

DISCIPLINARY ACTIONS

Disciplinary Actions Reported For November

NASD Regulation, Inc. (NASD RegulationSM) has taken disciplinary actions against the following firms and individuals for violations of National Association of Securities Dealers, Inc. (NASD[®]) rules; federal securities laws, rules, and regulations; and the rules of the Municipal Securities Rulemaking Board. Unless otherwise indicated, suspensions will begin with the opening of business on Monday, November 17, 1997. The information relating to matters contained in this *Notice* is current as of the end of October 24.

Firms Expelled, Individuals Sanctioned

Cressida Capital, Inc. a/k/a Norfolk Securities Corp. (New York, New York) and **Ian Richard Hosang (Registered Principal, Brooklyn, New York)** were fined \$50,000, jointly and severally. In addition, the firm was expelled from NASD membership and Hosang was barred from association with any NASD member in any capacity. The sanctions were based on findings that the firm, acting through Hosang, permitted registered persons at the firm to continue to perform duties as registered persons at such times as they had not complied with the regulatory and firm elements of the Securities Industry Continuing Education Program. Furthermore, the firm, acting through Hosang, failed to delegate responsibility for compliance with the regulatory element and failed to maintain written procedures for compliance with the regulatory and firm elements. In addition, the firm, acting through Hosang, failed to maintain written supervisory procedures that would mandate an annual needs analysis, a written training plan, and an implementation plan, and failed to maintain books and records in compliance with the firm element of the continuing education rules. Hosang also failed to respond to an NASD

request to appear for an on-the-record interview.

Euro-Atlantic Securities Inc. (Boca Raton, Florida), David P. Melillo (Registered Principal, Pinellas Park, Florida), Robert E. Hines (Registered Representative, Brooklyn, New York), Charles M. Francis (Registered Representative, Staten Island, New York), and Peter J. Matera, Jr. (Registered Representative, Brooklyn, New York). Melillo submitted an Offer of Settlement pursuant to which he was fined \$100,000 and barred from association with any NASD member in any capacity, with the right to reapply after two years only as a registered representative. In a separate decision, the firm was fined \$200,000, required to disgorge \$1,762,409 to its customers, and expelled from membership in the NASD. Francis was fined \$5,000, suspended from association with any NASD member in any capacity for 30 days, required to pay \$2,017.55 in restitution to customers, and required to requalify by exam as a general securities representative. Matera was fined \$5,000, suspended from association with any NASD member in any capacity for 30 days, required to pay \$5,437.50 in restitution to customers, and required to requalify by exam as a general securities representative. Hines was fined \$50,000, barred from association with any NASD member in any capacity, and required to pay \$39,984.50 in restitution to customers.

Without admitting or denying the allegations, Melillo consented to the described sanctions and to the entry of findings that the firm, acting through Melillo, used manipulative, deceptive or other fraudulent devices in connection with the sale of warrants, and dominated and controlled both the wholesale and retail markets for a security such that there was no independent, competitive market in

the security. The findings also stated that the firm, acting through Melillo, charged fraudulently excessive mark-ups to retail customers in principal transactions, with mark-ups ranging from 5.26 to 63.16 percent over the prevailing market price. Francis, Matera, and Hines engaged in unfair pricing regarding the sale of warrants to public customers in that the gross commissions they earned on the sales of warrants ranged from 15 to 32 percent of their customers' total investment and they failed to question the fairness of the prices being charged to the firm's retail customers. The NASD also determined that Melillo failed to supervise his member firm's salesman adequately.

Firms Fined, Individuals Sanctioned

Dominion Capital Corporation (Dallas, Texas) and **Douglas Woodrow Powell (Registered Principal, Dallas, Texas)** submitted a Letter of Acceptance, Waiver and Consent pursuant to which they were fined \$35,000, jointly and severally, and Powell was suspended from association with any NASD member in any principal capacity for five business days. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Powell, failed to comply with Securities and Exchange Commission (SEC) Rules 17a-3 and 17a-4 in that its books and records were either inaccurate, incomplete, or not maintained. The findings also stated that the firm, acting through Powell, failed to maintain and enforce adequate written supervisory procedures and failed to maintain adequate procedures regarding its compliance with the Securities Industry Continuing Education Program. The findings also stated that the firm, acting through Powell, failed to submit quarterly statistical data regarding customer complaints,

effected a series of transactions in equity securities, and failed to comply with SEC Rule 10b-10 in confirming each transaction to its customers in that the firm failed to disclose over \$12,500 in mark-ups and mark-downs.

Firms and Individuals Fined

The Exchange, Inc. (Austin, Texas) and **Christian Paul Garces (Registered Representative, Austin, Texas)** submitted a Letter of Acceptance, Waiver and Consent pursuant to which they were fined \$17,500, jointly and severally. Without admitting or denying the allegations, the respondents consented to the described sanction and to the entry of findings that the firm, acting through Garces, conducted a securities business while failing to maintain its minimum required net capital. The findings also stated that the firm, acting through Garces, failed to register five employees as representatives and failed to require these individuals to pass the required qualifications exams while allowing them to conduct activities requiring registration. Furthermore, the NASD determined that the firm, acting through Garces, failed to maintain the physical security of Small Order Execution SystemSM (SOESSM) equipment to prevent the unauthorized entry of information into SOES. The NASD also found that the firm failed to identify nine transactions input to the Automated Confirmation Transaction Service (ACTSM) as short sales.

Firms Fined

Furman Selz LLC (New York, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which the firm was fined \$12,500. Without admitting or denying the allegations, the firm consented to the described sanction and to the entry of findings that it failed to report the order entry firm in 61

transactions to ACT and failed to designate transactions in Nasdaq National Market securities as late to ACT. The findings also stated that the firm failed to accept or decline a transaction within 20 minutes after execution, to preserve a memorandum of a brokerage order for a period of not less than three years, and to preserve the memoranda of each member-to-member limit order received by the firm. Furthermore, 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, limit orders, best execution, and use of SOES.

Individuals Barred or Suspended

Thomas A. Arpante (Registered Representative, Holden, Massachusetts) was fined \$70,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Arpante failed to respond to NASD requests for information. Arpante also forged documents in transactions with customers.

John Brett Ballon (Registered Representative, Malibu, California)

submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$60,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Ballon consented to the described sanctions and to the entry of findings that he churned a public customer's account by recommending and executing 91 purchase and sale transactions for the customer's account without having reasonable grounds for believing that such recommendations were suitable in view of the frequency of the recommended transactions and the customer's financial situation, objectives, cir-

cumstances, and needs. The findings also stated that Ballon effected unauthorized transactions in a customer's account and failed to respond to NASD requests to appear for an on-the-record interview.

Daniel Grady Bayer (Registered Representative, Kansas City, Missouri) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$62,425 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Bayer consented to the described sanctions and to the entry of findings that he received \$20,485 from public customers for investment purposes, failed to apply the funds as directed by the customers, and instead misused and converted the funds to his own use and benefit without the customers' knowledge or consent.

Jere L. Beasley, Jr. (Registered Representative, Montgomery, Alabama) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$8,100, suspended from association with any NASD member in any capacity for one week, and required to requalify by exam as a general securities representative. Without admitting or denying the allegations, Beasley consented to the described sanctions and to the entry of findings that he executed unauthorized transactions in the accounts of public customers without their knowledge or consent.

Kevin J. Brafford (Registered Representative, Tempe, Arizona) submitted an Offer of Settlement pursuant to which he was fined \$30,000, barred from association with any NASD member in any capacity, and required to reimburse his member firm \$4,000. Without admitting or denying the allegations, Brafford consented to the described

sanctions and to the entry of findings that he accepted funds totaling \$4,000 from a public customer by representing that such funds were payments for the preparation of a financial plan and failed either to provide such a plan or return the funds. The findings also stated that Brafford failed to respond to NASD requests for information.

Scott I. Brown (Registered Representative, Hallandale, Florida) was fined \$7,500, suspended from association with any NASD member in any capacity for 10 business days and thereafter until he qualifies by exam as a general securities representative, and ordered to disgorge \$1,498.62 to public customers. The sanctions were based on findings that Brown executed purchase and sale transactions in the securities accounts of public customers without their knowledge or consent.

Clyde Joseph Bruff (Registered Principal, Oakland, California) was barred from association with any NASD member in any capacity. The National Business Conduct Committee (NBCC) affirmed the sanction following appeal of a San Francisco District Business Conduct Committee (DBCC) decision. The sanction was based on findings that Bruff exercised effective control over the account of a public customer and recommended to her the purchase and sale of securities that were unsuitable for the customer in view of the size and frequency of the transactions and her other securities holdings, financial situation, and needs.

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

Frank J. Casillo (Registered Principal, Farmingdale, New York) submitted an Offer of Settlement pursuant to which he was fined \$10,000

and suspended from association with any NASD member in a principal capacity for 30 days. Without admitting or denying the allegations, Casillo consented to the described sanctions and to the entry of findings that he failed to implement, maintain, and enforce adequate supervisory procedures in connection with directing brokers during an initial public offering.

Vita Marie Colangelo (Registered Representative, Cherry Hill, New Jersey) submitted an Offer of Settlement pursuant to which she was fined \$5,000, suspended from association with any NASD member in any capacity for 18 months, and ordered to requalify by exam. Without admitting or denying the allegations, Colangelo consented to the described sanctions and to the entry of findings that she established three fictitious accounts at her member firm for public customers, completed purchase applications, and prepared a fictitious check on behalf of a customer without their prior knowledge, authorization or consent.

Paul Dennett Crawford (Registered Representative, Minneapolis, Minnesota) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was suspended from association with any NASD member in any capacity for two years and required to requalify by exam as a general securities representative. Without admitting or denying the allegations, Crawford consented to the described sanctions and to the entry of findings that he participated in private securities transactions without giving prior written notice to, and receiving written approval from, his member firm.

My Ngoc Dang (Registered Representative, Alameda, California) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$10,000 and

barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Dang consented to the described sanctions and to the entry of findings that he failed to notify his current member firm of the existence of accounts with other member firms and failed to advise the other firms that he was associated with his current member firm. The findings also stated that Dang signed memoranda stating that he did not have a securities account with any brokerage firm, despite the existence of his member firm accounts.

Harold Lee Deavours (Registered Representative, Kingwood, Texas) submitted an Offer of Settlement pursuant to which he was fined \$165,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Deavours consented to the described sanctions and to the entry of findings that he engaged in outside business activities and failed to provide prompt written notice to his member firm of such activities. The findings also stated that Deavours made false, fictitious, and misleading representations to his member firm and failed to respond to NASD requests for information.

Randall J. DeMatteo (Registered Representative, Bridgeport, Connecticut) was fined \$27,500 and barred from association with any NASD member in any capacity. The sanctions were based on findings that DeMatteo failed to respond to NASD requests for information. DeMatteo also engaged in private securities transactions and failed to receive authorization from his member firm to engage in such activities.

Dennis John DeYoung (Registered Principal, Northridge, California) submitted an Offer of Settlement pursuant to which he was fined \$8,500, suspended from association with any

NASD member in any capacity for 31 days, ordered to disgorge \$22,815, and required to requalify by exam. Without admitting or denying the allegations, DeYoung consented to the described sanctions and to the entry of findings that he participated in private securities transactions and outside business activities while failing to provide prior written notice to his member firm of his participation in such activities. The findings also stated that DeYoung made false, fictitious, and misleading representations to his member firm.

Joseph Marc DiLeo (Registered Representative, Davis, California) was fined \$40,000 and suspended from association with any NASD member in any capacity for 30 days. The sanctions were based on findings that DiLeo signed customer names to documents and submitted them to his member firm.

Ann Marie Doty (Registered Principal, Marina Del Rey, California) submitted a Letter of Acceptance, Waiver and Consent pursuant to which she was suspended from association with any NASD member in any registered capacity for 60 days and required to requalify by exam before acting in any capacity requiring registration as a registered options principal. Without admitting or denying the allegations, Doty consented to the described sanctions and to the entry of findings that, while taking the registered options principal qualification exam, Doty was found to be in possession of notes relating to the subject matter of the exam.

Glenn A. Dove (Registered Representative, Sunset Beach, California) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was suspended from association with any NASD member in any capacity for 15 business days and ordered to requalify by

exam as a general securities representative. Without admitting or denying the allegations, Dove consented to the described sanctions and to the entry of findings that he effected various purchases and sales in securities in the account of public customers without the knowledge or consent of the customers.

James E. Dunniway, Sr. (Registered Principal, Newark, California) was fined \$74,105 and barred from association with any NASD member in any capacity. The NBCC affirmed the sanctions following appeal of a San Francisco DBCC decision. The sanctions were based on findings that Dunniway engaged in excessive trading in a customer's account and engaged in a deceptive and fraudulent scheme to generate commissions.

Leonard Sterling Dyer (Registered Representative, Teaneck, New Jersey) was fined \$25,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Dyer received \$416 from a public customer intended for the purchase of an insurance policy and gave the customer a receipt indicating the full payment of the premium. However, Dyer never opened a policy and converted the funds to his own use. Dyer also failed to respond to NASD requests for information.

Jeff Alan Einfalt (Registered Representative, Lincoln, Nebraska) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$8,013, suspended from association with any NASD member in any capacity for 10 business days, and required to requalify by exam. Without admitting or denying the allegations, Einfalt consented to the described sanctions and to the entry of findings that he shared in an account with a public customer at a member firm without obtaining prior

written authorization from the member firm carrying the account. The findings also stated that Einfalt recommended to a public customer a series of securities transactions that were excessive in size and frequency in light of the customer's liquid net worth and investment objective of capital appreciation. Furthermore, the NASD determined that Einfalt recommended that public customers take out a loan collateralized by a certificate of deposit for the purpose of opening an account at his member firm and purchasing securities, and recommended that a customer take an advance from a margin account to fund a loan to a public customer to meet a margin call on the customer's account.

Amr I. Elgindy (Registered Principal, Colleyville, Texas) submitted an Offer of Settlement pursuant to which he was fined \$30,000, suspended from association with any NASD member in any principal capacity for one year, suspended from association with any NASD member in any capacity for 30 days, and required to produce a copy of his member firm's implemented written supervisory procedures specifically with respect to overseeing his activities to deter and detect a recurrence of the conduct alleged in the complaint. Without admitting or denying the allegations, Elgindy consented to the described sanctions and to the entry of findings that he caused his member firm to execute 108 orders through SOES for the firm's account. The findings also stated that Elgindy caused his member firm to enter non-bona fide orders through the Select-NetSM System for the firm's account that were either timed out or canceled by Elgindy before they could be executed. Furthermore, the NASD found that Elgindy caused trades reported to ACT to be canceled by failing to acknowledge or confirm such trades. The NASD also determined that Elgindy failed to ensure

that his member firm establish, maintain, and enforce supervisory procedures that would have enabled the firm to deter and detect the above conduct.

Nicholas Mark Ellis (Registered Principal, Irvine, California) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$20,000 and suspended from association with any NASD member as a general securities principal for two years. Without admitting or denying the allegations, Ellis consented to the described sanctions and to the entry of finding that a member firm, acting through Ellis, conducted a general securities business but failed to designate a limited financial and operations principal. The findings also stated that a member firm, acting through Ellis, executed options and municipal transactions but failed to have and designate a registered options principal and municipal securities principal.

Ellis' suspension began September 5, 1997 and will conclude September 5, 1999.

Douglas A. Glaser (Registered Representative, Evergreen, Colorado) was fined \$30,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Glaser failed to disclose a felony charge on a Form U-4 and failed to respond to NASD requests for information.

Michael Edgar Goldstein (Registered Representative, Los Angeles, California), Jeffrey B. Goodman (Registered Representative, Calabasas, California), Jason Scott Neu (Registered Representative, Santa Monica, California), William Reininger (Registered Representative, Agoura, California), and Joseph Patrick Hannan (Associated Person, Los Angeles, California).

Goldstein and Goodman were each fined \$5,000, suspended from association with any NASD member in any capacity for six months, and ordered to requalify by exam as a general securities representative. Neu was fined \$20,000 and barred from association with any NASD member in any capacity and Reininger was fined \$5,000, suspended from association with any NASD member in any capacity for six months, and ordered to requalify by exam as a limited representative for direct participation programs. Hannan was fined \$1,000 and suspended from association with any NASD member in any capacity for six months. The NBCC imposed the sanctions following appeal of a Los Angeles DBCC decision. The sanctions were based on findings that Goldstein, Goodman, Neu, Reininger, and Hannan failed to respond timely or fully to NASD requests for information.

Hannan has appealed this action to the SEC and his sanctions are not in effect pending consideration of his appeal.

Christopher William Griffin (Registered Representative, New York, New York) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Griffin failed to respond to NASD requests for information.

Steven A. Hall (Registered Representative, Scarborough, Maine) was fined \$70,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Hall failed to respond to NASD requests for information. Hall also engaged in private securities transactions and failed to receive authorization from his member firm to engage in such activities.

Scott W. Lindquist (Registered Representative, Carlsbad, California) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$5,000 and suspended from association with any NASD member in any capacity for 30 business days. Without admitting or denying the allegations, Lindquist consented to the described sanctions and to the entry of findings that he signed customers' names on various new account applications and transfer forms to expedite the processing of transactions in 10 new customer accounts without the customers' prior knowledge or authorization.

Jonathan Matthew Lorenz (Registered Representative, Lubbock, Texas) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Lorenz consented to the described sanction and to the entry of findings that he signed the names of public customers on insurance and insurance-related forms, submitted the forms to his member firm, and represented that the signatures on the forms were genuine when, in fact, they were not.

Steven Wayne Martin (Registered Representative, Whitehouse, Texas) was fined \$22,000, suspended from association with any NASD member in any capacity for 18 months, and ordered to requalify by exam. The sanctions were based on findings that Martin failed to timely respond to NASD requests for information. Martin also submitted to his member firm an annual compliance checklist form that contained false and misleading responses to questions.

Theodore Anthony Matagrano (Registered Representative, Ridge-wood, New York) was fined \$20,000 and barred from association with any

NASD member in any capacity. The sanctions were based on findings that Matagrano failed to respond to NASD requests for information.

Frank Anthony Monreal (Registered Representative, Moreno Valley, California) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$379,755 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Monreal consented to the described sanctions and to the entry of findings that he converted \$13,436.66 from a public customer by instructing the customer to endorse a proceeds liquidation check intended for deposit in the customer's account, and effectively converted those funds to the use of his girlfriend without the customer's knowledge or consent. The findings also stated that Monreal converted \$62,514.38 from a public customer's account by opening a joint mutual fund account with the customer away from his member firm without the customer's knowledge or consent, and thereafter transferring funds from the account to an account he controlled.

Mark Lynn Mortensen (Registered Representative, Fairfax, Minnesota) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$35,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Mortensen consented to the described sanctions and to the entry of findings that he forged customer signatures on insurance product forms without the customers' knowledge or consent. The findings also stated that Mortensen prepared, forged signatures, and submitted life insurance applications and exchange request forms for two customers without their knowledge or consent

for the purpose of receiving \$6,584 in commissions.

Stephanie Ann Murray (Registered Representative, Trenton, New Jersey) was barred from association with any NASD member in any capacity. The sanction was based on findings that Murray, while taking the Series 7 exam, had in her possession notes relating to the subject matter of the exam.

Harvey F. Neustadt (Registered Representative, Easton, Maryland) was fined \$1,500,000, barred from association with any NASD member in any capacity, and required to pay \$306,494.32 plus interest in restitution. The sanctions were based on findings that Neustadt converted \$326,494.32 from public customers and failed to respond to NASD requests for information.

Allen B. Olander (Registered Representative, Lancaster, California) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$5,000 and suspended from association with any NASD member in any capacity for five business days. Without admitting or denying the allegations, Olander consented to the described sanctions and to the entry of findings that he participated in private securities transactions, but failed to provide prior written notification to his member firm.

Bryan James O'Leary (Registered Principal, Dallas, Texas) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$8,500 and suspended from association with any NASD member in any capacity for 10 business days. Without admitting or denying the allegations, O'Leary consented to the described sanctions and to the entry of findings that, while serving as a general securities principal, he failed to supervise the activities of an indi-

vidual adequately in that he failed to ensure that the individual was properly registered with the NASD prior to conducting a securities business.

Salvatore Piazza (Associated Person, Milburn, New Jersey) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Piazza failed to respond to NASD requests to appear for an on-the-record interview.

James Alfred Pierce (Registered Representative, Holbrook, New York) submitted an Offer of Settlement pursuant to which he was fined \$20,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Pierce 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.

Gene Albert Riedinger (Registered Representative, Bismarck, North Dakota) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$20,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Riedinger consented to the described sanctions and to the entry of findings that he failed to respond to NASD requests for information.

Nancy Roebuck (Associated Person, New York, New York) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Roebuck failed to respond to NASD requests to appear for an on-the-record interview.

Blake M. Russ (Registered Representative, Boca Raton, Florida),

Dean C. Verrigni (Registered Representative, Wappingers Falls, New York), and Gary H. Hrycyk (Registered Representative, New York, New York) submitted Offers of Settlement pursuant to which Russ was fined \$18,000 and barred from association with any NASD member in any capacity and Verrigni was fined \$29,000 and barred from association with any NASD member in any capacity. Hrycyk was fined \$13,000 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 they engaged in manipulative, deceptive, or other fraudulent activities in connection with the purchase or sale of securities.

Marc T. Schaufler (Registered Representative, New Milford, Connecticut) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Schaufler failed to respond to NASD requests for information.

Gary Allen Sebbert (Registered Representative, Muscatine, Iowa) submitted an Offer of Settlement pursuant to which he was fined \$10,000 and suspended from association with any NASD member in any capacity for one year. Without admitting or denying the allegations, Sebbert consented to the described sanctions and to the entry of findings that he affixed customer signatures on insurance and/or securities product forms without the customers' knowledge or consent.

Sebbert's suspension began January 31, 1996 and concluded January 31, 1997.

Delos G. Smith, III (Registered Representative, Richmond, Virginia) submitted a Letter of Accep-

tance, Waiver and Consent pursuant to which he was fined \$20,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Smith consented to the described sanctions and to the entry of findings that he failed to respond to an NASD request to appear for an on-the-record interview.

Thomas G. Streich (Registered Representative, Apple Valley, Minnesota) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$288,714 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Streich consented to the described sanctions and to the entry of findings that he submitted false address change forms, requested loans against traditional and/or variable life and annuity contracts, received and endorsed loan proceeds checks made payable to the customers, and converted \$57,742.84 in customer funds to his own use and benefit.

Larry Dean Vandervoort (Registered Representative, Omaha, Nebraska) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$5,000 and suspended from association with any NASD member in any capacity for 10 days. Without admitting or denying the allegations, Vandervoort consented to the described sanctions and to the entry of findings that he recommended and placed orders for the purchase and sale of securities in the individual retirement accounts of public customers without having a reasonable basis for believing the transactions were suitable for the customers based upon the frequency of these transactions and the customers' investment objectives and financial situations.

Jerry Jewel Waller (Registered Representative, Pasadena, Texas)

submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$5,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Waller consented to the described sanctions and to the entry of findings that he exercised control over traveler's checks that were owned by an affiliate of his member firm and made unauthorized use of them.

Richard Wayne Wells, Sr. (Registered Representative, Rockwall, Texas) submitted an Offer of Settlement pursuant to which he was fined \$20,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Wells consented to the described sanctions and to the entry of findings that he failed to respond to NASD requests for information.

Russell Leroy Whittaker (Registered Representative, Coalville, Utah) was fined \$50,000, barred from association with any NASD member in any capacity, and ordered to pay restitution to a customer. The sanctions were based on findings that Whittaker borrowed \$10,000 from a public customer and, in connection with his solicitation of the loan, used a signature guarantee stamp from a former employer to create the false appearance that his signature on the promissory note was guaranteed by a corporate entity when in fact he knew no such guarantee existed. Furthermore, Whittaker was aware of and failed to disclose that he contravened the written supervisory procedures of his member firm that prohibited registered representatives from borrowing money from the firm's clients. Moreover, Whittaker failed to disclose his prior defaults on certain loans, failed to disclose that the sig-

nature stamp was not valid, and failed to repay the loan.

Individuals Fined

Anthony C. Nuzzo (Registered Representative, Venice, California)

was fined \$25,000 and required to requalify by exam as a representative. The sanctions were based on findings that Nuzzo recommended and effected for the account of a public customer purchase and sale transactions in shares of investment companies without having reasonable grounds for believing that such recommendations were suitable for the customer in light of her financial situation and needs, the inappropriate nature of investment company shares for use as a short-term trading vehicle, and the frequency and costs of the transactions.

William Leslie Walters (Registered Representative, Highlands Ranch, Colorado)

submitted an Offer of Settlement pursuant to which he was fined \$14,409 and required to requalify by exam. Without admitting or denying the allegations, Walters consented to the described sanctions and to the entry of findings that he effected transactions in the accounts of public customers without first obtaining the authorization of the customers. The findings also stated that Walters misrepresented the value of securities in a customer's account.

Decisions Issued

The following decisions have been issued by the DBCC and have been appealed to the NBCC as of October 31, 1997. The findings and sanctions imposed in the decision may be increased, decreased, modified, or reversed by the NBCC. Initial decisions whose time for appeal has not yet expired will be reported in the next *Notice to Members*.

Ralph A. Bafo (Registered Representative, Tonawanda, New York)

was 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.

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

Daniel C. Boss (Registered Representative, Mendon, New York)

was fined \$215,000, barred from association with any NASD member in any 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 the purchase of unspecified investments he recommended and, without the customer's knowledge or consent, did not use the funds for the intended purpose, but for some purpose other than for the benefit of the customers. Boss also failed to respond to NASD requests for information.

Boss has appealed this action to 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.

Lexington Capital Corporation (formerly Emme Corp. d/b/a Marlowe & Company) (Hauppauge, NY); Alan Michael Berkun (Registered Principal, East Rockaway, NY); and Maurice Dana Wise (Registered Principal, Hauppauge, NY) were named as respondents in an NASD complaint alleging that the firm, acting through Berkun and Wise, engaged in a variety of improper practices which both defrauded the investing public and impeded regulatory scrutiny. Specifically, the complaint alleges, among other things, that the firm, acting through Berkun: (i) allowed a statutorily disqualified individual to be an associated person of the firm without receiving the proper regulatory approvals; (ii) filed a false Uniform Application for Securities Industry Registration or Transfer (Form U-4) and MC-400 application with the NASD; (iii) paid a commission to a non-member firm and failed to report to the NASD that it had conducted business with a firm owned by a person subject to a statutory disqualification; (iv) effected hundreds of sales of penny stocks to more than 100 customers while failing to make both the appropriate suitability determinations and disclosures required by the penny stock rules; (v) violated the firm's restriction agreement with the NASD; (vi) improperly sold unregistered securities to the investing public; (vii) charged its customers fraudulently excessive markups in connection with sales of securities which amounted to more than \$100,000 in illicit profits to the firm; and (viii) failed to disclose to its customers that the firm was acting as principal in connection with the unregistered securities transactions and the amount of remuneration received by the firm in connection with these transactions.

Additionally, the complaint charged that Berkun and Wise falsified the firm's books and records to conceal

the fact that an unregistered representative was soliciting and effecting trades with the public while not properly registered with the NASD and several states. The complaint further charged that the firm, Berkun, and Wise failed to establish, maintain and enforce a system to supervise the activities of the firm's registered representatives and associated persons reasonably designed to achieve compliance with applicable securities laws and regulations and the applicable NASD rules.

Janice D. Russo (Registered Representative, Los Angeles, California) was named as a respondent in an NASD complaint alleging that she effected unauthorized transactions in the account of a public customer. The complaint alleges Russo effected four transactions, totaling approximately \$24,439, that were contrary to the public customer's instructions and without the customer's knowledge or consent.

Kenji Sasaki (Registered Representative, Tokyo, Japan) was named as a respondent in an NASD complaint alleging that he made fraudulent misrepresentations and omissions regarding execution and compensation information. Sasaki's actions resulted in overcharges to two customers and secret profits of approximately \$267,000.

Merrill W. Sywenki (Registered Representative, Lehigh, Pennsylvania) was named as a respondent in an NASD complaint alleging that he engaged in a continuing fraudulent and deceptive scheme whereby he obtained funds from public customers for the purchase of securities, did not apply those funds to the purchase of securities for the customers, retained and utilized the funds for his personal purposes, furnished false documents to the customers to deceive them into believing securities had been purchased on their behalf,

and made further false representations to the customers to conceal his own actions.

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.

Del Mar Financial Services, Inc., Del Mar, California (October 1, 1997)

Kensington Wells, Inc., Brooklyn, New York (October 1, 1997)

Sabel Management, Inc., Livonia, Michigan (October 1, 1997)

Firm Suspended Pursuant To NASD Rule 9622 For Failure To Pay Arbitration Award
Dickinson & Co., Des Moines, Iowa

Individuals Whose Registrations Were Revoked For Failure To Pay Fines, Costs, And/Or Provide Proof Of Restitution In Connection With Violations
Francis W. Gillet, III, Monkton, Maryland

Robert A. Grunburg, Marina del Rey, California

William N. Herred, Santa Barbara, California

Timothy M. Smith, Arlington Heights, Illinois

NASD Regulation Issues Complaint Against Hampton Capital Management Corp., CEO, and Employee for Denying Inspection

NASD Regulation announced that it has issued a complaint against Hampton Capital Management Corp.; its Chief Executive Officer and President, Marquis B. Quetant; and a Hampton employee, Rhett McIntosh, for failing to cooperate with an NASD Regulation investigation and for intentionally providing false information to NASD Regulation.

The complaint results from a September 25, 1997, unannounced on-site inspection of Hampton Capital's New York City branch office when NASD Regulation examiners from the New York District Office were denied access to Hampton's office. Simultaneously, additional NASD Regulation examiners conducted an on-site inspection at Hampton's main office in Stamford, Connecticut, and were admitted.

All NASD-registered firms are required to give NASD Regulation examiners immediate and unimpeded access to the firm's books and records. Refusing regulators access is a serious issue.

The filing of an NASD Regulation complaint represents the initiation of a formal proceeding. At this time, the allegations have not been proven and no decision has been made. Under NASD Regulation rules, the firm can file a response to these charges and request a hearing before an NASD Regulation panel.

NASD Regulation Fines Mayer & Schweitzer \$200,000 For Failure To Provide Best Execution As Well As Record-Keeping And Supervisory Violations

NASD Regulation announced that Mayer & Schweitzer, Inc., was fined \$200,000 after settling charges that the firm failed to get its customers the best executions possible on five separate occasions from December 1995 through June 1996.

In the settlement, Mayer & Schweitzer neither admitted nor denied allegations that it failed to provide the best execution possible because it did not transmit member-to-member customer limit orders for securities the firm did not make a market in to another market maker that could have filled the orders. While Mayer & Schweitzer intended to forward the orders, its faulty procedures prevented the orders from being transmitted.

A customer limit order, whether originating from a public customer or another market maker on behalf of a customer, is an order to buy or sell a stock at a price specified by the customer. NASD Regulation's best execution rule requires that brokerage firms make every effort possible to obtain the most favorable price available for every security purchased or sold on behalf of a customer.

These violations were investigated by NASD Regulation's Market Regulation Department, and were based on the receipt of five separate customer complaints.

NASD Regulation also found that the firm failed to establish, maintain, and enforce written supervisory procedures to prevent these violations. Additionally, NASD Regulation found that Mayer & Schweitzer failed to maintain records of the time and manner in which the firm sent

customer limit orders to other market makers for execution.

Previously, on March 20, 1996, Mayer & Schweitzer entered into a separate settlement, without admitting or denying allegations of best execution and record-keeping violations. The firm was fined \$75,000 as a result.

Based in Jersey City, New Jersey, Mayer & Schweitzer is a brokerage firm that currently employs approximately 193 registered representatives in offices in Jersey City and Piscataway, New Jersey; Dania, Florida; Chicago, Illinois; and Denver, Colorado.

NASD Regulation Brings Sales Practice Charges Against 33 Former Stratton Oakmont Principals and Brokers

NASD Regulation announced that it has filed disciplinary charges against 33 former principals, brokers, and employees of the now defunct Long Island brokerage firm of Stratton Oakmont, Inc. The firm was expelled from the NASD in December 1996 because it posed "an ongoing risk to the investing public."

The complaint, which alleges a wide range of serious sales practice violations by 33 individuals, is one of the largest complaints of its type ever brought by NASD Regulation and results from a continuing investigation into Stratton Oakmont's operations. The complaint alleges that 33 individuals, who were based at Stratton Oakmont's headquarters in Lake Success, New York, engaged in a number of fraudulent sales practices and other misconduct from 1993 through 1996. NASD Regulation also alleges that, in many instances, Stratton Oakmont used prepared scripts (six of which are part of the complaint) as part of their aggressive

telemarketing efforts to sell speculative securities.

The complaint identifies at least 70 specific customers who were allegedly victimized through fraudulent practices including: unauthorized trading; baseless or improper price predictions; inadequate or inaccurate risk disclosure; churning and excessive trading; sale of unsuitable investments to risk-averse customers; advising customers to disregard information in prospectuses; falsely promising to limit losses to a specific amount; claiming access to inside information; making false statements regarding specific securities and issuers; making improper comparisons to other stocks; tying the purchase of initial public offerings to a commitment to buy stock in the aftermarket; guaranteeing customers against loss; promising to make up losses with new trades; refusing to execute or aggressively discouraging orders to sell stocks; use of false and misleading scripts; supervision failures; falsifying account documentation; failing to appear for testimony before the NASD; and lying during testimony.

The complaint names the following principals:

Daniel M. Porush, President and principal owner

Michael J. Albino, Director of Supervision

Andrew T. Greene, Executive Vice President and Director of Corporate Finance

Howard S. Gelfand
Jordan Shamah

Named brokers include:

Chad J. Beanland
Eric Blumen
Ira A. Boshnack
Stephen G. Buxton
Andrew S. Friedman
Dean S. Friedman
Kenneth J. Fuina
Daniel J. Gallagher
James W. Garofalo Jr.
Paul J. Greco
David S. Heredia
Robert W. Koch II
Thomas A. Niemczyk
George Patsis
Michael J. Raskin
Frank Riccui Jr.
Richard L. Ringel
Robert J. Rosato
Peter T. Rubenstein
Lawrence T. Smith
Robert F. Smith
Edward C. Sparacio
Michael A. Taliercio
Joseph Teseo
Peter T. Tsadilas
Bonnie C. Vandenberg
April Wiener

The complaint names the following research analyst:

Clifford B. Olshaker

Prior to its expulsion by NASD Regulation, Stratton Oakmont and its principals were repeatedly fined, censured and, in some cases, barred by federal and state securities regulators. Since June 1989, the firm and its principals have been the subject of

numerous NASD Regulation disciplinary actions, including fines, censures, suspensions, and bars. In recent years, the SEC and a number of state securities regulators around the nation have also sanctioned both Stratton Oakmont and its principals. In early 1994, the SEC settled an enforcement action against Stratton Oakmont and its President, Daniel M. Porush, after alleging that the firm engaged in securities fraud through its "boiler room" sales operation. By late 1994, the SEC had charged Stratton Oakmont with violating the settlement agreement and obtained a permanent injunction against the firm requiring future compliance. At the time of its expulsion in December 1996, the firm had been barred by a number of state regulators.

Stratton Oakmont is currently being liquidated in accordance with the Securities Investors Protection Act (SIPC) of 1970.

The filing of an NASD Regulation complaint represents the initiation of a formal proceeding. At this time, the allegations have not been proven and no decision has been made. Under NASD Regulation rules, the respondents can file a response to these charges and request a hearing before an NASD Regulation disciplinary panel. Possible sanctions include a fine, suspension, or bar from the securities industry.

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