DISCIPLINARY ACTIONS

Disciplinary Actions Reported For September

NASD Regulation, Inc. (NASD Regulation℠) has taken disciplinary actions against the following firms and individuals for violations of 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, September 15, 1997. The information relating to matters contained in this *Notice* is current as of the end of August 22. Information received subsequent to the end of August 22 is not reflected in this edition.

Firms Fined, Individuals Sanctioned

Litwin Securities, Inc. (Miami Beach, Florida) and **Harold A. Litwin (Registered Principal, Miami Beach, Florida)** were fined $25,000, jointly and severally, and Litwin was barred from association with any National Association of Securities Dealers, Inc. (NASD®) member as a financial and operations principal. The Securities and Exchange Commission (SEC) affirmed the sanctions following appeal of a March 1996 National Business Conduct Committee (NBCC) decision. The sanctions were based on findings that the firm, acting through Litwin, filed inaccurate FOCUS Part I and IIA reports and submitted false and misleading financial documents to the NASD. The firm, acting through Litwin, also failed to maintain current and accurate books and records and conducted a securities business while failing to maintain its minimum required net capital. Furthermore, the firm, acting through Litwin, failed to give notice of the capital deficiency to the SEC and the NASD.

Securities Planners, Inc. (New York, New York), Edward McKay, Jr. (Registered Principal, New York, New York), Alex David Shindman (Registered Principal, Guttenberg, New Jersey), Alex Gincherman (Registered Representative, Brooklyn, New York), Igor Shekhtman (Registered Principal, New York, New York), Michael Garber (Registered Representative, Brooklyn, New York), Mark Furman (Registered Principal, Pompano Beach, Florida), and **Eugene Flaksman (Registered Representative, Brooklyn, New York)**. The firm was fined $50,000 and McKay was fined $50,000 and barred from association with any NASD member in any supervisory and/or principal capacity. Shindman was fined $25,000 and barred from association with any NASD member in any capacity. Gincherman was fined $15,000, suspended from association with any NASD member in any capacity for 45 days, required to pay $6,093.75 plus interest in restitution to a public customer, and required to requalify as a general securities representative. Shekhtman was fined $50,000, required to pay $216,498.75 plus interest in restitution, and barred from association with any NASD member in any capacity.

Garber was fined $20,000, suspended from association with any NASD member in any capacity for six months plus 60 days, required to pay $11,925 in restitution, and required to requalify as a general securities representative by taking and passing the Series 7 exam. Furman was fined $55,000, suspended from association with any NASD member in any capacity for 30 days, required to pay $5,500 plus interest in restitution to a customer, barred from association with any NASD member in any supervisory and/or principal capacity, and required to requalify as a general securities representative by taking and passing the Series 7 exam. Flaksman was fined $10,000, suspended from association with any NASD member in any capacity for 30 days, required to pay $22,000 in restitution, and required to requalify as a general securities representative by taking and passing the Series 7 exam.

The sanctions were based on findings that the firm, acting through McKay, failed to establish, maintain, or enforce adequate written supervisory procedures. Furthermore, Shekhtman, Gincherman, Garber, Flaksman, and Furman made material misrepresentations and omissions to customers concerning a stock. Shekhtman, Gincherman, and Flaksman also effected unauthorized transactions in customer accounts. In addition, Shekhtman failed to execute sell orders and Furman failed to supervise registered representatives who made material misrepresentations and omissions in connection with the sales of stock as well as registered representatives who made unauthorized trades, and failed to execute sell orders for customers. Garber and Shindman failed to respond to NASD requests for information.

Firms and Individuals Fined

Black & Company, Inc. (Portland, Oregon) and **Dennis Burton Reiter (Registered Principal, Portland, Oregon)** submitted a Letter of Acceptance, Waiver and Consent pursuant to which they were fined $20,000, jointly and severally. Reiter also was required to requalify by taking the Series 7 and 24 exams. In addition, the firm must retain an independent consultant to review the firm's trading and market making practices and its written procedures, make recommendations based upon that review to the firm, and prepare a written report detailing its recommendations. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm executed principal transactions and subsequently provided customers written confirmation of the transactions, incorrectly representing that the firm had acted as an agent, when in fact, they were principal transactions

The NASD also found that the firm incorrectly reported through the Automated Confirmation Transaction Service℠ (ACT℠) purchase transactions as sale transactions and sale transactions as purchase transactions, failed to use a bunched indicator on transaction reports when the firm reported multiple transactions in a trade report, and reported the transaction prices of a security incorrectly. The findings also stated that Reiter failed to establish, maintain, or implement adequate written or unwritten procedures to detect the inaccurate disclosure of principal transactions as agent, the understatement of total compensation on customer confirmations, and the inaccurate reporting of transactions through ACT.

E. C. Capital, Ltd. (Roslyn Heights, New York) and **Gregory Small (Registered Principal, New York, New York)** submitted a Letter of Acceptance, Waiver and Consent pursuant to which they were fined $7,500, jointly and severally. The firm is also required to pay $4,744.64 in restitution to customers. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Small, effected as principal the sales of stock to customers that were not fair and reasonable taking into consideration all relevant circumstances in that the markups on the transactions exceeded five percent. The findings also stated that the firm, acting through Small, failed to report transactions timely or otherwise properly report transactions in accordance with the transaction reporting requirements of The Nasdaq Stock Market℠ (Nasdaq®) contained in Rules 4630, et seq.

Phillips & Company Securities, Inc. (Portland, Oregon) and **Timothy Charles Phillips (Registered Principal, Portland, Oregon)** submitted a Letter of Acceptance, Waiver and Consent pursuant to which they were fined $20,000, jointly and severally. The firm also must pre-file all scripts with the NASD no later than 10 days prior to their use for one year. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Phillips, prepared telemarketing scripts that were available to the firm's sales force that failed to provide a sufficient basis for evaluating the facts regarding the specific securities offered. According to the findings, some of the scripts, standing on their own, failed to disclose certain risks associated with the subject recommendation, contained predictions and projections of investment results, and made references to the firm's past recommendations. The NASD also determined that the scripts failed to offer to furnish, upon request, available investment information in support of each recommendation and failed to include the date of first use.

Firms Fined

Genesis Merchant Group Securities, L.P. (San Francisco, California) submitted a Letter of Acceptance, Waiver and Consent pursuant to which the firm was fined $19,500 and ordered to designate a general securities principal to supervise the firm's Small Order Execution System℠ (SOES℠) activities. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it entered proprietary or non-public customer orders into the SOES and divided orders in excess of the maximum order size into smaller parts to be entered into the system. The findings also stated that the firm entered orders into SOES for securities for which it was a registered market maker and failed to establish, maintain, and enforce adequate written supervisory procedures. Furthermore, the NASD determined that the firm did not designate a qualified general securities principal to supervise its SOES activity.

Investors Associates, Inc. (Hackensack, New Jersey) submitted a Letter of Acceptance, Waiver and Consent pursuant to which it was fined $15,000 and required to participate in a staff conference and to submit to the NASD a revised copy of its written supervisory procedures. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it failed to time stamp the time of entry or execution on order tickets. 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 and regulations regarding trade reporting.

Janney Montgomery Scott Inc. (Philadelphia, Pennsylvania) submitted an Offer of Settlement pursuant to which the firm was fined $35,000 (deemed satisfied in connection with and pursuant to its settlement of proceedings instituted by the Pennsylvania Securities Commission) and undertakes that the program formulated by an independent consultant pursuant to paragraph 5(c) of the Order entered in that proceeding will be implemented as to branch office managers of branches outside of Pennsylvania as well as managers of branch offices located within Pennsylvania, and all policies and procedures adopted and implemented pursuant to the Order in the firm's branch offices located within Pennsylvania will also be adopted and implemented in its branch office outside of Pennsylvania. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it failed to enforce various supervisory, operations and/or other procedures, rules, and policies the firm had established and implemented, including procedures, rules, and policies relating to the issuance and/or delivery of checks to customers drawn against their accounts. The findings also stated that the firm failed to reasonably and properly supervise a registered representative.

Individuals Barred Or Suspended

Mitchell Aguirre (Registered Representative, Woodhaven, New York) submitted an Offer of Settlement pursuant to which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Aguirre consented to the described sanction and to the entry of findings that he solicited customers and recommended the purchase of securities by making misrepresentations, omissions of material facts, and price predictions in order to induce the customers to place purchase orders for stock and commit to investment decisions. The findings also stated that Aguirre purchased and sold shares of stock for a customer's account without the customer's prior knowledge and consent. The NASD also found that Aguirre misappropriated to his own use and benefit $36,648.36 that was withdrawn from a customer's account without the customer's knowledge or consent. Furthermore, the NASD determined that Aguirre participated in trading activities when he was not properly registered with the NASD.

Brice Hanson Barnes (Registered Representative, Austin, Texas) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined $10,000 and suspended from association with any NASD member in any capacity for two years. Without admitting or denying the allegations, Barnes consented to the described sanctions and to the entry of findings that he participated in a private securities transaction and failed to provide written notification to his member firm describing in detail the proposed transaction and his proposed role therein, and stating whether he has received selling compensation in connection with the transaction. The NASD also determined that Barnes solicited and participated in the sale of common stock and thereby engaged in activities outside the scope of his registration.

Jack Robert Basile (Registered Representative, Brooklyn, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined $50,000, barred from association with any NASD member in any capacity, and ordered to disgorge $206,601 to the NASD. Without admitting or denying the allegations, Basile consented to the described sanctions and to the entry of findings that he arranged to have an imposter take the Series 7 exam on his behalf. The findings also stated that Basile failed to respond to NASD requests to appear for an on-the-record interview.

Terrence A. Buttler (Registered Principal, Denver, Colorado) and **Lori L. Foster (Associated Person, Aurora, Colorado)** submitted Offers of Settlement pursuant to which Buttler was fined $15,000 and suspended from association with any NASD member in any principal capacity for two years. Foster was fined $10,000 and suspended from association with any NASD member in any capacity for two years. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that Buttler permitted his member firm to conduct a business while failing to maintain its required net capital. The findings also stated that Buttler permitted his member firm to maintain inventory in amounts that exceeded the inventory limitation of the firm's restriction agreement, and permitted the firm's balance sheet to carry certain assets as allowable for net capital purposes without obtaining the NASD's prior consent to such treatment as required by the restriction agreement. Furthermore, the NASD determined that Foster failed to appear and provide information at an NASD on-the-record interview.

William K. Cantrell (Registered Principal, Los Angeles, California) was fined $2,500, suspended from association with any NASD member as a financial and operations principal for 10 days, and ordered to requalify by exam as a financial and operations principal. The SEC affirmed the sanctions following appeal of a May 1996 NBCC decision. The sanctions were based on findings that Cantrell permitted his member firm to effect securities transactions while failing to maintain the minimum required net capital.

Abdul Wadud Choudhury (Registered Representative, Jackson Heights, New York) was fined $42,663, barred from association with any NASD member in any capacity, and ordered to pay $3,092.14, plus interest, in restitution to his member firm. The sanctions were based on findings that Choudhury received $4,144.17 from a public customer to repay loans on insurance policies and, instead, he converted $2,411.10 of the funds to his own use and benefit. Choudhury also received a $2,121.50 check from a public customer to reinstate a lapsed insurance policy and converted the funds to his own use by using the funds as partial repayment of monies owed to other customers. Furthermore, Choudhury failed to respond to NASD requests for information.

Douglas E. Dawe (Registered Representative, Lansing, Michigan) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined $15,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Dawe consented to the described sanctions and to the entry of findings that he obtained a letter from a public customer instructing him to sell shares of one mutual fund in the customer's account in exchange for another mutual fund. The NASD determined that Dawe prepared a letter and signed the customer's name to it without the customer's knowledge or consent.

The findings also stated that Dawe signed and submitted a letter on behalf of public customers to a mutual fund company with instructions to liquidate the customers' mutual fund shares and mail the redemption check to an address he maintained without the customers' knowledge or consent, and effected the purchase of shares of other mutual funds for the customers' account. Furthermore, the NASD found that Dawe submitted to a mutual fund company, on behalf of a public customer, a letter he wrote containing instructions to liquidate the customer's mutual fund shares and forward the redemption check to the customer without the customer's knowledge or consent.

Paul Thomas Fiorini (Registered Principal, Los Angeles, California) was fined $150,000, subject to offset by payment of restitution of not more than $100,000, and barred from association with any NASD member in any capacity. The sanctions were based on findings that Fiorini sold for his account at his member firm shares of stock he did not own and failed to deliver the shares before settlement date. Fiorini also purchased for his account shares of stock totaling $112,656.25 and failed to pay for the stock.

Michael A. Formiglia (Registered Representative, Selden, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined $50,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Formiglia consented to the described sanctions and to the entry of findings that he forged the signatures of public customers on disbursement request forms without their knowledge or consent and used the documents to obtain unauthorized loans totaling $515.90. The findings also stated that Formiglia used the loans to fund policies of two different individuals. Furthermore, the NASD determined that Formiglia created an insurance policy for a non-existent individual, funded the policy by removing $390 from the policy of an existing customer, without the knowledge or consent of the customer, and used the money to fund the creation of the fictitious policy.

Ronald J. Geraci, Sr. (Registered Representative, Boynton Beach, Florida) was fined $20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Geraci failed to respond to NASD requests for information.

Barry Mitchell Goldstein (Registered Representative, Plainview, New York) submitted an Offer of Settlement pursuant to which he was fined $2,500, suspended from association with any NASD member in any capacity for 30 days, and required to submit proof of restitution to customers. Without admitting or denying the allegations, Goldstein consented to the described sanctions and to the entry of findings that he instructed the back office of his member firm to issue checks totaling $49,366 from the accounts of public customers. The NASD found that Goldstein retrieved the checks from the customers' mailbox, signed their names on the checks, double endorsed 20 of the checks totaling $19,066, and deposited the funds into his personal bank account. The findings also stated that Goldstein signed the customers' names on the checks to enable him to negotiate the checks without a written power of attorney over the customers' account. The customers involved have indicated that they had orally authorized this activity and received all funds withdrawn from the accounts.

Gerry M. Gordon (Registered Representative, Gulfport, Mississippi) submitted an Offer of Settlement pursuant to which he was fined $131,000, barred from association with any NASD member in any capacity, and ordered to pay $70,830.73 in restitution. Without admitting or denying the allegations, Gordon consented to the described sanctions and to the entry of findings that he borrowed $52,167.98 from public customers when he knew or should have known that he did not have the ability to repay the loans. The findings also stated that Gordon engaged in an outside business activity whereby he purchased and sold jewelry on behalf of customers without prior written notice to or approval from his member firm. Furthermore, the NASD determined that Gordon failed to respond to NASD requests for information.

Howard Leroy Gregg, III (Registered Representative, State College, Pennsylvania) submitted an Offer of Settlement pursuant to which he was barred from association with any NASD member in any capacity and ordered to disgorge $1,500. Without admitting or denying the allegations, Gregg consented to the described sanctions and to the entry of findings that he purchased shares of a new issue that traded at a premium in the immediate aftermarket in contravention of the Board of Governors' Free-Riding and Withholding Interpretation. The findings also stated that Gregg failed to notify his member firm in writing that he intended to open an account at another member firm, nor did he advise the other firm of his association with his member firm, and purchased shares of stock without giving prior written notice to his member firm. Furthermore, the NASD determined that Gregg failed to respond to NASD requests for information.

Matthew Russell Hinton (Registered Representative, Prescott, Wisconsin) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined $2,500 and suspended from association with any NASD member in any capacity for one year. Without admitting or denying the allegations, Hinton consented to the described sanctions and to the entry of findings that he completed and signed an inaccurate and incomplete Form U-4.

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

Joseph Krieger Kahn (Registered Representative, Marlboro, New Jersey) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined $40,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Kahn consented to the described sanctions and to the entry of findings that he converted customer funds totaling $8,000 from the customer's account into his own account without the customer's knowledge, consent, or authorization.

Robert W. Knorr (Registered Representative, Northumberland, Pennsylvania) was fined $20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Knorr failed to respond to NASD requests for information.

Leonard J. Koenig (Registered Representative, Boynton Beach, Florida) was fined $20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Koenig failed to respond to NASD requests for information.

Eric Kostyukovsky (Registered Representative, Brooklyn, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined $25,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Kostyukovsky consented to the described sanctions and to the entry of findings that he arranged to have an imposter take the Series 7, 24, and 63 exams on his behalf.

Joseph Latona (Registered Representative, Staten Island, New York) was fined $70,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Latona engaged in a securities business, engaged in trading for a proprietary account of his former member firm, and received a percentage of the profits in that account, while subject to disqualification due to two felony convictions. Latona also failed to respond to NASD requests for information and to appear for an on-the-record interview.

Robert A. McDowell (Registered Representative, Elkhart, Indiana) submitted an Offer of Settlement pursuant to which he was fined $385,000, barred from association with any NASD member in any capacity, and ordered to pay $77,546.62 in restitution. Without admitting or denying the allegations, McDowell consented to the described sanctions and to the entry of findings that he received checks totaling $77,000 from public customers and his member firm for the purchase of a variable annuity and as a refund. The NASD found that McDowell instead used the funds for some purpose other than for the benefit of the customers.

George Michael McWhorter (Registered Representative, College Station, Texas) 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 three business days. Without admitting or denying the allegations, McWhorter consented to the described sanctions and to the entry of findings that he participated in a private securities transaction and failed to provide written notice to his member firm describing in detail the proposed transaction, his proposed role therein, and stating whether he received or might receive selling compensation in connection with the transaction.

Scott Allan Miller (Registered Representative, Alpharatta, Georgia) was fined $20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Miller failed to respond to NASD requests for information.

Nicholas Petrella (Registered Representative, Oakdale, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined $71,500 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Petrella consented to the described sanctions and to the entry of findings that he participated in private securities transactions away from his member firm in the accounts of public customers. The findings also stated that Petrella failed to respond to NASD requests for information.

Edward Pyatetsky (Registered Representative, Staten Island, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined $50,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Pyatetsky consented to the described sanctions and to the entry of findings that he arranged to have an imposter take the Series 7 exam on his behalf. The findings also stated that Pyatetsky failed to respond to NASD requests to appear for an on-the-record interview.

Timothy D. Ross (Registered Representative, Tulsa, Oklahoma) 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, with the right to re-apply for association with a member firm after a period of one year. Without admitting or denying the allegations, Ross consented to the described sanctions and to the entry of findings that he recommended and engaged in a strategy of short-term trading of equities in the joint account of public customers without having reasonable grounds for believing that the recommendations and resultant transactions were suitable for the customers based on their financial situation, investment objectives, and needs.

The findings also stated that Ross executed unauthorized transactions in the account of public customers without their knowledge or consent. The NASD also found that Ross completed a new account card on behalf of public customers that inaccurately reflected a customer's investment experience and overstated the customer's income and net worth. Furthermore, the NASD determined that Ross sent correspondence to public customers that falsely reflected the value of certain securities held in the customers' account and failed to obtain prior approval of the correspondence from a principal of his member firm.

Alan J. Russo (Registered Representative, Harrison, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined $100,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Russo consented to the described sanctions and to the entry of findings that he received funds totaling $337,887.97 from a public customer for investment purposes, misappropriated these funds, and converted them to his own use. The findings also stated that Russo prepared a false confirmation of securities activity for a public customer's account, reflecting positions exceeding the customer's true and accurate positions. Furthermore, the NASD determined that Russo entered into private securities transactions without the prior knowledge or consent of his member firm.

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

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

Richard A Skinner, Jr. (Registered Representative, Glen Ridge, New Jersey) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined $250,000, required to pay restitution plus interest to public customers, and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Skinner consented to the described sanctions and to the entry of findings that he misappropriated between $600,000 and $1,900,000 of public customer funds and converted the funds for the use and benefit of other customers and/or for his personal use.

Scott Richard Stewart (Registered Representative, Salt Lake City, Utah) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined $25,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Stewart consented to the described sanctions and to the entry of findings that he participated in outside business activities without providing prior written notice to his member firm of such activities. The findings also stated that Stewart made improper use of customer funds in that he received funds from public customers for the purchase of mutual funds, failed to forward the entire amount to the funds, and kept $1,680 for his own use and benefit.

Thomas J. Stiener (Registered Representative, Commerce, Michigan) was fined $20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Stiener failed to respond to NASD requests for information.

Jeffrey Laurence Streich (Registered Representative, New York, New York) was fined $50,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Streich executed transactions in the accounts of public customers without the prior knowledge, authorization, or consent of the customers.

Randolph N. Strickland (Registered Representative, Birmingham, Alabama) was fined $120,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Strickland caused three checks totaling $8,050 to be withdrawn from the IRA account of a public customer and converted the funds to his own use and benefit by forging the customer's signature on the checks and depositing them into his personal checking account, without the customer's knowledge or consent.

In addition, Strickland engaged in outside business activities without prior written notice to or approval from his member firm, received two checks totaling $4,770 that had been drawn on the IRA account of a public customer, and converted the monies to his own use and benefit, without the customer's knowledge or consent. Furthermore, Strickland recommended that a public customer transfer funds from a corporate-sponsored retirement fund into a self-directed IRA that was unsuitable for the customer on the basis of his financial situation, investment objectives, and needs. Strickland also failed to respond to NASD requests for information.

George Lorenzo Swan (Registered Principal, Ridgewood, New Jersey) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined $170,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Swan consented to the described sanctions and to the entry of findings that he executed, or caused to be executed, securities transactions in the accounts of public customers, without the prior knowledge, authorization, or consent of the customers, that involved transfers of stock from his personal and corporate accounts to customer accounts so that he might avoid margin calls in his accounts. The findings also stated that Swan failed to respond to an NASD request to appear for an on-the-record interview and failed to apprise his member firm's financial and operations principal of certain liabilities incurred by the firm, thereby causing the firm to fail to maintain its minimum required net capital.

David Terpoilli (Registered Representative, Norristown, Pennsylvania) was fined $20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Terpoilli failed to respond to NASD requests for information.

Michael E. Verity (Registered Representative, Eleva, Wisconsin) submitted an Offer of Settlement pursuant to which he was fined $40,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Verity consented to the described sanctions and to the entry of findings that he obtained a $4,000 check from a public customer intended for the purchase of mutual funds and, instead, used the funds for some purpose other than for the benefit of the customer. The findings also stated that Verity failed to respond to NASD requests for information.

Roland Stanley Williams (Registered Representative, Brooklyn, New York) was fined $30,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Williams executed unauthorized transactions in the accounts of public customers without their knowledge or consent. Williams also attempted to negotiate a settlement with a customer without his member firm's knowledge in response to the customer's complaint regarding an unauthorized transaction.

Individual Fined

Jeffrey J. Cline (Registered Principal, Salt Lake City, Utah) submitted an Offer of Settlement pursuant to which he was fined $10,000. Without admitting or denying the allegations, Cline consented to the described sanction and to the entry of findings that a member firm, acting through Cline, recommended and sold securities that were neither registered nor exempt from registration.

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

Everest Securities, Inc., Minneapolis, Minnesota

Windsor Reynolds Securities, Inc., Honolulu, Hawaii

Firm Suspended

The following firm was suspended from membership in the NASD for failure to comply with formal written requests to submit financial information to the NASD. The action was based on the provisions of NASD Rule 8120 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.

Matrix Securities Corporation, Garden City, New York (August 7, 1997)

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

Berkeley Securities Co., 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

Daniel J. Alderman, Lake Oswego, Oregon

J. Paul Boyle, Bryn Mawr, Pennsylvania

Robert I. Burnham, San Francisco, California

Gerald J. Dols, Bloomington, Minnesota

Frank G. Kestner, Jr., Billings, Montana

NASD Regulation Fines D.H. Blair And Top Officials

NASD Regulation, Inc., announced that D.H. Blair & Co. Inc., has been fined $2 million, and will repay almost $2.4 million to investors who were overcharged as the result of excessive mark-ups in 16 securities and other fraudulent conduct. D.H. Blair's Chief Executive Officer and Head Trader were also fined a combined $525,000.

More than 3,100 retail customers from 43 states, including the District of Columbia, will receive restitution payments from D.H. Blair within 120 days. The overcharging was uncovered after a lengthy investigation by the national NASD Regulation Enforcement Department and its District Offices in Boston and Philadelphia.

In its settlement with NASD Regulation, D.H. Blair neither admitted nor denied the allegations that, from June 1993 through May 1995, the firm charged excessive markups in 16 Nasdaq SmallCap securities whose Initial Public Offerings (IPOs) were underwritten by D.H. Blair Investment Banking Corp., a formerly related company. NASD Regulation found mark-ups in excess of 10 percent (a level considered fraudulent) had occurred in 14 of the 16 securities in more than 1,100 transactions.

D.H. Blair placed virtually all of the offerings with its own customers. In addition, the firm dominated and controlled the aftermarket trading in all 16 securities, in some cases for up to four and a half months after the IPO effective date.

NASD Regulation also found that D.H. Blair fraudulently increased the price of two of the 16 securities (Skyline Multimedia and Video Update) shortly after trading began, without sufficient purchase orders to support those increases. As a result, D.H. Blair created an artificial "profit" in the securities that allowed the preferred customers of one of the firm's senior managers to benefit by selling their stock back to the firm. Thereafter, D.H. Blair's brokers used the artificial increase to solicit new investors to purchase these securities, without disclosing the circumstances of the price increase.

"Every investor, large or small, has the right to expect that the prices they pay for securities are fair and honest. We have the responsibility to make sure that's the case," said NASD Regulation President Mary L. Schapiro.

D.H. Blair's Chief Executive Officer Kenton E. Wood was fined $225,000 and suspended in all capacities for 60 days; Head Trader Vito Capotorto was fined $300,000 and suspended for 90 days in all capacities. Following their suspensions, Wood must retake his supervisory exam and Capotorto must retake his general qualification exam. Wood and Capotorto are still employed at the firm. D.H. Blair and Wood were cited for inadequate supervision.

The 16 securities involved were: Amerigon Corp. common stock; Telepad Corporation units; AquaCare System units; Symbollon Corporation units; Skyline Multimedia units; Linda's Flame Roasted Chicken units; Skysat Communication units; Video Update units; U.S. China Industrial Exchange units; Montbatten common stock; U.S. Diagnostics Labs units; Premier Laser System units; Infosafe System units; In-Time System units; Interactive Flight units; and Sepragen Corporation units. There is no suggestion that the affected companies knew of, or were involved in, these violations.

As part of the settlement, D.H. Blair is also required to hire an independent consultant to review and monitor the firm's trading, sales, supervision, and other compliance-related policies and practices for two years. This consultant will also recommend necessary improvements which the firm must implement. For the next year, the firm also agreed not to sell more than 60 percent of a securities offering in which it participates.

D.H. Blair will make full restitution of the $2,065,520 it made through the excessive and fraudulent mark-ups, and will pay $329,336 in interest to affected customers.

D.H. Blair is a New York City-based broker/dealer firm that has been an NASD member since April 1975.

NASD Regulation Fines GKN Securities And 29 Brokers

NASD Regulation, Inc., announced that GKN Securities Corp., and 29 brokers and supervisors have been fined $725,000, and will repay more than $1.4 million to investors who were overcharged as the result of a two-year program of excessive mark-ups in eight securities.

Nearly 1,300 investors from 39 states, the District of Columbia and Puerto Rico will receive payments from GKN within 120 days. These overcharges were uncovered after an investigation by the national NASD Regulation Enforcement Department and its District Offices in New York and Atlanta.

Three of the firm's top officials—Chief Executive Officer David M. Nussbaum, President Roger N. Gladstone, and Executive Vice President Robert H. Gladstone—received significant fines and suspensions. All of the violations occurred at GKN's offices in New York City; Stamford, Connecticut; and Boca Raton, Florida.

GKN and 29 of its supervisors and brokers neither admitted nor denied the allegations that, from December 1993 through April 1996, GKN dominated and controlled the immediate aftermarket trading in eight securities it underwrote so that there was no competitive market for them. As a result, GKN was able to charge excessive markups ranging from six percent to as much as 67 percent over the prevailing market price in more than 1,500 transactions. At least 90 percent of these transactions were fraudulent because the mark-up exceeded 10 percent (a level considered fraudulent).

"Today's case is another example of our focused effort to put an end to fraudulent practices in the micro cap market. These sanctions underscore NASD Regulation's commitment to obtain restitution for victimized investors," said NASD Regulation President Mary L. Schapiro.

The eight securities involved were: European Gateway Acquisition Corp. Class A warrants; Trinity Americas, Inc. Class A and B warrants; Restructuring Acquisition Corp. Class A warrants; Entertainment/Media Acquisition Corp. Class A warrants; YES! Entertainment, Inc. warrants; Mako Marine International, Inc. warrants; and Batteries Batteries, Inc. warrants.

As part of the settlement, GKN must pay a $250,000 fine to NASD Regulation, and hire an independent consultant to review the firm's trading policies and procedures for 18 months. This consultant will also recommend necessary improvements that the firm must implement. Further, GKN is required to disclose to customers on their confirmation slips whenever a broker's compensation exceeds 10 percent of the gross transaction amount.

The following supervisors (who are still employed at GKN) were sanctioned. Unless otherwise indicated, all suspensions will begin with the opening of business on Monday, September 29, 1997.

David M. Nussbaum, Chief Executive Officer, was fined $50,000, suspended for 30 days in all capacities (beginning December 12, 1997), and censured.

Roger N. Gladstone, President, was fined $50,000, suspended for 30 days in all capacities, and censured.

Robert H. Gladstone, Executive Vice President, was fined $100,000, suspended for 30 days in all capacities (beginning November 5, 1997), suspended for three months from acting as a supervisor (beginning January 28, 1998), required to re-qualify as a registered principal, and censured.

Richard Buonocore, Head Trader, was fined $50,000, suspended for 30 days in all capacities, and censured.

Vincent Bruno, the firm's compliance director at the time, was fined $30,000, suspended for 30 days in all capacities (beginning October 22, 1997), and censured.

David Greenberg, branch manager, was fined $15,000, suspended for ten days from acting as a supervisor, and censured.

Martin Schaffer, branch manager, was fined $10,000, suspended for seven days from acting as a supervisor, and censured.

In separate settlements, 22 brokers were fined from $3,000 to $25,000 each, and suspended. NASD Regulation found that these individuals were also responsible for overcharging investors because they accepted excessive gross commissions of 10 percent to 40 percent. Unless otherwise indicated, all suspensions will begin with the opening of business on September 15, 1997. The brokers are:

Dmitry Aranovich ($8,000 fine, five-day suspension, censure)

Jeffrey Attamanuk ($3,500 fine, three-day suspension, censure)

David Baum ($6,000 fine, five-day suspension beginning September 29, 1997, censure)

Anthony Colombo ($15,000 fine, seven-day suspension, censure)

Paul Cooney ($4,000 fine, three-day suspension, censure)

Irving R. Edelstein ($5,000 fine, three-day suspension, censure)

Mario Figuero ($25,000 fine, seven-day suspension, censure)

Edward Gallagher ($4,000 fine, three-day suspension, censure)

Carlos Garceran ($11,000 fine, five-day suspension, censure)

Mark Grenier ($3,500 fine, three-day suspension, censure)

Dmitri Kardonski ($10,000 fine, required to re-qualify by examination as General Securities Representative, and censure)

Eugene Kingman ($25,000 fine, seven-day suspension, censure)

Scott Kliewe ($15,000 fine, nine-month suspension which began August 18, 1997, censure)

Elliot Kurz ($4,500 fine, three-day suspension, censure)

Robert Lesser ($7,500 fine, five-day suspension, censure)

David Macias ($15,000 fine, seven-day suspension, censure)

Richard Murnick ($4,500 fine, three-day suspension, censure)

Kevin Neumark ($4,000 fine, three-day suspension, censure)

Victor Palomino ($5,000 fine, three-day suspension, censure)

David Siegel ($6,000 fine, five-day suspension beginning September 29, 1997, censure)

Alan Weiss ($4,000 fine, three-day suspension, censure)

Steven J. White ($3,000 fine, three-day suspension, censure)

The firm will pay $1,159,245, plus interest of $313,729, to the affected investors.

A New York City-based firm, GKN currently employs approximately 350 registered representatives in five offices in New York, Connecticut and Florida.