York, New York (October 9, 1998)

NASD Regulation Charges LT Lawrence & Co., Inc. And Principals With Fraud

NASD Regulation announced that it issued a complaint charging LT Lawrence & Co., Inc., New York, NY; its Chief Executive Officer, Lawrence Principato, Staten Island, NY; and its President, Todd E. Roberti, Florham Park, NJ, with excessive and fraudulent markups and markdowns in the trading of EcoTyre Technologies, Inc. Common Stock and Class A Warrants. The firm, along with Principato and Roberti, was also charged with failing to establish, implement, and enforce adequate supervisory procedures designed to prevent the alleged conduct.

According to the complaint, LT Lawrence, after acting as the managing underwriter of EcoTyre's initial public offering, dominated and controlled the trading in the company's common stock and warrants from February 6, 1996 through March 29, 1996. During this time, LT Lawrence charged its customers, residing in 35 states, excessive markups and markdowns totaling \$487,642.58 in 474 separate transactions. As many as 58 percent of these transactions were at prices that were fraudulently excessive, in that they charged their customers markups and markdowns more than 10 percent totaling \$306,277.39 in 275 transactions.

In the complaint, NASD Regulation does not allege any wrongdoing on the part of EcoTyre.

The issuance of a disciplinary complaint represents the initiation of a formal proceeding by the Association 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 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.

NASD Regulation Institutes Proceedings Against 59 Firms for Late Y2K Filings

NASD Regulation announced disciplinary actions against 59 brokerage firms for late filing of required "Year 2000" status reports. Thirty-seven of

the firms entered into settlements agreeing to be censured and pay fines ranging from \$2,300 to \$3,200. Complaints have been issued against the remaining 22 firms. Today's actions are part of a coordinated effort with the SEC.

According to a rule adopted by the SEC earlier this year, every brokerage firm with a minimum net capital requirement of \$5,000 or more, was required to inform the NASD and the SEC, no later than August 31, 1998, of its Year 2000 readiness by filing a Form BD-Y2K. The form required firms to detail the efforts they are taking to identify and remedy their potential technical problems arising from the transition to the year 2000. All of the firms included in today's actions failed to file either the form or a significant portion of the form within a "grace period" which expired September 21, 1998. Firms will again be required to file this report in April 1999.

"Today's actions reflect NASD Regulation's commitment to ensuring that all brokerage firms recognize and address the potential problems of the year 2000 before it is too late. It is crucial for investor protection that firms not delay in readying their systems," said Mary L. Schapiro, President, NASD Regulation.

NASD Regulation's actions were coordinated with 37 separate disciplinary proceedings instituted today by the SEC against firms that failed to file the required reports by October 2, 1998. NASD Regulation acknowledges the valuable assistance provided by the SEC staff in these matters.

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