

Monthly Disciplinary Actions December 1996

NASD Regulation, Inc. (NASD Regulation) 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, December 16, 1996. The information relating to matters contained in this Notice is current as of the end of November. Information received subsequent to the end of November is not reflected in this edition.

Firm Expelled

Rothschild Global Investments, Inc. (Tampa, Florida) was fined \$25,000 and expelled from membership in the NASD. The sanctions were based on findings that the firm conducted a securities business while failing to maintain its minimum required net capital and filed inaccurate FOCUS Part I and IIA reports with the NASD. The firm also prepared an inaccurate general ledger, trial balance, and net capital computation and failed to give telegraphic notice of its net capital deficiency.

Firm Fined, Individual Sanctioned

Everest Securities, Inc. (Minneapolis, Minnesota) and Jeanne Alyce Kunkel (Registered Principal, Minneapolis, Minnesota). The firm and Kunkel were fined \$15,000, jointly and severally and required to pay \$22,500 in restitution. Kunkel was barred from association with any NASD member in a principal capacity and required to requalify by exam as a registered representative. The Securities and Exchange Commission (SEC) affirmed the sanctions following appeal of a September 1994 National Business Conduct Committee (NBCC) decision. The sanctions were based on findings that the firm and Kunkel offered and sold securities using documents that were misleading. The firm, acting through Kunkel, also failed to maintain accurate books and records. This action has been appealed to a United States Court of Appeals, and the sanctions, other than the bar, are not in effect pending consideration of the appeal.

Firm And Individual Fined

The Trading Desk, Inc. (Englewood, Colorado) and Jerry W. Manning (Registered Principal, Englewood, Colorado). The firm was fined \$75,000 and Manning was fined \$10,000. The sanctions were based on findings that the firm engaged in a series of purchases and sales transactions involving margin trading of government securities derivatives with institutional customers that were speculative and excessive in size and frequency and were unsuitable for the customers on the basis of their investment objectives, financial situations, and needs. Furthermore, the firm, acting through Manning, failed to properly supervise the activities of a registered representative.

Individuals Barred Or Suspended

Charles E. Anderson, Jr. (Registered Representative, Seneca, South Carolina) was fined \$20,000 and barred from association with any NASD member in any capacity. The

sanctions were based on findings that Anderson failed to respond to NASD requests for information about his termination from a member firm.

Terrance L. Areford (Registered Representative, Morgantown, West Virginia) submitted an Offer of Settlement 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, Areford consented to the described sanctions and to the entry of findings that he affixed the signature of a public customer to an application for a variable annuity and submitted the application to his member firm without the authorization or consent of the customer.

Charles T. Birdsong (Registered Representative, Tampa, Florida) was fined \$5,000 and suspended from association with any NASD member in any capacity for 30 days. The sanctions were based on findings that Birdsong promised two public customers that he would reimburse them for the losses they incurred in their securities accounts and sent checks totaling \$11,350 to the customers to cover margin calls in their accounts.

Birdsong's suspension began November 18, 1996 and concluded December 17, 1996.

Jeffrey N. Boone (Registered Representative, Mt. Juliet, Tennessee) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$3,740 and suspended from association with any NASD member in any capacity for one month. Without admitting or denying the allegations, Boone consented to the described sanctions and to the entry of findings that he recommended and engaged in purchase transactions for public customers without receiving an acknowledgement in writing from the customers that they understood that such purchases could have been executed at a reduced sales charge at certain breakpoint levels. The NASD found that Boone did not have reasonable grounds for believing that these recommendations and resultant transactions were suitable for the customers based on their financial situation, investment objectives, and needs. The findings also stated that Boone sent correspondence to public customers before obtaining written supervisory approval of the correspondence from a principal of his member firm.

Charles H. Boyd (Registered Principal, Baltimore, Maryland) was fined \$50,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Boyd affixed the endorsements of public customers on a \$25,000 check and deposited the check to a bank account of a corporation in which he had an ownership interest without the prior authorization of the customers. Boyd also failed to respond to NASD requests for information.

John S. Brownson, Jr. (Registered Representative, North Miami Beach, Florida) was fined \$30,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Brownson opened a securities account with his member firm under a false customer name and failed to disclose that the address and telephone number on the account card was the old office address and telephone of another individual who controlled the account.

Edwin G. Carpenter, II (Registered Representative, Philadelphia, Pennsylvania) 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, Carpenter consented to the described sanctions and to the entry of findings that he failed to respond to NASD requests to appear and provide testimony in connection with an investigation.

Clayton L. Chamberlain (Registered Representative, Fulton, New York) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Chamberlain failed to respond to NASD requests for information about customer complaints.

Christopher C. Chaney (Registered Representative, Jessup, Maryland) was fined \$25,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Chaney purchased shares of stock for the account of a public customer without the customer's knowledge or consent. Chaney also failed to respond to NASD requests for information.

Michael G. Cohen (Registered Principal, Philadelphia, Pennsylvania) 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, Cohen consented to the described sanctions and to the entry of findings that he failed to respond to NASD requests to provide testimony.

Francis P. Collins (Registered Representative, Drexel Hill, Pennsylvania) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$250,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Collins consented to the described sanctions and to the entry of findings that he distributed internal summaries to registered representatives regarding recommended stocks that failed to disclose material risks and material adverse financial information about the stocks. The findings also stated that Collins discouraged registered representatives from doing their own research into recommended stocks and gave scripts to registered representatives about stocks for use in their sales presentations to public customers containing price predications, material omissions, and material misrepresentations. Furthermore, the NASD found that Collins discouraged registered representatives from processing unsolicited sell orders from customers and encouraged or permitted registered representatives he supervised to execute unauthorized trades in customer accounts to purchase recommended stocks.

John R. Cox (Registered Representative, Unionville, Pennsylvania) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Cox failed to respond to NASD requests for information about allegations by policyholders of misrepresentation and unauthorized loan transactions.

Michael F. Fuoco (Registered Representative, Cherry Hill, New Jersey) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Fuoco failed to respond to NASD requests for information.

Maureen Galligan (Registered Representative, San Diego, California), **Gerald Seroy** (Registered Representative, Basking Ridge, New Jersey), and **Jeffrey K. Trilling** (Registered Representative, Rockville, Maryland) submitted Offers of Settlement pursuant to which Galligan was fined \$6,567.15 and suspended from recommending any transactions in penny stocks for one year. Seroy was fined \$2,552.94 and suspended from recommending any transactions in penny stocks for one year, and Trilling was fined \$2,812 and suspended from recommending any transactions in penny stocks for one year. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that Galligan, Seroy, and Trilling effected \$54,480 in penny stock transactions for public customers in contravention of Section 15(g) of the Securities Exchange Act of 1934.

Samuel Allen Goldsmith (Registered Representative, San Francisco, California) 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, Goldsmith consented to the described sanctions and to the entry of findings that he effected the improper transfer of customer funds and thereby caused the misuse of the funds. The findings also stated that Goldsmith failed to respond to NASD requests for information.

Lynn B. Hall (Registered Representative, San Francisco, California) submitted a Letter of Acceptance, Waiver and Consent pursuant to which she was fined \$50,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Hall consented to the described sanctions and to the entry of findings that she signed customer names to life insurance policies and to a request for policy cancellation form without the customers' knowledge or consent.

Anthony D. Hammond (Registered Representative, Owings Mills, Maryland) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Hammond failed to respond to NASD requests for information about customer complaints.

Karen Shaolin Hsieh (Registered representative, Hercules, California) submitted a Letter of Acceptance, Waiver and Consent pursuant to which she was fined \$500,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Hsieh consented to the described sanctions and to the entry of findings that she effected the improper transfer of customer funds and thereby caused the misuse of the funds.

Robert C. Intrieri (Registered Representative, North Wales, Pennsylvania) submitted an Offer of Settlement 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, Intrieri consented to the described sanctions and to the entry of findings that, without the prior authorization or consent of public customers, he affixed signatures purporting to be those of the customers to insurance forms and thereafter submitted them to his member firm.

John T. Jarvis (Registered Representative, Pittsburgh, Pennsylvania) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Jarvis failed to respond to NASD requests for information about customer complaints.

Dean R. Jennings (Registered Representative, Tolland, Connecticut) 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, Jennings consented to the described sanctions and to the entry of findings that he facilitated loan distributions from insurance and annuity policies of public customers totaling \$5,316.39 and caused the checks to be cashed or deposited to his account for his personal use and benefit without the knowledge or consent of the customers.

James Henry Jones, Jr. (Registered Representative, St. Petersburg, Florida) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Jones failed to respond to NASD requests for information about customer complaints.

Lester H. Lane (Registered Principal, Englewood, Colorado) was fined \$10,000 and suspended from association with any NASD member in any principal capacity for one year. The sanctions were based on findings that Lane caused and permitted his member firm to violate its restriction agreement.

James A. Madorma (Registered Representative, Wellington, Florida) was fined \$30,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Madorma effected or caused to be effected purchase transactions in the account of a public customer without the customer's prior knowledge or authorization. Madorma also failed to respond to an NASD request for information.

Russell Charles Martin (Registered Representative, Miami Beach, Florida) was fined \$10,000, suspended from association with any NASD member in any capacity for 30 days, and ordered to requalify by exam as a general securities sales representative. The sanctions were based on findings that Martin effected or caused to be effected the purchase of warrants in the joint account of public customers without their prior knowledge or authorization.

Joseph K. McCusker (Registered Representative, Center Conway, New Hampshire) 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, McCusker consented to the described sanctions and to the entry of findings that he forged customer signatures on insurance policy dividend checks totaling \$505.46 without the customers' knowledge or consent.

Robert R. McMurtrie (Associated Person, Voorhees, New Jersey) was fined \$250,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that McMurtrie engaged in a fraudulent scheme to misstate his member firm's reported assets, capital, and net capital, thereby concealing its actual financial condition. McMurtrie's aforementioned conduct enabled his member firm to effect securities transactions while failing to maintain its required level of net capital. McMurtrie also failed to respond to NASD requests for information.

Edward Milman (Associated Person, Granada Hills, California) 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, Milman consented to the described sanctions and to the entry of findings that he arranged to have an imposter take the Series 7 exam for him. The findings also stated that Milman failed to respond to NASD requests for information.

Stacy Gene Nettinga (Registered Representative, Mitchell, South Dakota) submitted an Offer of Settlement pursuant to which he was fined \$100,000, barred from association with any NASD member in any capacity, and required to pay \$18,500 in restitution. Without admitting or denying the allegations, Nettinga consented to the described sanctions and to the entry of findings that he failed to respond to NASD requests for information. The findings also stated that, without the knowledge or consent of public customers, Nettinga misused customer funds totaling \$22,000 by changing their address to a post office box and either sending checks to that address or transferring funds between customer accounts.

Dennis F. Nuss (Registered Representative, Maspeth, New York) 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. Without admitting or denying the allegations, Nuss consented to the described sanctions and to the

entry of findings that he misappropriated and converted customer funds totaling \$350,000 for his own use and benefit without the knowledge or consent of the customers. The findings also stated that in an effort to conceal his activity, Nuss prepared and sent fictitious confirmations, monthly account statements, and Internal Revenue Service forms to public customers from whom he misappropriated the funds.

Anthony W. Palma (Registered Principal, Ft. Lauderdale, Florida) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Palma submitted false information to the NASD in connection with an investigation.

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

David J. Pawlicki (Registered Representative, Pittsburgh, Pennsylvania) submitted an Offer of Settlement 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, Pawlicki consented to the described sanctions and to the entry of findings that he affixed a customer's signature to a life insurance policy application, a policy delivery receipt, and related documents and submitted the applications to his member firm without the customer's authorization or consent. The findings also stated that Pawlicki, in connection with the submission of the aforesaid application, caused \$302.90 to be withdrawn from another policy owned by the customer and applied to pay the initial annual premium on the new application.

Rick E. Pierson (Registered Principal, Houston, Texas) was fined \$5,000 and suspended from association with any NASD member in any capacity for one week. The sanctions were based on findings that, in connection with purchase and sale transactions of United States government agency securities, Pierson knowingly or recklessly failed to independently determine the market price for the transactions, and in so doing, Pierson participated in, and furthered, an "adjusted trading" scheme. Furthermore, Pierson failed to reflect on his member firm's books and records that these transactions were not effected at the then current market prices.

Roy Allan Rubin (Registered Principal, Collegeville, Pennsylvania) and Joseph Francis Chester, Jr. (Registered Principal, Princeton, New Jersey) submitted Offers of Settlement pursuant to which Rubin was fined \$250,000 and barred from association with any NASD member in any capacity. Chester 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 Rubin and Chester engaged in abusive sales practices and directed, fostered, or induced registered representatives to also engage in abusive sales practices. The findings also stated that Chester engaged in unauthorized trading and directed registered representatives he supervised to engage in unauthorized trading as well. Furthermore, the NASD determined that Rubin and Chester failed to establish, implement, and enforce reasonable procedures to deter or prevent the above violations.

Paul M. Spear (Registered Principal, Redondo Beach, California) was fined \$15,000, suspended from association with any NASD member in any capacity for one year, barred from association with any NASD member in any principal capacity with the right to re-apply after two years, and required to requalify by exam. The sanctions were based on findings that Spear permitted unregistered persons to solicit business for his member firms and

compensated them for the transactions that resulted from their efforts. Furthermore, Spear shared securities commissions with an unregistered entity and solicited members of the public to become customers and place orders to purchase securities by misrepresenting that certain transactions would be executed without charge to the customers when he knew that the price to the customer would include a markup. Spear also induced a customer to purchase stock by projecting and promising future prices in excess of the customer's purchase prices without a reasonable basis and by failing to disclose to the customer the risks associated with the purchase of stock.

Ira Weiner (Registered Representative, Sunrise, Florida) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$145,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Weiner consented to the described sanctions and to the entry of findings that he obtained from a public customer checks totaling \$29,000 intended for the purchase of shares of a common stock, deposited the checks in the bank account of an entity over which he exercised control, and converted the funds for his own use and benefit.

William T. Weiss (Registered Representative, Orangeville, Pennsylvania) submitted an Offer of Settlement pursuant to which he was fined \$50,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Weiss consented to the described sanctions and to the entry of findings that without the authorization or consent of public customers, he affixed or caused to be affixed to checks and a disbursement request form the endorsements of public customers, negotiated the checks, and deposited one of the checks in his bank account.

Michael A. Wynn (Registered Representative, Scottsdale, Arizona) was fined \$18,400, suspended from association with any NASD member in any capacity for 20 business days, required to pay \$30,000 plus interest in restitution to a customer, and required to requalify by exam. The sanctions were based on findings that Wynn recommended to a public customer the purchase of stock that was unsuitable for the customer in light of her investment objectives, financial situation, and needs. Wynn also exercised discretion in the account of a public customer without obtaining written authorization from the customer or written acceptance by his member firm.

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

Helix Securities, Inc., Salt Lake City, Utah

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 each entry. If the firm has complied with the requests for information, the listing also includes the date the suspension concluded.

Amerifidelity Securities, Orlando, Florida (November 22, 1996)

Avatar Financial Group, Ltd, Blue Bell, Pennsylvania (November 22, 1996)

Benson Maxwell Financial, Bellevue, Washington (November 22, 1996)
Colwell Partners, Inc., Tustin, California (November 22, 1996)
C.K. Cooper & Company, Inc., Lakeport, California (November 22, 1996)
T.E. Desmond Co., Hartford, Connecticut (November 22, 1996)
Dougherty & Company, Inc., New York, New York (November 22, 1996)
Innovative Consulting, Sligo, Pennsylvania (November 22, 1996)
Kitef Investments Co., Ingelwood, California (November 22, 1996)
John A. Levin & Co., Inc., New York, New York (November 22, 1996)
Nova Financial, Inc., Salt Lake City, Utah (November 22, 1996)
Old Naples Securities, Inc., Naples, Florida (November 22, 1996)
Pan American Securities, Inc., New York, New York (November 22, 1996)
Stonington Partners Group, New York, New York (November 22, 1996)

Suspensions Lifted

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

Conservative Securities Company, Colorado Springs, Colorado (October 25, 1996)
Trinity Group Securities, Inc., Mendham, New Jersey (October 31, 1996)

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

Peter C. Bucchieri, Las Vegas, Nevada
Salvatore J. Cannatella, Williamsville, New York
Edward W. Cheatwood, Thousand Oaks, California
Troy Wayne Collins, Houston, Texas
Patricia L. Faulkner, Salt Lake City, Utah
David M. Gass, White Plains, New York
Carol Karp Goodman, Los Angeles, California

Michael S. Hall, Lake Forest, California

Lamar Jones, Midwest City, Oklahoma

Willard N. Kilgrow, Draper, Utah

Robert J. Laws, New York, New York

Scott E. Lencz, Studio City, California

Raymond H. Lubeck, Jr., San Francisco, California

Marcel A. Martinez, Jr., Maple Valley, Washington

John G. Pearce, West Palm Beach, Florida

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

Paul A. Laude, Long Beach, New York

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

NASD Regulation, Inc. (NASD Regulation) announced that it has censured and barred nine individuals suspected of paying an impostor to take a qualification examination on their behalf. In addition, each individual was fined in amounts ranging from \$25,000 to almost \$490,000. Fines included \$25,000 for cheating on the examination, \$25,000 for failure to respond, and forfeiture of all commissions earned while the individual functioned in a registered capacity.

The disciplinary action is a continuation of an earlier investigation, which resulted in the barring and fining of 12 registered representatives. The investigation was conducted by the NASD Regulation New York District Office, which identified several individuals suspected of having paid an impostor to take a qualifying examination on their behalf. "Industry rules require that securities professionals who deal with the public pass certain examinations designed to test their knowledge of the securities markets and regulations. These examinations are an important feature of the investor protection framework. In a business built on trust and confidence, there is no room for any person who would cheat on the exam," said Mary L. Schapiro, president of NASD Regulation.

Upon identification, each of the nine individuals listed were ordered to appear immediately for on-the-record testimony to answer questions regarding the qualification examination at issue. Seven of the nine either refused to appear at the interview or appeared but refused to answer questions.

The individuals who have been barred are:

Christopher Avena

Eric Balonik

Charles V. Betta

Charles F. Cacioppo

Chance Miglino

Charles Ouanounou

Peter J. Reynolds

Mario Russo

Russell Walker

NASD Regulation is continuing its investigation and more disciplinary action is expected soon.