

Disciplinary Actions

Disciplinary Actions Reported For July

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. Unless otherwise indicated, suspensions will begin with the opening of business on Monday, July 20, 1998. The information relating to matters contained in this *Notice* is current as of the end of June 24.

Firms Expelled

Burnett Grey & Co., Inc. (Atlanta, Georgia). The firm was censured, fined \$100,000, and expelled from NASD membership. The sanctions were based on findings that the firm accepted consideration from, or on behalf of, issuers for filing Form 211s with the NASD to list each issuer's securities on the OTC Bulletin Board[®]. The firm also received unfair and unreasonable compensation in connection with public offerings. In addition, the firm failed to establish, implement, and enforce reasonable supervisory procedures designed to assure compliance with NASD rules and policies and federal securities laws involving public underwriting and investment banking activities even though it engaged in such activities.

Joseph Roberts & Co., Inc. (Pompano Beach, Florida) was censured, fined \$100,000, and expelled from NASD membership. The sanctions were based on findings that the firm violated its restrictive agreement by carrying an inventory position, the value of which was greater than 50 percent of the firm's previous month's excess net capital by amounts ranging from \$1.5 to \$10.8 million. Furthermore, the firm conducted a securities business while failing to maintain minimum required net capi-

tal and failed to maintain complete, current, and accurate books and records. In addition, the firm filed false and inaccurate FOCUS Reports Part I and Part IIA that materially overstated the firm's net capital.

Firms Expelled, Individuals Sanctioned

Questron Securities, Inc. (Sherman Oaks, California) and **Sam E. Harris (Registered Principal, Thousand Oaks, California)**. The firm was censured, fined \$20,000, and expelled from NASD membership and Harris was censured, fined \$20,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that the firm and Harris failed to respond to NASD requests for information.

Firms And Individuals Fined

Honor, Townsend & Kent, Inc. (Horsham, Pennsylvania) and **Michael D. Sweeney (Registered Principal, Philadelphia, Pennsylvania)** submitted a Letter of Acceptance, Waiver and Consent pursuant to which they were censured and fined \$12,000, jointly and severally. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Sweeney, failed to provide the Firm Element training required by the NASD's Continuing Education Program to some of its registered representatives.

Firms Fined

Dean Witter Reynolds, Inc. (New York, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which the firm was censured and fined \$10,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings

that it failed to respond to NASD requests for documents and information in connection with an NASD arbitration.

NationsBanc Investments, Inc. (Charlotte, North Carolina) submitted a Letter of Acceptance, Waiver and Consent pursuant to which the firm was censured and fined \$5,000, jointly and severally with an individual, and fined an additional \$11,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it allowed an individual to continue performing duties as a principal although he had not satisfied the Regulatory Element of his continuing education requirement. The findings also stated that the firm failed to have an individual performing duties requiring principal registration properly qualified and registered as such, failed to provide an adequate supervisory system with respect to principal registrations, and failed to prepare and maintain written procedures reasonably designed to achieve compliance with all applicable rules and regulations.

R.D. White & Co., Inc. (New York, New York) submitted an Offer of Settlement pursuant to which the firm was censured and fined \$20,000, and fined \$5,000, jointly and severally with an individual. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it failed to report to the NASD on a timely basis statistical and summary information regarding customer complaints and a securities consent judgment entered into with the State of New Jersey Bureau of Securities. The findings also stated that the firm failed to develop and maintain a continuing and current education program for its registered persons and to develop a written training plan. In addition, the NASD determined that the firm failed to establish, maintain,

and enforce adequate supervisory systems as well as written supervisory procedures reasonably designed to ensure its compliance with reporting and continuing education requirements.

Individuals Barred Or Suspended

Alan L. Alexander (Registered Representative, Coconut Grove, Florida) was censured, fined \$20,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Alexander failed to respond to NASD requests for information.

Gary W. Atwood (Registered Principal, Tampa, Florida) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was censured, fined \$150,000, barred from association with any NASD member in any capacity, and required to pay \$80,000 in restitution to a public customer. Without admitting or denying the allegations, Atwood consented to the described sanctions and to the entry of findings that he induced a public customer to invest \$80,000 in promissory notes issued by a fictitious entity that Atwood created. According to the findings, Atwood prepared the notes and signed them on behalf of this fictitious entity, converted the proceeds of the \$80,000 in checks he received from the customer, and used the funds for his own benefit.

William B. Badinelli, Jr. (Registered Principal, West Nyack, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was censured, fined \$25,000, suspended from association with any NASD member in any capacity for 20 days, and required to requalify by exam for the Series 24 registration before again acting in that capacity. Without admitting or

denying the allegations, Badinelli consented to the described sanctions and to the entry of findings that, in his capacity as his member firm's compliance director, Badinelli failed to establish, maintain, and enforce adequate supervisory procedures reasonably designed to prevent excessive markups.

Edward F. Escamilla (Registered Representative, Long Beach, California) was censured, fined \$25,000, barred from association with any NASD member in any capacity, and ordered to reimburse his member firm \$1,000. The sanctions were based on findings that Escamilla converted money orders totaling \$1,000 that he received from a public customer by endorsing and depositing them in his personal bank account. Escamilla also failed to respond to NASD requests for information.

Ilya Fisher (a/k/a Ilya Fikher, Elliot Fisher and Elliot Fikher, Registered Representative, Rego Park, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was censured, fined \$70,000, barred from association with any NASD member in any capacity and ordered to disgorge \$38,789.55 to the NASD. Without admitting or denying the allegations, Fisher consented to the described sanctions and to the entry of findings that he executed transactions in the account of a public customer without the customer's prior knowledge, authorization, or consent. The findings also stated that Fisher had an impostor take the Series 7 and 63 exams on his behalf and gave false and misleading testimony to the NASD during an on-the-record interview.

Maureen E. Galligan (Registered Representative, San Diego, California) was censured, fined \$20,000, and barred from association with any NASD member in any capacity. The

sanctions were based on findings that Galligan failed to respond to NASD requests for information.

James A. Goetz (Registered Representative, Dickinson, North Dakota) was censured, fined \$2,500, and barred from association with any NASD member in any capacity, with the right to reapply after one year to become associated with an NASD member. The Securities and Exchange Commission (SEC) imposed the sanctions following appeal of a November 1996 National Business Conduct Committee (NBCC) decision. The sanctions were based on findings that Goetz submitted applications to his member firm's matching gifts program requesting that \$1,600 be donated to his daughter's school, misrepresenting that he had contributed personal funds in that amount, a requirement of the program. Goetz knew or should have known that the funds were used to offset the tuition of his daughter at the designated school, in further violation of the matching gifts program.

Arthur R. Hall (Registered Representative, Amston, Connecticut) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was censured, fined \$50,000, and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Hall consented to the described sanctions and to the entry of findings that he commingled funds of a public customer totaling \$10,617.34 with those of his book-keeping and advisory business, independent of his member firm.

Mary Margaret Hart (Registered Representative, Scranton, Pennsylvania) 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 capacity. Without admitting or denying the allegations, Hart consented to the described sanctions and to the entry of findings that she failed to respond to NASD requests to appear for testimony.

David Richard Hasler (Registered Principal, West Des Moines, Iowa) was censured, fined \$20,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Hasler failed to respond to NASD requests for information.

Forrest Gahl Jackson (Registered Principal, Marina Del Rey, California) was censured, fined \$20,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Jackson failed to respond to NASD requests for information.

John Robert Jones, Jr. (Registered Principal, Santa Monica, California) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was censured, fined \$10,000, suspended from association with any NASD member as a general securities principal for 30 days, and ordered to requalify by exam as a general securities principal. Without admitting or denying the allegations, Jones consented to the described sanctions and to the entry of findings that he permitted an individual to engage actively in the management of the securities business of his member firm without being registered in a principal capacity. The findings also stated that Jones permitted individuals to execute corporate securities transactions for the accounts of public customers when they were not licensed to sell corporate securities.

Furthermore, the NASD determined that Jones, as the branch manager of his member firm's Office of Supervisory Jurisdiction (OSJ), failed to

establish and maintain a system to supervise the activities of registered representatives and associated persons in the OSJ that was reasonably designed to achieve compliance with NASD rules. Specifically, Jones failed to establish and maintain a system for handling customer complaints.

Nicholas L. Keating, III (Registered Principal, Toms River, New Jersey) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was censured, fined \$12,500, suspended from association with any NASD member in any capacity for 15 days, and required to requalify by taking the Series 26 exam. Without admitting or denying the allegations, Keating consented to the described sanctions and to the entry of findings that he signed the names of public customers on account applications after the customers had signed similar forms acknowledging their transaction. The findings also stated that Keating signed the name of a licensed agent on life insurance applications after the customers had signed the applications.

Lawrence M. Knapp (Registered Representative, Lakewood, Colorado) was censured, fined \$170,000, ordered to reimburse his member firm \$30,069.47, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Knapp received checks totaling \$30,069.47 from a public customer for investment purposes. Knapp instructed the customer to make the checks payable to him. Instead of investing the funds, Knapp converted the money to his own use and benefit. Knapp also failed to respond to NASD requests for information.

Robert E. Ligowski (Registered Representative, Matawan, New Jersey) and **Louis C. Marchione,**

Jr. (Registered Representative, N. Massapequa, New York) submitted an Offer of Settlement pursuant to which they were each censured, fined \$2,500, suspended from association with any NASD member in any capacity for two weeks, and required to requalify by exam as a general securities representative. If the respondents fail to requalify, they will be suspended from association with any NASD member until they have requalified. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that they charged public customers unfair prices in connection with the sale of warrants. Furthermore, Ligowski and Marchione failed to make a reasonable inquiry as to the fairness of the prices charged and had discretion in the pricing of these transactions. Ligowski and Marchione also charged gross commissions ranging from 12 to 30 percent of the total dollar amount paid by the customers in transactions in the subject securities.

Anthony C. Louvaris (Registered Principal, Tallahassee, Florida) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was censured, suspended from association with any NASD member in any capacity for one year, and required to requalify as a general securities principal by taking and passing the Series 24 exam. Without admitting or denying the allegations, Louvaris consented to the described sanctions and to the entry of findings that he induced public customers to participate in private securities transactions without the authority or knowledge of his member firm.

Curtis Lewis Marchand, III (Registered Principal, Denver, Colorado) and **David Keith Nelson (Registered Principal, Pleasantville, New York)** submitted Offers of Settlement pursuant to which Marchand was

censured, fined \$1,000, and suspended from association with any NASD member in any capacity for five days. In addition, Marchand must submit to additional supervision by his member firm for one year following the suspension, and at the end of the one-year period of additional supervision, Marchand or his member firm must submit a report to the NASD detailing the additional supervision over his activities. Nelson was censured, fined \$75,000, 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 Marchand employed devices to defraud public customers by recommending and urging customers to buy speculative and unseasoned securities through baseless price predictions and predictions of returns in transactions. Furthermore, Marchand omitted or misstated to customers material information in sales of recommended securities and failed to have a reasonable basis for his recommendations.

The findings also stated that Nelson failed to supervise several registered representatives adequately and properly, encouraged them to participate in a boiler room to market speculative and unseasoned companies to public customers, and to engage in aggressive and high-pressure sales tactics without concern for suitability and without having a reasonable basis for the recommendations to customers. In addition, the NASD determined that Nelson distributed, instructed, or permitted associated persons to utilize telemarketing scripts in making sales presentations to the public that did not conform to the NASD advertising rules. Nelson also failed to respond completely to NASD requests for information.

Paul J. Maton (Associated Person, Northbrook, Illinois) submitted an

Offer of Settlement pursuant to which he was censured, fined \$20,000, and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Maton consented to the described sanctions and to the entry of findings that he failed to respond to NASD requests for information.

Duane Lee McBride (Registered Principal, Escondido, California) submitted an Offer of Settlement pursuant to which he was censured, fined \$1,950,685, and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, McBride consented to the described sanctions and to the entry of findings that he received funds totaling \$653,594.17 from public customers for investment purposes. The NASD determined that McBride failed to execute the purchase of partnership interests on the customers' behalf, and instead, converted approximately \$390,137.12 of these funds to his own use and benefit without the customers' knowledge or consent.

Leonard D. Moore (Registered Representative, Spartanburg, South Carolina) submitted an Offer of Settlement pursuant to which he was censured, fined \$5,000, and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Moore consented to the described sanctions and to the entry of findings that he forged the signature of a public customer on a disbursement request form.

Scott T. Nichol (Registered Representative, Brookfield, Wisconsin) was censured, fined \$20,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Nichol failed to respond to NASD requests for information.

Thomas Niemczyk (Registered Principal, Syosset, 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, Niemczyk consented to the described sanctions and to the entry of findings that he made baseless and improper price predictions pertaining to highly speculative securities. The findings also stated that Niemczyk engaged in unauthorized trading in the accounts of public customers and discouraged, and refused to accept, sell orders from customers on several occasions.

Alfred Salvatore Palagonia (Registered Representative, Quogue, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was censured, fined \$20,000, and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Palagonia consented to the described sanctions and to the entry of findings that he failed to respond to NASD requests for information.

Michael T. Pinto (Registered Representative, Margate, Florida) submitted an Offer of Settlement pursuant to which he was censured, fined \$6,000, and suspended from association with any NASD member in any capacity for five business days. Without admitting or denying the allegations, Pinto consented to the described sanctions and to the entry of findings that he effected transactions in the account of a public customer without the customer's knowledge or authorization. The findings also stated that, without his member firm's knowledge, Pinto entered into a written agreement with the customer wherein shares of

stock, previously sold from the customer's account to cover a debit balance, would be replaced.

Michael William Riley (Registered Representative, Mt. Vernon, Illinois) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was censured, fined \$50,000, and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Riley consented to the described sanctions and to the entry of findings that he signed a public customer's name to a variable life insurance application and a request for liquidation of mutual fund shares with instructions that the \$7,446 proceeds of the liquidation be applied to the insurance policy and another variable life policy, without the customer's knowledge or consent.

Janice D. Russo (Registered Representative, Van Nuys, California) was censured, fined \$20,000, suspended from association with any NASD member in any capacity for 18 months, ordered to pay \$4,871 in restitution, and ordered to requalify by exam before re-associating with any member firm. The sanctions were based on findings that Russo executed transactions in the account of a public customer without the customer's consent or authorization.

Terence Taylor (Registered Representative, Locust Valley, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was censured, fined \$40,000, barred from association with any NASD member in any capacity, and ordered to pay \$21,500 in restitution to a public customer. Without admitting or denying the allegations, Taylor consented to the described sanctions and to the entry of findings that he misused the funds of a public customer through a wire transfer of \$21,500 into his personal

bank account. According to the findings, the customer was misled into believing he was a customer of Taylor's firm and that the funds were being used to purchase securities. The findings also stated that Taylor failed to respond to an NASD request for information.

Scott I. Torres (Registered Representative, Holbrook, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was censured, fined \$125,000, barred from association with any NASD member in any capacity, and ordered to pay \$168,302 in restitution to public customers. Without admitting or denying the allegations, Torres 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 recommendation of securities to public customers. The findings also stated that Torres made fraudulent price predictions to customers in connection with his recommendation of these securities. Furthermore, the NASD determined that Torres purchased and sold shares of stock in a public customer's account without first obtaining the customer's authorization and failed to testify truthfully to the NASD during an on-the-record interview.

Abdul H. Umer (Registered Principal, Chicago, Illinois) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was censured, fined \$11,000, and suspended from association with any NASD member in any capacity for 30 days. Without admitting or denying the allegations, Umer consented to the described sanctions and to the entry of findings that he exercised discretion in the account of a public customer without obtaining prior written authorization from the customer and prior written acceptance of the account as discretionary by his mem-

ber firm. The findings also stated that Umer guaranteed to cover a customer against losses in the customer's account.

Michael S. Wachs (Registered Principal, New York, New York)

submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was censured, fined \$250,000, barred from association with any NASD member in any capacity and required to make full restitution to his member firm. Without admitting or denying the allegations, Wachs consented to the described sanctions and to the entry of findings that he misappropriated \$20,800,000 in proceeds by means of false and fraudulent pretenses, representations, and promises for the sale of certain of his member firm's assets and then diverted the proceeds to himself and others.

John Mark Wallach (Registered Representative, Lakeworth, Florida) was censured, fined \$10,000, and suspended from association with any NASD member in any capacity for 30 days. The sanctions were based on findings that Wallach exercised discretion in the accounts of public customers without having the discretionary authority reduced to writing and without having the accounts accepted as discretionary accounts by his member firm.

Sheldon Gary Zimmerman (Registered Principal, San Diego, California) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was censured, suspended from association with any NASD member in any capacity for six months, and ordered after the suspension to requalify by exam in any capacity in which he wishes to become associated or be suspended in those capacities until the time of such requalification. Without admitting or denying the allegations, Zimmerman consented to the described

sanctions and to the entry of findings that he solicited and sold investments to public customers without providing prior written notification to his member firm.

Individuals Fined

Jacques V. Pessah (Registered Representative, Staten Island, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was censured and fined \$10,000. Without admitting or denying the allegations, Pessah consented to the described sanctions and to the entry of findings that he permitted an individual to purchase shares of stock and warrants that traded at a premium in the immediate aftermarket, in contravention of the Board of Governors' Free-Riding and Withholding Interpretation.

Henry L. Sullivan, Jr. (Registered Representative, New Orleans, Louisiana) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was censured and fined \$15,000. In addition, Sullivan must attend an advanced training program conducted by his member firm and undergo an annual private compliance session with a firm compliance officer for the next two years. Without admitting or denying the allegations, Sullivan consented to the described sanctions and to the entry of findings that he prepared and allowed a public customer to take from his office documents containing a list of the customer's assets maintained at Sullivan's member firm that inaccurately reflected the value of the customer's investments.

Decisions Issued

The following decisions have been issued by the District Business Conduct Committee (DBCC) or the Office of Hearing Officers and have been appealed to or called for review by the National Adjudicatory Council

(NAC) as of May 29, 1998. The findings and sanctions imposed in the decisions 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 *Notice to Members*.

Brian D. Angiuli (Registered Representative, Port Washington, New York) was censured, fined \$16,694, suspended from association with any NASD member in any capacity for 30 days, and required to requalify by exam as a general securities representative. The sanctions were based on findings that Angiuli effected securities transactions in the account of a public customer without the customer's authorization.

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

Donald Clyde Bozzi, Jr. (Registered Representative, Basking Ridge, New Jersey) was censured, fined \$30,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Bozzi submitted false insurance applications containing numerous misstatements of fact that he knew or should have known were false. Bozzi also provided false information in written and testimonial form during the course of an NASD investigation.

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

Michael Bruzzese (Registered Representative, Brooklyn, New York) and **Nicholas J. Mormando, Jr. (Registered Representative, Brooklyn, New York)** were each censured, fined \$5,000, suspended from association with any NASD

member in any capacity for one month, and required to requalify by taking and passing the Series 7 exam. In addition, Bruzzese was required to disgorge to public customers his excessive commissions totaling \$5,407.70, and Mormando was required to disgorge \$227,587.45 in excessive commissions to public customers. The sanctions were based on findings that Bruzzese and Mormando received commissions on their sales of securities to public customers that were excessive and unfair.

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

Jawahar K. Doshi (Registered Principal, Bayside, New York) was censured, fined \$30,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Doshi entered into an oral agreement with a public customer whereby he agreed to reimburse the customer for any and all future losses incurred in the customer's account in return for a share of any profits generated. Doshi also failed to respond truthfully to the NASD during an on-the-record interview.

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

Henry A. Hale (Registered Principal, Marietta, Georgia) was censured, fined \$10,000, and suspended from association with any NASD member in any principal or supervisory capacity for 10 business days. The sanctions were based on findings that Hale failed to supervise reasonably the sales activities of an individual in order to prevent and/or detect the unsuitable trading that occurred in the account of a public

customer.

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

Institutional Investor Services, Inc. (Chicago, Illinois), Eugene V. Rintels (Registered Principal, Highland Park, Illinois), Joel Chestler (Registered Representative, Glencoe, Illinois), and Dennis G. Guy (Registered Principal, Delray Beach, Florida). The firm, Rintels, Guy, and Chestler were censured and fined \$170,000, jointly and severally. Rintels, Guy, and Chestler were each suspended from association with any NASD member in any capacity for 90 days and required to take and pass all exams required for the capacities in which they wish to function with an NASD member or cease to function in any such capacity until they requalify. The sanctions were based on findings that the firm, Rintels, Guy, and Chestler, acting through partnerships they created, purchased stocks through dividend reinvestment and stock purchase plan programs (DRIP Plans), received a total discount of \$122,162, and exceeded the limits that each issuer placed on each purchaser contained in the DRIP Plans.

The firm, Rintels, Guy, and Chestler have appealed this action to the NAC and the sanctions are not in effect pending consideration of the appeal.

Gregory Paul Maggipinto (Registered Representative, San Jose, California) was censured, fined \$25,000, suspended from association with any NASD member in any capacity for 60 days, and required to requalify by exam as a general securities representative. The sanctions were based on findings that Maggipinto effected securities transactions in the account of a public customer without the prior knowledge or con-

sent of the customer.

Maggipinto has 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.

Derick Adamson (Registered Representative, Glassboro, New Jersey) was named as a respondent in an NASD complaint alleging that he forged a public customer's signature to establish both a life insurance policy and an insurance service account, permitting the funding of the insurance service account via electronic fund transfers from the customer's personal bank account, and falsified records by changing the customer's address to Adamson's own address. The complaint alleges that Adamson forged the customer's signature on the policy record audit letter and the accompanying statistics document and advised the insurance company to surrender the policy. In addition, the complaint alleges that Adamson caused a \$1,600 loan to be taken against the policy without the customer's knowledge, forged the customer's name on the back of the loan check, and then converted the loan check to his personal use and benefit by depositing it into his personal bank account.

The complaint also alleges that

Adamson deposited approximately \$16,045.60 into a life access fund account on behalf of a public customer, caused the address for the account to be changed from the customer's address to Adamson's own address, wrote checks totaling \$25,700 against the account, forged the customer's name on each check, converted the checks to his personal use and benefit by depositing the checks into his bank account, and forged the customer's name to a flexible premium annuity application. In addition, the complaint alleges that Adamson failed to respond to NASD requests for information.

Kurt Fethke (Registered Representative, Los Angeles, California) was named as a respondent in an NASD complaint alleging that he made unauthorized transactions in the accounts of public customers. The complaint also alleges that Fethke failed to respond to NASD requests for information.

Robert Anthony Gatto (Associated Person, Brooklyn, New York) was named as a respondent in an NASD complaint alleging that he came into possession of a check drawn on his employer firm's account. The complaint alleges that Gatto proceeded to have the check in the sum of \$1,093.84 made payable to himself, affixed the signatures of the firm's authorized signatories on the check without their knowledge, authorization or consent, and converted the proceeds of the check to his own personal use and benefit. The complaint also alleges that Gatto failed to respond to NASD requests for information.

Richard D. Holloway (Registered Representative, Tulsa, Oklahoma) was named as a respondent in an NASD complaint alleging that he received insurance refund checks totaling \$1,991.65 for delivery to public customers, but failed and neglect-

ed to deliver the refund checks to these customers. The complaint alleges that Holloway converted these funds to his own use and benefit by forging endorsements on each of the checks. The complaint also alleges that Holloway failed to respond to NASD requests for information.

Steven T. Mayes (Registered Representative, Oak Ridge, Tennessee) was named as a respondent in an NASD complaint alleging that he received approximately \$1,700 from a public customer to be invested in a mutual fund, but failed and neglected to submit these funds on the customer's behalf. The complaint alleges that Mayes instead maintained possession of the funds for his own use and benefit. The complaint also alleges that Mayes failed to respond to NASD requests to provide information.

Steven J. Napoli (Registered Representative, Belle Mead, New Jersey) was named as a respondent in an NASD complaint alleging that he received \$10,000 in cash from a public customer for the purpose of paying insurance premiums, remitted a total of \$7,300 on the insurance policy, and failed to remit the remaining \$2,700 to the insurance company. The complaint alleges that Napoli commingled the remaining \$2,700 received from the customer with his own personal funds and converted the funds to his own personal use and benefit without the customer's knowledge, authorization, or consent. The complaint also alleges that Napoli failed to respond to NASD requests for information.

Christopher John Plucinski (Registered Representative, Stevenson Ranch, California) was named as a respondent in an NASD complaint alleging that he received \$35,000 from a public customer for the pur-

pose of investing in a growth and income fund. The complaint alleges that Plucinski did not apply the funds as directed by the customer, and instead, converted the funds to his personal use and benefit by depositing the funds into his bank account and writing personal and business checks on the funds.

Donald E. Radle (Registered Principal, Springfield, Missouri) was named as a respondent in an NASD complaint alleging that he made unsuitable recommendations to customers in the purchase, liquidation, and subsequent repurchase of the same mutual fund, resulting in unnecessary sales and commission charges totaling \$86,375.

Milson Carroll Raver, Jr. (Registered Representative, Sea Girt, New Jersey) was named as a respondent in an NASD complaint alleging that he misused customer funds and schemed to defraud by soliciting public customers to invest in a purported "Regulation D, Rule 504 Offering" for a company that he represented to be incorporated in New York, but which in actuality was never incorporated in New York State. The complaint alleges that, although Raver represented to the customers that their funds would be deposited into an escrow account and would be refundable, he instead deposited \$14,000 in customer funds into a corporate account which he established and used the account to pay for personal expenses.

The complaint also alleges that Raver received an additional \$1,000 from a public customer that was never deposited into the corporate account. The complaint alleges that the public customers requested that Raver return the investment, but no reimbursement was ever made, nor were shares ever delivered to them. The complaint also alleges that Raver failed to give his employer firm

notice of his participation in, and compensation received from, the alleged private securities transaction. Finally, the complaint alleges that Raver failed to respond to NASD requests for information.

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

Andover Securities, Inc., Kansas City, Missouri (May 26, 1998)

Firms Suspended

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

Avatar Financial Group, LTD, Blue Bell, Pennsylvania (May 20, 1998)

Carlisle Investment Group, Chicago, Illinois (April 30, 1998)

Duke & Co., Inc., New York, New York (May 29, 1998)

Marsh, Block & Co., Inc., New York, New York (April 30, 1998)

Meyers Pollock Robbins, Inc., New York, New York (April 30, 1998)

Schuparra Securities Corporation, San Antonio, Texas (May 20, 1998)

Sierra Pacific Capital, Olympic Valley, California (April 30, 1998)

TBD Capital Markets Trust, Miami, Florida (May 29, 1998)

TSG B/D, Inc., New York, New York (April 30, 1998)

Unified Investments, Inc., Jackson, Mississippi (April 30, 1998)

Wall Street Markets Group, New York, New York (April 30, 1998)

Winston Rodgers & Otlvaro, Inc., New York, New York (April 30, 1998)

Wise Choice Discount, New York, New York (May 20, 1998)

WR Lazard, Laidlaw, Inc., New York, New York (May 20, 1998)

Firms Whose Registrations Were Suspended Pursuant To NASD Rule 9622 For Failure To Pay Arbitration Award

Andover Securities Inc., Kansas City, Missouri (June 17, 1998)

Bishop Allen, Inc., New York, New York (June 4, 1998)

Euro-Atlantic Securities, Inc., Boca Raton, Florida (June 1, 1998)

First Cambridge Securities Corp., New York, New York (June 4, 1998)

Global Strategies, Inc., New York, New York (June 12, 1998)

Greenway Capital Corp., n/k/a Cortlandt Capital Corp., New York, New York (June 4, 1998)

LaCroix Alexander Financial Corp., Newport Beach, California (May 26, 1998)

Meyers Pollock Robbins, Inc., New York, New York (June 11, 1998)

State Street Capital Markets Corp., New York, New York (June 1, 1998)

Sterling Foster & Company, Inc., Uniondale, New York (June 17, 1998)

T.L. Group, Inc., Fort Worth, Texas (June 11, 1998)

Suspensions Lifted

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

Avex Investments, Inc., Dallas, Texas (June 3, 1998)

Clemente Fund Management, Inc., New York, New York (May 20, 1998)

Euromax Financial Services, Inc., Daly City, California (May 20, 1998)

Plumwood Securities Corporation, Libertyville, Illinois (May 26, 1998)

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

Casady, Gregory A., Kansas City, Missouri (May 26, 1998)

Khan, Mohammed L., Altamonte Springs, Florida (June 9, 1998)

Sun, Zhen J., Brookline, Massachusetts (May 26, 1998)

Szymanski, Frank R., New Lenox, Illinois (May 26, 1998)

Individuals Whose Registrations Were Suspended Pursuant To NASD Rule 9622 For Failure To

Pay Arbitration Award

Corbett, Timothy, Havertown, Pennsylvania (June 4, 1998)

Forfia, Robert P., Ridgewood, New Jersey (June 9, 1998 to June 16, 1998)

Hauke, Thomas, West Orange, New Jersey (June 18, 1998)

Hiers, John, Corona, California (June 17, 1998)

Hosang, Ian Richard, Brooklyn, New York (June 17, 1998)

Ihm, Jeffrey Peter, Farmingdale, New York (June 11, 1998)

Knight, Michael E., Addison, Illinois (May 27, 1998)

McGavern, Terry J., Lee's Summit, Missouri (June 17, 1998)

Mellul, Elie, Great Neck, New York (June 4, 1998)

Mormando, Christopher, Staten Island, New York (June 17, 1998)

Roach, Donna, Murrieta, California (May 26, 1998)

Rotgers, Richard, Jr., West Babylon, New York (June 4, 1998)

NASD Regulation Sanctions 13 Former Stratton Oakmont Principals And Registered Representatives For Sales Practice Violations

NASD Regulation announced that 13 individuals, including two former managing directors and principals previously associated with Stratton Oakmont, Inc., have been censured, fined, and suspended or permanently barred from the securities industry. Stratton Oakmont Inc., a broker/dealer, was expelled from the NASD in

December 1996.

Jordan Shamah of North Hills, New York, a general securities principal and former managing director and partner in the firm, and Irving Stitsky of Brookville, New York, a general securities principal and former managing director and junior partner in the firm, have consented to be censured and permanently barred from the industry. In addition, Stitsky has been ordered to pay a fine of \$100,000. The allegations against them, which they neither admit nor deny, include engaging in fraudulent sales practices and failing to supervise others who engaged in such practices; fraudulently failing to make a bona fide public distribution during an offering; and violating a lock-up requirement in connection with a public offering. These findings result from three separate NASD Regulation disciplinary actions.

This brings to 13 the number of former principals and employees of Stratton Oakmont who have recently settled sales practice actions brought against them by NASD Regulation. The settlements are the result of an ongoing, stepped-up effort by NASD Regulation to hold not only brokerage firms accountable for sales practice violations, but also the individual brokers who commit them. Sanctions against these individuals range from suspensions of three months to permanent bars from the securities industry, and fines of up to \$100,000.

Former Stratton Oakmont employees sanctioned in conjunction with their actions while at the firm include:

- Chad Beanland of North Babylon, New York, general securities representative: censure, bar, and \$10,000 fine;
- Andrew Steven Friedman of Plainview, New York, general securities principal: censure, bar, and

\$50,000 fine;

- Howard Gelfand of Roslyn, New York, general securities principal: censure, six-month suspension, \$20,000 fine, and requirement to requalify by examination;
- Patrick Hayes of Valley Stream, New York, general securities principal: censure, six-month suspension, \$10,000 fine, and requirement to requalify by examination;
- David Heredia of Long Beach, New York, general securities representative: censure, bar, and \$100,000 fine;
- Lauren Lessard of Northport, New York, general securities representative: censure, three-month suspension, \$5,335 in restitution, \$15,000 fine, and requirement to requalify by examination;
- Richard Ringel of Roslyn, New York, general securities representative: censure, bar, and \$50,000 fine;
- Peter Rubenstein of Melville, New York, general securities representative: censure, three-year suspension, \$20,000 fine, and requirement to requalify by examination;
- Mark Slakter of Upper Saddle River, N.J., general securities representative: censure, 11-month suspension, and \$15,000 fine;
- Bonnie Vandenberg of Roslyn, New York, general securities representative: censure, six-month suspension, \$10,000 fine, and requirement to requalify by examination; and
- Samuel Weber of Dix Hills, New York, general securities representative: censure and bar.

In addition, disciplinary proceedings

are still pending against 25 individuals formerly associated with Stratton Oakmont.

Maidstone Financial Fined, Expelled; Four Brokers Settle Fraud Charges

NASD Regulation expelled Maidstone Financial Inc., from the NASD and sanctioned two of its senior executives—along with two more senior executives of HGI Inc. (formerly known as the Harriman Group)—in connection with fraud in the underwriting of three securities. Maidstone and the four individuals, all of whom were barred, were fined a total of \$14.8 million.

Nearly \$1 million has already been deposited by the four executives into an escrow account for disbursement to hundreds of defrauded investors from 15 states and three countries. Maidstone's Chief Executive Officer and Chairman, Marshall Bernstein, was barred, fined \$1.9 million, and censured; and its President, Stuart Litman, was barred, fined \$1.9 million, and censured. HGI's Vice President and Director, Brian Douglas Scanlon, was barred, fined \$5 million, and censured; and Secretary and Chairman Mark Arthur Hanna was barred, fined \$5 million, and censured. Maidstone was fined \$1 million and censured. The case against HGI remains pending.

Investors entitled to restitution need not contact the NASD directly, as they will be contacted in writing by a

consultant hired by Maidstone (and approved by NASD Regulation) shortly. Maidstone and the four individuals all neither admitted nor denied NASD Regulation's findings.

The complaint in this case, filed by NASD Regulation in December 1997, alleges that, as underwriters of three securities (Sims Communications, Inc., Natural Health Trends Corp., and International Cutlery, Ltd.), HGI and Maidstone made more than \$16.2 million in illicit profits, defrauding investors in the process. The two firms, working through the four individuals, illegally profited by purchasing stock at below-market prices to cover large short positions each firm had intentionally created in their inventories. In each offering, the firms purchased the covering shares from shareholders who had received their securities prior to the initial public offerings (IPOs) through private placements and bridge financing arrangements. In registration statements and amendments filed by the two firms with the SEC, the shares of these "selling shareholders" were restricted and therefore could not be sold for up to two years after the IPO, unless the lead underwriter granted permission.

The complaint also alleges that both firms entered into private transactions with the "selling shareholders" to purchase their shares to cover the short positions in their inventories. In addition, it is alleged that, acting through the four principals, the two firms engaged in fraud by failing to

disclose: the private transactions with the selling shareholders, the firms' plans to distribute the selling shareholders' securities to the public, and the receipt of excessive underwriting compensation.

HGI, according to the complaint, made \$12 million in excessive and undisclosed underwriting compensation, and Maidstone Financial, Inc., received more than \$4.2 million in excessive and undisclosed underwriting compensation.

This case was brought by NASD Regulation's District 10 office in New York with assistance from the Corporate Financing Department in Washington, D.C. Neither HGI, Inc., nor Maidstone currently operates a securities business. In September 1997, HGI, which was then based in Jericho, N.Y., withdrew from the NASD. Maidstone, formerly based in New York City, also withdrew from the NASD in November 1997.

Investors can obtain the disciplinary record of any NASD-registered broker or brokerage firm by calling (800) 289-9999, or by sending an e-mail through NASD Regulation's Web Site (www.nasdr.com).

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