

DISCIPLINARY ACTIONS

Disciplinary Actions Reported For April

NASD Regulation, Inc. (NASD RegulationSM) has taken disciplinary actions against the following firms and individuals for violations of NASD[®] Rules; 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, April 21, 1997. The information relating to matters contained in this Notice is current as of March 24, 1997. Information received subsequent to March 24 is not reflected in this edition.

Firm Expelled, Individual Sanctioned

United Daniels Securities Inc. (Orlando, Florida) and Willie Daniels (Registered Principal, Brooklyn, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which they were fined \$50,000, jointly and severally, and ordered to disgorge \$66,586, jointly and severally. In addition, the firm was expelled from NASD membership and Daniels was 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 participated in municipal underwritings at a time when it was not registered as a broker/dealer with the NASD. The findings also stated that Daniels, acting through the firm, engaged in municipal underwritings even though he was not registered as a municipal securities principal.

Firm Suspended And Individual Fined

KO Securities, Inc. (Seattle, Washington) and Terrance Y. Yoshikawa (Registered Principal, Seattle, Washington) were fined \$10,000, jointly and severally. In addition, the

firm was suspended from proprietary trading and market making for five business days and Yoshikawa must attend a compliance conference with Market Regulation staff. The National Business Conduct Committee (NBCC) affirmed the sanctions following appeal of a Market Regulation Committee decision. The sanctions were based on findings that the firm and Yoshikawa concealed the true ownership of a common stock on five occasions to prevent the firm from falling below its minimum required net capital. Furthermore, in an attempt to reduce the risk of, or to prevent the firm from experiencing net capital difficulties, the firm and Yoshikawa sold the stock from the firm's inventory account to two accounts at the firm owned by Yoshikawa, and shortly thereafter repurchased the stock into the firm's inventory account at an agreed upon time and at essentially the same terms.

This action has been appealed to the Securities and Exchange Commission (SEC) and the sanctions are not in effect pending consideration of the appeal.

Individuals Barred Or Suspended

Michael S. Burbridge (Registered Representative, South Easton, Massachusetts) was fined \$25,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Burbridge withheld and misappropriated \$2,113 in customer funds for his own use and benefit without the knowledge or consent of the customers. Burbridge also failed to respond to NASD requests for information.

Wilhelmina Emma Burris (Registered Representative, Corning, New York) submitted an Offer of Settlement pursuant to which she was fined \$20,000 and barred from

association with any NASD member in any capacity. Without admitting or denying the allegations, Burris consented to the described sanctions and to the entry of findings that she failed to respond to NASD requests for information.

John F. Chester, Jr. (Registered Representative, North Kingston, Rhode Island) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Chester failed to respond to NASD requests for information about his termination from a member firm.

Eric Andre Clemons (Registered Representative, Irvine, California) was fined \$65,000 and barred from association with any NASD member in any capacity. The NBCC imposed the sanctions following appeal of a San Francisco District Business Conduct Committee (DBCC) decision. The sanctions were based on findings that Clemons effected unauthorized transactions in customer accounts. Clemons also failed to follow a customer's instructions regarding the purchase of stock and provided a customer with an account statement that falsely reflected the account balance.

Robert Lloyd DenHerder (Registered Representative, Helena, Montana) was fined \$27,549.41, suspended from association with any NASD member in any capacity for 30 business days, and required to requalify by exam. The NBCC affirmed the sanctions following appeal of a Seattle DBCC decision. The sanctions were based on findings that DenHerder recommended and executed on behalf of a public customer the purchase and sale of securities in the customer's account without having reasonable grounds for believing such transactions were suitable for the customer. DenHerder recommended to and purchased on behalf of a public customer shares of

a fund without affording the customer the benefit of letter of intent and breakpoint and inter-family discounts. Furthermore, DenHerder guaranteed the customer against loss by providing the customer with a \$39,059 promissory note as reimbursement for losses incurred by the customer in connection with his investments.

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

Chester J. Dudzik, Jr. (Registered Representative, Darien, Connecticut) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Dudzik failed to respond to NASD requests for information about customer complaints.

Patricia R. Duke (Registered Representative, Bastrop, Louisiana) was fined \$183,000, barred from association with any NASD member in any capacity, and required to pay \$32,577.16 in restitution. The sanctions were based on findings that Duke received funds totaling \$7,000 from a public customer for investment in a mutual fund, failed and neglected to execute the purchase on the customer's behalf, and instead, invested the funds in an annuity without the customer's knowledge or consent. Furthermore, Duke received \$32,577.16 from public customers for investment purposes, failed to execute the purchases on the customer's behalf, and instead converted the funds for her own use and benefit without the customers' knowledge or consent. Duke also failed to respond to NASD requests for information.

Louis Fratkin (Registered Representative, Thousand Oaks, California) was fined \$27,853.60, barred from association with any NASD

member in any capacity, and ordered to pay \$5,570.72 in restitution to a member firm. The NBCC imposed the sanctions following appeal of a Los Angeles DBCC decision. The sanctions were based on findings that Fratkin forged a customer's signature on certain documents to generate the surrender of the customer's insurance policy and converted \$5,570.72 in proceeds for his own benefit.

Harold Nicholas Girrens (Registered Representative, Wichita, Kansas) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Girrens failed to respond to NASD requests for information about his termination from a member firm.

Jon Alan Hinman (Registered Representative, Des Moines, Iowa) was fined \$9,654.95, barred from association with any NASD member in any capacity, and ordered to pay \$1,930.99 in restitution. The sanctions were based on findings that Hinman signed four checks drawn on the securities account of public customers and converted \$1,930.99 for his own use and benefit without the knowledge or consent of the customers.

Elliot L. Levine (Registered Representative, Plainview, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$25,000, barred from association with any NASD member in any capacity, and required to pay \$9,096.79 in restitution to a member firm. Without admitting or denying the allegations, Levine consented to the described sanctions and to the entry of findings that he caused \$9,096.79 of policyholders' funds to be misused in that he caused the withdrawal of funds from customer insurance accounts to pay insurance premiums on other client accounts.

Michael Malaga (Registered Representative, Edison, New Jersey) submitted an Offer of Settlement pursuant to which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Malaga consented to the described sanction and to the entry of findings that he executed a series of unauthorized transactions in customer accounts. The findings also stated that Malaga made unsuitable investment recommendations for, and executed excessive trades in the accounts of public customers. Furthermore, the NASD determined that Malaga impeded his firm's supervisory efforts to detect his violative activity.

Serafin Martinez (Registered Representative, North Arlington, New Jersey) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$40,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Martinez consented to the described sanctions and to the entry of findings that he signed a public customer's name on a \$8,000 check made payable to the customer, deposited the check in his personal bank account, and converted the proceeds for his own use.

Albert A. Matani, Jr. (Registered Representative, Boca Raton, Florida) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Matani failed to respond to NASD requests for information and testimony.

Roger Dale Meyer (Registered Representative, Joplin, Missouri) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$13,500 and suspended from association with any NASD member in any capacity for 45 days. Without admitting or deny-

ing the allegations, Meyer consented to the described sanctions and to the entry of findings that he engaged in a private securities transaction without prior written notice to and approval from his member firm.

Dennis Perricone (Registered Principal, Holtsville, New York) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Perricone failed to respond to NASD requests for information about a customer complaint.

Norm Rabinovich (Registered Representative, New York, New York) 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, Rabinovich consented to the described sanctions and to the entry of findings that he arranged to have an imposter take the Series 7 exam on his behalf. The findings also stated that Rabinovich failed to respond to NASD requests to appear for an on-the-record interview. Furthermore, the NASD determined that Rabinovich filed a Form U-4 that failed to disclose his employment with another member firm.

Michael T. Rother (Registered Representative, Brooklyn, New York) submitted an Offer of Settlement pursuant to which he was fined \$20,710.45 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Rother consented to the described sanctions and to the entry of findings that he engaged in a scheme to defraud pursuant to which he opened a fictitious brokerage account, arranged to have correspondence, including account statements concerning the fictitious account, sent to his residential address, and

purchased and sold stock in his own account and the fictitious account without paying for the transactions. Furthermore, the NASD found that Rother improperly received and negotiated checks relating to sales of a stock in his own account and the fictitious account. The findings also stated that Rother failed to respond to NASD requests for information.

Jeffrey L. Schnell (Registered Representative, Belleair, Florida) was fined \$20,000 and barred from association with any NASD member in any capacity. The NBCC affirmed the sanctions following appeal of an Atlanta DBCC decision. The sanctions were based on findings that Schnell failed to respond to an NASD request for information.

Mark A. Shear (Registered Representative, Staten Island, New York) was fined \$7,500 and barred from association with any NASD member in any capacity. The NBCC imposed the sanctions following appeal of a Philadelphia DBCC decision. The sanctions were based on findings that Shear knowingly provided false and misleading information in response to an NASD request for information.

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

Jerry L. Sickels (Registered Representative, Pittsburgh, Pennsylvania) 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 contracts products representative. The NBCC imposed the sanctions following appeal of a Philadelphia DBCC decision. The sanctions were based on findings that Sickels sold life insurance policies to two public customers, reflected on the application that another agent

was the agent who made the sale, and submitted the applications to his member firm without disclosing that he had in fact sold the insurance policies and had signed the agent's name on the applications. Furthermore, Sickels received four checks issued by his member firm to the other agent representing commissions and, without the agent's knowledge or consent, signed the agent's name on the checks, negotiated the checks, and used the funds for his own benefit.

Sickels' suspension commenced August 3, 1994, and concluded February 3, 1995.

Robert A. Stabile (Registered Principal, Bayshore, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$25,000, barred from association with any NASD member in any capacity, and required to pay \$8,200 in restitution to a customer. Without admitting or denying the allegations, Stabile consented to the described sanctions and to the entry of findings that he engaged in private securities transactions without providing prior written notice to or obtaining approval from his member firm. The findings also stated that Stabile entered into private securities transactions with a public customer upon the premise of funding a private adoption and instead, used the funds for personal purposes. Furthermore, the NASD found that Stabile engaged in outside business activities without providing prior written notification to his member firm and failed to follow customer instructions to cancel an insurance policy.

James R. Stock (Registered Representative, Gresham, Oregon) was fined \$17,500 and suspended from association with any NASD member in any capacity for one year. The sanctions were based on findings that Stock prepared and disseminated sales literature that failed to conform

to standards regarding communications with the public.

David A. Swanson (Registered Representative, Melbourne, Florida) was fined \$10,000 and suspended from association with any NASD member in any capacity for 30 days. The NBCC imposed the sanctions following appeal of an Atlanta DBCC decision. The sanctions were based on findings that Swanson solicited and executed the purchase of investment company shares for public customers without disclosing to the customers that they would be required to pay a four percent sales charge.

Bradford John Titus (Registered Principal, West Des Moines, Iowa) and Marcie Anne Milner (Registered Principal, Phoenix, Arizona) were fined \$15,000, jointly and severally, and Titus was suspended from association with any NASD member in any capacity for 10 days. The SEC affirmed the sanctions following appeal of a December 1995 NBCC decision. The sanctions were based on findings that Titus and Milner failed to establish, maintain, and enforce required supervisory procedures.

Gary S. Trammell (Registered Representative, West Linn, Oregon) submitted an Offer of Settlement pursuant to which he was fined \$85,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Trammell consented to the described sanctions and to the entry of findings that he received a \$20,000 check from a public customer for the purchase of a variable annuity, deposited the check into his bank account, and used only \$7,000 of the funds to purchase the annuity for the customer. The findings also stated that Trammell failed to respond to NASD requests for information.

Jerry Mark Tuinenga (Registered Representative, Mound, Minnesota) was fined \$250,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that, without the knowledge or consent of customers, Tuinenga converted \$41,762.89 and misused \$21,151.38 of their funds by either intercepting the funds or redeeming mutual fund shares and forging the customers' endorsements on the redemption checks. Tuinenga also failed to respond to NASD requests for information.

Individuals Fined

Michael Hamil (Registered Representative, Prospect Heights, Illinois) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$10,000. Without admitting or denying the allegations, Hamil consented to the described sanction and to the entry of findings that he guaranteed a customer against loss in his account.

Robert W. Main, Jr. (Registered Representative, Bedford, New Hampshire) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$10,000 and ordered to requalify by exam as a general securities representative. Without admitting or denying the allegations, Main consented to the described sanctions and to the entry of findings that he engaged in a course of conduct while handling customer accounts that was contrary to the best interests and welfare of the customers. According to the findings, Main caused transactions involving the liquidation and reinvestment of investment company shares with undue frequency and without reasonable justification.

Arno O. Mayer (Registered Principal, Deerfield Beach, Florida) submitted an Offer of Settlement

pursuant to which he was fined \$10,000. Without admitting or denying the allegations, Mayer consented to the described sanction and to the entry of findings that, in connection with a promotion, he prepared and distributed a sales script that was misleading and inaccurate and failed to adequately disclose to the investing public in correspondence and other communications his association with his member firm.

Daniel C. Montano (Registered Principal, Orange, California) was fined \$10,000 and ordered to requalify by exam as a general securities principal. The NBCC imposed the sanctions following appeal of a Los Angeles DBCC decision. The sanctions were based on findings that Montano appeared on a television program and made recommendations regarding a stock while failing to provide a sound basis for evaluating the facts in regards to the stock, made exaggerated and unwarranted claims, and used unwarranted superlatives. Montano also made unwarranted forecasts of future events, made forecasts of future events that were not clearly labeled as forecasts, referred to results of previous specific recommendations, and implied comparable future results concerning his recommendation to short the stock.

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

Mavis Chweelianne Tan (Registered Representative, North Hollywood, California) submitted a Letter of Acceptance, Waiver and Consent pursuant to which she was fined \$12,250. Without admitting or denying the allegations, Tan consented to the described sanction and to the entry of findings that she failed to notify her member firm that she had opened a securities account with another member firm. The findings

also stated that Tan purchased shares of stock in contravention of the Board of Governors' Interpretation with respect to Free-Riding and Withholding.

Firms Expelled For Failure To Pay Fines, Costs And/Or Provide Proof Of Restitution In Connection With Violations
Kennedy, Mathews, Landis, Healy & Pecora, Incorporated, Minneapolis, Minnesota

The Trading Desk, Inc., Englewood, Colorado

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 suspension 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.

Wm. B. Austin & Associates, Moulins, France (March 10, 1997)

S.D. Cohn & Co., Inc., New York, New York (February 26, 1997)

Cressida Capital, Inc., New York, New York (February 26, 1997)

Doughery & Company, Inc., New York, New York (February 26, 1997)

First Alliance Equities, Inc., Orange, California (February 26, 1997)

First Security Capital Markets, L.P., Chicago, Illinois (February 26, 1997)

Hornblower & Weeks, Inc., New York, New York (February 26, 1997)

Hyson & Company Incorporated, Rye, New York (February 26, 1997)

International Securities Group, Inc., San Diego, California (February 26, 1997)

LDC Securities, Inc., Columbus, Ohio (February 26, 1997)

Magdensburg Securities Corp., New York, New York (February 26, 1997)

National Investor Services Corp., New York, New York (February 26, 1997)

Piedmont Equities, Inc., Harrisburg, Pennsylvania (February 26, 1997)

Ridge Financial LTD, Newport, California (February 26, 1997)

State Capital Markets Corp., New York, New York (February 26, 1997)

Toluca Pacific Securities Corp., Burbank, California (February 26, 1997)

Trinity Group Securities, Inc., Mendham, New Jersey (February 26, 1997)

Value Line Securities, New York, New York (February 26, 1997)

Individuals Whose Registrations Were Revoked For Failure To Pay Fines, Costs And/Or Provide Proof Of Restitution In Connection With Violations
Thomas W. Blodgett, Irvine, California

Daniel L. Cheloha, Omaha, Nebraska

Howard David Frank, Englewood, Colorado

Maureen E. Galligan, San Diego, California

William H. Kautter, Leawood, Kansas

Russell C. Martin, Miami Beach, Florida

Dennis C. Moore, Louisville, Kentucky

John B. Morris, Del Mar, California

Jay W. Nance, Las Vegas, Nevada

John W. Ringo, Marietta, Georgia

Cheryl A. Rodgers, Dallas, Texas

John N. Salerno, Boca Raton, Florida

Michael J. Siegel, Louisville, Kentucky

Wilfred A. Soucy, Jr., Yardley, Pennsylvania

Robert C. Stamos, Walnut Creek, California

Jeffery Steven Stone, Dallas, Texas

James C. Turchiarelli, Williamsville, New York

George C. Vafias, Brooklyn, New York

Willis White, III, Hempstead, New York

Individual Whose Registration Was Canceled/Suspended Pursuant To NASD Rule 9622 For Failure To Pay Arbitration Award
Terrance Buttler, Los Angeles, California

NASD Regulation Censures And Fines Smith Barney And Lehman Brothers

NASD Regulation announced it has censured and fined Smith Barney and Lehman Brothers \$250,000 each and ordered the two firms to pay a combined total of more than \$5.6 million in refunds, including interest, to customers who were overcharged when they redeemed non-proprietary mutual funds.

More than 15,700 accounts were affected by the improper practice of charging commissions where none were allowed. This practice began in October 1990 at Shearson Lehman Brothers and continued until 1995, through Smith Barney's acquisition of the bulk of Shearson's retail operations. As a result, customers of both firms—who in some cases held more than one account—are included in this settlement.

NASD Regulation investigators in the New York District Office became aware of the overcharging after discovering and investigating a single customer complaint against Smith Barney. NASD Regulation expanded its investigation which revealed additional problems in the firm's mutual fund redemption practices. Further NASD Regulation scrutiny disclosed that the problem existed prior to the

August 1993 acquisition of Shearson by Smith Barney, thereby causing NASD Regulation to expand its probe to include Lehman Brothers.

"Today's settlement is important for investors and an excellent demonstration of the value customer complaints play in NASD Regulation's disciplinary process," said NASD Regulation President Mary L. Schapiro. "In addition to refunding almost \$4.3 million in overcharged commissions, customers will receive more than \$1.3 million in interest on those funds," Schapiro said. "With more Americans using mutual funds as their primary investment tool today, NASD Regulation is committed to insuring that every customer is treated fairly."

Without admitting or denying NASD Regulation's findings, Smith Barney and Lehman Brothers, in certain instances, charged improper commissions for redeeming non-proprietary mutual funds in addition to any appropriate load. The commissions were disclosed on the customer's confirmation ticket.

"This case underscores the need for customers to inspect their trading confirmations closely, and to report any suspected problems immediately," Schapiro added.

	Smith Barney	Lehman Brothers
Time Period	8/1/93-8/28/95	10/1/90-2/16/95
Transactions	7,159	13,310
Accounts Affected (approximate)	5,165	10,589
Excess Commissions	\$2,325,333	\$1,963,485
Interest	\$358,680	\$959,997
Total Refunds	\$2,684,013	\$2,923,482

Payments to Smith Barney's customers have already been made. Existing clients have received credits to their accounts and former clients were issued checks.

Lehman Brothers will make its payments to its customers over the next five months, and will provide NASD Regulation with satisfactory proof of such payments.

In agreeing to the sanctions, both Smith Barney and Lehman Brothers waived their right to appeal.

All Smith Barney investors with questions should contact Leslie Klenk at Smith Barney, (212) 816-8545.

© National Association of Securities Dealers, Inc. (NASD), April 1997. All rights reserved.