

DISCIPLINARY ACTIONS

Disciplinary Actions Reported For June

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, June 16, 1997. The information relating to matters contained in this *Notice* is current as of the end of May 23. Information received subsequent to the end of May 23 is not reflected in this edition.

Firms Expelled, Individuals Sanctioned

Coastline Financial, Inc. (Mission Viejo, California) and **Donald Allyson Williams (Registered Principal, Mission Viejo, California)** were fined \$50,000, jointly and severally. In addition, the firm was expelled from NASD membership and ordered to repay, with interest, any notes mentioned in the complaint that remain outstanding. Williams was barred from association with any NASD member in any capacity. The National Business Conduct Committee (NBCC) imposed the sanctions following appeal of a Los Angeles District Business Conduct Committee (DBCC) decision. The sanctions were based on findings that the firm, acting through Williams, induced the purchase of 63 secured promissory notes totaling \$1,101,260.89 in violation of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder.

The action has been appealed to the Securities and Exchange Commission (SEC) and the sanctions, other than the expulsion and bar, are not in effect pending consideration of the appeal. However, the firm is permitted to effect unsolicited transactions on behalf of its existing customers during the pendency of the appeal.

Hartland Financial Management Corporation (Austin, Kentucky) and **Paul C. Hayden (Registered Representative, Glasgow, Kentucky)** submitted an Offer of Settlement pursuant to which the firm was expelled from NASD membership and Hayden was fined \$30,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Hayden, conducted a securities business while failing to maintain its minimum required net capital. Furthermore, the NASD determined that, in an attempt to bring the firm's net capital into compliance, Hayden made capital contributions from his personal bank account when he did not have sufficient funds in his account. The findings also stated that Hayden became the sole shareholder and president of the firm and failed to become registered as a general securities principal within the requisite time period. Hayden also failed to respond to NASD requests for information.

Firm Suspended, Individual Sanctioned

Hartman Securities, Inc. (Houston, Texas) and **Allen Robert Hartman (Registered Principal, Houston, Texas)** were fined \$20,000, jointly and severally. In addition, the firm was suspended from NASD membership for two weeks and Hartman was suspended from association with any NASD member in any capacity for two weeks. The NBCC imposed the sanctions following appeal of a Dallas DBCC decision. The sanctions were based on findings that the firm, acting through Hartman, failed to deposit and retain all customer funds in an escrow account during the offering of limited partnership interests until the contingencies specified in the offering memorandum had

been met. Furthermore, the firm, acting through Hartman, violated its restrictive agreement with the NASD by effecting securities transactions in limited partnerships and conducting a securities business when it had agreed not to.

Firm Fined, Individual Sanctioned
Covato/Lipsitz, Inc. (Pittsburgh Pennsylvania) and Alfred I. Lipsitz (Registered Principal, Pittsburgh, Pennsylvania) submitted a Letter of Acceptance, Waiver and Consent and an Offer of Settlement pursuant to which they were fined \$40,000, jointly and severally. In addition, Lipsitz was barred from association with any NASD member in any principal capacity and from performing any principal, supervisory, or managerial functions with any NASD member. Lipsitz is also barred from maintaining a proprietary interest in any NASD member except that he may maintain (1) a non-controlling, investment interest in a member whose stock is publicly traded and subject to the reporting requirements of Section 12(g) of the Securities Exchange Act of 1934, (2) an investment interest in an employee stock ownership plan or similar plan which does not confer voting rights upon individual participants in the plan or provided he relinquishes any individual voting rights, and (3) a non-voting interest in Covato/Lipsitz, Inc. or any successor to the firm if he sells or transfers a portion of the stock of the firm representing total voting control of the corporation to another person or entity and if he is still the sole owner of the stock, he is required to place all of the stock in a voting trust. Furthermore, Lipsitz must 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 Lipsitz, effected securities transactions when the firm failed to maintain its minimum required net capital, failed to reflect certain liabilities on its books and records, prepared an inaccurate net capital computation, and filed inaccurate FOCUS Part I reports. Furthermore, the NASD found that the firm, acting through Lipsitz, failed to timely notify the SEC or the NASD on each occasion when it failed to maintain the minimum required net capital and engaged in a fraudulent course of conduct whereby they intentionally or recklessly failed to record on the firm's books and records the outstanding balance on a line of bank credit the firm maintained. The NASD also found that the firm, acting through Lipsitz, failed to record on its books and records the existence of and balance in a bank account, failed to reflect on its books and records that the bank held a security interest in a \$37,000 CD as collateral for advances made to the firm on the line of credit it maintained at the bank, and failed to properly treat the face amount of the encumbered CD as a non-allowable asset in preparing the firm's monthly net capital computations. The findings stated that the firm, acting through Lipsitz, failed to disclose in an offering memorandum or in any supplement thereto that the general partner and/or affiliates of the general partner could purchase units in the offering, the maximum amount of units the general partner could purchase or that purchases by the general partner and/or affiliates of the general partner could be used to close the offering. The NASD also determined that the firm, acting through Lipsitz, failed to conduct an in-person compliance meeting or interview with two representatives of the firm.

Firms and Individuals Fined
D.H. Brush & Associates, Inc. (Chicago, Illinois) and Robert

John Uhe (Registered Principal, Winnetka, Illinois) submitted a Letter of Acceptance, Waiver and Consent pursuant to which they were fined \$97,000, 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 Uhe, allowed associated persons to be actively involved in the securities business without proper registration. The findings also stated that the firm retained \$72,000 in gross commissions generated by the associated persons.

Harrison Douglas, Inc. (Aurora, Colorado), Douglas Wayne Schriener (Registered Principal, Aurora, Colorado), and Stephen John Hrynik (Registered Principal, Aurora (Colorado)) submitted a Letter of Acceptance, Waiver and Consent pursuant to which they were fined \$15,000, jointly and severally, and required to offer recession of monies raised from five non-accredited investors. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that, in connection with a private offering for which the firm acted as underwriter, the firm, acting through Schriener and Hrynik, failed to sell exclusively to accredited investors as required under the exemption from registration in Section 4(2) and 4(6) of the Securities Act of 1933. The findings also stated that the firm, acting through Schriener and Hrynik, failed to disclose in the private offering memorandum that Hrynik, who signed the review contained in the memorandum, was not independent because he was employed at the firm as its chief financial officer.

Firms Fined
ACAP Financial, Inc. (Salt Lake City, Utah) submitted a Letter of Acceptance, Waiver and Consent

pursuant to which the firm was fined \$10,800, required to remit \$250 in profits relating to transactions, and required to revise its written supervisory procedures relating to short sales. When the new supervisory procedures have been developed, the firm must conduct training sessions on the revised procedures with all relevant personnel. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it executed short-sale transactions of a Nasdaq National Market® security and failed to make affirmative determinations and report the trades to the Automated Confirmation Transaction ServiceSM (ACTSM) with short-sale indicators.

Fahnestock & Company, 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 did not retain the original trade information that was reported to ACT in its history file. The NASD also determined that the firm reported the time for transactions to ACT prior to the execution time on the order ticket. The findings also stated that the firm failed to establish, maintain, and enforce written supervisory procedures reasonably designed to detect and deter trade reporting violations.

Gordon & Co. (Newton, Massachusetts) submitted a Letter of Acceptance, Waiver and Consent pursuant to which the firm was fined \$25,000. Without admitting or denying the allegations, the firm consented to the described sanction and to the entry of findings it failed to file any conventional option position reports with the NASD as required by NASD Rule 2860(b)(5)(A) for its customers and/or proprietary accounts.

Hamilton Partners L.P. (Hamilton, Bermuda) 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 exceeded the allowable options position limits. The findings also stated that the firm failed to maintain and enforce supervisory procedures to prevent the violations described above.

Herzog Heine Geduld, Inc. (Jersey City, New Jersey) submitted a Letter of Acceptance, Waiver and Consent pursuant to which the firm was fined \$15,000 and required to conduct a rule education class for its traders. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it entered quotations in securities on The Nasdaq Stock MarketSM that exceeded the parameters for maximum allowable spreads pursuant to NASD Rule 4613(d).

Mayer & Schweitzer, Inc. (Jersey City, New Jersey) submitted a Letter of Acceptance, Waiver and Consent pursuant to which the firm was fined \$18,500, required to attend a compliance conference with NASD Regulation staff, and required to conduct a rule education class for its traders. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it entered quotations in securities on The Nasdaq Stock Market that exceeded the parameters for maximum allowable spreads pursuant to NASD Rule 4613(d).

Morgan Stanley & Co., Inc. (New York, New York) submitted an Offer of Settlement 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 report conventional

options positions for any of its accounts as required by the NASD.

O'Connor & Company (Chicago, Illinois) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he 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 entered a series of transactions into the Small Order Execution SystemSM (SOESSM) that, when aggregated, exceeded the SOES maximum order size requirements. The findings also stated that the firm failed to establish, maintain, and enforce supervisory procedures that would have enabled it to ensure compliance with NASD rules.

PFS Investments, Inc. (Duluth, Georgia) submitted an Offer of Settlement pursuant to which the firm was fined \$25,000. Without admitting or denying the allegations, the firm consented to the described sanction and to the entry of findings that it failed to establish, maintain, and/or enforce adequate written procedures that were reasonably designed to achieve compliance with NASD rules concerning private securities transactions or to otherwise supervise adequately its registered representatives and associated persons.

SC Securities Corporation (Dallas, Texas) submitted an Offer of Settlement pursuant to which the firm was fined \$100,000. Without admitting or denying the allegations, the firm consented to the described sanction and to the entry of findings that it failed to establish and maintain an effective supervisory system, to enforce supervisory procedures, and to reasonably supervise its registered representatives.

Schonfeld Securities, Inc. (Jericho, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which the firm was fined

\$9,700, ordered to remit \$8,115 in profits relating to transactions, and required to revise its written supervisory procedures relating to short-sale rules and conduct training sessions on the revised procedures with all relevant personnel after they have been developed. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it failed to designate sales as short sales and failed to indicate on order tickets that these transactions were short sales.

Trimark Securities, L.P. (White Plains, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which the firm was fined \$20,000 and required to submit to the NASD all procedures and steps that it will implement to ensure compliance with the NASD's trade reporting regulations. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it failed to report trades to ACT when in fact, these trades were done with other member firms and ACT participants. Furthermore, the findings stated that the firm reported an incorrect buy/sell indicator in transactions and reported trades that were not required to be reported.

Troster Singer Corporation (Jersey City, New Jersey) submitted a Letter of Acceptance, Waiver and Consent pursuant to which the firm was fined \$22,500 and required to conduct a rule education class for its traders. Without admitting or denying the allegations, the firm consented to the described sanction and to the entry of findings that it entered quotations in securities on The Nasdaq Stock Market that exceeded the parameters for maximum allowable spreads pursuant to NASD Rule 4613(d).

Troster Singer Corporation (Jersey City, New Jersey) submitted a Letter

of Acceptance, Waiver and Consent pursuant to which the firm was fined \$16,000 and required to conduct a rule education class for its traders. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it entered or maintained quotations in The Nasdaq Stock Market that caused a locked and/or crossed market condition to occur in eight securities.

Windsor Reynolds Securities, Inc. (New York, New York) was fined \$10,000. The sanction was based on findings that the firm opened 97 customer accounts in its New York office and effected 98 purchases and sales on behalf of customers before receiving required approval from the NASD to change its business.

Individuals Barred Or Suspended
Elliot Krausz Adler (Registered Representative, San Francisco, California) was fined \$25,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Adler received funds totaling \$1,350 from a public customer for the purchase of securities and failed to use the proceeds to purchase securities. Adler also failed to respond to NASD requests for information.

John D. Attalienti (Registered Representative, Mt. Kisco, New York), Havard H. Lee (Registered Principal, Clarksburg, New Jersey), Randolph E. Beigel (Registered Principal, N. Kingstown, Rhode Island), Rodney D. Cooper (Registered Representative, Olivette, Missouri), and Brendan D. Hart (Registered Principal, Norwood, Massachusetts) submitted Offers of Settlement pursuant to which Attalienti was fined \$100,000 and barred from association with any NASD member in any capacity, Lee was fined \$250,000 and barred from asso-

ciation with any NASD member in any capacity, Beigel was fined \$150,000 and barred from association with any NASD member in any capacity, Cooper was fined \$100,000 and barred from association with any NASD member in any capacity, and Hart was fined \$150,000 and barred from association with any NASD member in any capacity.

Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that Lee, Beigel, Cooper, and Hart recruited and trained inexperienced registered representatives to aggressively telemarket low-priced, speculative securities recommended by their member firm to the public. According to the findings, Attalienti, Lee, Beigel, Cooper, and Hart then directed, fostered, or induced the registered representatives to engage in abusive sales practices by including baseless price predictions about the stock, making material misrepresentations and omitting negative material information during sales presentations to customers, discouraging or prohibiting registered representatives from independently researching the stocks, and by discouraging or prohibiting registered representatives from processing unsolicited customer sell orders. Moreover, the NASD found that Beigel, Cooper, and Hart individually engaged in the abusive sales practices during presentations to their customers. The findings also stated that Lee, Beigel, and Hart directed registered representatives whom they supervised to engage in unauthorized trading and Beigel and Hart directly engaged in unauthorized trading. The NASD also determined that Lee, Beigel, Cooper, and Hart failed to establish, implement, and enforce reasonable procedures to deter or prevent the abusive sales practices by the registered representatives.

Mark P. Augustine (Registered

Principal, Englewood, Colorado) was fined \$5,000, jointly and severally, with a member firm, suspended from association with any NASD member as a financial and operations principal for 10 days, and required to requalify by exam as a financial and operations principal. The NBCC imposed the sanctions following appeal of a Denver DBCC decision. The sanctions were based on findings that a member firm, acting through Augustine, conducted a securities business while failing to maintain its minimum required net capital and filed an inaccurate FOCUS Part I report.

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

Thomas P. Battista (Registered Representative, Springfield, Vermont) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$5,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Battista consented to the described sanctions and to the entry of findings that, without the knowledge or consent of the customers or his member firm, he failed to remit policyholder payments totaling \$932 from four public customers intended for automobile insurance premiums and converted the monies to his own use and benefit.

Robert F. Blake (Registered Representative, Evergreen, Colorado) submitted an Offer of Settlement pursuant to which he was fined \$7,500 and suspended from association with any NASD member in any capacity for five business days. Without admitting or denying the allegations, Blake consented to the described sanctions and to the entry of findings that he disseminated sales literature that failed to conform with the stan-

dards for communications with the public. The findings also stated that Blake made misrepresentations, exaggerated and unwarranted statements and claims, and omitted to disclose risks associated with investments in the stock and warrants of a drug company.

Blake's suspension will commence June 30, 1997 and will conclude July 7, 1997.

Wayne D. Butler (Registered Representative, Tualatin, Oregon) 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, Butler consented to the described sanctions and to the entry of findings that he recommended and sold to a public customer shares of stock and in connection with such sales, failed to provide prior written notice to his member firm describing in detail the proposed transactions and his proposed role therein and stating whether he had or might receive selling compensation in connection with the transactions.

Donald Peter Carnaghi (Registered Representative, Clinton Twp., Michigan) 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, Carnaghi consented to the described sanctions and to the entry of findings that he participated in private securities transactions and failed and neglected to give prior written notice to and obtain written authorization from his member firm to engage in such activities.

Thomas James Clem (Registered Representative, Mt. Clemens, Michigan), Thomas Roy Mazza (Registered Representative, Clin-

ton Twp., Michigan), Brian Jerome Kurtz (Registered Representative, Sterling Hts., Michigan), and Michael Anthony Duby (Registered Principal, Brighton, Michigan). Clem was fined \$47,100 and barred from association with any NASD member in any capacity. Mazza was fined \$56,300 and barred from association with any NASD member in any capacity. Kurtz was fined \$19,800 and barred from association with any NASD member in any capacity. Lastly, Duby was fined \$38,050 and barred from association with any NASD member in any capacity.

The sanctions were based on findings that Clem, Mazza, Kurtz, and Duby participated in private securities transactions and failed to give prior written notice to and obtain written authorization from their member firm to engage in such activities.

Guy G. Clemente (Registered Representative, New York, New York) 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 one week. Without admitting or denying the allegations, Clemente consented to the described sanctions and to the entry of findings that he shared in losses incurred in the account of a public customer.

Michael L. Cooperstock (Registered Representative, Whitmore Lake, Michigan) 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, Cooperstock consented to the described sanction and to the entry of findings that he participated in private securities transactions and failed and neglected to give prior written notice to and obtain written autho-

rization from his member firm to engage in such activities.

Martin J. Cunnane, Jr. (Registered Representative, Yonkers, New York) was fined \$40,000 and suspended from association with any NASD member in any capacity for three years. The NBCC affirmed the sanctions following appeal of a Market Regulation Committee decision. The sanctions were based on findings that Cunnane opened accounts for three public customers and executed purchase transactions in a common stock without the customers' authorization and consent.

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

Joseph M. Darovec (Registered Representative, Bloomington, Illinois) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$25,000 and suspended from association with any NASD member in any capacity for 30 days. Without admitting or denying the allegations, Darovec consented to the described sanctions and to the entry of findings that he participated in outside business activities while failing to give prompt written notice to his member firm of his participation in such activities.

John J. Fiero (Registered Principal, Jersey City, New Jersey) was fined \$20,000 and suspended from association with any NASD member in any capacity for six months. The NBCC imposed the sanctions following appeal of a Market Regulation Committee decision. The sanctions were based on findings that Fiero failed to provide on-the-record testimony to the Market Regulation Committee.

This action has been appealed to the SEC and the sanctions are not in

effect pending consideration of the appeal.

Herbert G. Frey (Registered Principal, Cincinnati, Ohio) was suspended from association with any NASD member in any capacity for 180 days. The NBCC imposed the sanction following appeal of a Cleveland DBCC decision. The sanction was based on findings that Frey failed to pay an arbitration award entered in 1990.

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

Brian L. Gibbons (Registered Principal, Scottsdale, Arizona) was fined \$10,000 and suspended from association with any NASD member in any capacity for 30 days. The U.S. Court of Appeals affirmed the sanctions following appeal of a May 1996 SEC decision. The sanctions were based on findings that Gibbons provided inaccurate and misleading information to the NASD staff in response to NASD requests for information.

Ramon Guichard, Jr. (Registered Representative, Gretna, Louisiana) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$7,500, barred from association with any NASD member in any capacity, and required to pay \$1,457 in restitution. Without admitting or denying the allegations, Guichard consented to the described sanctions and to the entry of findings that he received \$1,457 from public customers as insurance premiums, failed to submit these funds to his member firm on the customers' behalf and, instead, converted the funds to his own use and benefit without the customers' knowledge or consent.

Neil Guthrie (Registered Repre-

sentative, Gretna, Virginia) 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, Guthrie consented to the described sanctions and to the entry of findings that he failed to notify and obtain approval from his member firm regarding his solicitation and acceptance of monies from three customers to invest in investments unrelated to his member firm. The findings also stated that Guthrie prepared and provided receipts to two customers that misrepresented the true investments of the customers' monies. Furthermore, the NASD determined that Guthrie diverted customer funds to his personal home appliance and apparel wholesale business and other unspecified investments contrary to his verbal and written representations to the customers.

Jeffrey J. Haddad (Registered Representative, Old Bridge, New Jersey) submitted an Offer of Settlement pursuant to which he was fined \$5,100 and suspended from association with any NASD member in any capacity for one week. Without admitting or denying the allegations, Haddad consented to the described sanctions and to the entry of findings that he executed unauthorized transactions in the account of a public customer.

James R. Hayes (Registered Representative, Kingston, Tennessee) 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 one week. Without admitting or denying the allegations, Hayes consented to the described sanctions and to the entry of findings that, in connection with the purchase of a variable appreciable life insurance

contract, he sent correspondence to public customers that misrepresented that the premiums on the insurance contract would be paid for with the cash value and dividends from the customer's other insurance policies, when in fact, additional premium payments might have been required in the future. The findings also stated that Hayes submitted disbursement request forms to his member firm on behalf of a public customer and signed the customer's name to the forms without the customer's knowledge or consent.

Mark Andrew Heitner (Registered Representative, Forest Hills, New York) 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, Heitner consented to the described sanctions and to the entry of findings that he engaged in manipulative, deceptive, and fraudulent conduct by intentionally and recklessly causing Nasdaq® trades to be reported late. The findings also stated that Heitner backed away from an order to buy stock.

John Thomas Higley (Registered Representative, Folsom, California) was fined \$20,000 and barred from association with any NASD member in any capacity. The NBCC affirmed the sanctions following appeal of a San Francisco DBCC decision. The sanctions were based on findings that Higley failed to respond to NASD requests for information

Jerry A. Hurni, Jr. (Registered Representative, Melbourne, Florida) was fined \$15,000, suspended from association with any NASD member in any capacity for 30 days, and ordered to requalify by exam. The NBCC imposed the sanctions following appeal of an Atlanta

DBCC decision. The sanctions were based on findings that Hurni made recommendations to a public customer that were not suitable for the customer based upon the facts disclosed by the customer as to his tax status, investment objective, financial situation, and needs. Furthermore, contrary to a public customer's instructions, Hurni utilized margin in the customer's account to purchase additional shares of stock without the customer's knowledge or authorization.

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

Hagos Kafil (Registered Representative, Kalamazoo, Michigan) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$125,000, barred from association with any NASD member in any capacity, and required to pay \$21,000 in restitution. Without admitting or denying the allegations, Kafil consented to the described sanctions and to the entry of findings that he received checks totaling \$21,107.20 from public customers for investment purposes, failed to follow the customers' instructions, and used the funds for some purpose other than the benefit of the customers. The findings also stated that Kafil failed to respond to NASD requests for information.

David Kippins (Registered Representative, Brooklyn, New York) was fined \$270,594 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Kippins recommended transactions to a public customer when he did not have a reasonable basis to believe that the recommendations were suitable for the customer in light of the customer's stated investment objectives and financial needs. Furthermore, Kip-

pins induced a public customer to sign a letter authorizing the redemption of shares of a government fund and converted \$38,500 of the proceeds to his own use and benefit without the prior knowledge or consent of the customer. Kippins also failed to respond timely to NASD requests for information.

Edward Stevenson Kirris, III (Registered Representative, Minneapolis, Minnesota) submitted an Offer of Settlement 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, Kirris consented to the described sanctions and to the entry of findings that he failed to respond timely to NASD requests for information. The findings also stated that Kirris engaged in private securities transactions without giving prior written notice to and receiving prior approval from his member firm.

Joseph Frank Lerario (Registered Principal, Bloomington, Illinois) submitted an Offer of Settlement pursuant to which he was fined \$20,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Lerario consented to the described sanctions and to the entry of findings that he failed to respond to NASD requests for information.

Hayden James Lockhart, III (Registered Representative, Mililani, Hawaii) was fined \$25,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Lockhart created a fictitious insurance application for a public customer, forged an insurance agent's signature to the application, and submitted the application to his member firm. Furthermore, Lockhart forged a public customer's name to an insurance application and submitted the

application to his member firm. Lockhart also failed to respond to NASD requests for information

Kevin Patrick Lynch (Registered Representative, Onalaska, Wisconsin) 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 15 days. Without admitting or denying the allegations, Lynch consented to the described sanctions and to the entry of findings that he affixed the signatures of public customers on an annuity application and a financial planning agreement without the customers' knowledge or consent. The findings also stated that Lynch failed to disclose to the beneficiaries of the estate of a public customer the fees associated with preparing a financial plan and that by consenting to a financial plan, the amount of the beneficiaries' gifts would be reduced by said fees.

David Paelet (Registered Principal, Madison, Connecticut) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$5,000 and suspended from association with any NASD member in any capacity for 30 days. Without admitting or denying the allegations, Paelet consented to the described sanctions and to the entry of findings that he participated in private securities transactions and failed to give prior written notice to his member firm of such transactions.

David J. Ramsdale (Registered Representative, Aurora, Colorado) was fined \$675,000, barred from association with any NASD member in any capacity, and ordered to pay \$135,000 in restitution to customers. The sanctions were based on findings that Ramsdale obtained funds totaling \$135,000 from public customers for investment purposes, failed to follow the customers' instructions to purchase securities and, instead, used

the funds for his own benefit. Furthermore, Ramsdale reimbursed a public customer with a promissory note for losses incurred in the customer's securities account. Ramsdale also failed to respond to NASD requests for information.

Ruslan Rapoport (Registered Representative, Brooklyn, New York) was fined \$7,500, suspended from association with any NASD member in any capacity for three years, and required to requalify by exam. The sanctions were based on findings that Rapoport failed to respond to NASD requests to appear for an on-the-record interview.

Rogelio Davila Salazar (Registered Representative, Harlingen, Texas) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Salazar consented to the described sanction and to the entry of findings that he effected a private securities transaction and failed to timely and completely respond to NASD requests for information.

Todd Scheel (Registered Representative, Orland Park, Illinois) submitted an Offer of Settlement pursuant to which he was fined \$22,500 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Scheel consented to the described sanctions and to the entry of findings that he permitted an individual to engage in the securities business and paid commissions to the individual when the individual was not effectively registered with the NASD. The findings also stated that Scheel failed to respond to NASD requests for information.

Jeffrey M. Schoenfield (Registered Representative, Kodak, Tennessee) submitted a Letter of Acceptance,

Waiver and Consent pursuant to which he was fined \$10,000, barred from association with any NASD member in any capacity, and required to pay \$7,431.11 in restitution. Without admitting or denying the allegations, Schoenfield consented to the described sanctions and to the entry of findings that he recommended and engaged in the purchase of securities in the account of a public customer and failed to disclose to the customer that the investments carried contingent deferred sales charges. The findings also stated that Schoenfield failed to fully, completely, and timely respond to NASD requests for information.

Albert J. Scibilia (Registered Representative, Hagerstown, Maryland) 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, Scibilia consented to the described sanctions and to the entry of findings that he effected unauthorized transactions in customer accounts.

William G. Sellens (Registered Representative, Greeley, Colorado) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$6,250, suspended from association with any NASD member in any capacity for 10 business days, and required to pay \$4,987.75 in restitution to a customer. Without admitting or denying the allegations, Sellens consented to the described sanctions and to the entry of findings that he recommended to a public customer the purchase of securities on margin when such recommendation was not suitable for the customer given her financial situation, needs, and investment objectives.

Robert L. Stark (Registered Representative, Scottsdale, Arizona) 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, Stark consented to the described sanctions and to the entry of findings that he deposited public customers' funds totaling \$494,329.67 into a personal savings account that he maintained for his benefit.

William David Stephens (Registered Representative, Redwood City, California) was fined \$220,000, barred from association with any NASD member in any capacity, and ordered to pay \$41,585.98 in restitution to a member firm or customers. The sanctions were based on findings that Stephens received \$41,585.98 from public customers and misappropriated and converted the funds to his own use and benefit. Stephens also failed to respond to NASD requests for information.

Nicholas F. Stranges (Registered Representative, Harrisburg, Pennsylvania) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$11,700, and suspended from association with any NASD member in any capacity for 30 business days. Without admitting or denying the allegations, Stranges consented to the described sanctions and to the entry of findings that he submitted to his member firm annuity applications for public customers on which he had recorded incorrect birth dates to secure the payment of larger commissions than otherwise would have been paid on the annuity purchases.

Gerald D. Vesner (Registered Representative, Doylestown, Ohio) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$88,000, barred from association with any NASD member in any capacity, and required

to pay \$17,570.84 in restitution to a member firm. Without admitting or denying the allegations, Vesner consented to the described sanctions and to the entry of findings that he received checks totaling \$17,570.84 payable to a public customer representing withdrawals from two variable annuity contracts and payment from an insurance policy maintained by the customer. The NASD found that Vesner endorsed his name or that of the customer on the checks, failed to remit the proceeds to the customers, and instead, retained the funds for his own use and benefit.

Barry Charles Wilson (Registered Principal, Bloomfield, New Jersey) was fined \$25,000 and barred from association with any NASD member as a financial and operations principal. The sanctions were based on findings that a member firm, acting through Wilson, conducted a securities business while failing to maintain minimum required net capital, filed an inaccurate FOCUS Part I report, failed to maintain the required minimum balance in the firm's customer reserve account, and failed to immediately notify the NASD of its net capital deficiencies.

Individuals Fined

Robert Ignacio Burnham (Registered Representative, San Francisco, California) was fined \$10,000. The sanction was based on findings that Burnham signed the names of public customers to a delivery receipt and to checks totaling \$24,908.83 and submitted them to an insurance company.

Steven F. Perdie (Registered Principal, Port Jefferson Station, New York) submitted an Offer of Settlement pursuant to which he was fined \$7,000 and required to pay \$15,000 in restitution to public customers. Without admitting or denying the allegations, Perdie consented to the

described sanctions and to the entry of findings that he participated in private securities transactions and failed to give prior written notice to and obtain written authorization from his member firm to engage in such activities. The findings also stated that Perdie failed to give prompt written notice to his member firms that he was employed by and/or accepted compensation from outside business activities. Furthermore, the NASD determined that Perdie failed to promptly and accurately update his Form U-4 to reflect liens or unsatisfied judgments entered against him.

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

Falcon Trading Group, Ltd.,
Boca Raton, Florida

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.

CDC Investment Corporation,
Farmington, Connecticut (May 1, 1997)

Maclaren Securities, Inc., Marblehead, Massachusetts (May 1, 1997)

Mercury American Capital Corp., Williamsville, New York (May 1, 1997)

Suppes Securities, Inc., New York, New York (May 1, 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.

Burlington Securities Corp.,
Chatnam, Massachusetts (May 5, 1997)

Genoa Financial Group, Inc.,
Tampa, Florida (May 6, 1997)

Hornblower & Weeks, Inc., New
York, New York (April 30, 1997)

Jess Kent Capital Markets, Inc.,
Los Angeles, California (May 8, 1997)

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

Lyle E. Bettenhausen, Sr., Tampa,
Florida

James M. Bock, Gillette, New
Jersey

Kerner A. Breaux, Fair Oaks,
California

Robert E. Chason, Jr., Orlando,
Florida

Steve M. Dodson, Tulsa, Oklahoma

Martin J. Heninger, Atlanta,
Georgia

Leandro Obenauer, Boynton
Beach, Florida

Frank S. Pellichino, Antioch,
Tennessee

Ruslan Rapoport, Brooklyn, New
York

James R. Stock, Portland, Oregon

Glen T. Vittor, Boca Raton, Florida

David Weiss, Northridge, California

NASD Regulation Fines And Censures First Albany In First Case Against Armacon

NASD Regulation has fined First Albany Corporation \$10,000 for recordkeeping violations arising from payments made to Armacon Securities, Inc. NASD Regulation also announced it censured a principal of the firm for the same violations. Both disciplinary actions were taken pursuant to an offer of settlement in which the respondents neither admitted nor denied the allegations.

NASD Regulation found that First Albany made two \$10,000 payments to Armacon in return for advice—from a principal of Armacon—pri-

marily about how to become designated as an eligible bond underwriter by the New Jersey Health Care Financing Facilities Authority. NASD Regulation discovered, however, that First Albany recorded the payments as expenses of two specific offerings of municipal securities conducted by the firm, though Armacon had not provided any services in connection with either offering. First Albany did not charge the expenses to the issuers involved or to other parties.

NASD Regulation also found that First Albany failed to create or maintain any records that recorded the services actually provided by Armacon.

In recording the payments in this fashion, NASD Regulation found that First Albany violated Section 17(a) of the Securities Exchange Act of 1934 and Rule 17a-3 thereunder and Municipal Securities Rulemaking Board Rule G-8.

A copy of the settlement—the Letter of Acceptance, Waiver, and Consent—is available.

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