

Monthly Disciplinary Actions July 1996

Unless otherwise indicated, suspensions will begin with the opening of business on Monday, July 15, 1996. The information relating to matters contained in this section is current as of July 5, 1996. Information received subsequent to July 5, 1996, is not reflected in this section.

Firms Fined, Individuals Sanctioned

George E. Dullnig and Co. (San Antonio, Texas) and **George R. Dullnig (Registered Principal, San Antonio, Texas)** submitted an Offer of Settlement pursuant to which they were fined \$25,000, jointly and severally. Dullnig also was suspended from association with any NASD member as a general securities principal for 30 business days and required to requalify by exam as a general securities principal. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Dullnig, failed to disclose on customer confirmations the amount of remuneration it received concerning the sale of securities. The NASD also found that the firm, acting through Dullnig, failed to establish and maintain a system to supervise the activities of an individual and failed to maintain adequate written supervisory procedures to prevent and detect private securities transactions and outside business activities.

Gateway Financial Group, Inc. (Boca Raton, Florida), **Lisa K. Paige (Registered Principal, Boca Raton, Florida)**, **Joseph J. Giuliano (Registered Principal, Hallandale, Florida)**, and **Howard A. Cass (Registered Principal, Boca Raton, Florida)** submitted an Offer of Settlement pursuant to which the firm and Paige were fined \$10,000, jointly and severally. The firm was suspended from participating in the private placement of securities for one year and ordered to disgorge \$25,000 in commissions. Paige was suspended from association with any NASD member as a general securities principal for 30 days and ordered to requalify by exam as a general securities principal. Cass was fined \$5,000, suspended from association with any NASD member as a general securities principal for 30 days, suspended from association with any NASD member as a general securities sales representative for 15 days, ordered to requalify by exam as a general securities sales representative, and ordered to disgorge \$29,000 in commissions. Giuliano was fined \$5,000, suspended from association with any NASD member as a general securities principal for 15 days, suspended from association with any NASD member as a financial and operations principal for 10 days, and ordered to requalify by exam as a general securities principal.

Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Paige and Cass, participated in a best efforts, private placement offering in which the offering memorandum and subscription agreement contained material omissions and/or was materially false and misleading. The findings also stated that the firm, acting through Paige and Giuliano, failed to establish and promptly transmit customer subscription funds to a bank escrow account. The NASD found that the firm, acting through Paige and Giuliano, failed to terminate an offering and return investor funds when it did not receive the required minimum amount, when the offering period was extended, and when sales of half-units were made to investors. The NASD also determined that Paige and Giuliano failed to disclose the firm's participation in an offering when asked by the NASD staff.

Firms And Individuals Fined

A.R. Baron & Co., Inc. (New York, New York) and **Andrew Bressman (Registered Principal, New York, New York)** submitted an Offer of Settlement pursuant to which they

were fined \$11,000, 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 and Bressman failed to respond fully to NASD requests for information.

Nolan Securities Corporation (Salisbury, Connecticut), Terrence M. Nolan (Registered Principal, Southampton, New York) , and Anthony P. Hoag (Registered Principal, Lakeville, Connecticut) submitted a Letter of Acceptance, Waiver and Consent pursuant to which they were fined \$22,000, jointly and severally. Without admitting or denying the allegations, the respondents consented to the described sanction and to the entry of findings that, in contravention of the Board of Governors Free-Riding and Withholding Interpretation, the firm, acting through Nolan and Hoag, sold shares of stock that traded at a premium in the secondary market to restricted persons.

Taylor, Pruitt & Sylvester, Inc. (Houston, Texas), Charles Weldon Taylor, Jr. (Registered Principal, Houston, Texas), Alvin Pruitt, Jr. (Registered Principal, Houston, Texas) , and Jerry Moore Hill (Registered Principal, Dallas, Texas) 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 sanction and to the entry of findings that the firm, acting through Taylor, Pruitt, and Hill, conducted a securities business while failing to maintain its minimum required net capital.

Firms Fined

BOSC, Inc. (Tulsa, Oklahoma) 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 that it allowed eight individuals to maintain their representative registrations with the firm when they were not actively engaged in the securities business of the firm.

Madison Financial Group, Inc. (Chicago, Illinois) 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 conducted a securities business while failing to maintain its minimum required net capital. The NASD also found that the firm failed to comply with the terms of its restrictive agreement with the NASD.

Stratton Oakmont, Inc. (Lake Success, New York) was fined \$20,000 and ordered to submit to the NASD, and thereafter utilize in its settlement agreements, a form of Offer of Settlement containing non-disclosure and confidentiality clauses, if any, acceptable to the NASD. The firm also is required, upon request by the NASD in connection with the NASD's investigative duties, to identify customers that should be released from settlement agreements that impose conditions on a customer's ability to provide information to the NASD. The National Business Conduct Committee (NBCC) imposed the sanctions following appeal of a New York District Business Conduct Committee (DBCC) decision. The sanctions were based on findings that the firm prepared, utilized, and executed agreements when settling customer complaints that preclude, restrict, or condition customers' ability to cooperate with the NASD in connection with its investigation of customer complaints. The firm also failed to release a public customer from the restrictive provisions of a settlement agreement that precluded, restricted, and/or conditioned the customer from cooperating in an NASD investigation.

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

Walnut Street Securities, Inc. (St. Louis, Missouri) submitted an Offer of Settlement 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 failed to enforce its written supervisory procedures with respect to the issuance of a signature guarantee stamp and otherwise failed to supervise adequately the activities and registration of a registered representative to detect and prevent the improper use of customer funds by the representative. The firm also failed to maintain adequate supervisory procedures addressing the supervision of outside business activities of its associated persons.

W.B. McKee Securities, Inc. (Phoenix, Arizona) was fined \$20,000. The NBCC imposed the sanctions following appeal of a Denver DBCC decision. The sanctions were based on findings that the firm conducted a securities business while failing to maintain its minimum required net capital and failed to file a FOCUS Part I report revealing the deficiency. The firm also failed to maintain accurate books and records.

Individuals Barred Or Suspended

Erik Joseph Anderson (Registered Representative, Peoria, Illinois) 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, Anderson consented to the described sanctions and to the entry of findings that Anderson recommended the purchase and/or sale of options contracts to public customers without having a reasonable basis for believing that the options transactions were suitable for the customers based on the information disclosed to him concerning the customers' investment objectives, financial situations, and needs.

Furthermore, the NASD determined that at the time Anderson recommended the opening transactions in the options contracts to public customers, he did not have reasonable basis for believing that the customers had such knowledge and experience in financial matters that they could be reasonably expected to be capable of evaluating the risks of the recommended transactions, and be financially able to bear the risks of the recommended positions in the options contracts. The NASD also determined that Anderson failed to respond to NASD requests for information.

David Bahr (Registered Representative, Newport Beach, California) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$174,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Bahr consented to the described sanctions and to the entry of findings that he received from public customers \$20,000 for investment purposes, failed to invest the funds, and used \$18,000 of the funds for his own benefit. The findings also stated that Bahr solicited and entered securities transactions for public customers and received compensation while in an unregistered capacity. The NASD found that Bahr sold shares of stock to a public customer and failed to provide prior written notice to his member firm describing in detail the proposed transactions, his role therein, and whether he would receive selling compensation in connection with the transactions.

Jason Brian Barshop (Registered Representative, Malibu, California) was fined \$25,000, barred from association with any NASD member in any capacity, and ordered to pay \$10,000 in restitution to customers. The sanctions were based on findings that Barshop participated in a private securities transaction and failed to provide prior written notification to his member firm. Barshop also failed to respond to NASD requests for information.

Patricia A. Battista (Associated Person, Aurora, Colorado) submitted an Offer of Settlement pursuant to which she was fined \$10,000 and suspended from association with any NASD member in any capacity for 60 days. Without admitting or denying the allegations, Battista consented to the described sanctions and to the entry of findings that while seated, before the Series 7 exam began, she was found in possession of materials pertaining to the exam.

Robert Joseph Becker (Registered Representative, Dallas, Texas) 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 one week, and required to requalify by exam. Without admitting or denying the allegations, Becker consented to the described sanctions and to the entry of findings that he executed unauthorized transactions in the account of a public customer.

William H. Berrier, III (Registered Representative, Knoxville, Tennessee) submitted an Offer of Settlement pursuant to which he was fined \$15,100 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Berrier consented to the described sanctions and to the entry of findings that he executed unauthorized transactions in the account of a public customer without the customer's knowledge or consent. The NASD also found that Berrier failed to respond to NASD requests for information.

William Christopher Boettcher (Registered Representative, Columbia, Missouri) 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, Boettcher consented to the described sanctions and to the entry of findings that he forged customers' signatures on insurance applications and submitted the applications to his member firm without the knowledge or consent of the customers.

Cathi O'Neill Collins (Registered Representative, Omaha, Nebraska) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Collins failed to respond to NASD requests for information about her termination from a member firm.

Michael Sami Daoud (Registered Representative, Weston, Massachusetts) 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, Daoud consented to the described sanctions and to the entry of findings that he misused customer funds totaling \$80,000 intended for investment in a mutual fund.

Thomas N. Dawson, III (Registered Representative, Naples, Florida) submitted an Offer of Settlement pursuant to which he was suspended from association with any NASD member in any capacity for two years. Without admitting or denying the allegations, Dawson consented to the described sanction and to the entry of findings that he engaged in private securities transactions that were outside the regular course or scope of his employment with his member firm and failed to provide written notice to, or obtain approval from his member firm.

Craig Irwin Deitchman (Registered Representative, Brooklyn, New York) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions

were based on findings that Deitchman failed to appear at the NASD for on-the-record interviews about his activities and affiliations with an unregistered broker/dealer.

Robert Martin Dickerson (Registered Representative, San Francisco, California) was fined \$20,000, suspended from association with any NASD member in any capacity for 90 days, and ordered to requalify by exam in any capacity. The NBCC imposed the sanctions following review of a San Francisco DBCC decision. The sanctions were based on findings that Dickerson maintained securities accounts with two member firms without notifying his member firm of the accounts and without notifying the other firms of his association with his member firm. In contravention of the NASD Board of Governors Free-Riding and Withholding Interpretation, Dickerson purchased securities that traded at a premium in the immediate aftermarket. Dickerson also failed to respond to NASD requests for information in a complete and timely manner.

Wayne Thomas Drinkwine (Registered Representative, Eastport, New York) was fined \$100,000, barred from association with any NASD member in any capacity, and required to pay \$41,254.22 in restitution to a customer. The sanctions were based on findings that Drinkwine received from a public customer checks totaling \$45,654.22 for investment purposes, failed to deposit the funds in the customer's account and, instead, endorsed the checks and converted the funds for his personal use. Drinkwine also failed to appear at the NASD for on-the-record interviews about his termination from a member firm.

James G. Earle, Sr. (Registered Representative, Knoxville, Tennessee) submitted an Offer of Settlement pursuant to which he was fined \$110,000, barred from association with any NASD member in any capacity, and required to pay \$22,955.10 in restitution to customers. Without admitting or denying the allegations, Earle consented to the described sanctions and to the entry of findings that he received from public customers a \$22,955.10 check for a new individual retirement account. The NASD determined that Earle failed to establish the account and, instead, deposited the check into an account that he controlled, thereby converting the funds for his own use and benefit without the customers' knowledge or consent. The findings also stated that Earle prepared and provided to public customers a false account statement and a false IRS form that represented that the funds had been invested on the customers' behalf.

Christopher Frederick Fallon (Registered Representative, Bridgeport, Connecticut) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Fallon failed to appear at the NASD for on-the-record interviews about a customer complaint.

Dwain P. Fugate (Registered Representative, Erie, Pennsylvania) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$100,000, barred from association with any NASD member in any capacity, and required to pay restitution to customers. Without admitting or denying the allegations, Fugate consented to the described sanctions and to the entry of findings that he received \$61,879 from public customers to be applied to the payment of insurance policy premiums. The NASD determined that Fugate converted the funds for his own use and benefit and then provided the policy holders with false statements showing that the funds had been applied to the payment of their policy premiums.

Donald L. Gilberg (Registered Representative, Pittsburgh, Pennsylvania) 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 30 days. Without admitting or denying the allegations, Gilberg consented to the described sanctions and to the entry of findings that he

placed the signature of public customers on a life insurance enrollment form, a consent and disclosure letter, and a withdrawal authorization form without the customers' knowledge or consent and submitted the forms to his member firm as if the signatures were genuine.

Richard R. Gorton (Registered Representative, Dracut, Massachusetts) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$3,000, suspended from association with any NASD member in any capacity for 30 days, and required to requalify by exam. Without admitting or denying the allegations, Gorton consented to the described sanctions and to the entry of findings that he signed a customer's name to life insurance checks totaling \$421.13, deposited the checks in his personal bank account, withdrew the funds, and placed the cash in an envelope in the customer's file.

Robert A. Grunburg (Registered Principal, Marina Del Rey, California) was fined \$5,000, suspended from association with any NASD member as a principal for 30 days, and required to requalify by exam as a principal. The NBCC imposed the sanctions following appeal of a Los Angeles DBCC decision. The sanctions were based on findings that Grunburg approved newspaper advertisements that contained misleading or exaggerated statements about the ranking of mutual funds and failed to file the advertisements with the NASD within 10 days of the first use of the advertisements as required. Furthermore, Grunburg entered into a special sales concession arrangement with another member firm relating to the sale of mutual funds on an oral basis with no written agreement executed and without disclosing this fact in the funds' prospectuses. Grunburg also failed to establish and maintain adequate written supervisory procedures.

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

Mark Eugene Hendrickson (Registered Representative, Bothell, Washington) 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 two years. Without admitting or denying the allegations, Hendrickson consented to the described sanctions and to the entry of findings that he submitted a false and inaccurate Uniform Application for Securities Industry Registration (Form U-4) to his member firm which failed to disclose a felony charge and conviction.

Patrick A. Jalbert (Associated Person, Naugatuck, Connecticut) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Jalbert withheld and misappropriated for his own use and benefit \$1,474 in customer funds representing property and premium payments, without the knowledge or consent of his member firm or the customers. Jalbert also failed to respond to NASD requests for information.

Catherine Ann Jensen (Registered Representative, Manhattan Beach, California) submitted an Offer of Settlement pursuant to which she was fined \$10,000 and suspended from association with any NASD member in any capacity for 15 business days. Without admitting or denying the allegations, Jensen consented to the described sanctions and to the entry of findings that she exercised effective control over the account of a public customer and recommended to the customer the purchase and sale of securities without having reasonable grounds for believing that such recommendations were suitable for the customer in view of the size and frequency of the recommended transactions and the customer's other security holdings, financial situation, and needs.

Jensen's suspension began June 17, 1996, and concluded July 8, 1996.

Lamar Nathan Jensen (Registered Representative, Kirkland, Washington) submitted an Offer of Settlement pursuant to which he was fined \$90,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Jensen consented to the described sanctions and to the entry of findings that he recommended to and effected for public customers investments and failed to provide prior written notice to his member firm describing in detail the proposed transactions, his role therein, and whether he would receive selling compensation in connection with the transactions. The findings also stated Jensen failed to forward customer funds to the issuer and, instead, deposited the funds into a bank operating account over which he had control.

Daniel Morris Kantrowitz (Registered Representative, Boca Raton, Florida) submitted an Offer of Settlement pursuant to which he was fined \$10,000, suspended from association with any NASD member in any capacity for 120 days, ordered to pay \$3,625 in restitution to a member firm, and required to requalify by taking the Series 7 exam. Without admitting or denying the allegations, Kantrowitz consented to the described sanctions and to the entry of findings that he engaged in manipulative, deceptive, and fraudulent conduct in trading a common stock. According to the findings, Kantrowitz, as a means of compensating a customer, arranged to sell 29,000 shares of the stock to the customer at the then current bid price of 3/8, which he then repurchased from the customer at 5/8.

Mariusz Kazimierczyk (Registered Representative, Manchester, Massachusetts) was fined \$50,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Kazimierczyk misappropriated customer funds totaling \$10,000 for his own use and benefit.

Rodney I. Lee (Registered Representative, Lynchburg, Virginia) submitted an Offer of Settlement pursuant to which he was fined \$2,500, suspended from association with any NASD member in any capacity for three months, and required to pay \$10,000 in restitution to an individual. Without admitting or denying the allegations, Lee consented to the described sanctions and to the entry of findings that he borrowed \$10,000 from a public customer and misrepresented to the customer that he would repay the loan. The NASD found that Lee wrote two checks totaling \$10,225 and when the customer attempted to cash the checks, his bank would not honor them due to insufficient funds.

Garry C. Loomis, Sr. (Associated Person, Lisbon, Connecticut) was fined \$25,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Loomis made personal use of customer funds. Loomis also failed to respond to NASD requests for information.

Timothy L. Meyer (Registered Representative, Westlake, Louisiana) submitted an Offer of Settlement pursuant to which he was fined \$25,000, barred from association with any NASD member in any capacity, and required to pay \$785.75 in restitution to a member firm. Without admitting or denying the allegations, Meyer consented to the described sanctions and to the entry of findings that he received from public customers a \$1,263 check representing insurance premiums, failed to submit the full amount to his member firm and, instead, converted \$785.75 of the funds for his own use and benefit without the customers' knowledge or consent. The findings also stated that Meyer submitted a completed insurance application to his member firm on a public customer's behalf and signed the customer's name to the application without the knowledge or consent of the customer. The NASD also found that Meyer failed to respond to NASD requests for information.

Pashko Mrnaci (Registered Principal, Yonkers, New York) 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, Mrnaci consented to the described sanction and to the entry of findings that he took the Series 7 exam for another individual.

Craig L. Niebuhr (Registered Representative, Murray, Utah) submitted an Offer of Settlement pursuant to which he was fined \$10,000, suspended from association with any NASD member in any capacity for five business days, required to disgorge \$12,000 to the NASD, and required to requalify by exam as a general securities sales representative. Without admitting or denying the allegations, Niebuhr consented to the described sanctions and to the entry of findings that he maintained a securities account with a member firm other than his employer and executed transactions in this account, but failed to notify his member firm of this account in writing. The findings also stated that Niebuhr participated in business activities outside the scope of his relationship with his member firm without providing prompt written notice to the firm. The NASD also determined that Niebuhr sold shares of a security to another individual for compensation without providing prior written notice of, and without receiving approval from his member firm to participate in this transaction.

Stephen M. Phelps, Sr. (Registered Representative, Rustburg, Virginia) 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, Phelps consented to the described sanctions and to the entry of findings that he failed to respond to NASD requests for information about his termination from a member firm.

Wendy Kay Probstfield (Registered Representative, Yacolt, Washington) 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, Probstfield consented to the described sanctions and to the entry of findings that she failed to respond to NASD requests for information about her termination from a member firm.

Atiq Ur Rahman (Associated Person, Pasadena, California) was fined \$40,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Rahman participated in private securities transactions while failing to provide prompt written notification to his member firm before participating in such transactions. Rahman also failed to respond to NASD requests for information.

Donald K. Railsback (Registered Representative, Salt Lake City, Utah) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$100,000, barred from association with any NASD member in any capacity, and required to continue paying restitution pursuant to previous agreement. Without admitting or denying the allegations, Railsback consented to the described sanctions and to the entry of findings that while acting in a fiduciary capacity with respect to funds entrusted to him for management and investment, he invested the funds in a manner contrary to the instructions and expectations of the beneficial owners and used a portion of the funds for his own benefit.

James Arthur Revels (Registered Representative, San Diego, California) submitted an Offer of Settlement pursuant to which he was fined \$4,672.50 and suspended from recommending any transactions in penny stock for two years. Without admitting or denying the allegations, Revels consented to the described sanctions and to the entry of findings that he effected \$12,705 in penny stock transactions for public customers in contravention of SEC Rule 15g.

Nancy L. Rizza (Registered Representative, Quincy, Massachusetts) submitted a Letter of Acceptance, Waiver and Consent 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, Rizza consented to the described sanctions and to the entry of findings that, without the knowledge or consent of her member firm, she misappropriated \$3,680.03 from the firm's account.

David A. Roth (Registered Representative, Centreville, Virginia) submitted an Offer of Settlement 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, Roth consented to the described sanctions and to the entry of findings that he falsified account statements of public customers by reflecting corrections that had not occurred.

David F. Sowers (Registered Representative, Coralville, Iowa) 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, Sowers consented to the described sanctions and to the entry of findings that he obtained \$130,000 from life insurance policies of three public customers without their knowledge or authorization. The NASD determined that Sowers used the funds to pay premiums on several insurance policies owned by a public customer and retained \$3,000 to reimburse himself for personal funds he had used to pay premiums on insurance policies owned by the customer.

William Douglas Stirrat (Registered Representative, Creve Coeur, Missouri) 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, Stirrat consented to the described sanctions and to the entry of findings that he received from a public customer checks totaling \$52,039.01 to pay life insurance policy premiums. The NASD determined that Stirrat did not apply the funds as instructed and instead, deposited the checks into his personal or business bank accounts and used some of the customer's funds for personal expenses.

Beatrice Lynn Stonebanks (Registered Representative, Los Lunas, New Mexico) submitted a Letter of Acceptance, Waiver and Consent pursuant to which she was fined \$100,000, barred from association with any NASD member in any capacity, and must pay \$792,000 in restitution to four entities. Without admitting or denying the allegations, Stonebanks consented to the described sanctions and to the entry of findings that she obtained \$792,000 from four entities by representing that such funds would be used to purchase certificates of deposit. Contrary to such representations, Stonebanks deposited the funds for her own benefit into one or more bank accounts of an entity she solely or jointly controlled. The findings also stated that Stonebanks conducted a business through an entity that represented itself and functioned as a broker/dealer without complying with the broker/dealer registration provisions of the Securities Exchange Act of 1934.

Kevin Marshall Sylvia (Associated Person, San Luis Obispo, California) was fined \$32,500, barred from association with any NASD member in any capacity, and ordered to pay \$2,500 in restitution to a customer. The sanctions were based on findings that Sylvia received from a public customer \$2,500 for the purchase of stock, failed to purchase the stock and, instead, cashed the check and converted the funds. To conceal the conversion, Sylvia fabricated a customer confirmation statement that falsely represented the stock had been purchased for the customer when in fact, the shares had not been purchased for the customer and no such account existed. Sylvia also failed to respond to NASD requests for information.

Michael P. Tchou (Registered Representative, North Potomac, Maryland) submitted an Offer of Settlement 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, Tchou consented to the described sanctions and to the entry of findings that he withdrew \$600 from a cash drawer under his control as an employee at a bank and converted the funds for his own use.

Gene Todd (Registered Representative, Chula Vista, California) was fined \$30,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Todd failed to appear at the NASD for on-the-record interviews.

Juan Bautista Torres (Registered Representative, Bronx, New York) was fined \$25,091.65 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Torres collected from policyholders \$91.65 for premium payments, failed to deposit the funds in the policyholders' accounts and instead, converted the funds for his own use. Torres also failed to respond to NASD requests for information.

Andrew V. Vellios (Registered Representative, Brooklyn, New York) was fined \$58,500, barred from association with any NASD member in any capacity, and ordered to pay \$7,764 in restitution to a member firm. The sanctions were based on findings that Vellios submitted to his member firm 31 insurance policy applications, 29 that were for fictitious persons or for persons who did not reside or work at the addresses listed on the application, and checks which were all dishonored by the banks. Submission of the false applications and checks to his member firm caused Vellios to receive approximately \$7,764 in commissions to which he was not entitled. Vellios also failed to respond to NASD requests for information.

David Keith Weaver (Registered Principal, La Junta, Colorado) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$25,000, required to disgorge \$60,251.82, and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Weaver consented to the described sanctions and to the entry of findings that he participated in soliciting the purchase of shares of stock outside the scope of his employment with his member firm without providing prior written notice to the firm of his participation in such activities. The NASD also found that Weaver failed to provide full and complete responses to NASD requests for information.

Richard W. Wells, Sr. (Registered Representative, Rockwall, Texas) submitted an Offer of Settlement pursuant to which he was fined \$41,800, suspended from association with any NASD member in any capacity for 10 business days, and required to pay \$41,800 in restitution which will be credited towards the fine. Without admitting or denying the allegations, Wells consented to the described sanctions and to the entry of findings that he recommended the purchase of warrants to a public customer without having reasonable grounds to believe that the transaction was suitable for the customer in light of the speculative nature of the security, the customer's age, financial status, needs, and investment objectives. The findings also stated that Wells effected the purchase of the warrants on margin in a customer's account without having been authorized to effect margin transactions and without a duly executed margin agreement. The NASD found that Wells effected unauthorized transactions in another customer's account without the customer's knowledge or consent, exercised control over the account, and recommended the unauthorized transactions without having reasonable grounds to believe that such recommendations were suitable for the customer in light of the nature of the options, the size and frequency of the transactions, and the customer's financial situation, needs and investment objectives.

Richard W. Wells, Sr. (Registered Representative, Rockwall, Texas) submitted an Offer of Settlement pursuant to which he was fined \$15,000, ordered to disgorge \$11,774.50 in commissions, required to pay \$12,686.50 in restitution to customers, and suspended from association with any NASD member in any capacity for 20 business days. Without admitting or denying the allegations, Wells consented to the described sanctions and to the entry of findings that he effected options transactions in the accounts of public customers without obtaining the appropriate documentation and the necessary account approval. The findings also stated that Wells effected unsuitable options transactions in these accounts.

Franklin N. Wolf (Registered Principal, New Vernon, New Jersey) submitted an Offer of Settlement pursuant to which he was fined \$500,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Wolf consented to the described sanctions and to the entry of findings that he effected transactions in a common stock at prices that were unfair and not reasonably related to the prevailing market price of the securities and engaged in fraudulent and deceptive practices in connection with the transactions.

Willie Lee Wyatt (Registered Representative, Gary, Indiana) was fined \$10,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Wyatt received \$1,932.15 from a public customer with instructions to use the funds for variable insurance policies. Wyatt failed to follow said instructions and used the funds for a purpose other than the benefit of the customer.

Robert Zakian (Registered Representative, Scottsdale, Arizona) 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 with the right to reapply after two years in any representative capacity and in any principal capacity after five years. Without admitting or denying the allegations, Zakian consented to the described sanctions and to the entry of findings that while taking the Series 24 exam, he used unauthorized exam materials.

Individuals Fined

Michael J. Dormanen (Registered Principal, Tucson, Arizona) was fined \$15,000, ordered to disgorge \$4,478.08 to the NASD, and ordered to pay \$2,076.45 in restitution to a customer. The NBCC imposed the sanctions following appeal of a Denver DBCC decision. The sanctions were based on findings that Dormanen recommended the purchase of securities on margin to a customer without having reasonable grounds for believing that the recommendations were suitable for the customer.

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

Craig F. Edelman (Registered Representative, Littleton, Colorado) was fined \$20,000 and required to disgorge \$1,837 to the NASD. The sanctions were based on findings that Edelman caused transactions to be effected in the account of a public customer and received commissions for these transactions prior to his effective registration with the NASD. Edelman also failed to disclose a felony conviction on his Form U-4.

Dennis Patrick Hipps (Registered Representative, Pacifica, California) submitted an Offer of Settlement pursuant to which he was fined \$45,000. Without admitting or denying the allegations, Hipps consented to the described sanction and to the entry of findings that he recommended to a public customer the purchases and sales of mutual funds without having reasonable grounds for believing that the recommendations were suitable for the

customer based on the customer's security holdings, financial situation, needs, and the number of transactions.

Jose Padilla (Registered Principal, Denver, Colorado) submitted an Offer of Settlement pursuant to which he was fined \$10,000. Without admitting or denying the allegations, Padilla consented to the described sanction and to the entry of findings that he failed to supervise adequately the activities of a registered representative to detect and prevent excessive trading. Padilla also failed to establish, maintain, and enforce written procedures to supervise the activities of registered representatives to prevent and detect excessive trading activity.

Erik Wilhelm Wachtmeister (Registered Representative, New York, New York) submitted an Offer of Settlement pursuant to which he was fined \$10,000. Without admitting or denying the allegations, Wachtmeister consented to the described sanction and to the entry of findings that he participated in private securities transactions and failed to provide prompt, written notification to his member firm of his participation in such activities.

Bradley D. Whitener (Registered Representative, Memphis, Tennessee) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$10,000. Without admitting or denying the allegations, Whitener consented to the described sanction and to the entry of findings that he effected unauthorized transactions for the account of a public customer.

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

Regency Capital Group, Inc. , Glendale, California

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 (formerly Article IV, Section 5 of the NASD Rules of Fair Practice) and Article VII, Section 2 of the NASD By-Laws. The date the suspension commenced is listed after each entry. If the firm has complied with the requests for information, the listing also includes the date the suspension concluded.

William G. Ceas & Company, Barrington, Illinois (May 31, 1996)
Hampton Capital Management, Stamford, Connecticut (May 31, 1996)
John Thomas Kerbey, Co. , Laporte, Texas (May 31, 1996)
Morstrat Securities, Tustin, California (June 17, 1996)
Ridgewood Capital Fundings, New York, New York (May 31, 1996)

Suspension Lifted

The NASD has lifted suspension from membership on the date shown for the following firm, because it has complied with formal written requests to submit financial information.

International Capital Markets Group, Inc. , Chicago, Illinois (May 24, 1996)

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

Paul M. Byatt, Irving, Texas
Michael A. Doherty, San Antonio, Texas
Jonathan Hyde, Murry Hills, New Jersey
Cynthia D. Phillips, Woodland Hills, California
Alberto W. Vandermije, New York, New York
Salvatore A. Venezia, Castle Rock, Colorado
Sandra S. Venezia, Castle Rock, Colorado

Individual Whose Registration Was Canceled/Suspended Pursuant To NASD Rule 9622 For Failure To Pay Arbitration Awards

The date the suspension commenced is listed after each entry.

Steven O. Sparks, Thousand Oaks, California (June 12, 1996)

Hull Trading Co., L.L.C. Fined And Suspended As Order-Entry Firm From SOES

NASD Regulation, Inc. (NASD Regulation) announced that it has taken disciplinary action against **Hull Trading Co., L.L.C.**, of Chicago (HULL). HULL was sanctioned for violating Small Order Execution System (SOESSM) rules by improperly using SOES to unwind a stock basket at the market's opening on expiration of the Nasdaq-100[®] (NDX) option and the Russell 2000 (RUT) option in an attempt to sell each security underlying the NDX and the RUT at its opening price.

"Any type of questionable trading activity surrounding the expiration of the Nasdaq-100 and any other derivative products will be identified and thoroughly reviewed. The potential harm from such trading activity cannot be tolerated as investors must be able to rely unconditionally on the quality of information relating to prices disseminated on The Nasdaq Stock MarketSM," said Mary L. Schapiro, NASD Regulation President.

Pursuant to disciplinary action taken by the Market Surveillance Committee, HULL submitted a Letter of Acceptance, Waiver and Consent (AWC) in which it consented to findings of facts and violations while neither admitting nor denying the allegations therein. Sanctions imposed against HULL include a censure; a fine of \$500,000; a suspension from utilizing SOES as an order-entry firm for a period of six months; an undertaking to revise its written supervisory procedures in the OTC area of the firm; and, for a period of six months from the date this AWC is accepted by NASD Regulation, provide a report to the Market Regulation Department on the day before expiration describing the unwinding of any stock basket transactions or program trading scheduled to occur on expiration of the NDX and RUT.

Specifically, HULL consented to findings that on the September 1994 expiration Friday of the NDX and RUT, HULL effected 144 transactions through SOES in 110 securities in an attempt to sell the securities at the opening price of each security. HULL's efforts to sell those securities at the opening price were successful in 70 securities. HULL also consented to findings that on the October 1994 expiration Friday of the NDX, it effected 98 transactions through SOES in 98 securities also in an attempt to sell the securities at the opening price of each security. HULL's efforts to sell those securities at the opening price were successful in 56 securities. HULL engaged in the opening-of-day transactions, as described above, in an attempt to sell securities at the opening price for each security.

The settlement price of the NDX and the RUT is based on the opening price of the stocks underlying the options on the date of expiration. HULL had determined to hedge certain risks connected with its NDX and RUT options activity by purchasing small amounts of the stocks

underlying the NDX and RUT with the intent of unwinding these stock baskets at the market's opening on expiration in an attempt to obtain the opening price of the securities underlying the NDX and the RUT options. HULL determined that it would be best able to obtain the opening price by entering sell orders through SOES, even though such transactions were being entered for the firm's index portfolio account, a "non-public customer." HULL's improper use of SOES to unwind these stock baskets at the market's opening on expiration, resulted in HULL selling the securities at the opening price in 70 and 56 of those stocks underlying the NDX upon its expiration on September 16, 1994, and October 21, 1994, respectively. Such trading activity is contrary to high standards of commercial honor and just and equitable principles of trade in violation of NASD Rule 2110 (formerly Article III, Section 1 of the NASD Rules of Fair Practice).

In addition, HULL consented to findings that during the period from September 1 through October 31, 1994, it executed 385 orders through SOES for the account of its Index Portfolio Account, a non-public customer in violation of NASD Rule 4730 (formerly Section (c)3.(C) of the Rules of Practice and Procedure for SOES) and NASD Rule 2110, with each transaction constituting a separate and distinct violation. Hull also consented to findings that during the period from September 1 through October 31, 1994, HULL, on 25 occasions, entered transactions into SOES that exceeded the SOES maximum order-size requirements for orders entered into SOES in violation of NASD Rule 4730 and NASD Rule 2110.

Finally, HULL consented to findings that it failed to establish, maintain, and enforce supervisory procedures that would have enabled it to assure compliance with the federal securities laws and rules, and the rules of the Association to deter and detect the conduct described above in violation of NASD Rules 2110 and 3010 (formerly Article III, Sections 1 and 27 of NASD Rules of Fair Practice).

"As evidenced by the sanctions imposed in this action, this type of improper trading activity will be met with severe sanctions. The review of trading at the opening of the market on the expiration of certain options for possible fraud, manipulation, marking-the-opening, and other improper trading activity is an important part of our overall surveillance responsibilities," said James M. Cangiano, Senior Vice President, Market Regulation.

The Market Regulation Department's Options/Derivatives Surveillance Section investigated this matter.