

Monthly Disciplinary Actions November 1996

Unless otherwise indicated, suspensions will begin with the opening of business on Monday, November 18, 1996. The information relating to matters contained in this Notice is current as of October 28, 1996. Information received subsequent to the 28th is not reflected in this edition.

Firms Suspended, Individuals Sanctioned

Euro-Atlantic Securities Inc. (Boca Raton, Florida) and David Paul Melillo (Registered Principal, Pinellas Park, Florida) submitted a Letter of Acceptance, Waiver and Consent pursuant to which they were fined \$10,000, jointly and severally. The firm was also suspended from recommending transactions in any penny stocks to customers for two years and required to establish written procedures to govern compliance with Section 15(g) of the Securities Exchange Act of 1934 and the rules and regulations thereunder. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Melillo, failed to establish, maintain, and enforce adequate written procedures with respect to compliance with the requirements of Section 15(g) and the rules and regulations promulgated there under.

Firms Fined, Individuals Sanctioned

Kessler-Ehrlich Investments, Inc. (Denver, Colorado) and Joel Ehrlich (Registered Principal, Denver, Colorado) submitted a Letter of Acceptance, Waiver and Consent pursuant to which they were fined \$20,000, jointly and severally. Ehrlich also must requalify as a general securities principal. The firm was required to hire a compliance officer with experience in compliance matters related to sales and trading practices for collateralized mortgage obligations and an independent consultant who shall review and report at three-month intervals on the firm's trading activities and practices and its method of recording the same, for one year. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Ehrlich, failed to maintain accurate books and records.

Firms Fined

Geneva Securities, Inc. (Schaumburg, Illinois) was fined \$15,000 and required to have the supervisor of a registered representative qualify by exam as a municipal securities principal or cease acting in such capacity until he so qualifies. The sanctions were based on findings that the firm effected sales and purchases of various municipal bonds with public customers as principal at prices that were unfair and unreasonable taking into consideration all relevant factors.

Individuals Barred or Suspended

Sotero Reynera Acedo (Registered Representative, El Cajon, California) was fined \$100,000, barred from association with any NASD member in any capacity, and ordered to reimburse a member firm \$29,431.65. The sanctions were based on findings that Acedo received a \$31,000 check from a public customer made payable to Acedo for the purchase of an annuity. Acedo deposited the check into his personal bank account without the customer's knowledge or consent, applied \$1,568.35 of the funds towards the initial premium of a whole life insurance policy, and converted \$29,431.65 for his own use.

Nigel Michael Anderson (Associated Person, Brooklyn, New York) was fined \$30,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Anderson effected the purchase of stock on behalf of public customers in violation of the Securities and Exchange Commission (SEC) Penny Stock Rules in that he solicited investors to purchase penny stock and accepted orders from customers without benefit of registration with the NASD in any capacity. Anderson also failed to respond to NASD requests for information.

Dale Leon Bachman (Registered Representative, San Antonio, Texas) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$11,000 and suspended from association with any NASD member in any capacity for two weeks. Without admitting or denying the allegations, Bachman consented to the described sanctions and to the entry of findings that he participated in a private securities transaction with a customer without obtaining the approval of his member firm.

Bradley Dean Barnes (Registered Representative, Fresno, California) was fined \$50,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Barnes signed insurance customers' signatures to insurance applications and submitted the applications to his member firm. Barnes also signed customers' signatures to checks totaling \$652.03 and deposited the checks in his own bank account.

Edmund Galvez Barnes (Registered Representative, San Bruno, California) was fined \$2,500 and suspended from association with any NASD member in any capacity until such time as the fine has been paid. The National Business Conduct Committee (NBCC) imposed the sanctions following review of a San Francisco District Business Conduct Committee (DBCC) decision. The sanctions were based on findings that Barnes deposited and attempted to deposit checks belonging to his member firm totaling \$2,126.67 into his personal account at his member firm.

Barnes' suspension began August 1, 1996 and will conclude when the fine is paid.

Thomas Perry Brewer (Registered Representative, Fremont, California) was fined \$72,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Brewer participated in private securities transactions without providing prior written notification to his member firm. Brewer also failed to respond to NASD requests for information.

Kitisak B. Choekivkraikij (Registered Representative, Forest Hills, New York) was fined \$120,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Choekivkraikij received \$112,711.31 from a public customer for the purchase of mutual fund shares and instead, converted the funds for his own use by depositing the funds into his personal account.

Mara E. Cortes (Registered Representative, Naperville, Illinois) was fined \$10,000 and suspended from association with any NASD member in any capacity for 30 days and thereafter until such time as she submits proof that an arbitration award has been satisfied or that she has been relieved from further obligation to pay the award. The sanctions were based on findings that Cortes failed to pay a \$100,000 NYSE arbitration award. Cortes also failed to update her Form U-4 promptly and accurately to reflect the award and a subsequent court order enforcing the award.

Cortes' suspension began on September 12, 1996 and concluded October 25, 1996.

Roland V. Coston (Registered Representative, Virginia Beach, Virginia) 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, Coston consented to the described sanctions and to the entry of findings that he engaged in private securities transactions and failed to provide written notice of such transactions to his member firm. The NASD also found that Coston failed to respond to NASD requests for information.

Richard P. Davis (Registered Representative, Sewell, New Jersey) 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 30 days, and required to requalify by exam as an investment company and variable contracts products representative. Without admitting or denying the allegations, Davis consented to the described sanctions and to the entry of findings that he received \$912 from a public customer as an insurance premium payment. According to the findings, Davis lost or misplaced the funds before he submitted the funds to his member firm, causing potential risks to the customer by the nonpayment of the insurance premium and/or lapse of the customer's automobile insurance.

Paul Anthony Dobyne (Registered Representative, Davis, California) was fined \$70,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Dobyne effected the purchase and sale of bonds in the accounts of public customers without their knowledge or consent. Dobyne also failed to respond to NASD requests for information.

James M. Dowdy (Registered Representative, Atlanta, Georgia) submitted an Offer of Settlement pursuant to which he was fined \$5,000, suspended from association with any NASD member in any capacity for 10 business days, and required to requalify by exam. Without admitting or denying the allegations, Dowdy consented to the described sanctions and to the entry of findings that he solicited investors who purchased shares of common stock, without giving prior written notice to or receiving written approval from his member firm of his proposed participation in said transactions. The NASD also determined that Dowdy failed to provide prompt written notification to his member firm that he was president of another member firm.

Nicholas Anthony Fegen (Registered Representative, Waukegan, Iowa) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$60,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Fegen consented to the described sanctions and to the entry of findings that he executed purchases of common stocks for the securities accounts of public customers without the knowledge or consent of the customers. The findings also stated that Fegen made guarantees to public customers as an inducement to purchase shares of a common stock.

Joseph D. Fillmore (Registered Representative, Philadelphia, Pennsylvania) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was suspended from association with any NASD member in any capacity for one year (six months deemed served) and required to requalify by exam as a general securities representative. Without admitting or denying the allegations, Fillmore consented to the described sanctions and to the entry of findings that he recommended to and effected in a customer's account purchases and sales of securities without having reasonable grounds to believe the transactions were suitable for the customer.

Thomas A. Fisher, Jr. (Registered Representative, Amityville, New York) submitted an Offer of Settlement pursuant to which he was fined \$6,000 and suspended from association

with any NASD member in any capacity for five days. Without admitting or denying the allegations, Fisher consented to the described sanctions and to the entry of findings that he sold and purchased stock in a public customer's account without the customer's prior authorization, knowledge, or consent. The findings also stated that Fisher failed to respond to NASD requests for information.

Eric Charles Foley (Registered Representative, Chesterfield, Missouri) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Foley failed to respond to NASD requests for information and to appear for an on-the-record interview at the NASD.

Charles E. French (Registered Representative, Metairie, Louisiana) was fined \$15,000, barred from association with any NASD member in any capacity, and ordered to pay \$50,000 plus interest in restitution to a public customer. The SEC affirmed the sanctions following appeal of a May 1995 NBCC decision. The sanctions were based on findings that French sold a promissory note for \$50,000 to a public customer without prior written notice to and approval from his member firm. French also induced the same customer to purchase the note by making material misrepresentations of fact while failing to provide adequate disclosure to the customer.

Marvin I. Friedman (Registered Principal, La Jolla, California) was fined \$120,000, barred from association with any NASD member in any capacity, and ordered to reimburse his member firm \$815,634.94. The sanctions were based on findings that Friedman received \$990,000 from a public customer to form a limited partnership with the customer, misappropriated \$268,000 of the funds, and failed to deposit into a brokerage account or return \$547,634.94 of the original funds the customer contributed to the partnership. Friedman also failed to respond to NASD requests for information.

Charles E. Gerringer (Associated Person, Elon College, North Carolina) submitted an Offer of Settlement pursuant to which he was fined \$35,000, barred from association with any NASD member in any capacity, and required to pay \$9,134.18 in restitution to a member firm. Without admitting or denying the allegations, Gerringer consented to the described sanctions and to the entry of findings that he received checks totaling \$9,620.18 from public customers with instructions to use the proceeds to pay a life insurance premium and to invest in the customers' IRA accounts. The NASD found that contrary to the customers' instructions, Gerringer converted \$9,134.18 of the proceeds for his own use and benefit without the customers' knowledge or authorization.

Wyatt T. Giardino (Registered Representative, New Haven, Connecticut) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$50,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Giardino consented to the described sanctions and to the entry of findings that he withheld and misappropriated investor funds totaling \$8,731 that were intended for life insurance premium payments.

Clive Gitlin (Registered Representative, Tinton Falls, New Jersey) was fined \$636,356.90, barred from association with any NASD member in any capacity, and ordered to pay \$74,404.67 in restitution to a member firm. The sanctions were based on findings that Gitlin misappropriated for his own use and benefit over \$77,000 in customer funds intended for investment purposes. Furthermore, Gitlin sent a letter to a public customer in which he made false and misleading statements about his qualifications and about his member firm. Gitlin also failed to respond to NASD requests for information.

Charles F. Hoffman (Registered Representative, Eden, Utah) 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, Hoffman consented to the described sanctions and to the entry of findings that he obtained funds from public customers by representing that such funds would be invested for their benefit and instead, he used the funds for his own purposes.

Christopher Jackson (Registered Representative, St. Petersburg, Florida) submitted an Offer of Settlement pursuant to which he was fined \$80,000, barred from association with any NASD member in any capacity, and required to pay \$12,000 in restitution to a member firm. Without admitting or denying the allegations, Jackson consented to the described sanctions and to the entry of findings that he received checks totaling \$12,000 from a public customer for real estate investments and contrary to the customer's instructions, Jackson converted the proceeds of the checks for his own use and benefit without the customer's knowledge or authorization. Jackson also failed to respond to an NASD request for information.

Scott S. Kindig (Registered Representative, York, Pennsylvania) submitted an Offer of Settlement pursuant to which he was fined \$5,000 and barred from being a person associated with a member or an associated person of a member. Without admitting or denying the allegations, Kindig consented to the described sanctions and to the entry of findings that he received premium payments totaling \$252.50 from a policy holder that he failed to remit to his member firm.

Robert M. Leo (Registered Representative, New York, New York) was fined \$40,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Leo opened and signed customer names to Client Agreements without the authorization of the customers and caused the agreements to be filed in his member firm's books and records. Leo also failed to respond to NASD requests for information.

Curtis O. Minnis, Sr. (Registered Representative, Bronx, New York) was fined \$29,500, barred from association with any NASD member in any capacity, and required to pay \$5,900 in restitution to a customer. The sanctions were based on findings that Minnis received an \$8,080 check from a public customer as a premium payment on a variable life insurance policy, deposited the check into his personal bank account, made \$2,180 in payments toward the customer's premium, and used the remaining \$5,900 for his own use and benefit.

James P. Minsky (Registered Representative, New York, New York) was fined \$50,000, barred from association with any NASD member in any capacity, and required to pay restitution to public customers. The sanctions were based on findings that Minsky effected purchases of shares of stock in the accounts of public customers without their knowledge, consent, or authorization. Minsky also failed to execute a customer's order to sell shares of stock.

Michael H. Novick (Registered Principal, Boulder, Colorado) was fined \$52,754.27 and barred from association with any NASD member in any capacity. The SEC affirmed the sanctions following appeal of a December 1995 NBCC decision. The sanctions were based on findings that a former member firm, acting through Novick, effected principal sales of common stocks to public customers at unfair and unreasonable prices. The markups on these transactions ranged from 6 to 97.2 percent over the prevailing market price.

Kelly J. O'Connor (Registered Representative, Bozeman, Montana) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$20,000, barred from

association with any NASD member in any capacity, and required to pay restitution. Without admitting or denying the allegations, O'Connor consented to the described sanctions and to the entry of findings that he sold shares in his private corporation to investors and failed to provide prior written notice to his member firm describing in detail the proposed transactions, his proposed role therein, and whether he would receive selling compensation in connection with the transactions.

David L. Parker (Registered Representative, Plano, Texas) submitted an Offer of Settlement pursuant to which he was suspended from association with any NASD member in any capacity for 45 days, and required to requalify by exam. Without admitting or denying the allegations, Parker consented to the described sanction and to the entry of findings that he executed unauthorized trades in accounts of public customers. The findings also stated that Parker drafted and submitted a letter to a customer in which he guaranteed the customer against losses.

Donald G. Paterno (Registered Representative, Englishtown, New Jersey) was fined \$97,500, barred from association with any NASD member in any capacity, and ordered to pay \$19,500 in restitution to a member firm. The sanctions were based on findings that Paterno forged the signature of a public customer to documents or used a form or forms previously signed in blank by the customer and submitted them to his member firm requesting checks totaling \$19,500 to be issued as partial withdrawals from the customer's annuity, without the customer's knowledge or consent. Paterno thereafter forged the customer's name to the checks, endorsed them, and converted the funds for his own use and benefit.

William J. Reininger (Registered Representative, Agoura, California) and Peter Caraveo, Jr. (Registered Representative, Tarzana, California). Reininger was fined \$20,000 and barred from association with any NASD member in any capacity. Caraveo was fined \$2,000 and suspended from association with any NASD member in any capacity for one year. The sanctions were based on findings that Reininger and Caraveo failed to respond to NASD requests for information.

David M. Rodriguez (Registered Representative, Charlotte, North Carolina) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$5,000 and suspended from association with any NASD member in any capacity for 30 days. Without admitting or denying the allegations, Rodriguez consented to the described sanctions and to the entry of findings that he signed the name of a public customer on forms that initiated loans from a life insurance policy without the customer's prior knowledge or approval.

Michael D. Sachon (Registered Representative, Nesquehoning, Pennsylvania) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$20,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Sachon consented to the described sanctions and to the entry of findings that he forged a fund withdrawal form requesting the withdrawal of funds from an insurance policy owned by a public customer without the customer's knowledge or authorization. The findings also stated that Sachon obtained possession of checks issued to a public customer, forged the customer's signature on the checks, caused the checks to be applied to payment of a premium on a separate insurance policy, and negotiated one of the checks without the customer's knowledge or consent.

David J. Salica (Associated Person, Brooklyn, New York) was fined \$50,000 and barred from association with any NASD member in any capacity. The sanctions were based on

findings that Salica arranged to have an imposter take the Series 62 exam for him. Salica also failed to respond to NASD requests for information.

Edward R. Schnable (Registered Principal, Souderton, Pennsylvania) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$40,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Schnable consented to the described sanctions and to the entry of findings that he engaged in private securities transactions without providing prior written notice to his member firm of the transactions and his proposed role therein. The findings also stated that Schnable received funds from public customers, failed to invest the full amount of each person's funds in securities, and used a portion of the funds for personal purposes and/or in his business activities. Furthermore, the NASD determined that Schnable solicited public customers to execute a document that falsely reflected that the funds they had given him to invest on their behalf constituted a loan. The NASD also found that Schnable failed to respond to NASD requests for information and failed to notify his member firm in writing that he intended to open or in fact had opened a securities account at another member firm.

Howard D. Shapiro (Registered Representative, Tallahassee, Florida) submitted an Offer of Settlement pursuant to which he was fined \$5,000, suspended from association with any NASD member in any capacity for 10 business days, and further suspended until he requalifies by exam. Without admitting or denying the allegations, Shapiro consented to the described sanctions and to the entry of findings that he forged the signature of a public customer on an insurance form. The findings also stated that Shapiro caused an unregistered assistant under his direction to impersonate a public customer to an insurance company without the knowledge or authorization of the customer.

Robert J. Silberman (Registered Representative, Jersey City, New Jersey) was fined \$40,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Silberman engaged in outside business activities and failed to provide prior written notice to his member firm describing the transaction, his proposed role therein, and whether he was receiving compensation for the transaction. Silberman also failed to respond to NASD requests for information.

Michael Somers (Associated Person, New York, New York) was fined \$30,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that during the Series 7 exam, Somers possessed and used certain type written materials containing information relevant to the subject matter of the exam. Somers also failed to respond to NASD requests for information.

Kenneth R. Starnes (Registered Representative, Taylors, South Carolina) 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, Starnes consented to the described sanctions and to the entry of findings that he signed the names of public customers to wire transfer instructions and wired \$20,000 from the joint account of the customers without their knowledge or authorization. The findings also stated that Starnes received a \$350,000 check from a public customer for deposit into a securities account, deposited the check in the account of a company he owned, opened a securities account at his member firm for the customer with a deposit of \$120,000, and converted the remainder of the funds for his own use and benefit. Furthermore, the NASD determined that Starnes engaged in securities transactions outside the scope of his employment with his member firm and without prior written notification to or written approval from his member firm. The NASD also found that Starnes failed to respond to an NASD request for information.

John E. Wilson (Registered Representative, St. Joseph, Missouri) was fined \$83,500 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Wilson received \$25,192.50 from a public customer for the purchase of a variable annuity and to be applied to life insurance premiums. Wilson did not purchase the annuity or apply the monies to the premiums and instead, misused and converted the funds for his own use and benefit without the knowledge or consent of the customer. Wilson also failed to respond to NASD requests for information.

Individuals Fined

Forrest Todd Keady (Registered Representative, Hillsboro, Oregon) submitted an Offer of Settlement pursuant to which he was fined \$15,000. Without admitting or denying the allegations, Keady consented to the described sanction and to the entry of findings that he participated in outside business activities and failed to provide notice to his member firm of such activities. Keady also failed to respond timely to NASD requests for information.

Richard Stephen Lombardi (Registered Representative, Barrington, Illinois) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$25,000 and required to pay \$33,944 in restitution to a member firm. Without admitting or denying the allegations, Lombardi consented to the described sanctions and to the entry of findings that he submitted to his member firm two applications for the purchase of securities on behalf of a public customer without the customer's knowledge or consent. The findings also stated that Lombardi signed the customer's name to applications and to other documents relating to the applications without the customer's knowledge or consent.

Robert Nelson Rankin (Registered Representative, Seattle, Washington) submitted an Offer of Settlement pursuant to which he was fined \$29,200. Without admitting or denying the allegations, Rankin consented to the described sanction and to the entry of findings that he exercised discretion granted pursuant to oral authority and executed transactions in the account of a public customer without obtaining prior written discretionary authorization and without written acceptance of such account by his member firm. The findings also stated that Rankin recommended purchase and sales transactions without having reasonable grounds for believing that such recommendations were suitable for the customer in view of the frequency of the transactions, the customer's financial situation, circumstances, objectives, and needs.

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

Athena Capital Corporation, Dallas, Texas

Vision Investment Group, Inc., Williamsville, New York

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.

M.C. Financial Corporation, La Jolla, California (October 4, 1996)

United Daniels Capital, Queen Village, New York (October 4, 1996)

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

Roland Acevedo, New York, New York

Kenneth E. Baum, San Juan Capistrano, California

Eric J. Brunelli, Los Angeles, California

Jesse M. Chase, Jr., Jackson, Mississippi

Keith L. DaSanto, New York, New York

Robert M. Dickerson, San Francisco, California

Donnie M. Frith, Champaign, Illinois

Michael P. Galterio, Wantagh, New York

William F. Giles, Omaha, Nebraska

Michael L. Grayson, Thousand Oaks, California

Kraig P. Hanadel, Beverly Hills, California

Diana Marinello-Park, Los Angeles, California

Owen C. Massey, Nashville, Tennessee

Frank W. Teresi, Jr., Buffalo, New York

Robert D. White, Excelsior, Minnesota

Julia Woodward, Dallas, Texas

**Individuals Whose Registrations Were Canceled/Suspended Pursuant To NASD Rule
9622 (Formerly Article VI, Section 2 Of The NASD Code Of Procedures) For Failure To
Pay Arbitration Awards**

Philip Eitman, New York, New York

Gregory Knafelc, Greenbay, Wisconsin