Disciplinary Actions

Disciplinary Actions Reported For March

NASD Regulation, Inc. (NASD Regulation℠) has taken disciplinary actions against the following firms and individuals for violations of National Association of Securities Dealers, Inc. (NASD®) rules; federal securities laws, rules, and regulations; and the rules of the Municipal Securities Rulemaking Board. Unless otherwise indicated, suspensions will begin with the opening of business on Monday, March 16, 1998. The information relating to matters contained in this *Notice* is current as of the end of February 23.

Firm Expelled, Individual Sanctioned

Escalator Securities, Inc. (Palm Harbor, Florida) and **Howard A. Scala (Registered Principal, Tarpon Springs, Florida)** were censured and fined $70,000, jointly and severally, and Scala was fined $10,000, individually. In addition, the firm was expelled from NASD membership and ordered to pay $40,695 plus interest in restitution, and Scala was barred from association with any NASD member in any capacity. The National Business Conduct Committee (NBCC) imposed the sanctions following appeal of an Atlanta District Business Conduct Committee (DBCC) decision.

The sanctions were based on findings that an affiliate company received common stock from issuers, deposited the stock into its account with Escalator Securities, Inc., and then sold it to the firm. After receiving such stock from the affiliate, Scala solicited and recommended to public customers that they purchase the stock and failed to disclose to such customers that the source of the securities they purchased was the affiliate of the firm. In addition, Scala purchased stock for his son's account while in possession of material non-public information. The firm, acting through Scala, effected principal transactions with public customers at prices that were not reasonably related to the prevailing market price and were not fair taking into consideration all relevant circumstances, and knew that it was charging unfair and fraudulent markups.

Firm Suspended, Individual Sanctioned

L. H. Alton & Company (San Francisco, California) and **Lewis Hunt Alton (Registered Principal, San Francisco, California)** were censured and fined $40,000, jointly and severally. In addition, the firm was suspended from participation in underwriting activities for 30 business days and ordered to comply with the independent consultant requirements. Alton was suspended from association with any NASD member in any principal capacity for 30 days, ordered to designate an independent consultant to prepare a report on the firm's supervisory and compliance procedures before acting in any capacity requiring registration as a principal, and ordered to comply with the consultant's recommendations. Alton must also requalify by exam before acting in any principal capacity. The NBCC imposed the sanctions following appeal of a San Francisco DBCC decision.

The sanctions were based on findings that the firm, acting through Alton, conducted a securities business while maintaining insufficient net capital, filed inaccurate FOCUS Parts I and II reports, and permitted an unregistered person to act as a representative and principal of the firm. Furthermore, the respondents participated in the underwriting of several "hot issues" without obtaining required information from the purchasers of the hot issues, and failed to complete a training needs analysis and to develop written training plans concerning the Firm Element of the Continuing Education Requirements.

In addition, the firm, acting through Alton, failed to maintain written supervisory procedures relating to the customer complaint reporting requirement.

L.H. Alton & Company and Alton have appealed this action to the Securities and Exchange Commission (SEC) and the sanctions are not in effect pending consideration of the appeal.

Firms And Individuals Fined

Excel Financial, Inc. (Salt Lake City, Utah), Gary R. Beynon (Registered Representative, Salt Lake City, Utah) and **Robert L. Sperry (Registered Representative, Salt Lake City, Utah)** were censured and fined $10,000, jointly and severally, and ordered to disgorge $9,348, jointly and severally. In addition, the firm was ordered to pre–file its advertising and sales literature and obtain a "no objection" response prior to use for 270 days. The SEC affirmed the sanctions following appeal of a July 1996 NBCC decision. The sanctions were based on findings that the firm, acting through Sperry and Beynon, sold securities that were not registered under Section 5 of the Securities Act of 1933 and did not qualify for an exemption. The firm, acting through Beynon and Sperry, distributed literature to public customers that failed to disclose material risks, omitted material facts, and contained exaggerated and misleading statements.

Rance King Securities Corp. (Long Beach, California) and **William Rance King, Jr. (Registered Principal, Long Beach, California)** submitted a Letter of Acceptance, Waiver and Consent pursuant to which they were censured and fined $12,500, jointly and severally. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through King, participated in contingency offerings of limited partnership interests, but failed to promptly transmit funds received in connection with the offerings to properly established bank escrow accounts. According to the findings, the respondents deposited the funds into a bank account controlled by the issuer, or into the bank account of a private escrow company, and commingled the funds with other funds of the escrow company until the contingencies were met.

Firms Fined

C.P. Baker & Company, Ltd. (Boston, Massachusetts) 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 the firm exceeded the applicable options position contracts limit. The findings also stated that the firm failed to establish, maintain and enforce adequate written supervisory procedures reasonably designed to achieve compliance with the applicable securities laws and regulations concerning the NASD's option position limit rules.

Ernst & Company (New York, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which the firm was censured and fined $12,000. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it failed to designate as late transactions in Nasdaq National Market® securities and Nasdaq SmallCap securities to the Automated Confirmation Transaction Service℠ (ACT℠). The findings also stated that the firm failed to accurately report eligible securities to ACT, improperly aggregated individual executions of orders in an OTC equity security, and failed to preserve broker order memoranda properly. The firm also failed to establish, maintain, and enforce written supervisory procedures reasonably designed to achieve compliance with the applicable securities laws and regulations regarding trade reporting, limit orders, and record keeping.

M H. Meyerson & Company, Inc. (Jersey City, New Jersey) submitted a Letter of Acceptance, Waiver and Consent pursuant to which the firm was censured, fined $24,000, and ordered to pay $350 plus interest in restitution to a public customer. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that the firm failed to identify two aggregated transaction reports in Nasdaq National Market securities in a manner directed by the NASD. The findings also stated that the firm reported to ACT the incorrect transaction price in an OTC Equity security, reported to ACT the incorrect symbol in a Nasdaq SmallCap security, failed to designate as late to ACT a Nasdaq security and Nasdaq SmallCap securities, and to correctly designate securities to ACT.

Furthermore, the NASD found that the firm failed to contemporaneously execute customer limit orders, failed to show the time of entry on memoranda of broker orders, and failed to use reasonable diligence to ascertain the best inter-dealer market for a stock. The firm also failed to establish, maintain, and enforce written supervisory procedures reasonably designed to achieve compliance with the applicable securities laws and regulations regarding trade reporting, record keeping, and the limited order protection interpretation.

Raymond James and Associates, Inc. (St. Petersburg, Florida) submitted a Letter of Acceptance, Waiver and Consent pursuant to which the firm was censured and fined $17,500. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it failed to designate as late to ACT transactions in Nasdaq National Market and SmallCap securities. The findings also stated that the firm failed to establish, maintain, and enforce written supervisory procedures reasonably designed to achieve compliance with the applicable securities laws, regulations, and rules regarding trade reporting and record keeping.

Wien Securities Corp. (Jersey City, New Jersey) 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 failed to designate as late to ACT transactions in Nasdaq National Market, Nasdaq SmallCap, and OTC equity securities. The findings also stated that the firm failed to preserve properly a memorandum of each brokerage order, and any other instruction for the purchase or sale of securities, and a memorandum of each purchase and sale for the firm's account. In addition, the NASD determined that the firm failed to establish, maintain, and enforce written supervisory procedures reasonably designed to achieve compliance with the applicable securities laws and regulations regarding trade reporting, record keeping, the limited order protection interpretation, and customer confirmations.

Individuals Fined

Alon Randall Winton (Registered Principal, Chatsworth, California) submitted an Offer of Settlement pursuant to which he was censured and fined $18,000. Without admitting or denying the allegations, Randall consented to the described sanctions and to the entry of findings that he purchased shares of a hot issue that traded at a premium in the immediate aftermarket in contravention of the NASD Board of Governors' Free-Riding and Withholding Interpretation. The findings also stated that Winton failed to provide written notification to his member firm that he was opening an account with another firm, and failed to provide written notification to the executing firm of his association with the member firm prior to opening an account.

Individuals Barred Or Suspended

Joseph S. Baba (Registered Representative, Kirkland, Washington) and **Richard M. Eisenmenger (Registered Principal, Schaumburg, Illinois)** submitted an Offer of Settlement pursuant to which Baba was censured, fined $15,000, and suspended from association with any NASD member in any capacity for 30 business days. Eisenmenger was censured, fined $7,500, jointly and severally with a member firm, and suspended from acting in any supervisory or management capacity with any NASD member for 10 business days. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that Baba recommended and effected purchases of securities for the account of a public customer that were unsuitable for the customer. The findings also stated that Eisenmenger failed to establish, maintain or enforce written supervisory procedures and otherwise failed to supervise Baba to prevent the occurrence of such violations.

Ralph A. Bafo (Registered Representative, Tonawanda, 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 Bafo failed to respond to NASD requests for information.

The appeal to the NBCC by Bafo was dismissed as abandoned, therefore, the DBCC decision constitutes final action.

William Alexander Bass (Registered Representative, Manhattan, Illinois) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was censured, fined $105,000, barred from association with any NASD member in any capacity, and required to pay $763 in restitution to a member firm. Without admitting or denying the allegations, Bass consented to the described sanctions and to the entry of findings that he submitted to his member firm disbursement request forms causing loans to be made against variable life insurance policies owned by public customers. The NASD found that, based on the submission of the forms, the member firm issued checks totaling $20,463.24 and, without the customers' knowledge or consent, Bass deposited one check for $763 into a bank account in which he had an interest and used the remaining funds as payment of other insurance policies owned by the customers.

Gary Berger (Registered Representative, New York, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was censured, fined $25,000, and barred from association with any NASD member in any capacity, with the right to reapply for association after 18 months. In addition, Berger must requalify by exam prior to acting in any capacity requiring qualification. Without admitting or denying the allegations, Berger consented to the described sanctions and to the entry of findings that he disseminated to public customers letterhead and business cards identifying a firm as an investment banker when the firm was not a registered broker/dealer or an investment advisor. The findings also stated that the letterhead failed to disclose the names and addresses of the member firms with which he was associated or the fact that the securities were offered through those member firms. Furthermore, the NASD determined that Berger purchased shares of stock in the accounts of public customers without the customers' knowledge or consent. Berger also failed to respond to NASD requests for information.

Daniel C. Boss (Registered Representative, Mendon, New York) was censured, fined $215,000, barred from association with any NASD capacity, and required to pay $39,100 in restitution to a customer. The sanctions were based on findings that Boss received $40,000 from a public customer for investment purposes recommended by Boss, and without the customer's knowledge or consent, used the funds for some purpose other than for the benefit of the customer. Boss also failed to respond to NASD requests for information.

The appeal to the NBCC by Boss was dismissed as abandoned, therefore, the DBCC decision constitutes final action.

Arthur W. Chick (Registered Representative, Medford, New Jersey) submitted an Offer of Settlement pursuant to which he was censured, fined $30,000, ordered to pay restitution to a public customer, suspended from association with any NASD member in any capacity for 10 business days, and suspended from association with any NASD member as a general securities principal for five years. In addition, Chick must requalify by exam as a general securities representative. Without admitting or denying the allegations, Chick consented to the described sanctions and to the entry of findings that he recommended and effected in the accounts of public customers the purchases of securities without having reasonable grounds for believing that such recommendations were suitable for the customers.

Furthermore, the NASD found that in inducing and effecting the purchases, Chick failed to disclose that the respective securities were speculative investments and entailed substantial risks, and failed to disclose material facts to the customers regarding the securities. The NASD also found that Chick effected unauthorized transactions in a customer's account, failed to execute a customer's sell order, and made price predictions to a customer about a stock.

Anthony Victor Cincotta, Jr. (Registered Representative, Fort Lauderdale, Florida) was censured, fined $20,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Cincotta failed to respond to NASD requests for information.

Glenn M. Cordick (Registered Representative, Drexel Hill, Pennsylvania) was censured, fined $20,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Cordick failed to respond to NASD requests for information.

Robert Lloyd DenHerder (Registered Representative, Helena, Montana) was censured, fined $27,549.41, suspended from association with any NASD member in any capacity for 30 business days, and required to requalify by exam. The SEC affirmed the sanctions following appeal of a January 1997 NBCC decision. The sanctions were based on findings that DenHerder recommended and executed on behalf of a public customer the purchase and sale of securities in the customer's account without having reasonable grounds for believing such transactions were suitable for the customer. DenHerder recommended to, and purchased on behalf of, a public customer shares of a fund without affording the customer the benefit of letter of intent and breakpoint and inter–family discounts. Furthermore, DenHerder guaranteed the customer against loss by providing the customer with a $39,059 promissory note as reimbursement for losses incurred by the customer in connection with his investments.

William C. Dolfi (Registered Representative, Pittsburgh, Pennsylvania) was censured, fined $40,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Dolfi participated in private securities transactions without providing prior written notice to his firm. Dolfi also failed to respond to NASD requests for information.

Laurette Fraser (Registered Representative, Teaneck, New Jersey) was censured and barred from association with any NASD member in any capacity. The sanctions were based on findings that Fraser was in possession of unauthorized materials during a qualification exam.

Robert Gallo (Registered Representative, Staten Island, 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 Gallo failed to respond to NASD requests to appear for an on-the-record interview.

Gary D. Gipson (Registered Representative, Jonesboro, Arkansas) 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 by exam as an investment company and variable contracts products representative. Without admitting or denying the allegations, Gipson consented to the described sanctions and to the entry of findings that he recommended and engaged in purchase transactions on behalf of public customers and did not have reasonable grounds for believing that such recommendations and resultant transactions were suitable for the customers on the basis of their financial situation, investment objectives, and needs. The findings also stated that Gipson engaged in private securities transactions without prior written notice to, and approval from, his member firm.

Cyriaque A. Gonda (Registered Representative, Bridgeport, Connecticut) was censured, fined $95,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Gonda misappropriated for his own use and benefit customer funds totaling $15,200 intended for investment. Gonda also failed to respond to NASD requests for information.

Ian Nigel Hosang (Registered Representative, Brooklyn, New York) was censured, fined $50,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Hosang arranged to have an impostor take the Series 7 exam on his behalf. Hosang also failed to respond to NASD requests to appear for an on-the-record interview.

Frank R. Hudson (Registered Principal, Atlanta, Georgia) submitted an Offer of Settlement pursuant to which he was censured, fined $5,000 and suspended from association with any NASD member in any principal or supervisory capacity for 10 business days. Without admitting or denying the allegations, Hudson consented to the described sanctions and to the entry of findings that he failed to supervise reasonably the handling of a public customer's account by a registered representative in order to prevent and/or detect suitability violations.

Jeffrey Paul Huxtable (Registered Principal, Palatine, Illinois), Gregory Alan Casady (Registered Principal, Kansas City, Missouri), and **John Francis Haggerty (Registered Representative, Overland Park, Kansas).** Huxtable submitted an Offer of Settlement pursuant to which he was censured, fined $7,500, and suspended from association with any NASD member in any capacity for 14 days. In separate decisions, Casady was censured, fined $40,000, and suspended from association with any NASD member in any capacity for two years, and Haggerty was censured, fined $80,000, and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Huxtable consented to the described sanctions and to the entry of findings. The findings stated that Huxtable, Casady and Haggerty recommended to public customers the purchase of securities and made untrue statements of material facts and/or omitted to state material facts necessary to make the statements not misleading, and failed to have a reasonable basis for their recommendations. Furthermore, Haggerty made baseless price predictions and/or predictions of future returns to public customers in connection with the recommended securities. Haggerty also failed to respond to NASD requests for information.

Ronald B. Klimkowski (Registered Representative, Syosset, 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 Klimkowski failed to honor an $11,500 arbitration award. Klimkowski also failed to respond to NASD requests for information.

Lori Sue Koppel-Heath (Registered Representative, Altadena, California) was censured, fined $59,021.31, suspended from association with any NASD member as a general securities representative for 30 days, and required to requalify by exam as a general securities representative. The NBCC imposed the sanctions following appeal of a Los Angeles DBCC decision. The sanctions were based on findings that Koppel-Heath recommended purchases, sales, and redemptions of securities in public customer accounts without having reasonable grounds for believing they were suitable in view of the size, frequency, and nature of the recommended transactions, and the facts disclosed by those customers as to their other securities holdings, financial situation, circumstances, and needs.

Koppel-Heath has appealed this action to the SEC and the sanctions are not in effect pending consideration of the appeal.

Richard Kulaszewski (Registered Representative, West Belmar, New Jersey) submitted an Offer of Settlement pursuant to which he was censured, fined $7,939.50, and suspended from association with any NASD member in any capacity for five business days. Without admitting or denying the allegations, Kulaszewski consented to the described sanctions and to the entry of findings that he effected unauthorized transactions in the account of a public customer.

Geoffrey A. Newman (Registered Representative, Ft. Lauderdale, Florida) submitted an Offer of Settlement pursuant to which he was censured, fined $100,000, and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Newman consented to the described sanctions and to the entry of findings that he deposited $64,950 of his personal funds into customers' securities accounts, thereby sharing in losses disproportional with his interest in the accounts.

Jesus Peraza, Jr. (Registered Representative, Miami, Florida) was censured, fined $260,000, barred from association with any NASD member in any capacity, and ordered to pay $48,000 plus interest in restitution. The sanctions were based on findings that Peraza failed to respond to NASD requests for information. Peraza also converted $48,000 to his own use and benefit, without the knowledge or authorization of the rightful owner or with the legal authority to do so.

Quisha S. Rose (Associated Person, Philadelphia, Pennsylvania) was censured, fined $20,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Rose failed to respond to NASD requests for information.

Scott Allen Rude (Registered Representative, Plymouth, Minnesota) was censured, fined $380,280, barred from association with any NASD member in any capacity, and ordered to pay $72,056 in restitution. The sanctions were based on findings that, without the knowledge or consent of the customer, Rude obtained possession of a coin collection from the estate of a public customer, sold the collection for $72,056, and converted the funds to his own use and benefit. Rude also failed to respond to NASD requests for information.

Kenneth Schlenker (Registered Representative, Billings, Montana) 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, Schlenker consented to the described sanctions and to the entry of findings that he engaged in securities transactions for his own account and, in connection with this activity, paid for the transactions with checks drawn on a personal bank account he knew to have insufficient funds in contravention of the payment requirements of Regulation T of the Federal Reserve Board.

Sean P. Sheehan (Registered Representative, Boca Raton, Florida) submitted an Offer of Settlement pursuant to which he was censured, fined $7,500, and suspended from association with any NASD member in any capacity for 10 business days. Without admitting or denying the allegations, Sheehan consented to the described sanctions and to the entry of findings that he effected unauthorized transactions in the accounts of public customers.

William E. Stead (Registered Representative, Castleton, New York) was censured, fined $350,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Stead failed to respond to NASD requests for information. Furthermore, Stead obtained funds totaling $68,725 from public customers, represented to the customers that the funds were to be invested for the customers, and instead, converted the funds to his own use and benefit.

Jaime Luis Torres-Paulino (Registered Representative, Levitton, Puerto Rico) submitted an Offer of Settlement pursuant to which he was censured, fined $25,000, and permanently barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Torres-Paulino consented to the described sanctions and to the entry of findings that he forged a registered representative's signature as the agent-of-record on life insurance applications submitted by public customers and forged the representative's endorsement on a $596.10 commission check. The findings also stated that Torres-Paulino failed to respond to NASD requests for information.

Brian J. Walsh (Registered Principal, Medford, New Jersey) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was censured, fined $60,000, suspended from association with any NASD member in any capacity for 10 business days, and suspended from association with any NASD member as a general securities principal for five years. In addition, Walsh must requalify by exam as a general securities representative. Without admitting or denying the allegations, Walsh consented to the described sanctions and to the entry of findings that he recommended to public customers the purchase of securities without having reasonable grounds to believe the securities were suitable for the customers. The findings also stated that, in inducing and effecting the purchases, Walsh failed to disclose material facts to the customers, including that the securities were speculative investments, the risks associated with speculative securities generally, or the specific risk associated with the respective securities.

Michael Barrington Walters (Registered Representative, Roosevelt, New York) submitted an Offer of Settlement pursuant to which he was censured, fined $15,000, suspended from association with any NASD member in any capacity for three years, and ordered to requalify by exam before acting in any capacity. Without admitting or denying the allegations, Walters consented to the described sanctions and to the entry of findings that he purchased shares of stock for a customer without the customer's knowledge, authorization or consent. The findings also stated that Walters engaged in inappropriate sales tactics by misleading a public customer into believing that a confirmation slip sent to the customer was for information purposes only and never informing the customer that it was actually an agreement to a purchase transaction. Walters also failed to respond to NASD requests for information.

Michael A. Woloshin (Registered Representative, Medford, New Jersey) 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 five business days. Without admitting or denying the allegations, Woloshin consented to the described sanctions and to the entry of findings that he recommended to a public customer a series of purchases and sales of securities while lacking a reasonable basis to believe them suitable for the customer in that such transactions entailed transactional costs which were excessive in comparison to the account's resources and the customer's financial situation and needs.

Decisions Issued

The following decisions have been issued by the DBCC and have been appealed or called for review as of February 28, 1998. The findings and sanctions imposed in the decision may be increased, decreased, modified, or reversed by the National Adjudicatory Council (NAC). Initial decisions whose time for appeal has not yet expired will be reported in the next *Notices to Members.*

John M. Columbia (Registered Representative, Staten Island, New York) was censured, fined $5,000, suspended from association with any NASD member in any capacity for 10 business days, and ordered to requalify by exam. The sanctions were based on findings that Columbia executed the purchases of stock in the account of a public customer without the customer's prior knowledge, authorization or consent.

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

Donald R. Gates (Registered Representative, Cabot, Arkansas) was censured, fined $25,000, suspended from association with any NASD member in any capacity for three months, and required to requalify by taking and passing the Series 7 exam. The DBCC imposed the sanctions following a remand by the NBCC. The sanctions were based on findings that Gates accepted payments based on commissions earned from transactions in a public customer's account when he knew or should have known that, at the time the transactions occurred, he was not properly registered with the NASD or approved as an agent in the appropriate state.

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

Richard Timothy Greene (Registered Representative, Pittsboro, North Carolina) was censured, fined $10,000, suspended from association with any NASD member in any capacity for three years, and required to requalify by exam as a general securities representative. The sanctions were based on findings that Greene forged a public customer's signature on four documents.

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

Pamela Michelle Powell (Registered Representative, Union, New Jersey) was censured, fined $20,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Powell failed to respond to NASD requests for information.

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

Glen McKinley Richars, III (Registered Representative, Delray Beach, Florida) was censured, fined $1,500, and suspended from association with any NASD member in any capacity for five business days. The sanctions were based on findings that Richars failed to pay a $5,500 arbitration award.

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

Daniel Wright Sisson (Registered Principal, Menlo Park, California) was censured, fined $15,000, suspended from association with any

NASD member in any capacity for 10 business days, and required to requalify by exam as a general securities representative following the suspension. The sanctions were based on findings that Sisson recommended to public customers purchases and sales of securities that were unsuitable in view of the size and frequency of the transactions and in view of the customers' other security holdings, financial situation, and needs.

This action has been called for review by the NBCC 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.

James J. Farren, Jr. (Registered Representative, Rjetwijkerstraat, The Netherlands) was named as a respondent in a complaint alleging that he sent spreadsheets that purportedly reflected the extent of options trading he had conducted in an account to an individual who had trading authorization for the account. According to the complaint, the spreadsheets contained material misrepresentations and omissions in that the spreadsheets showed that the options trading had generated a profit of about $15,203, but omitted certain transactions, including two sales which had generated losses of about $113,874.

Akiko L. Hasegawa (Registered Representative, Los Angeles, California) was named a respondent in a complaint alleging conversion of customer funds in the amount of $16,500. Specifically, the complaint alleged that four public customers each gave Hasegawa a personal check in varying amounts for the purpose of making an investment in a mutual fund. Instead of making the investment, Hasegawa deposited the checks in a bank account she controlled and used the funds for personal expenses.

Frank Henry, Jr. (Registered Representative, San Diego, California) was named as a respondent in a complaint alleging that he converted funds from a customer who intended to invest in a mutual fund. The complaint alleges that on or about March 12, 1996, Henry converted $6,000 from a public customer without the customer's knowledge or consent.

Arleigh C. Merrill (Registered Representative, Jacksonville, Florida) was named as a respondent in an NASD complaint alleging he participated in a private securities transaction with a public customer without providing written notice to his member firm. The complaint also alleges that Merrill provided a check from his insurance agency bank account to the same public customer to replace an interest check the customer was expecting to receive.

Barrington Lloyd Nugent (Registered Representative, Houston, Texas) was named as a respondent in a complaint alleging that he made improper use of customer funds while working as a stockbroker. Specifically, the complaint charges that Nugent received $4,310 from a public customer, but failed to invest those monies on behalf of the customer or otherwise apply those monies towards the benefit of the customer. The complaint also alleges that Nugent failed to respond to NASD requests for information.

Dennis Paul Rueb, Jr. (Registered Representative, Copaigue, New York) was named as a respondent in an NASD complaint alleging that he failed to prepare and maintain accurate and complete customer account information, that he exercised discretionary power over a customer's account without authorization, that he failed to follow customer instructions, and that he effected a transaction in a customer account without prior authorization. In addition, the complaint alleges that he made material misrepresentations and omissions to a customer in connection with the recommendation to purchase securities and projected false price predictions. Rueb is also alleged to have failed to respond to NASD requests to appear for an on-the-record interview and to promptly update his Form U-4 to disclose material changes in his registration application.

Steven Edward Smith (Registered Representative, Bakersfield, California) was named as a respondent in a complaint alleging that he made misrepresentations of material facts to public customers in order to induce them to purchase securities in a company. Specifically, Smith participated in the sale of securities totaling $45,000 to public customers by falsely representing to the customers that he, himself, had invested in the offering. The complaint also alleges that Smith participated in the sale of these securities, which were not securities offered by his member firm, without providing prior written notice to his member firm of his participation in the offering.

Rooney Thomas (Registered Representative, Fishers, Indiana) was named as a respondent in a complaint alleging he failed to enter sell orders per the customers' instructions for certain option transactions that resulted in losses, and reimbursed the customers for losses they sustained in their accounts. The complaint also alleges that Thomas accepted a $21,000 check from a public customer intended for investment purposes, failed to make the investment, and instead, deposited the funds into his personal bank account. Furthermore, the complaint alleges that Thomas failed to respond to NASD requests for information.

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

Aspen Capital Group, Inc., Denver, Colorado

Charlotte S. Cohen & Company, Inc., St. Louis, Missouri

Neo-Strategies Marketing Alliances, Inc., New York, New York

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

Jason MacKenzie Securities, Inc., Atlanta, Georgia

Gilbert Marshall & Co., Inc., Greeley, Colorado

J.A. Overton & Co., Inc., San Diego, California

State Street Capital Market Corp., New York, New York

Whitehall Securities, Inc., New York, New York

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

Scott I. Brown, Hallandale, Florida

Stephen B. Carlson, Denver, Colorado

Michael R. Euripides, Virginia Beach, Virginia

Michael E. Goldstein, Los Angeles, California

Jeffrey B. Goodman, Calabasas, California

Joseph Graf, Milwaukee, Wisconsin

Alan J. LaCava, Philadelphia, Pennsylvania

Scott W. Lindquist, Vista, California

Frank A. McCanham, Columbus, Georgia

Anthony C. Nuzzo, Venice, California

Jan Sanders, Lake Forest, California

Donald A. Tilt, Lake Hughes, California

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

Jeffrey Ihm, Dix Hills, New York

Tanwir Khan, Brooklyn, New York

Peter Macor, Manhasset, New York

Thomas P. Meehan, Thornton, Colorado

Douglas Osborne, Venice, California

Suspensions Lifted

The NASD has lifted the suspension from membership on the date shown for the following firm because it has paid the arbitration award.

Network Capital Corp., Salt Lake City, Utah (February 4, 1998)

NASD Regulation Fines A.S. Goldmen & Co. $200,000 And Orders $1 Million-Plus In Restitution To Customers; President, Vice President, And Trader Also Sanctioned

NASD Regulation ordered A.S. Goldmen & Co., Inc., to pay a $200,000 fine and more than $1 million in restitution and interest to more than 500 customers in at least 35 states.

Three of A.S. Goldmen's officials were also sanctioned. President and owner Anthony J. Marchiano was suspended from the brokerage industry in all capacities for six months, fined $50,000, and censured; Vice President Stuart E. Winkler was suspended for two years, fined $50,000, and censured; and trader Stacy Meyers was suspended for 90 days, fined $5,000, and censured. All three must retake their exams to re-enter the brokerage industry.

After an eight-day hearing, NASD Regulation's District 10 Business Conduct Committee (DBCC) found that the Iselin, N.J.-based A.S. Goldmen manipulated the price of warrants in Innovative Tech Systems Inc., received excessive underwriting compensation, charged its customers excessive mark-ups in connection with the initial aftermarket trading of the warrants, and did not adequately supervise its staff to prevent these violations. The manipulation and the overcharging, which occurred over a four-day period from July 26 through July 29, 1994, resulted in more than $1 million in illicit profits.

NASD Regulation found no evidence that Innovative Tech Systems, which was (and still is) listed on Nasdaq's Small Cap Market at the time, knew that the price of its shares was being manipulated.

The abuses at A.S. Goldmen were uncovered by a lengthy NASD Regulation investigation by the Market Regulation and Enforcement Departments, and the District Offices in New York and Denver.

NASD Regulation found that A.S. Goldmen controlled the supply of Innovative Tech's warrants, through its own accounts and its customers' accounts, immediately following the company's Initial Public Offering (IPO) on July 26, 1994.

Prior to the IPO, Innovative Tech provided 1.3 million warrants to 21 bridge financiers. Within the first two hours of trading on July 26th, A.S. Goldmen purchased most of the 1.3 million warrants held by the bridge financiers below quoted prices. By adding these warrants to the almost 1.8 million remaining warrants held by the firm in its customers' accounts, A.S. Goldmen dominated and controlled the market for Innovative Tech's warrants.

A.S. Goldmen artificially increased the warrant's price to almost $2 per share, more than a 700 percent increase over the offering price. As a result, customers were charged mark-ups of 5 to 140 percent. NASD Regulation considers mark-ups in excess of 10 percent to be fraudulent.

NASD Regulation found that even though A.S. Goldmen was only one of 12 market makers in Innovative Tech, sales between the firm and its customers accounted for approximately 97 percent of all the warrants traded.

A.S. Goldmen was also found to have violated NASD rules and federal securities laws that prohibit any firm from simultaneously bidding for and purchasing a security while distributing it.

In addition, A.S. Goldmen received more than $750,000 in excessive underwriting compensation. NASD rules set strict limits on the permissible level of underwriters' compensation.

NASD Regulation found the following violations:

- Anthony J. Marchiano—failed to supervise.

- Stuart E. Winkler—engaged in manipulative trading while the firm was distributing the warrants, charged fraudulently excessive mark-ups, charged excessive underwriting compensation, and failed to supervise.

- Stacy Meyers—charged excessive mark-ups.

Initial actions, such as this, by an NASD Regulation DBCC 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.

In this case, the more than 500 investors will receive restitution payments from A.S. Goldmen within 120 days of the final decision.

NASD Regulation Fines Morgan Stanley $35,000 And Orders $80,000 In Restitution For Failure To Give Best Execution

NASD Regulation announced that Morgan Stanley & Co., Inc., has been fined $35,000 and will pay more than $80,000 in restitution after settling charges that the firm failed to provide three customers the best execution possible in the sale of common stock. The firm was also censured.

Morgan Stanley, which neither admitted nor denied NASD Regulation's findings, will promptly repay the three investors restitution and interest. In its settlement with NASD Regulation, Morgan Stanley was also cited for violating the rules and regulations relating to trade reporting and record keeping in connection with these transactions.

NASD Regulation began its investigation following the receipt of a customer complaint. The complaint, which was received shortly after the customer sold 14,000 shares of stock to Morgan Stanley on February 8, 1996, alleged that the firm failed to provide the customer with the best price possible for the stock. After further investigation, NASD Regulation discovered two additional investors who had sold a total of 15,600 shares to Morgan Stanley on the same day and failed to receive the best price possible.

According to NASD Regulation's findings, all three customers placed their orders with Morgan Stanley prior to the market's opening on February 8, 1996. Had the three orders been executed promptly, the customers could have received a higher price for their shares than they did.

Furthermore, Morgan Stanley failed to notify NASD Regulation's Automated Confirmation Transaction within 90 seconds following the execution of the trades; failed to designate those trades as late once they were reported; and failed to include the time at which the executions occurred. In addition, NASD Regulation found that Morgan Stanley failed to properly maintain the order tickets for these three orders.