

DISCIPLINARY ACTIONS

Disciplinary Actions Reported For August

NASD Regulation, Inc. (NASD RegulationSM) 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, August 18, 1997. The information relating to matters contained in this *Notice* is current as of the end of July 25. Information received subsequent to the end of July 25 is not reflected in this edition.

Firms Expelled, Individuals Sanctioned

Prime Investors, Inc. (Overland, Kansas), Kenneth James Wright (Registered Principal, Olathe, Kansas), and Michael Lyn Johnson, (Registered Principal, Lee's Summit, Missouri). The firm and Wright were fined \$150,000, jointly and severally. In addition, the firm was expelled from National Association of Securities Dealers, Inc. (NASD) membership and Wright was barred from association with any NASD member in any capacity. Johnson was fined \$50,000 and barred from association with any NASD member in any capacity, with the right to reapply after two years. The Securities and Exchange Commission (SEC) affirmed the sanctions following appeal of a September 1995 National Business Conduct Committee (NBCC) decision.

The sanctions were based on findings that the firm, acting through Wright and Johnson, sold unregistered securities and made material misrepresentations and omissions of fact in connection with the sale of those securities. The firm, acting through Wright, also misused customers' funds and engaged in several improper extensions of credit, including day trading in cash accounts and the use

of a fictitious account to "park" stock to avoid sellout. Furthermore, the firm, acting through Wright and Johnson, sold securities that were not registered or exempt from registration and made material misstatements or omissions of fact in selling these securities. Moreover, the firm, acting through Wright, misused offering funds raised by placing monies in personal securities accounts, lending those monies to friends, employees, and customers, and using about \$77,000 of the monies to cover a debit balance owed by Wright and co-investors in a third-party securities account.

Firms Fined, Individuals Sanctioned

Everest Securities, Inc. (Minneapolis, Minnesota) and Jeanne Alyce Kunkel (Registered Principal, Minneapolis, Minnesota) were fined \$10,000, jointly and severally, and required to pay \$22,500 in restitution. Kunkel was barred from association with any NASD member in a principal capacity and required to requalify by exam as a registered representative. The U.S. Court of Appeals sustained the sanctions following appeal of an August 1996 SEC decision. The sanctions were based on findings that the firm and Kunkel offered and sold securities using documents that were misleading. The firm, acting through Kunkel, also failed to maintain accurate books and records.

McFadden, Farrell & Smith, L.P. (New York, New York) and Alan M. Green (Registered Principal, New York, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which they were fined \$100,000, jointly and severally. Green was also suspended from association with any NASD member in any supervisory capacity for three months. Without admitting or denying the allegations, the respondents

consented to the described sanctions and to the entry of findings that the firm, acting through Green, failed to establish, maintain, and enforce adequate written supervisory procedures.

Furthermore, the NASD determined that the firm, acting through Green, failed to register employees, failed to register employees in a timely manner, and failed to register an employee who was not engaged in an investment banking or securities business. The findings also stated that the firm, acting through Green, failed to maintain and preserve copies of the initial Form U-4 applications and failed to maintain and preserve appropriate documentation on employees with personal brokerage accounts at other broker/dealers. The NASD found that the firm, acting through Green, failed to respond to an NASD request for information in a timely manner and negligently submitted documents containing inaccurate information.

Firms and Individuals Fined

Alden Capital Markets, Inc. (Denver, Colorado) and **Robert Thayer (Registered Principal, Denver, Colorado)** submitted a Letter of Acceptance, Waiver and Consent pursuant to which they were fined \$10,000, jointly and severally. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Thayer, conducted a securities business while failing to maintain its required net capital.

A.G. Edwards & Sons, Inc. (St. Louis, Missouri) and **Bruce Reed (Registered Principal, Las Cruces, New Mexico)** submitted a Letter of Acceptance, Waiver and Consent pursuant to which they were fined \$15,000, jointly and severally. Reed also was required to requalify by exam as a branch manager by taking

the Series 8 exam. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Reed, failed to supervise a registered representative in a manner designed to achieve compliance with NASD Rules pertaining to private securities transactions.

D.H. Blair & Co., Inc. (New York, New York) and **Alfred S. Palagonia (Registered Representative, Quogue, New York)** submitted a Letter of Acceptance, Waiver and Consent pursuant to which they were fined \$25,000, jointly and severally, and ordered to disgorge \$10,230.25, jointly and severally. Palagonia was required to requalify by exam as a general securities representative. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Palagonia, sold shares of stock that traded at a premium in the immediate aftermarket to a restricted account.

The findings also stated that the firm, acting through Palagonia, failed to obtain and/or maintain the registered representative's signature introducing the restricted account, and failed to ascertain the occupation of one of the spouses in a jointly held account, the name and address of the spouse's employer, and whether the spouse was an associated person of another member firm. The NASD also determined that the firm failed to adequately enforce its written supervisory procedures relating to the review and approval of the restricted account in question.

Dickinson & Co. (Des Moines, Iowa), **Theodore Marshall Swartwood (Registered Principal, New York, New York)**, and **Thomas M. Swartwood (Registered Principal, Des Moines, Iowa)** submitted a Let-

ter of Acceptance, Waiver and Consent pursuant to which the firm was fined \$10,000 and fined \$1,000, jointly and severally, with another respondent. In addition, the firm, Theodore Swartwood, and Thomas Swartwood were fined \$10,000, jointly and severally. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Theodore and Thomas Swartwood, filed a proposed public offering of securities of its parent corporation with the NASD for review, and failed to timely appoint a public director to the parent corporation's board of directors and audit committed within 12 months of the effective date of the offering.

The findings also stated that the firm acted as placement agent for offerings and, during the contingency period of the offering, contravened SEC Rule 15c2-4 in that investors' monies were transmitted to the issuer's law firm and deposited in an account under the control of the issuer. Furthermore, the NASD determined that the firm sold units of an offering and omitted to state the material fact that the common stock and warrants of the offering were in jeopardy of being delisted from Nasdaq[®] due to the offering's deteriorating financial condition.

Tradition (Government Securities) Inc. (New York, New York) and **Dennis William Savitsky (Registered Principal, North Bellmore, New York)** submitted an Offer of Settlement pursuant to which they were fined \$10,000, 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 Savitsky, permitted individuals to engage in the securities

business and to function as government securities representatives without being registered with the NASD.

Yee, Desmond, Schroeder and Allen, Inc. (Phoenix, Arizona), Stanley J. Allen, Jr. (Registered Principal, Scottsdale, Arizona), and James F. Desmond (Registered Principal, Phoenix, Arizona) submitted an Offer of Settlement pursuant to which they were fined \$10,000, jointly and severally. In addition, the firm and Allen were fined \$7,500, jointly and severally. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Allen, participated in the distribution of and accepted payment for securities in an offering made subject to a minimum purchase contingency and failed to forward payments to an escrow account that satisfied the requirements of SEC Rule 15c2-4. Furthermore, the NASD determined that the firm, acting through Allen and Desmond, failed to supervise registered and associated persons reasonably and failed to establish, maintain, and enforce adequate written supervisory procedures.

Firms Fined

Alfred Berg, Inc. (New York, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which the firm was fined \$20,000. Without admitting or denying the allegations, the firm consented to the described sanction and to the entry of findings that it reported transactions late without the proper modifier, reported transactions incorrectly with a modifier, failed to report transactions, and reported transactions when not required to be reported. The findings also stated that the firm reported a transaction with the incorrect price, reported transactions with the improper volume, reported transac-

tions with execution times that were different than those reflected on the order tickets, and failed to enter a time stamp on an order ticket reflecting the execution time for a transaction. Furthermore, the NASD found that the firm failed to establish, maintain, and enforce written supervisory procedures reasonably designed to detect and deter trade reporting violations.

Broadcort Capital Corporation (New York, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which the firm was fined \$11,500. Without admitting or denying the allegations, the firm consented to the described sanction and to the entry of findings that it permitted officers to participate as members of the firm's Board of Directors without general securities principal registrations and without the prerequisite requirements for a general securities principal. The findings also stated that the firm did not register a municipal securities principal although it was engaged in a municipal securities business.

BZW Securities Inc. (New York, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which it was fined \$20,000. Without admitting or denying the allegations, the firm consented to the described sanction and to the entry of findings that it failed to report trades on the Automated Confirmation Transaction Service (ACTSM) within 90 seconds and failed to append the late indicator. Furthermore, the NASD found that the firm failed to identify accurately the time of execution on order tickets and failed to time stamp order tickets, or the time was otherwise unavailable or did not agree with the time submitted to ACT. The findings also stated that the firm reported transactions when it was not required to do so, incorrectly identified itself as the market maker in its reports, and

transmitted Nasdaq National Market[®] Transactions to ACT late. The NASD also determined that the firm failed to establish, maintain, and enforce written supervisory procedures to prevent the above violations.

Gilford Securities, Inc. (New York, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which the firm was fined \$10,000. Without admitting or denying the allegations, the firm consented to the described sanction and to the entry of findings that it reported or failed to report Nasdaq National Market Securities and Over-The-Counter Equity Securities to the ACT, contrary to the provisions of Marketplace Rules 4632 and 6620.

Lew Lieberbaum & Co., Inc. (Garden City, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which the firm was fined \$80,000 and required to attend a compliance conference. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it reported transactions to ACT late and executed transactions prior to the market opening and prior to the market close. The NASD also determined that transactions between the firm and other market makers were reported to ACT with no contra side information and a bunched report was reported without using a modifier. The findings also stated that the firm failed to time stamp order tickets, canceled trades were not maintained, and reported transactions as bunched without indicating it on the order tickets. Furthermore, the NASD found that the firm failed to establish, maintain, or enforce written supervisory procedures with respect to trade reporting.

Merrill Lynch Government Securities of Puerto Rico, S.A. (Hato Rey, Puerto Rico) submitted a Letter of Acceptance, Waiver and Consent

pursuant to which the firm was fined \$10,000. Without admitting or denying the allegations, the firm consented to the described sanction and to the entry of findings that it conducted a securities business while failing to maintain its minimum required net capital.

Merrill Lynch, Pierce, Fenner & Smith Incorporated (New York, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which the firm was fined \$10,000. Without admitting or denying the allegations, the firm consented to the described sanction and to the entry of findings that it failed to file any conventional option position reports with the NASD.

Westport Resources Investment Services, Inc. (Westport, Connecticut) submitted a Letter of Acceptance, Waiver and Consent pursuant to which the firm was fined \$15,000. Without admitting or denying the allegations, the firm consented to the described sanction and to the entry of findings that it reported Nasdaq Securities to the Automated Confirmation Transaction Service contrary to the provision of Marketplace Rules 4632 and 4642 in that it failed to report Nasdaq transactions within 90 seconds after execution and did not designate the transactions as late with a modifier. The NASD also found the firm aggregated individual executions into Nasdaq-listed security transactions reports but failed to designate the reports with the appropriate modifier, and order tickets did not indicate that the executions were bunched for trade reporting purposes.

Whale Securities Co., L.P. (New York, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which the firm was fined \$20,000. Without admitting or denying the allegations, the firm consented to the described sanction and to the entry of findings that it violated

the NASD Marketplace Rules in that transactions were reported to ACT without a modifier, were improperly aggregated, and were reported with incorrect volumes. The NASD also found that trades were reported late without using the modifier, a trade done on a cash/next day settlement basis was reported the regular way, and transactions were not reported to ACT. The findings also stated that the firm violated SEC Rule 17a-3 and Marketplace Rules in that transactions did not indicate original time of entry or execution, order tickets were missing, and order tickets were not time stamped with execution times. Furthermore, the NASD determined that the firm failed to establish, maintain, and enforce written supervisory procedures concerning trade reporting.

Individuals Barred or Suspended
Kevin Thomas Calderbank (Registered Representative, New Port Richey, Florida) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Calderbank failed to respond to NASD requests for information.

Victor Capote (Registered Representative, West Palm Beach, Florida) 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, Capote consented to the described sanctions and to the entry of findings that he forged the signatures of public customers on insurance applications and submitted these applications to his member firm. The NASD also found that Capote submitted a starter check with the customer's forged signature representing the initial premium payment for the policies.

Anthony Carnevale (Registered Representative, Florham Park, New Jersey) submitted an Offer of Settlement pursuant to which he was fined \$2,500 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Carnevale consented to the described sanctions and to the entry of findings that, during the course of taking the Series 7 exam, he was in possession of notes containing formulas and information that had been the subject of questions on the exam.

Kellen M. Carson (Registered Representative, Glenhead, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$582,905, barred from association with any NASD member in any capacity, and ordered to pay \$60,408 in restitution to a member firm. Without admitting or denying the allegations, Carson consented to the described sanctions and to the entry of findings that he caused \$116,581 from his member firm's pending account to be converted by placing the monies into five accounts that he controlled.

Edward Catalanello (Registered Representative, Metuchen, New Jersey) 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, Catalanello consented to the described sanctions and to the entry of findings that he forged the name of an insurance customer on disbursement request forms and caused disbursements to be made from the customer's life insurance policies to pay for premiums on other policies without the customer's prior knowledge or consent.

Nathan Cohen (Registered Representative, Hollywood, Florida) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$2,400 and suspended from association with any NASD member in any capacity for 30 days. Without admitting or denying the allegations, Cohen consented to the described sanctions and to the entry of findings that he participated in private securities transactions and failed to give prompt written notice to and obtain written approval from his member firm to participate in the transactions.

Ashley T. Collen (Registered Representative, Brooklyn, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$329,425 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Collen consented to the described sanctions and to the entry of findings that he engaged in the sale of private securities transactions to public investors, without providing prior written notice to, and receiving written approval from his member firm.

Roy C. Cook (Registered Representative, Albuquerque, New Mexico) submitted an Offer of Settlement pursuant to which he was fined \$5,000 and suspended from association with any NASD member in any capacity until he requalifies by exam in any representative or principal capacity. Without admitting or denying the allegations, Cook consented to the described sanctions and to the entry of findings that he signed firm documents without the signatories' authorization and consent.

Albert E. Depew (Registered Representative, Butler, Pennsylvania) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$5,000, suspended

from association with any NASD member in any capacity for six months, and required to requalify by exam as an investment company and variable contract products representative. Without admitting or denying the allegations, Depew consented to the described sanctions and to the entry of findings that he recommended to a public customer the exchange of an annuity and told the customer that the surrender charge would be \$800, told the customer that the \$2,500 surrender charge reflected on a statement was incorrect when he knew or should have known that the \$2,500 charge was the correct charge and had no reasonable basis for stating that it was incorrect.

The NASD also found that Depew submitted to his member firm a policy delivery receipt bearing his own signature and the purported signature of a customer when he knew the annuity had not been delivered to the customer and that the customer's signature was not genuine.

Richard R. Desrochers (Registered Representative, Las Vegas, Nevada) 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, Desrochers consented to the described sanctions and to the entry of findings that he prepared and submitted to his member firm fictitious check disbursement forms allegedly on behalf of policyholders which caused his member firm to issue checks totaling \$7,811.51, payable to policyholders. The NASD found that Desrochers forged the policyholders' signatures, deposited the checks into his personal bank account, and misappropriated the proceeds to his own use and benefit.

David Martin Dickey (Registered Representative, Bridgewater, New Jersey) 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, Dickey consented to the described sanctions and to the entry of findings that he filed a Form U-4 with a member firm and failed to disclose an arrest and conviction which, if disclosed, would have caused him to be statutorily disqualified.

Thomas Diggs, Jr. (Registered Principal, Hampton, Georgia) was fined \$5,000 and suspended from association with any NASD member in any capacity for 10 days. The sanctions were based on findings that Diggs effected the purchase of shares of stock in the securities accounts of public customers without their prior knowledge or authorization.

Paul S. Dolan (Registered Representative, Revere, Massachusetts) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$2,000,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Dolan consented to the described sanctions and to the entry of findings that he solicited and received from investors at least \$2,300,000 and falsely represented to the investors that their funds would be invested either in a money market fund, which never existed, or tax-free government bonds, that were never purchased. The findings also stated that Dolan misappropriated and converted \$2,214,522 of the funds to his own use and benefit.

Paul Alexis Drayton (Registered Representative, Brooklyn, New York) was fined \$196,250 and barred from association with any NASD member in any capacity. The sanc-

tions were based on findings that Drayton converted customer funds totaling \$25,250 by opening accounts in a public customer's name and using false addresses for the customer. In addition, Drayton falsified records by failing to disclose on a Form U-4 his criminal history. Drayton also failed to respond to NASD requests to appear for an on-the-record interview.

Charles William Duquette (Registered Representative, Beaverton, Oregon), Lewis H. Aytes (Registered Representative, Medford, Oregon), and William Alan Smith (Registered Principal, Central Point, Oregon) submitted Letters of Acceptance, Waiver and Consent pursuant to which Duquette was fined \$50,000 and suspended from association with any NASD member in any capacity for 18 months. Aytes was fined \$100,000 and suspended from association with any NASD member in any capacity for 18 months and Smith was fined \$20,000 and required to provide certification from his member firm that he has undergone additional training to meet his supervisory responsibilities.

Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that Duquette and Aytes recommended and sold limited partnership units to public customers at prices substantially in excess over the prices at which they were able to obtain the units. Furthermore, the NASD determined that, in connection with their solicitation of customers and recommendations to them, Duquette and Aytes failed to disclose material information to the customers about the offering. The findings also stated that Smith failed to reasonably review Duquette and Aytes' activities to ensure their compliance with the applicable NASD Rules.

Duquette's suspension began January 6, 1996 and concluded July 6, 1997.

Aytes' suspension began February 15, 1996 and concluded August 15, 1997.

Richard E. Epstein (Registered Representative, Coral Springs, Florida) submitted an Offer of Settlement pursuant to which he was fined \$5,000 and suspended from association with any NASD member in any capacity for 15 business days. Without admitting or denying the allegations, Epstein consented to the described sanctions and to the entry of findings that he participated in private securities transactions without giving prior written notice to his member firm.

Yana Michelle Epstein (Registered Representative, Dove Canyon, California) submitted an Offer of Settlement pursuant to which she was fined \$5,000 and suspended from association with any NASD member in any capacity for one year. Without admitting or denying the allegations, Epstein consented to the described sanctions and to the entry of findings that she provided false and misleading information to the NASD in response to NASD's request for information concerning the possible misuse of a customer's insurance proceeds.

Eddie Samuel Freeman, II (Registered Principal, St. Louis, Missouri) submitted an Offer of Settlement pursuant to which he was barred from association with any NASD member as a financial and operations principal. Without admitting or denying the allegations, Freeman consented to the described sanction and to the entry of findings that a member firm, acting through Freeman, made erroneous computations in computing its special reserve requirement and contravened SEC Rule 15c3-3 by withdrawing funds

from its special reserve account without an accompanying reserve computation upon which the withdrawal was based. The findings also stated that the firm, acting through Freeman, conducted a securities business while failing to maintain its minimum required net capital and failed to prepare its books and records properly.

James C. Garcia (Registered Representative, Virginia Beach, Virginia) was fined \$20,000 and barred from association with any NASD member in any capacity. The National Business Conduct Committee (NBCC) affirmed the sanctions following appeal of a Washington District Business Conduct Committee (DBCC) decision. The sanctions were based on findings that Garcia failed to respond to NASD requests for information.

Matthew Alan Goldberg (Registered Representative, Glendale, Arizona) 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, Goldberg consented to the described sanctions and to the entry of findings that he engaged in business outside of the scope of his employment with his member firm. The NASD found that Goldberg engaged in the offer and sale of securities without providing prior written disclosure to his member firm describing the proposed transactions and his role therein. The findings also stated that Goldberg disclosed inaccurate information on his Form U-4.

John P. Goldsworthy (Registered Representative, Harahan, Louisiana) was fined \$50,000, barred from association with any NASD member in any capacity, and required to pay \$499,744 in restitu-

tion to a member firm. The NBCC imposed the sanctions following appeal of a New Orleans DBCC decision. The sanctions were based on findings that Goldsworthy engaged in private securities transactions without providing prior written notice to and obtaining approval from his member firm.

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

Gary A. Hill (Registered Representative, Rio Rancho, New Mexico) was fined \$2,500 and suspended from association with any NASD member in any capacity for six months. The sanctions were based on findings that Hill received from public customers funds totaling \$630 for insurance premium payments and failed to forward the funds to his member firm.

Jack E. John (Registered Representative, Raleigh, North Carolina) was fined \$25,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that John obtained \$12,512.06 from a public customer intended for the purchase of securities and instead misused the funds without the knowledge or authorization of the customer. John also failed to respond to NASD requests for information.

Richard William Kelley (Registered Principal, Omaha, Nebraska) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$10,000, suspended from association with any NASD member as a general securities principal for two years, and required to requalify by exam as a general securities principal. Without admitting or denying the allegations, Kelley consented to the described sanctions and to the entry of findings

that he failed to supervise a registered representative adequately and properly to assure compliance with applicable rules and regulations.

Audrey Klein-Kapneck (Registered Representative, Livingston, New Jersey) submitted an Offer of Settlement pursuant to which she was fined \$29,000, suspended from association with any NASD member in any capacity for 10 business days, and ordered to disgorge \$58,874.76. Without admitting or denying the allegations, Klein-Kapneck consented to the described sanctions and to the entry of findings that she failed to provide written notification, to her member firm and the executing member firm, of her association with the member firm prior to opening an account with the executing firm. Furthermore, the NASD determined that, in contravention of the Board of Governors Free-Riding and Withholding Interpretation, Klein-Kapneck purchased and sold shares of hot issues that traded at a premium in the immediate aftermarket.

Scott Kliewe (Registered Representative, Marco Island, Florida) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$15,000 and suspended from association with any NASD member in any capacity for nine months. Without admitting or denying the allegations, Kliewe consented to the described sanctions and to the entry of findings that he charged certain retail customers unfair prices in transactions where the gross commissions were approximately 30 percent of the principal amount of the transactions. The findings also stated that Kliewe failed to respond timely to NASD requests for information.

Daniel John Knight (Registered Representative, Noblesville, Indiana) was fined \$20,000 and barred from association with any NASD

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

Kent Wade Larsen (Registered Representative, Nevada, Iowa) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$20,000 and suspended from association with any NASD member in any capacity for two years. Without admitting or denying the allegations, Larsen consented to the described sanctions and to the entry of findings that he forged customers' signatures on forms relating to securities and non-securities insurance products without their knowledge or consent.

Patrick Charles Lawrence (Registered Representative, Bellevue, Washington) 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, Lawrence consented to the described sanctions and to the entry of findings that, by using false bookkeeping entries to the books and records of his member firm, he caused \$12,000 of the firm's monies to be deposited into securities accounts under his control, and used those monies for personal purposes, all without the knowledge or consent of the firm.

Taek Yung Lee (Registered Representative, Houston, Texas) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$17,500 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Lee consented to the described sanctions and to the entry of findings that he solicited a customer to provide a \$3,500 check for the purpose of purchasing securities in an initial public offering. The

NASD found that Lee personally retrieved the check from the customer, signed and endorsed the check, deposited it into his brother's bank account, and made use of the customer's funds in a manner that was contrary to the customer's intention.

Robert W. Lewis (Registered Principal, Englewood, Colorado) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was barred from association with any NASD member in any representative capacity, with the right to reapply after one year, and barred from association with any NASD member in any principal or proprietary capacity, with a right to reapply after two years. Without admitting or denying the allegations, Lewis consented to the described sanctions and to the entry of findings that he used funds belonging to his member firm to which he may not have been entitled under his employment agreement with the firm.

John F. Long (Registered Representative, Thornton, Colorado) submitted an Offer of Settlement 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, Long consented to the described sanctions and to the entry of findings that he opened accounts and executed transactions in the accounts pursuant to the instructions from a third party without having the authorization of the beneficial owners of the accounts. The findings also stated that Long completed new account cards with information that he knew or should have known to be inaccurate.

William J. Lucadamo (Registered Representative, Bayside, New York) was fined \$62,500, suspended from association with any NASD member in any capacity for 15 busi-

ness days, and required to requalify by exam in all capacities requiring qualification except Series 3. The NBCC imposed the sanctions following appeal of a New York DBCC decision. The sanctions were based on findings that Lucadamo misrepresented and omitted material facts to public customers and recommended investments in stock without having a reasonable basis to believe that his recommendations were suitable for the customers. In addition, Lucadamo effected purchase transactions in customer accounts without their prior authorization or consent. Furthermore, Lucadamo exercised discretion in a customer's account without written authorization.

Richard J. Manning (Registered Representative, Pittsburgh, Pennsylvania) 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, Manning consented to the described sanctions and to the entry of findings he recommended and effected, in the account of a public customer, transactions that were excessive in size and frequency in view of the financial circumstances and the character of the account, and without having reasonable grounds to believe that the transactions were suitable for the customer. The findings also stated that Manning engaged in acts and practices that were designed to conceal trading losses in the account of a public customer and deceive the customer about the status of his account. Furthermore, the NASD determined that Manning gave a check or caused a check to be given to a public customer and falsely represented to the customer that the check represented profits or earnings from trading in the customer's account. The NASD also found that Manning provided an

altered statement he owned that overstated the value of the annuity.

Kevin J. McCarthy (Registered Principal, Bow, New Hampshire) was fined \$5,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that McCarthy forged a payroll check intended for a registered representative at his member firm and converted the funds for his own use and benefit.

Sheila Marlene Mehrens (Registered Representative, Tucson, Arizona) submitted an Offer of Settlement pursuant to which she was fined \$65,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Mehrens consented to the described sanctions and to the entry of findings that she obtained checks totaling \$13,000 made payable to a public customer, endorsed the checks, deposited them to a bank account under her control, and converted the funds to her personal use.

Steven Tetsuo Miller (Registered Representative, Irvine, California) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$8,711 and suspended from association with any NASD member in any capacity for five business days. Without admitting or denying the allegations, Miller consented to the described sanctions and to the entry of findings that he participated in outside business activities and failed to provide prompt written notice to his member firm of such activities.

Dennis Charles Murphy (Registered Representative, Boise, Idaho) 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, Murphy consented to the described sanctions and to the entry of findings that he participated in securities transactions and failed to provide written notice to his member firm describing in detail the proposed transaction, his proposed role therein, and whether he had received or may receive selling compensation in connection with the transaction. The findings also stated that Murphy failed to respond to NASD requests for information.

Ronald E. Overstreet (Registered Representative, Hattiesburg, Mississippi) was fined \$75,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Overstreet received from a public customer an \$11,000 check as payment for insurance premiums, failed to submit these funds to his member firm on the customer's behalf, endorsed the check, and deposited the funds into his personal bank account, thereby converting the funds to his own use and benefit without the customer's knowledge or consent. Overstreet also failed to respond to NASD requests for information.

William R. Papandrea (Registered Representative, North Babylon, New York) was fined \$10,000, barred from association with any NASD member in any capacity, and ordered to pay \$600 in restitution to a customer. The sanctions were based on findings that Papandrea signed a customer's name on a \$600 refund check, deposited the check into his account, and converted the funds for his personal use without the customer's knowledge or consent.

James G. Patton (Registered Representative, Duluth, Georgia) 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, Patton consented to the described sanction and to the entry of findings that he recommended a series of equity transactions, including margin transactions in the investment account of a public customer that were not suitable based upon the customer's financial objectives and investment experience. The findings also stated that Patton entered a purchase order on margin for shares of stock in the account of a public customer when the margin agreement was not on file for the customer, and that he signed the agreement for the customer without the customer's consent.

George L. Pelaez (Registered Representative, Tampa, Florida) and **Robert J. Pelaez (Registered Principal, Tampa, Florida)** were fined \$80,000, jointly and severally, and barred from association with any NASD member in any capacity. The NBCC imposed the sanctions following review of an Atlanta DBCC decision. The sanctions were based on findings that a member firm, acting through the Pelaezes, submitted materially inaccurate FOCUS Part I and IIA reports and prepared inaccurate general ledger, trial balance, and net capital computations. In addition, the firm, acting through the Pelaezes, conducted a securities business while failing to maintain its minimum required net capital. Furthermore, after being asked by the NASD to provide documentation substantiating the addition to their firm's capital as reflected on a FOCUS report, the Pelaezes submitted two forged documents.

Peter A. Provence (Registered Principal, Pasadena, California) submitted an Offer of Settlement pursuant to which he was fined \$10,000 and suspended from association with any NASD member in any principal capacity for one year. Without admitting or denying the allegations,

Provence consented to the described sanctions and to the entry of findings that he failed to supervise a registered representative in a reasonable manner.

Randall Arthur Radunz (Registered Representative, Minneapolis, Minnesota) was barred from association with any NASD member in any capacity. The sanction was based on findings that Radunz engaged in a private securities transaction without prior written notice to and approval from his member firm.

James Alan Randall (Registered Representative, Bellevue, 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 60 days. Without admitting or denying the allegations, Randall consented to the described sanctions and to the entry of findings that he affixed the signatures of public customers on forms without their knowledge or consent.

Daniel S. Regan (Registered Representative, Atlanta, Georgia) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Regan failed to respond to NASD requests for information.

Alan C. Robert (Registered Representative, Coconut Creek, Florida) was fined \$26,000, barred from association with any NASD member in any capacity, and ordered to pay \$1,200 in restitution to a member firm. The sanctions were based on findings that Robert obtained a blank check from his member firm, forged the signature of the branch manager, and converted the proceeds to his own use and benefit. Robert also failed to respond to an NASD request for information.

Robert M. Samardich (Registered Representative, Missoula, Montana) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$350,000, barred from association with any NASD member in any capacity, and required to pay restitution. Without admitting or denying the allegations, Samardich consented to the described sanctions and to the entry of findings that he obtained possession of customer funds in excess of \$70,000 intended for investment in certificates of deposit. The NASD determined that Samardich put the funds to his own use and not for the purpose intended by the customers involved.

Alan M. Santos-Buch (Registered Representative, South Norwalk, Connecticut) 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 30 days. Without admitting or denying the allegations, Santos-Buch consented to the described sanctions and to the entry of findings that he signed and delivered to a public customer a memorandum that stated that the customer's account would be guaranteed against losses. The findings also stated that Santos-Buch stated to the same customer that they shared an investment relationship which allocated financial responsibility for certain changes in the value of the account to him under certain circumstances.

Mark Scott Savage (Registered Representative, Plymouth, Minnesota) 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 25 days. Without admitting or denying the allegations, Savage consented to the described sanctions and to the entry of findings that he executed

securities transactions in the accounts of public customers without their knowledge or consent of the customers.

Jeffrey R. Streamer (Registered Representative, West Chester, Pennsylvania) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Streamer failed to respond to NASD requests for information.

James Patrick Suiter (Registered Representative, McCook, Nebraska) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$10,000, suspended from association with any NASD member in any capacity for two years, and required to pay \$250,000 in restitution to investors. Without admitting or denying the allegations, Suiter consented to the described sanctions and to the entry of findings that he participated in private securities transactions without written notification to and approval and/or acknowledgment from his member firm.

Chi Ming Szeto (Registered Representative, Brooklyn, 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, Szeto consented to the described sanctions and to the entry of findings that he effected securities transactions in the accounts of public customers without their prior knowledge or authorization. The NASD also found that Szeto caused the mailing addresses on the accounts of public customers to be changed to his own address or an address that he controlled without the customers' prior knowledge or authorization. The findings also stated that Szeto caused checks totaling \$880 to be

issued from the accounts of public customers and converted the proceeds to his own use.

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.

Thomas L. Thomson, Jr. (Registered Representative, Coral Springs, Florida) was fined \$58,750 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Thomson obtained from a public customer \$7,750 intended as insurance policy premiums and converted said funds to his own use and benefit. Thomson also failed to respond to NASD requests for information.

Mack H. Uhl (Registered Representative, Grayland, Washington) submitted an Offer of Settlement pursuant to which he was fined \$25,000, required to pay \$10,000 in restitution to a customer, and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Uhl consented to the described sanctions and to the entry of findings that he conducted a private securities transaction and failed to provide written notice to or obtain approval from his member firm.

Edward Veisman (Registered Representative, Brooklyn, New York) was fined \$20,000 and barred from association with any NASD member in any capacity. The NBCC affirmed the sanctions following appeal of a New York DBCC decision. The sanctions were based on findings that Veisman failed to respond to NASD requests for information.

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

Josef B. Villanasco (Registered Representative, Annandale, Virginia) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Villanasco failed to respond to NASD requests for information.

Andrew Shih Wang (Registered Representative, Holmdel, New Jersey) 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, Wang consented to the described sanction and to the entry of findings that, without the knowledge or consent of public customers, he requested loans totaling \$10,512.03 from the customers' insurance policies, forged the customers' name on the checks, and deposited the checks into his personal bank account.

Paul Martens Winn (Registered Representative, Branson, Missouri) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Winn failed to respond to NASD requests for information.

Robin Eric Yessen (Registered Representative, Wellington, Kansas) was fined \$40,000, barred from association with any NASD member in any capacity, and required to pay \$208,750 in restitution. The sanctions were based on findings that, without the knowledge or consent of a public customer, Yessen misused customer funds totaling \$208,750 for his personal use by withdrawing the funds from the customer's account and making the

checks payable to himself rather than for the purposes intended by the customer. Yessen also failed to respond to NASD requests for information.

David J. Yorwerth (Registered Representative, Stamford, Connecticut) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$15,000 and suspended from association with any NASD member in any capacity for 30 days. Without admitting or denying the allegations, Yorwerth consented to the described sanctions and to the entry of findings that he engaged in private securities transactions and failed to give prior written notice to his member firm describing, in detail, the proposed transactions, his role therein, and how he would be compensated for the transactions.

Individuals Fined

Peter Lloyd Anderson (Registered Representative, Shoreview, Minnesota) submitted an Offer of Settlement pursuant to which he was fined \$10,000. Without admitting or denying the allegations, Anderson consented to the described sanction and to the entry of findings that he engaged in improper outside business activity in that he sold and received compensation for insurance products offered by non-approved insurance companies without giving prompt written notice to his member firm.

Gary Lester Eilefson (Registered Representative, New Brighton, Minnesota) submitted an Offer of Settlement pursuant to which he was fined \$10,000. Without admitting or denying the allegations, Eilefson consented to the described sanction and to the entry of findings that he engaged in improper outside business activity without giving prompt written notice to his member firm.

Craig S. Gioia (Registered Representative, Highland, New York) was fined \$10,000. The sanction was based on findings that Gioia made an improper guarantee of a customer account against loss.

Herbert Morton Paul (Registered Representative, North Woodmere, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$14,531.25. Without admitting or denying the allegations, Paul consented to the described sanctions and to the entry of findings that he purchased shares of stock that traded at a premium in the immediate aftermarket, in contravention of the Board of Governors' Free-Riding and Withholding Interpretation. The findings also stated that Paul failed to notify his current member firm that he had opened an account with a former member firm and failed to notify the member firm he purchased the securities through of his association with his member firm. Furthermore, the NASD found that Paul purchased stock without giving prior written notice to his member firm.

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.

Euro-Atlantic Securities, Inc., Boca Raton, Florida (June 30, 1997)

Matrix Securities Corporation Inc., Garden City, New York (June 23, 1997)

The Richmond Group, Inc., Col-
leyville, Texas (June 30, 1997)

State Capital Markets Corp., New
York, New York (June 30, 1997)

Suspensions Lifted

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

Maclaren Securities, Inc., Marble-
head, Massachusetts (June 18, 1997)

RXR Securities, Inc., Stamford,
Connecticut (July 9, 1997)

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

DuSean Berkich, Irvine, California

Christopher M. Finan, McLean,
Virginia

Reginald K. Nelson, Romulus,
Michigan

Russell D. Perlmutter, Flushing,
New York

Rich E. Pierson, Houston, Texas

John J. Pulgisi, New York,
New York

William G. Sellens, Greeley,
Colorado

Carl W. Spoerer, II, Mahomet,
Illinois

Mark Wallace, Ballwin, Missouri

NASD Regulation Bars Registered Representatives Suspected Of Using An Impostor To Take Qualification Examination

NASD Regulation has barred, fined, and censured the following individuals suspected of paying an impostor to take a qualification examination on their behalf. More than \$1.8 million in fines and forfeited commissions were assessed.

Each of the barred individuals was required to forfeit all commissions earned, a total of more than \$1.2 million, while they functioned in a registered capacity. Individual fines included \$25,000 for cheating on the examination and \$25,000 if they failed to respond to NASD Regulation requests for information, for a total of \$650,000.

Upon identification, many individuals were ordered to appear immediately for on-the-record testimony to answer questions regarding the qualification examination at issue.

Frank Aquafredda, New York,
New York

William Battista, New York,
New York

Glenn Bennett, New York,
New York

Christopher Carratura, New York,
New York

James Contacessa, Armonk,
New York

Kevin Coughlin, New York,
New York

Joseph DeMarco, New York,
New York

Christopher Granese, New York,
New York

Rondo Hosang, New York,
New York

Darian E. Kelty, Ft. Lauderdale,
Florida

Joseph Lanni, New York, New York

Victor Lastorino, New York,
New York

Peter LaTourette, New York,
New York

Tremain McDowell, New York,
New York

Vladen Mezhibovsky, New York,
New York

Sevgul Paso, New York, New York

Michael Poliak, New York,
New York

Norm Rabinovich, New York,
New York

Igor Shekhtman, New York,
New York

Emil Yunaev, New York, New York

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