

Disciplinary Actions

Disciplinary Actions Reported For May

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, May 18, 1998. The information relating to matters contained in this *Notice* is current as of the end of April 24.

Firms Fined, Individuals Sanctioned

Castle Securities Corporation (Freeport, New York) and Michael T. Studer (Registered Principal, Rockville Centre, New York) were fined \$25,000, jointly and severally, and required to pay \$19,373.56 plus interest in restitution to customers. In addition, Studer was suspended from association with any NASD member in any capacity for 30 days and required to requalify by exam as a general securities principal. The Securities and Exchange Commission (SEC) affirmed the sanctions following appeal of an October 1996 National Business Conduct Committee (NBCC) decision. The sanctions were based on findings that the firm manipulated the price of a common stock in that it used its dominant and controlling position in the market to establish and maintain an artificial and inflated price of the stock, and arbitrarily increased that price when it was known there was little or no investor or dealer interest in the stock and no favorable news or developments concerning the stock. Furthermore, the firm charged its retail customers unfair and fraudulently excessive mark-ups ranging from 16 to 66 percent over the prevailing market price for the common stock. The firm, acting through Studer, also failed to establish, implement, and

enforce reasonable supervisory procedures designed to prevent the firm's customers from being charged manipulated prices and unfair and fraudulently excessive markups in a common stock.

The firm and Studer have appealed this action to the United States Court of Appeals and the sanctions are not in effect pending consideration of the appeal.

Escalator Securities, Inc. (Tarpon Springs, Florida) and Howard A. Scala (Registered Principal, Tarpon Springs, Florida) were fined \$50,000, jointly and severally. The firm was also ordered to pay \$106,359.16 plus interest in restitution and barred from executing principal transactions in equity securities with retail customers except for unsolicited liquidating transactions. Scala was barred from association with any NASD member in any principal, proprietary, or supervisory capacity. The NBCC imposed the sanctions following a remand as to sanctions from the SEC. The sanctions were based on findings that the firm and Scala charged excessive prices to public customers in the sale of equity securities and debentures. The prices charged included markups ranging from five to 350 percent above the prevailing market price. In addition, the firm, acting through Scala, charged fraudulently excessive markups in excess of 10 percent above the prevailing market price.

Hattier, Sanford & Reynoir (New Orleans, Louisiana), Gus A. Reynoir (Registered Principal, New Orleans, Louisiana) and Vance G. Reynoir (Registered Principal, New Orleans, Louisiana) were censured and fined \$60,000, jointly and severally. In addition, the firm was required to engage an independent auditor within 90 days to review its books and records and supervisory procedures and to imple-

ment the auditor's recommendations in a manner satisfactory to the NASD. G. Reynoir and V. Reynoir were suspended from association with any NASD member in any capacity for 30 days, suspensions not to run concurrently. G. Reynoir and V. Reynoir were required to requalify as a general securities principal and as a municipal securities principal, respectively, within 180 days or be suspended until they requalify. The SEC affirmed the sanctions following appeal of an October 1996 NBCC decision. The sanctions were based on findings that the firm, acting through G. Reynoir and V. Reynoir, issued 453 confirmations that misrepresented the capacity in which trades were executed.

This action has been appealed to the United States Court of Appeals and the sanctions are not in effect pending consideration of the appeal.

LaJolla Capital Corp. (San Diego, California) and Harold Bailey Gallison, Jr. (Registered Principal, Cardiff, California). The firm was censured, fined \$100,000, and required to retain an independent consultant to audit and monitor its compliance program for two years. Gallison was censured, fined \$100,000, barred from association with any NASD member in a principal or supervisory capacity, and required to requalify by exam in any other capacity. The NBCC imposed the sanctions following appeal of a Market Surveillance Committee decision. The sanctions were based on findings that the firm and Gallison failed to establish, maintain, or enforce a supervisory system reasonably designed to achieve compliance with the federal securities laws and regulations. In addition, Gallison failed to supervise properly in order to detect and deter alleged violations by the firm's registered representatives.

This action has been appealed to the SEC and the sanctions, other than the bar, are not in effect pending consideration of the appeal.

Landmark International Equities, Inc. (Westbury, New York) and Scott Eliasoph (Registered Representative, Westbury, New York). The firm was censured and fined \$22,872.51. Eliasoph submitted an Offer of Settlement pursuant to which he was censured, fined \$16,808.76, and suspended from association with any NASD member in any capacity for five business days. The sanctions were based on findings that the firm permitted Eliasoph to perform duties as a registered person while his registration status with the NASD was inactive. In addition, the firm failed to report to the NASD statistical and summary information relating to customer complaints received by the firm and failed to adopt, maintain, and enforce adequate written supervisory procedures and systems. Without admitting or denying the allegations, Eliasoph consented to the described sanctions and to the entry of findings that he performed duties as a registered person while his registration status was inactive due to his failure to timely complete the Regulatory Element of the NASD's Continuing Education rules.

The House of Securities Company, Inc. (Frederick, Maryland), William Floria (Registered Principal, Jefferson, Maryland), and Christopher A. Weir (Registered Principal, Frederick, Maryland) submitted a Letter of Acceptance, Waiver and Consent pursuant to which the respondents were censured and fined \$10,000, jointly and severally. Weir was suspended from association with any NASD member in any capacity for 15 days. In addition, Floria and Weir must each 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 through Floria and Weir, failed to maintain accurate and complete books and records. The findings also stated that the firm, acting through Floria, conducted a securities business when the firm did not have the minimum required net capital. Furthermore, the firm, acting through Floria and Weir, failed to give timely notification of the firm's net capital deficiencies and filed inaccurate FOCUS I and II reports.

Firms And Individuals Fined
Pacific Genesis Group, Inc. (San Francisco, California), Arch Vincent Zellick (Registered Principal, Alameda, California), Gerald Beldon Porter, Jr. (Registered Principal, San Rafael, California), and Daniel Clive Young (Registered Principal, Payson, Arizona) submitted an Offer of Settlement pursuant to which they were censured. The firm was fined \$15,000, jointly and severally, with Zellick, and fined \$20,000, jointly and severally, with Zellick, Porter, and Young. In addition, the firm must pay \$33,642.50 plus interest in restitution to public customers and Porter must not participate in determining markups or markdowns on municipal securities in connection with transactions in the secondary market for such securities for one year. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Zellick, permitted individuals to conduct a securities business without being registered in any capacity or when they were in an inactive status for failing to satisfy the Regulatory Element of the Continuing Education Program. The findings also stated that the firm, acting through Zellick, Young, and Porter, effected sales of municipal securities to customers at

prices that were unfair and unreasonable.

VTR Capital, Inc. (New York, New York) and Edward Joseph McCune (Registered Principal, Juno Beach, Florida) submitted a Letter of Acceptance, Waiver and Consent pursuant to which they were censured, fined \$12,000, jointly and severally, and required to update and revise the firm's written supervisory procedures and compliance manual. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through McCune, failed to disclose adequate information on order tickets and customer confirmations, and failed to maintain an internal record of persons designated as supervisory personnel and their responsibilities. The findings also stated that the firm, acting through McCune, failed to establish and enforce written supervisory procedures.

W.B. McKee Securities, Inc. (Scottsdale, Arizona) and William B. McKee (Registered Principal, Scottsdale, Arizona) submitted Offers of Settlement pursuant to which the firm was censured, fined \$22,500, and required to retain an independent consultant to review the firm's written supervisory and compliance procedures and its policies and practices with respect to corporate finance. McKee was censured, fined \$14,000, and required to requalify by exam as a general securities principal. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through McKee, compensated a non-member firm in connection with a private placement of securities. The findings also stated that the firm, acting through McKee, participated in a contingency offering and permitted the distribution of funds from the escrow account when

terms of the contingency were not met, and sold securities in a fixed price offering at a discount to entities that were not registered broker/dealers.

Furthermore, the NASD determined that the firm conducted a securities business while failing to maintain the required minimum net capital and failed to maintain written supervisory procedures reasonably designed to achieve compliance with all applicable rules. Moreover, the firm, acting through McKee, failed to establish written supervisory procedures to include a provision for the principal review of subscription-way transactions and the firm did not evidence the principal review of subscription-way transactions in a private placement. The firm also sold securities to customers in a public offering and assessed a miscellaneous charge in addition to the public offering price of the securities.

Firms Fined

ABN AMRO Chicago Corporation (Chicago, Illinois) submitted a Letter of Acceptance, Waiver and Consent pursuant to which the firm was censured and fined \$15,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it reported transactions to the Automated Confirmation Transaction ServiceSM (ACTSM) in violation of applicable securities laws and regulations regarding trade reporting and limit orders. Furthermore, the NASD found that the firm failed to maintain adequate written supervisory procedures relating to trade reporting and the Limit Order Protection Interpretation.

Emmett A. Larkin Company, Inc. (San Francisco, California) submitted a Letter of Acceptance, Waiver and Consent pursuant to which the firm was censured and fined

\$15,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it failed to file reports with the NASD with respect to customer accounts that had established an aggregate position of 200 or more option contracts. The findings also stated that the firm failed to establish, maintain, and enforce adequate written supervisory procedures designed to achieve compliance with the applicable NASD rules relating to reporting options positions.

Everen Securities, Inc. (Chicago, Illinois) submitted a Letter of Acceptance, Waiver and Consent pursuant to which the firm was censured and fined \$18,500. 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 limit orders. Furthermore, the NASD found that the firm failed to establish, maintain, and enforce written supervisory procedures designed to achieve compliance with the applicable securities laws and regulations regarding trade reporting, record keeping, registration, and limit orders.

Rodman & Renshaw, Incorporated (Chicago, Illinois) submitted a Letter of Acceptance, Waiver and Consent pursuant to which the firm was censured and fined \$22,500. 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 limit orders. Furthermore, the NASD found that the firm failed to establish, maintain, and enforce written supervisory procedures designed to achieve compliance with the applicable securities

laws and regulations regarding trade reporting and limit orders.

Tucker Anthony, Incorporated (New York, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which the firm was censured and fined \$22,000. 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 limit orders. Furthermore, the NASD found that the firm failed to establish, maintain, and enforce written supervisory procedures designed to achieve compliance with the applicable securities laws and regulations.

Wm. V. Frankel & Company, Inc. (Jersey City, New Jersey) submitted a Letter of Acceptance, Waiver and Consent pursuant to which the firm was censured and fined \$18,000. 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 limit orders. The firm executed short sale transactions at or below the inside bid when the inside bid was below the preceding inside bid. Furthermore, the NASD found that the firm failed to establish, maintain, and enforce written supervisory procedures designed to achieve compliance with the applicable securities laws and regulations regarding trade reporting, limit orders, market-making functions, and short sales.

Individuals Barred Or Suspended

Christopher Accardi (Registered Representative, Huntington Station, New York) submitted an Offer of Settlement pursuant to which he

was censured, fined \$7,500, suspended from association with any NASD member in any capacity for one year, and required to requalify by exam as an investment company and variable contracts representative. Without admitting or denying the allegations, Accardi consented to the described sanctions and to the entry of findings that he misrepresented to public customers the nature of documents they had signed at the time of their purchase of life insurance policies. According to the findings, the documents the customers signed at the time of the purchase were not for the cancellation and transfer of funds from their fixed rate policies to their new policies. Rather, the documents caused loans to be taken out on the customers' fixed rate policies, which was never the customers' intention. The findings also stated that Accardi made several alterations to the paperwork the customers had signed in connection with the purchase of life insurance policies and forged the customers' initials on various components of their policies without the customers' prior knowledge or consent.

Timothy C. Adams (Registered Representative, Cambridge, Massachusetts) was censured, fined \$20,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Adams failed to respond to NASD requests for information.

The appeal to the National Adjudicatory Council (NAC) was dismissed as abandoned; therefore, this District Business Conduct Committee (DBCC) decision constitutes final action.

Robert J. Amico (Registered Principal, Webster, New York) 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 30 days, and required to requalify by exam in any capacity. Without admitting or denying the allegations, Amico consented to the described sanctions and to the entry of findings that he sold a promissory note to a public customer and guaranteed the customer that he would pay him any unpaid sums due on the promissory note.

Essodina Adolph Atchade (Registered Representative, Santa Clara, California) was censured, fined \$200,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Atchade misappropriated a customer's funds totaling \$28,000 for his own use and benefit. Furthermore, Atchade provided the customer with fictitious account statements.

The appeal to the NAC was dismissed as abandoned; therefore, this DBCC decision constitutes final action.

Vijay Basani (Registered Representative, Mamaroneck, New York) was censured, fined \$20,000, and suspended from association with any NASD member in any capacity for two years. The sanctions were based on findings that Basani failed to respond timely to NASD requests for information.

Robert E. Bauman (Registered Representative, Keizer, Oregon) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was censured, fined \$7,500, and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Bauman consented to the described sanctions and to the entry of findings that he failed to forward funds in the amount of \$503.72 received from customers that were intended as insurance poli-

cy premium payments to his member firm.

Chad Beanland (Registered Representative, N. Babylon, New York), Andrew Friedman (Registered Principal, New York, New York), Howard S. Gelfand (Registered Principal, Roslyn, New York), Bonnie C. Vandenberg (Registered Representative, New York, New York), and David S. Heredia (Registered Representative, Long Beach, New York) submitted Offers of Settlement pursuant to which Beanland was censured, fined \$10,000, and barred from association with any NASD member in any capacity. Friedman was censured, fined \$50,000, and barred from association with any NASD member in any capacity, and Gelfand was censured, fined \$20,000, suspended from association with any NASD member in any capacity for six months, and required to requalify by exam prior to acting in a supervisory capacity with any member firm. Vandenberg was censured, fined \$10,000, suspended from association with any NASD member in any capacity for six months, and ordered to requalify by exam prior to becoming associated with any member firm. Heredia 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 Beanland, Friedman, Vandenberg, and Heredia engaged in baseless and improper price predictions, and Beanland, Friedman, and Heredia made false promises to limit losses in customer accounts. The findings also stated that Friedman made improper guarantees against losses to customers; Friedman, Vandenberg, and Heredia engaged in unauthorized trading in customer accounts; Friedman and

Heredia made improper promises to customers to make up losses in their accounts; Friedman failed to testify before the NASD in an investigation; Beanland made false statements as to the minimum amount of securities customers had to buy and provided false testimony in connection with an NASD investigation; Vandenberg and Heredia made misrepresentations as to specific issuers and the risk of an investment; and Heredia made improper and baseless comparisons between unrelated securities and made a false claim of access to inside information.

Furthermore, the findings stated that Heredia refused to execute sell orders; Vandenberg and Heredia aggressively discouraged customers from selling securities; and Gelfand failed to exercise adequately his supervisory duties by allowing registered representatives under his supervision to use sales scripts that were materially false and misleading in connection with the sale of speculative securities.

Douglas R. Bevers (Registered Principal, Devon, Pennsylvania) submitted an Offer of Settlement pursuant to which he was censured, fined \$10,000, suspended from association with any NASD member in any supervisory capacity and from performing any supervisory functions for 90 days, and required to requalify by exam as a general securities principal. Without admitting or denying the allegations, Bevers consented to the described sanctions and to the entry of findings that, acting on behalf of a member firm, he failed to enforce various supervisory procedures and failed to supervise an individual reasonably and properly.

Bevers' suspension began February 16, 1998, and will conclude May 15, 1998.

Edward Galbreath Blackman, IV (Registered Principal, Highlands Ranch, Colorado) submitted an Offer of Settlement pursuant to which he was censured, suspended from association with any NASD member in any capacity for 60 days, and barred from association with any NASD member in any principal capacity. In addition, Blackman must pay \$75,000 in restitution to public customers following the suspension period and submit to additional supervision by his member firm for six months following the suspension. Without admitting or denying the allegations, Blackman consented to the described sanctions and to the entry of findings that he employed devices to defraud customers by recommending and urging customers to buy speculative and unseasoned securities, and by making baseless price predictions and predictions of returns.

The findings also stated that Blackman made untrue statements and omissions of material facts and recommended that customers purchase or hold specified securities without a reasonable basis for such recommendations. Furthermore, the NASD found that Blackman failed to supervise registered representatives properly and adequately, and encouraged them and others to participate in high-pressure, boiler room tactics to market speculative and unseasoned companies to customers without concern as to whether these recommendations were suitable for the customers. Blackman also recommended and placed orders for the purchase and sale of securities in a customer's account without a reasonable basis for believing the transactions were suitable for the customer's investment objectives and financial situation.

Danford Mark Byrens (Registered Representative, Olivet, Michigan) 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 days. Without admitting or denying the allegations, Byrens consented to the described sanctions and to the entry of findings that he failed to remit \$225.55 in customer funds to his member firm's insurance affiliate.

Richard M. Cannon, Jr. (Registered Representative, Tucson, Arizona) was censured, fined \$20,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Cannon failed to respond to NASD requests for information.

Charles Cochran (Registered Representative, Wichita, Kansas) submitted an Offer of Settlement pursuant to which he was censured, fined \$5,000, and suspended from association with any NASD member in any capacity for 10 business days. Without admitting or denying the allegations, Cochran consented to the described sanctions and to the entry of findings that he failed to provide his member firm with prior written notice of his participation in private securities transactions in the form of a compensation agreement with another member firm.

Juan Manuel Correa (Registered Principal, Houston, Texas) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was censured, fined \$4,000, suspended from association with any NASD member in any principal capacity for two years, and ordered to requalify by exam in any capacity. Without admitting or denying the allegations, Correa consented to the described sanctions and to the entry of findings that, acting through a member firm, Correa effected securities transactions while failing to maintain sufficient net capital. The findings

also stated that Correa failed to provide notification of the firm's net capital deficiency to the SEC and failed to supervise an individual properly to prevent unauthorized trading.

Paul A. Daniels (Registered Representative, Las Cruces, New Mexico) was censured, fined \$10,000, and suspended from association with any NASD member in any capacity for 10 business days. The sanctions were based on findings that Daniels participated in private securities transactions for compensation without obtaining written approval from his member firm.

Stanley Theodore Deck (Registered Principal, Pleasant Hill, California) 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, Deck consented to the described sanctions and to the entry of findings that he failed to respond to NASD requests to appear for an on-the-record interview.

Frank J. DeCola (Registered Representative, Brooklyn, New York) was censured, fined \$5,000, suspended from association with any NASD member in any capacity for one year, and required to requalify by exam. The sanctions were based on findings that DeCola telephoned public customers to solicit interest in opening securities accounts and purchasing stock. During the course of the conversations, DeCola made several material misrepresentations regarding himself and the stock.

Holger Claus Dietze (Registered Representative, Chantilly, Virginia) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was censured, fined \$7,500, suspended from association

with any NASD member in any capacity for 30 business days, and required to requalify by exam as a general securities representative. Without admitting or denying the allegations, Dietze consented to the described sanctions and to the entry of findings that he engaged in private securities transactions and outside business activities without notifying his member firm of such transactions and activities.

Robert B. DiMarco, Jr. (Registered Principal, Boca Raton, Florida) and **Brian E. Baginski (Registered Principal, Boca Raton, Florida)** submitted an Offer of Settlement pursuant to which DiMarco was censured, fined \$10,000, and suspended from association with any NASD member in any capacity for one year. Baginski was censured, fined \$10,000, and suspended from association with any NASD member in any capacity for six months. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that they failed to respond fully to NASD requests for information.

Gary J. Dorsi (Registered Principal, Marlboro, New Jersey) was censured, fined \$50,000, suspended from association with any NASD member in any capacity for 60 days, barred in any principal capacity, and required to requalify by examination in all capacities prior to reassociating with a member firm. The sanctions were based on findings that Dorsi, as a branch office manager, engaged in, and substantially assisted others in engaging in, high-pressure sales practices. The findings also stated that Dorsi failed to exercise effective oversight of the sales activities in his branch office to detect and prevent improper sales practices.

John J. Fiero (Registered Principal, Jersey City, New Jersey) was

censured, fined \$20,000, and suspended from association with any NASD member in any capacity for six months. The SEC affirmed the sanctions following appeal of a March 1997 NBCC decision. The sanctions were based on findings that Fiero failed to provide on-the-record testimony to the NASD.

Fiero has appealed this action to the United States Court of Appeals and the sanctions are not in effect pending consideration of the appeal.

Paul T. Fiorini (Registered Principal, Los Angeles, California) was censured, fined \$20,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Fiorini failed to respond to NASD requests for information.

Maureen Louise Flaherty (Associated Person, Portland, Oregon) submitted an Offer of Settlement pursuant to which she was censured, fined \$1,000, and suspended for two years from attempting to take any licensing qualification exam. Without admitting or denying the allegations, Flaherty consented to the described sanctions and to the entry of findings that she had unauthorized material in her possession while taking the Series 7 exam.

Sean T. Flanagan (Registered Representative, Bellaire, Ohio) submitted an Offer of Settlement pursuant to which he was censured, fined \$1,000, and suspended from association with any NASD member in any capacity for six months. Without admitting or denying the allegations, Flanagan consented to the described sanctions and to the entry of findings that he failed to respond to NASD requests for information.

Nicholas Freund (Registered Representative, Great Neck, New York) submitted a Letter of Accep-

tance, Waiver and Consent pursuant to which he was censured, fined \$21,000, and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Freund consented to the described sanctions and to the entry of findings that he purchased shares of stock that traded at a premium in the immediate after-market in violation of the NASD Board of Governors' Free-Riding and Withholding Interpretation. The findings also stated that Freund failed to provide written notification to his member firms that he was opening accounts with other firms, and failed to provide written notification to the executing firms of his association with member firms prior to opening the accounts.

Rodney Gocool (Registered Representative, Bronx, New York) was censured, fined \$25,000, barred from association with any NASD member in any capacity, and ordered to pay \$404.60 in restitution. The sanctions were based on findings that Gocool received funds in the amount of \$404.60 from public customers as insurance premium payments. Gocool failed to follow the customers' instructions and misappropriated their funds for his personal use. Gocool also failed to respond to NASD requests for information.

Aaron Eugene Granath (Registered Principal, Los Angeles, California) was censured, fined \$50,000, and barred from association with any NASD member in any capacity. The NAC imposed the sanctions following appeal of a Los Angeles DBCC decision. The sanctions were based on findings that Granath executed unauthorized transactions in the accounts of public customers.

Ronald Clifford Gross (Registered Representative, North Bend, Washington) submitted an Offer of Settlement pursuant to which he was

censured, suspended from association with any NASD member in any capacity for 120 days, and ordered to requalify by exam for registration in any capacity. Without admitting or denying the allegations, Gross consented to the described sanctions and to the entry of findings that he recommended purchases and sales of securities for the account of a public customer utilizing margin without having reasonable grounds for believing such recommendations were suitable for the customer.

Stephen C. Hadaway (Registered Representative, South Lake Tahoe, California) was censured, fined \$10,550, and suspended from association with any NASD member in any capacity for 30 days. The sanctions were based on findings that Hadaway effected unauthorized transactions in the accounts of public customers.

Barbara Diane Halpern (Registered Principal, Weston, Connecticut) submitted an Offer of Settlement pursuant to which she was censured, fined \$20,000, suspended from association with any NASD member as a financial and operations principal (FINOP) for 90 days, and required to requalify by exam as a FINOP. Without admitting or denying the allegations, Halpern consented to the described sanctions and to the entry of findings that a member firm, acting through Halpern, conducted a securities business while failing to maintain the minimum required net capital.

James L. Handlos (Registered Representative, East Tempe, Arizona) submitted an Offer of Settlement pursuant to which he was censured, fined \$10,000, and suspended from association with any NASD member in any capacity for two years. Without admitting or denying the allegations, Handlos consented to the described sanctions and to the entry of findings that he recom-

mended and effected transactions in a customer account that were excessive in number and contrary to the customer's financial circumstances and needs. The findings also stated that Handlos made unsuitable recommendations and transactions in a customer's accounts.

Patrick Allen Hannahs (Registered Representative, New Concord, Ohio) was censured, fined \$40,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Hannahs received \$5,000 from a public customer to purchase a certificate of deposit for the customer's account. Without the customer's knowledge or consent, Hannahs misused the funds by improperly holding those funds for approximately four months. Hannahs also failed to respond to NASD requests for information.

Patrick G. Hayes (Registered Principal, Valley Stream, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was censured, fined \$10,000, suspended from association with any NASD member in any principal or supervisory capacity for six months, and required to requalify by taking the Series 24 exam before acting in that capacity. Without admitting or denying the allegations, Hayes consented to the described sanctions and to the entry of findings that he failed to satisfy his supervisory obligations by approving fraudulent sales scripts.

Dena C. Hennessy (Registered Representative, Phoenix, Arizona) was censured, fined \$42,500, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Hennessy obtained checks in the amount of \$4,500 drawn on the accounts of public customers, altered the checks, and misappropriated the

funds for her personal benefit. Hennessy also failed to respond to NASD requests for information.

Timothy R. Hutchinson, Jr. (Registered Representative, Bay Village, Ohio) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was censured, fined \$217,500, and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Hutchinson consented to the described sanctions and to the entry of findings that he converted customer funds in the amount of \$43,500 to his own use and benefit.

Frank J. Ingersoll (Registered Representative, San Antonio, Texas) was censured, fined \$388,535, barred from association with any NASD member in any capacity, and ordered to pay \$301,088 in restitution to customers. The sanctions were based on findings that Ingersoll distributed misleading and fraudulent sales literature to the public. In addition, Ingersoll failed to disclose to customers material adverse information in connection with the sale of stock taken from accounts he owned or controlled, and failed to disclose to customers and his member firm the total remuneration he received in connection with sales of securities.

Brian Clarence Jorgensen (Registered Representative, Cedar Falls, Iowa) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was censured, fined \$5,000,000, and permanently barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Jorgensen consented to the described sanctions and to the entry of findings that he converted customer funds in the amount of \$1,274,253 to his own use and benefit without the customers' knowledge

or consent. According to the findings, Jorgensen failed to invest their funds into the insurance or securities products they selected, and made unauthorized withdrawals, loans, or redemptions from the customers' existing insurance products or securities accounts.

Robert Craig Kaapke (Registered Principal, Phoenix, Arizona) submitted an Offer of Settlement pursuant to which he was censured, fined \$17,828.14, and suspended from association with any NASD member in any capacity for five days. Without admitting or denying the allegations, Kaapke consented to the described sanctions and to the entry of findings that a member firm, acting through Kaapke, failed to make a bona fide distribution of public offerings by effecting sales of units to restricted persons.

Nelson C. Krum (Registered Representative, Denver, Colorado) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was censured, fined \$15,000, and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Krum consented to the described sanctions and to the entry of findings that he participated in private securities transactions and failed to provide prior written notice to his member firm.

Michael V. Lipkin (Registered Principal, New York, New York) was censured, fined \$75,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Lipkin arranged to have an impostor take the Series 7, 24, and 63 exams on his behalf. Lipkin also failed to respond to NASD requests to appear for an on-the-record interview.

John Graeme MacHorton (Registered Representative, Sterling, Virginia) submitted an Offer of Settlement pursuant to which he was censured, fined \$3,500, and suspended from association with any NASD member in any capacity for 30 days. Without admitting or denying the allegations, MacHorton consented to the described sanctions and to the entry of findings that he sent correspondence to a public customer asking for a donation for securities-related work without obtaining prior approval from his member firm. The findings also stated that MacHorton used insinuating and inappropriate language in a telephone message to the customer.

Douglas Magnuson (Registered Representative, Lindenhurst, New York) submitted an Offer of Settlement pursuant to which he was censured, fined \$10,000, suspended from association with any NASD member in any capacity for six months, required to requalify as a general securities representative, and required to pay \$750 in restitution to a public customer. Without admitting or denying the allegations, Magnuson consented to the described sanctions and to the entry of findings that he made material misrepresentations, omitted material information, and made fraudulent price predictions in the offer and sale of securities. The findings also stated that Magnuson engaged in unauthorized trading and failed to follow customer instructions to sell securities.

Juan Carlos Martinez (Registered Representative, Houston, Texas) was censured, fined \$1,245,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Martinez made improper use of customer funds and caused his member firm to effect options transactions by means of manipulative,

deceptive, or other fraudulent devices or contrivances. The findings also stated that Martinez caused false, fictitious, and misleading account statements to be issued, and thereby failed to observe high standards of commercial honor and just and equitable principles of trade. Martinez also failed to respond to NASD requests for information.

William G. McNamara (Registered Principal, Tampa, Florida) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was censured, fined \$5,000, and suspended from association with any NASD member in any capacity for two years. In addition, McNamara is required to disgorge \$13,020 in commissions. Without admitting or denying the allegations, McNamara consented to the described sanctions and to the entry of findings that he participated in private securities transactions without giving prior written notice to his member firm.

Loren Lynn Obley (Registered Representative, San Francisco, California) was censured, fined \$50,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Obley received \$30,000 from public customers in exchange for a personal promissory note issued by Obley to the customers. In connection with that transaction, Obley represented to the customers that he would invest the money in a company with overly optimistic prospects, when in fact, he used the funds for his personal use. Obley also participated in private securities transactions without providing prior written notice to his member firm.

Thomas P. O'Hanlon (Registered Representative, Sherman Oaks, California) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was censured

and suspended from association with any NASD member in any capacity for 15 business days. Without admitting or denying the allegations, O'Hanlon consented to the described sanctions and to the entry of findings that he failed to disclose a personal bankruptcy on his Form U-4.

Edward O'Reilly (Registered Representative, Mount Kisco, New York) was censured, fined \$20,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that O'Reilly failed to respond to NASD requests to appear for an on-the-record interview.

Lambert L. Owens (Registered Representative, West Deptford, New Jersey) was censured, suspended from association with any NASD member in any capacity for six months, required to requalify by exam, and ordered to pay \$3,013 plus interest in restitution to a member firm. The sanctions were based on findings that Owens caused his member firm to issue two policy loan checks totaling \$5,013 against his brother's insurance policies. Owens endorsed and negotiated the checks and retained the proceeds without the prior authorization of his brother.

Thomas P. Read (Registered Representative, Scottsdale, Arizona) was censured, fined \$80,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Read engaged in conduct that he knew would constitute a deception of his member firm and affiliated companies with respect to the sale of a life insurance policy on behalf of a public customer. Moreover, Read obtained approximately \$10,000 to which he was not entitled through a series of illegal deposits and withdrawals. Read also failed to respond to an NASD request for information.

Dominic M. Romano, Jr. (Registered Representative, Staten Island, New York) submitted an Offer of Settlement pursuant to which he was censured, fined \$20,000, suspended from association with any NASD member in any capacity for five business days, and required to comply with all aspects of his member firm's individual supervisory plan. Without admitting or denying the allegations, Romano consented to the described sanctions and to the entry of findings that he effected unauthorized transactions in customer accounts and failed to follow customer instructions to sell securities. The findings also stated that Romano made misstatements to customers regarding sales charges, the size of positions in the account, and the timing of the issuance of a customer's proceeds check. Romano also provided inaccurate information to the NASD during its investigation of customer complaints.

Dennis Paul Rueb, Jr. (Registered Representative, Copaque, New York) submitted an Offer of Settlement pursuant to which he was censured, fined \$40,000, barred from association with any NASD member in any capacity, and required to pay \$16,200 in restitution to customers. Without admitting or denying the allegations, Rueb consented to the described sanctions and to the entry of findings that he failed to prepare and maintain accurate and complete customer account information. The findings also stated that Rueb exercised discretion in a customer's account without obtaining prior written authorization and failed to follow customer instructions to sell securities. In addition, the NASD found that Rueb effected unauthorized transactions in a customer's account and made material misrepresentations and omissions in connection with the recommendation of a security to a public customer. Furthermore, the findings stated that Rueb made

fraudulent price predictions to a customer and failed to respond to NASD requests to appear for an on-the-record interview. The NASD also determined that Rueb failed to update his Form U-4 to disclose material changes in his registration status.

Keith Ruffler (Registered Representative, Spotswood, New Jersey) submitted an Offer of Settlement pursuant to which he was censured, fined \$5,000, and suspended from association with any NASD member in any capacity for one week. In addition, Ruffler must remove certain restrictive language in a confidentiality clause of a settlement agreement with a public customer. Without admitting or denying the allegations, Ruffler consented to the described sanctions and to the entry of findings that he failed to forward to a public customer proceeds in the amount of \$26,855 from the sale of a common stock. Instead, the NASD found that Ruffler misused the funds and executed an unauthorized purchase of warrants in the customer's account totaling \$25,520. The findings also stated that Ruffler entered into a settlement agreement with a public customer that contained improper language prohibiting the customer from cooperating with an investigation by any regulatory agency, including the NASD.

Michael Sabato (Registered Principal, Lindenhurst, New York) submitted an Offer of Settlement pursuant to which he was censured, fined \$35,000, suspended from association with any NASD member in any capacity for 24 months, and required to pay \$118,370 in restitution to customers. Without admitting or denying the allegations, Sabato consented to the described sanctions and to the entry of findings that he made material misrepresentations and omissions and made fraudulent price predictions in the offer and sale

of securities. The findings also stated that Sabato failed to follow customer instructions to sell securities.

Charles Shulkin (Registered Representative, Arlington Heights, Illinois) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was censured, fined \$64,773, and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Shulkin consented to the described sanctions and to the entry of findings that he received \$12,954.62 from public customers with instructions to deposit or use the proceeds on behalf of the customers. The NASD found that Shulkin deposited the checks into an account he controlled without the customers' knowledge or consent and used the proceeds for purposes other than for the benefit of the customers.

Kenneth W. Skousen (Registered Representative, Mesa, Arizona) 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, Skousen consented to the described sanctions and to the entry of findings that he made improper use of customer funds and securities by commingling the funds of one of his customers into a brokerage account over which he exercised ownership and control. The findings also stated that Skousen engaged in outside business activities and failed to provide prompt written notice of these activities to his member firm. Skousen also failed to respond fully to NASD requests for information.

Eric Slane (Registered Representative, Seattle, Washington) was censured, fined \$10,000, and barred from association with any NASD

member in any capacity. The sanctions were based on findings that Slane filed an inaccurate Form U-4 and submitted the form to his member firm to be forwarded to the NASD.

The appeal to the NAC was dismissed as abandoned; therefore, this DBCC decision constitutes final action.

Lee B. Spahn (Registered Representative, Baltimore, Maryland) submitted an Offer of Settlement pursuant to which he was censured, fined \$8,500, and suspended from association with any NASD member in any capacity for 10 business days. Without admitting or denying the allegations, Spahn consented to the described sanctions and to the entry of findings that he made unsuitable recommendations to a public customer in light of the customer's other security holdings, financial situation, or needs.

Jeffery Steven Stone (Registered Representative, Dallas, Texas) was censured, fined \$10,000, suspended from association with any NASD member until he satisfies an arbitration award, and suspended for an additional 30 days in all capacities. The sanctions were based on findings that Stone failed to adhere to the terms of a \$158,680.76 arbitration award to his former member firm.

Steven Ray Sumner (Registered Representative, Fort Collins, Colorado) was censured, fined \$15,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Sumner recommended that a public customer liquidate an investment in a mutual fund in order to loan the proceeds to a business enterprise, of which Sumner was a principal, when such recommendation was unsuitable for the customer. In addition, Sumner obtained a loan from a public customer while failing

to disclose material information relating to the transaction when he knew that he would be unable to repay the loan. Further, Sumner failed to disclose a tax lien levied against him with respect to his business.

Michael J. Tierney (Registered Representative, Eagan, Minnesota) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was censured, fined \$710,000, and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Tierney consented to the described sanctions and to the entry of findings that he received checks in the amount of \$142,000 intended for investment purposes from a public customer and, without the customer's knowledge or consent, deposited the checks into his bank account, misused \$122,622.36, and converted \$19,377.64 to his own use and benefit.

Anna Lynn Vernon (Registered Representative, Richmond, Virginia) submitted a Letter of Acceptance, Waiver and Consent pursuant to which she 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, Vernon consented to the described sanctions and to the entry of findings that she completed life insurance applications for individuals and signed agent reports that contained misrepresentations regarding her relationship with the individuals.

Samuel R. Weber (Registered Representative, Dix Hills, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was censured and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Weber consented to the described sanctions and to the entry of findings

that he failed to follow customer orders to sell securities and provided false information to the NASD during its investigation of the matter. The findings also stated that Weber made unfair comparisons between securities, made baseless price predictions, and sold highly speculative securities to customers, contrary to the customers' requests. Furthermore, the NASD found that Weber executed an unauthorized transaction in a public customer's account and allowed customers to buy units in an initial public offering only if they first purchased shares of common stock offered by the issuer. Weber also misled customers into making risky investments, made material misrepresentations to a customer regarding a security, and falsified customer account information.

John R. Whitlow (Registered Representative, Normal, Illinois) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was censured, fined \$225,000, and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Whitlow consented to the described sanctions and to the entry of findings that he wrote checks totaling \$45,000 from a public customer's money market mutual fund account, failed to use the funds for any investment purposes, and used the funds for his own purposes and for salaries and expenses of a corporation of which he was a majority shareholder.

Michael C. Young (Registered Representative, Los Angeles, California) submitted an Offer of Settlement pursuant to which he was censured, fined \$45,500, barred from association with any NASD member in any capacity, and ordered to pay \$9,100 in restitution to a financial institution. Without admitting or denying the allegations, Young consented to the described sanctions and to the

entry of findings that he received \$9,100 from the savings account of a public customer without the customer's knowledge or consent. According to the findings, Young forged the customer's signature on withdrawal slips and converted the funds obtained to his own use and benefit.

Individual Fined

Thomas Joseph Perkins (Registered Representative, Union City, California) was censured and fined \$22,826.25. The sanctions were based on findings that Perkins sold securities on behalf of his member firm prior to becoming registered with the NASD.

Individuals Censured

Jairo A. Baquero, Jr. (Registered Representative, Staten Island, New York) and **Edward Machado (Registered Representative, Parlin, New Jersey)** submitted Offers of Settlement pursuant to which Baquero was censured and required to pay \$10,405.20 in restitution to public customers. Machado was censured and required to pay \$11,583.75 in restitution to customers. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that Baquero and Machado received commissions on sales of securities that were excessive and unfair.

Decisions Issued

The following decisions have been issued by the DBCC and have been appealed to or called for review by the NAC as of March 26, 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 *Notice to Members*.

Norman M. Merz (Registered Principal, Clinton Township, Michigan)

was censured, fined \$110,000, suspended from association with any NASD member in any capacity for six months, and required to requalify by exam as a general securities representative. The sanctions were based on findings that Merz participated in private securities transactions and accepted compensation as a result of an outside business activity. Merz also failed to give his member firm written notice of his intention to engage in such activities.

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

Wayne B. Vaughan (Registered Representative, Atlanta, Georgia), William A. Lobb (Registered Principal, Atlanta, Georgia) and Paul L. Vogel (Registered Principal, Suwanee, Georgia)

Vaughan was censured, suspended from association with any NASD member in any capacity for 20 business days, and thereafter in any registered capacity until he has requalified by taking and passing the appropriate qualification exam. Lobb was censured and fined \$10,000. Vogel was censured, fined \$10,000, suspended from association with any NASD member in any principal or supervisory capacity for 30 days, and suspended thereafter in any principal or supervisory capacity until he has requalified by taking and passing the appropriate qualification exam. The sanctions were based on findings that Vaughan recommended and effected a course of trading activity in a public customer's account without having reasonable grounds for believing that such trading activity was suitable for the customer in view of the customer's other securities holdings, financial situa-

tion, and needs. In addition, the findings stated that Lobb and Vogel failed to reasonably supervise the handling of the account by Vaughan in order to prevent and detect the suitability violations.

This action was called for review as to respondents Vaughan and Lobb and the sanctions as to these respondents are not in effect pending consideration of the review.

Michael L. Yancey (Registered Representative, Lake Park, Georgia)

was censured, fined \$2,500, suspended from association with any NASD member in any capacity for six months, and further suspended until he requalifies as an investment company and variable contracts products representative by taking and passing the Series 6 exam. The sanctions were based on findings that Yancey obtained \$100 from a public customer intended for the repayment of an insurance policy loan and for payment of an insurance policy premium, and misappropriated the funds for his own use and benefit without the customer's knowledge or authorization.

Yancey 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.

Shaun Attwood (Registered Representative, Phoenix, Arizona) and **Dominic Davis (Registered Representative, Phoenix, Arizona)** were named as respondents in an NASD complaint alleging that they engaged in trading in a customer's account that was excessive in light of the nature and resources of the account and the investment objectives of the customer. The complaint also alleges that Attwood failed to respond to NASD requests for information.

Glenn A. Davis (Registered Representative, West Palm Beach, Florida) was named as a respondent in a complaint alleging he executed or caused to be executed securities transactions in the account of a public customer without the prior knowledge, authorization, or consent of the customer.

Leslie Saul Feldman (Registered Representative, Evergreen, Colorado) was named as a respondent in an NASD complaint alleging that he misappropriated funds from his member firm.

John D. Morgan (Registered Representative, Dunedin, Florida) was named as a respondent in a complaint alleging he exercised discretion in a customer's account without having a signed discretionary agreement giving him such authorization and effected unauthorized transactions in the customer's account. The complaint also alleges that, in the exercise of his discretion, and in reliance on certain representations allegedly made to him by a stock promoter, Morgan purchased shares of stock for the customer. When the price of the stock dropped dramatically after the purchase, Morgan purchased additional shares of stock for the customer free of charge and subsequently sold all shares of the stock, resulting in an overall profit for the customer even though the share price was actually much lower than

when he had initially purchased it.

Mike D. Nolan (Registered Representative, Denham Springs, Louisiana) was named as a respondent in an NASD complaint alleging that he converted funds from public customers in the amount of \$116,500 to his own use and benefit without their knowledge or consent. The complaint also alleged that Nolan failed to respond to NASD requests for information.

Michael T. Pinto (Registered Representative, Windham, New York) was named as a respondent in a complaint alleging that he executed or caused to be executed securities transactions in the account of a public customer without the prior knowledge, authorization, or consent of the customer. The complaint also alleges that Pinto settled a customer complaint without the knowledge or authorization of his member firm.

Nelson Eric Roseland (Registered Representative, Oakland, California) was named as a respondent in an NASD complaint alleging that he effected unauthorized trades in customer accounts. The complaint also alleges that Roseland made unsuitable recommendations to a customer and exercised discretion in a customer's account without obtaining written discretionary authority from the customer as well as acceptance of the account by his member firm. Roseland also failed to respond to NASD requests for information.

Wayne E. Warren-Young (Registered Representative, Atlanta, Georgia) was named a respondent in a complaint alleging he accepted a \$50,000 check from a public customer for investment in mutual funds. The complaint further alleges that, contrary to the customer's instruction and without his member firm's knowledge, Warren-Young deposited the check in a bank account of a private

company and failed to comply with the customer's demand to return the money. The complaint also alleges that Warren-Young 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

Dickinson & Co., Des Moines, Iowa

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.

Alden Capital Markets, Inc.,
New York, New York (April 3, 1998 to April 13, 1998)

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

Bondnet Brokerage, Incorporated,
Greenwich, Connecticut
(April 7, 1998)

Burlington Securities Corp.,
Chatham, Massachusetts
(April 3, 1998 to April 9, 1998)

C.A. Atlantic Securities, Inc.,
Boston, Massachusetts
(April 3, 1998)

Carlisle Investment Group, Ltd.,
Chicago, Illinois (April 3, 1998)

Carolina Securities, Inc.,
Raleigh, North Carolina
(April 3, 1998 to April 13, 1998)

Chase Global Securities, Inc.,
Cleveland, Ohio (March 31, 1998)

Chinese & American Investments, Inc., New York, New York
(April 7, 1998)

Clark Melvin Securities,
Hato Rey, Puerto Rico (April 3, 1998)

Clemente Fund Management Inc.,
New York, New York (April 3, 1998)

Corporate Funding Ltd.,
Minot, North Dakota (April 3, 1998)

Cypress Securities Group, Inc.,
New Orleans, Louisiana
(April 3, 1998)

Emerald Securities, L.L.C.,
Houston, Texas (April 7, 1998)

Euromax Financial Services, Inc.,
Daly City, California (April 3, 1998)

First Commonwealth Securities,
New Orleans, Louisiana
(April 3, 1998)

Great American Securities,
Phoenix, Arizona (April 3, 1998)

Investment Services Capital Corp.,
Monroe, New York (April 3, 1998 to
April 9, 1998)

Kopfer Financial Services, Inc.,
Easton, Pennsylvania (April 3, 1998)

Lacroix Alexander Financial Corporation, Newport Beach,
California (April 7, 1998)

Marsh, Block & Co., Inc.,
New York, New York (April 3, 1998)

Meyers Pollock Robbins, Inc.,
New York, New York (April 3, 1998)

Pegasus Capital Investments, LC,
Greensboro, North Carolina
(April 3, 1998 to April 13, 1998)

Plumwood Securities,
Libertyville, Illinois (April 3, 1998)

Sanford Roberts, Inc.,
Miami, Florida (April 3, 1998)

Sierra Pacific Capital,
Olympic Valley, California
(April 3, 1998)

Team Securities Corporation,
Canoga Park, California
(April 3, 1998 to April 20, 1998)

TSG B/D, Inc.,
New York, New York (April 3, 1998)

Unified Investments, Inc.,
Jackson, Mississippi (April 3, 1998)

U.S.A. Investments,
Morristown, New Jersey
(April 3, 1998)

Wall Street Markets Group, Inc.,
New York, New York (April 3, 1998)

William & Co. Capital Markets Ltd.,
New York, New York (April 3, 1998)

Winston Rodgers & Otalvaro, Inc.,
New York, New York (April 3, 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.

Westhagen & Westhagen, Inc.,
Ripon, Wisconsin (April 8, 1998)

WR Lizard Laidlaw, Inc.,
New York, New York
(March 9, 1998)

Individuals Whose Registrations Were Revoked for Failure to Pay Fines, Costs And/OR Provide Proof Of Restitution In Connection With Violations

Berkovich, Jimmy (a/k/a Jimmy Berk), Brooklyn, New York

Cherepakhov, Alexander,
Hopatcong, New Jersey

Cruz, Miguel A., Shelby Township,
Michigan

Cunnane, Jr., Martin J., Elmhurst,
New York

DenHerder, Robert L., Helena,
Montana

Frith, Jr., James R., Highland Park,
Illinois

Hardage, Steven R., Costa Mesa,
California

Jurdine, Wilber G., Tampa, Florida

O'Toole, Brian D., Littleton,
Colorado

Padulo, Jr., Vincent A.,
Manalapan, New Jersey

Quiel, Robert A., Bermuda Dunes,
California

Schur, Peter A., San Diego,
California

Sebbert, Gary A., Muscatine, Illinois

Silverman-Cherepakhov, Donna,
Hopatcong, New Jersey

Firm Whose Registration Was Suspended Pursuant To NASD Rule 9622 For Failure To Pay Arbitration Award

Investors Associates, Inc.,
Hackensack, New Jersey
(April 15, 1998)

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

Brecker, Kerry Scott, Roslyn, New York

Gelfand, Howard Scott, Roslyn, New York

Hill, Jr., Robert Cecil, Dobbs Ferry, New York

Montano, Daniel Carmichael, Orange, California

Montano, Victoria Genine, Orange, California

Puglisi, John, New York, New York

Terzo, Frank, Floral Park, New York

NASD Regulation Sanctions Morgan Stanley And Seven Traders

NASD Regulation issued a decision by its Market Regulation Committee that fined Morgan Stanley & Co., Inc., \$1 million for manipulating the price of 10 securities that underlie the Nasdaq 100 Index® (NDX) on two separate “expiration Fridays” in 1995. The NDX options expire on the third Friday of every month.

Seven Morgan Stanley traders, including the firm’s then-OTC Desk Head Trader, were sanctioned. David Slaine, the former head of OTC trading at Morgan Stanley, was suspended from the brokerage industry for 90 days and fined \$100,000. The six other traders—Thomas Anthony Crocamo, Carl DeFelice, Joseph Louis Ferrarese, Peter William Ferriso, Jr., Robert Scott Ranzman, and Charles McMichael Simonds—were each suspended for 30 days and fined \$25,000. Morgan Stanley is jointly and severally liable for the traders’ fines.

After a five-day hearing before a panel of industry members, the Market Regulation Committee (the Committee) found that Morgan Stanley, in order to ensure that the firm’s Program Trading Desk did not suffer a loss when its NDX options expired, had an arrangement with the firm’s OTC Desk to sell to the Program Trading Desk the exact amount of each security necessary to close out pre-existing stock positions. As part of this agreement, the Morgan Stanley OTC Desk would sell the securities to the firm’s Program Trading Desk at the opening print price—the first reported trade in each of the securities.

The initial complaint against Morgan Stanley and the seven individuals in this case was issued by NASD Regulation on October 25, 1996. This case, which began with complaints about locked and crossed markets from other market makers, was uncovered after a lengthy investigation by the Market Regulation Department. A locked market occurs when the bid price equals the sell price in the same security, and a crossed market occurs when the bid price is greater than the sell price of a security.

The Committee found that, in connection with this arrangement, on March 17, 1995 and October 20, 1995, Morgan Stanley’s OTC Desk improperly and fraudulently raised the price at which it would buy the securities in the open market, moving the market for each security—and the opening print price in that security—higher. The firm raised its bid without purchasing any stock in an effort to make Friday’s opening print price equal or exceed Thursday’s closing sell price. The Committee found that Morgan Stanley’s OTC Desk assumed the risk for more than \$300 million of the firm’s capital as a result of the intra-firm transaction, thereby enabling the

Program Trading Desk to cover its short position at a price (in this case, the opening print price) that would prevent substantial losses, and enable the OTC Desk later to cover the short position at a profit, or at least to break even.

Morgan Stanley was able to manipulate the price of the NDX because, as a capitalization-weighted index, the cash settlement value of the NDX options was, at the time, determined by the opening print price for each of the 100 stocks. Since April 1996, the cash settlement value of NDX options has been based on a volume-weighted average of the prices in each of the component securities, as reported during the first five minutes of trading.

The Committee found that the prices of five securities were manipulated on March 17, 1995, and the prices of a separate set of five securities were manipulated on October 20, 1995.

Morgan Stanley aggressively raised its bid for the 10 securities, before the market opened, creating the last new inside bid price prior to the opening. Generally, raising the bid price prior to the opening on expiration Friday does not attract many sellers because market makers are reluctant to trade prior to the opening. Morgan Stanley was the first market maker to decrease its bid for every one of the 10 securities within minutes after the market opened, and in some instances without buying any stock at all.

Locked and crossed markets resulted from this manipulative bidding activity. NASD rules require firms to make reasonable attempts to trade prior to locking or crossing the market during normal business hours, and there was no evidence that the traders attempted to contact and transact with other market makers whose quotes they locked or crossed.

On March 17, the markets for three of the five securities opened locked, and one opened crossed; and on October 20 the markets in all five opened locked. The Committee found this activity to be an element of the manipulative scheme as well as violative of the NASD rule governing locked and crossed markets, but did not conclude that Morgan Stanley's written supervisory procedures were inadequate to deter locked and crossed market activity.

The Committee also noted that Morgan Stanley engaged in a similar pattern of pre-opening quoting activity in 67 other Nasdaq National Market[®]

securities underlying the NDX on those two expiration Fridays. In these examples, the firm increased its bids in pre-opening trading, did not purchase any stock prior to the opening, and decreased the price within minutes after the shares were transferred to the Program Trading Desk.

NASD Regulation found no evidence that any of the companies whose securities were involved in this case were aware of what was happening.

Initial actions, such as this, by NASD Regulation disciplinary committees are final after 45 days, unless they

are appealed to NASD Regulation's National Adjudicatory Council (NAC), or called for review by the NAC. The sanctions are not effective during this period. If the decision in this case is appealed or called for review, the findings may be increased, decreased, modified, or reversed.

NASD Regulation's Market Regulation Committee is currently comprised of 13 members, six from the securities industry and seven who are non-industry members. All members serve three-year terms.

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