

Monthly Disciplinary Actions October 1996

Unless otherwise indicated, suspensions will begin with the opening of business on Monday, October 21, 1996. The information relating to matters contained in this Notice is current as of the end of September. Information received subsequent to the end of September is not reflected in this edition.

Firms Expelled, Individuals Sanctioned

Beacon Securities, Inc. (New York, New York), Gary L. Donahue (Registered Representative, New Rochelle, New York), Andrew H. Cohen (Registered Principal, Woodmere, New York), and Margaret J. Finnerty (Associated Person, South Ozone Park, New York). The firm was fined \$100,000 and expelled from NASD membership. Donahue was fined \$100,000 and barred from association with any NASD member in any capacity, and Cohen was fined \$50,000 and barred from association with any NASD member in any capacity. Finnerty was fined \$25,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that the firm, acting through Donahue and Cohen, failed to observe high standards of commercial honor and just and equitable principles of trade, and failed to observe the requirements established under Section 15(g) of the Securities Exchange Act of 1934 (Act). Specifically, the firm, acting through Donahue and Cohen, effected an aggregate of 254 sales transactions to retail customers that were neither institutional accredited investors nor established customers. The firm, acting through Donahue and Cohen, also effected transactions prior to completing a written suitability statement for the purchasing customers and obtaining a manually signed and dated copy of the written suitability statement back from the purchasing customers.

Furthermore, the firm, acting through Donahue and Cohen, effected transactions prior to receiving from the purchasing customers completed, executed copies of written agreements to purchase specific quantities of the common stocks and effected the transactions prior to providing each purchasing customer with a copy of Schedule 15g under the Act and obtaining from the purchasing customers manually signed and dated written acknowledgements of receipt of the document.

The firm, acting through Donahue and Cohen, also failed to disclose to each purchasing customer the inside bid and offer quotations for the stock and the number of shares to which the bid and offer prices apply and effected transactions without disclosing to each purchasing customer the aggregate amount of compensation received by the firm and the aggregate amount of any cash compensation to be received by associated persons. The firm, acting through Donahue and Cohen, also failed to maintain a record of disclosures. The firm, acting through Donahue, failed to provide customer account statements to purchasing customers on a monthly basis and failed to provide monthly account statements during any months when there was no activity in the account.

Furthermore, the firm, acting through Donahue, distributed account statements that failed to contain a required conspicuous legend and failed to obtain written acknowledgement from purchasing customers reflecting that such customers had received a copy of Schedule 15g prior to effecting transactions in penny stocks. In addition, the firm, acting through Donahue, Cohen, and Finnerty, prepared and provided to the NASD false records. Also, Donahue knowingly provided false information to the NASD in response to questions posed during an on-the record interview and the firm and Donahue failed to establish, maintain, and enforce adequate written procedures that would have enabled them to supervise properly the sale of

penny stocks by associated persons in compliance with applicable securities laws, rules, regulations, and statements of policy.

H. L. Camp and Company, Inc. (Shelbyville, Tennessee) and Bernard Zelenka (Associated Person, Shelbyville, Tennessee) submitted an Offer of Settlement pursuant to which the firm was expelled from NASD membership. Zelenka was fined \$150,000, barred from association with any NASD member in any capacity, and required to pay \$1,155,606.30 in restitution. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Zelenka, engaged in a scheme to defraud public customers by converting to Zelenka's own use and benefit \$1,254,941.45 from customer accounts without their knowledge or consent. The findings also stated that the firm, acting through Zelenka, effected unauthorized sale transactions in customer accounts and prepared and issued false customer account statements to conceal the conversion of funds. The NASD found that the firm, acting through Zelenka, failed to prepare and maintain accurate books and records and failed to prepare and submit accurate FOCUS Part I and IIA reports. Furthermore, the NASD determined that the firm, acting through Zelenka, failed to file promptly telegraphic notice with the Securities and Exchange Commission (SEC) and the NASD of its failure to maintain its books and records and of its net capital deficiency.

The NASD also found that the firm, acting through Zelenka, engaged in a general securities business with public customers while failing to maintain its minimum required net capital and engaged in a general securities business in violation of the restriction agreement entered into with the NASD. The findings also stated that the firm, acting through Zelenka, conducted a general securities business with public customers residing in the state of Tennessee, but failed to renew its registration with the state. The NASD also determined that Zelenka acted in the capacity of a general securities representative and a general securities principal and failed to comply with NASD qualification requirements.

Intervest Capital Corporation (Jackson, Mississippi), Rodney H. Dudley (Registered Principal, Jackson, Mississippi), and J. Stephen Nail (Registered Principal, Jackson, Mississippi) submitted an Offer of Settlement pursuant to which they were fined \$10,000, jointly and severally. The firm was expelled from NASD membership and Dudley was suspended from association with any NASD member in any capacity for two years. Nail was suspended from association with any NASD member in any capacity for one month and suspended from association with any NASD member in any principal capacity 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 Dudley and Nail, filed late FOCUS Part IIA reports and conducted a securities business while failing to maintain its minimum required net capital. The findings also stated that the firm, acting through Dudley and Nail, failed to maintain a continuing and current education program for its covered registered persons and failed to maintain an adequate blanket fidelity bond in that its fidelity bond was deficient, failed to cover certain losses, and failed to have the required cancellation rider attached. The NASD found that the firm, acting through Dudley and Nail, failed to update its Form BD to reflect that the firm was subject to a disciplinary action taken by the NASD. Furthermore, the NASD determined that Dudley failed to comply with the terms of a Letter of Acceptance, Waiver and Consent that required him to requalify as a financial and operations principal. The findings also stated that the firm, acting through Dudley, failed to prepare an accurate net capital computation and failed to respond to NASD requests for information.

M. Rimson & Co., Inc. (New York, New York), Moshe Rimson (Registered Principal, New York, New York), Joseph James Troiano (Registered Representative, Brooklyn,

New York), Barry Charles Wilson (Registered Principal, Bloomfield, New Jersey), and Christopher J. Kovacevich (Registered Representative, New York, New York). The firm, Rimson, and Troiano submitted an Offer of Settlement pursuant to which the firm and Rimson were fined \$500,000, jointly and severally. In addition, the firm was expelled from NASD membership and Rimson was barred from association with any NASD member in any capacity. Troiano was fined \$150,000 and barred from association with any NASD member in any capacity. In a separate action, Wilson was fined \$15,000, suspended from association with any NASD member in any capacity for 15 months, and required to requalify by exam. Kovacevich was fined \$75,000 and barred from association with any NASD member in any capacity.

Without admitting or denying the allegations, the firm, Rimson and Troiano consented to the described sanctions and to the entry of findings that the firm and Rimson manipulated the price of a common stock. The findings also stated that Troiano and Kovacevich solicited customers and recommended the purchase of stock by making misrepresentations and omissions of material facts and price predictions in order to induce the customers to place purchase orders for the stock and commit to investment decisions. The NASD found that the firm and Rimson allowed a statutory disqualified individual to perform functions at the firm and allowed an unregistered individual to function as a registered representative of the firm. The NASD also determined that the firm, Rimson and Wilson failed to respond timely and completely to NASD requests for information and submitted false and misleading information to the NASD. Moreover, the NASD found that the firm and Rimson failed to implement, maintain, and enforce effective supervisory procedures. Furthermore, according to the findings, Kovacevich executed the purchase and sale of stock in customer accounts without the prior knowledge and consent of the customers and failed to respond to NASD requests for information.

Firms Fined, Individuals Sanctioned

Carey, Thomas & Associates, Inc. (Wichita, Kansas), John Rigby Carey (Registered Principal, Wichita, Kansas), and Alan Brelsford Phares, Jr. (Registered Representative, Wichita, Kansas) submitted a Letter of Acceptance, Waiver and Consent pursuant to which they were fined \$25,000, jointly and severally. Phares was also suspended from association with any NASD member in any capacity for 30 days. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Carey, permitted Phares to conduct a securities business prior to his effective registration.

Phares' suspension began August 19, 1996 and concluded September 17, 1996.

The Glaser Capital Corporation (Cincinnati, Ohio) and Thomas G. Glaser (Registered Principal, Cincinnati, Ohio) submitted a Letter of Acceptance, Waiver and Consent pursuant to which they were fined \$15,500, jointly and severally. In addition, the firm was fined \$4,500 and Glaser was barred from association with any NASD member as a financial and operations 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 Glaser, engaged in a securities business while failing to maintain its minimum required net capital. The findings also stated that the firm, acting through Glaser, failed to establish a proper escrow account with a bank for a private placement and filed false and inaccurate FOCUS Part I and IIA reports. The NASD also found that the firm failed to disclose the trade reported price on confirmations; failed to properly disclose the markup and markdown amount on the confirmations; disclosed a commission in transactions where it reported the

trade to the tape as principal for confirmations; failed to include order flow arrangements on confirmations; and failed to time stamp order tickets in a timely manner.

Melhado, Flynn & Associates, Inc. (New York, New York) and Pierce J. Flynn (Registered Principal, New York, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which the firm was fined \$10,000. Flynn was fined \$10,000 and suspended from association with any NASD member in any capacity for five business days. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Flynn, failed to establish, maintain, and enforce adequate written supervisory procedures. The findings also stated that the firm, acting through Flynn, failed to exercise proper supervision over the activities of a former registered representative to prevent and/or detect that registered representative's misconduct with respect to trade corrections effected for customer accounts.

TDI, Inc. (Englewood, Colorado), Jerry Manning (Registered Principal, Englewood, Colorado), and John Strine (Registered Principal, Denver, Colorado) submitted a Letter of Acceptance, Waiver and Consent pursuant to which they were fined \$12,500, jointly and severally. Manning was also suspended from association with any NASD member in any capacity for five business days. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Manning and Strine, permitted a statutorily disqualified person to be associated with the firm prior to the filing of an application for approval and while the application was pending. The findings also stated that the firm, acting through Manning and Strine, permitted two individuals to conduct business as a branch office of the firm while the NASD was requesting information concerning supervision and otherwise considering whether to approve the branch pursuant to the firm's restriction agreement.

Firms And Individuals Fined

Excel Financial, Inc. (Salt Lake City, Utah), Gary R. Beynon (Registered Representative, Salt Lake City, Utah) and Robert L. Sperry (Registered Representative, Salt Lake City, Utah) were fined \$10,000, jointly and severally and ordered to disgorge \$9,348, jointly and severally. In addition, the firm is ordered to pre-file its advertising and sales literature and obtain a "no objection" response prior to use for 270 days. The National Business Conduct Committee (NBCC) imposed the sanctions following appeal of a Denver District Business Conduct Committee (DBCC) decision. The sanctions were based on findings that the firm, acting through Sperry and Beynon, sold securities that were not registered under Section 5 of the Securities Act of 1933 and did not qualify for an exemption. The firm, acting through Beynon and Sperry, distributed literature to public customers that failed to disclose material risks, omitted material facts, and contained exaggerated and misleading statements.

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

Global Strategies Group, Inc. (San Francisco, California), Jon Francis Williams (Registered Principal, Oakland, California) and Morton Kirschenbaum (Registered Principal, San Mateo, California) submitted an Offer of Settlement pursuant to which they were fined \$18,000, jointly and severally. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Williams and Kirschenbaum, used the instrumentalities of interstate commerce to effect transactions in securities while failing to maintain its minimum required net capital. The findings also stated that the firm, acting through Kirschenbaum, permitted

two individuals to act as representatives and principals of the firm without being registered with the NASD. The NASD found that the firm, acting through Williams, engaged in the securities business without complying with the provisions of SEC Rule 15c3-1(a)(2)(vi) in violation of its agreement with the NASD, in that it acted as a broker/dealer in connection with purchases and sales of securities from South American and United States broker/dealers; maintained securities in its error account in connection with cancels and rebills that were not cleared on a timely basis; executed more than 10 principal trades in its inventory account; and accepted customer securities for delivery to clearing. The NASD also determined that the firm, acting through Kirschenbaum and Williams, effected sales of securities to customers at prices that were not fair and reasonable taking into consideration all relevant circumstances, including market conditions at the time of the transactions, the expense involved, and the fact the firm was entitled to a profit. Furthermore, the NASD found that the firm, acting through Kirschenbaum, failed to establish and enforce its written supervisory procedures.

Mills Financial Services, Inc. (Chicago, Illinois), Joseph E. Kurczodyna (Registered Principal, Lake Bluff, Illinois) and Ronn L. Riedel (Registered Principal, Denver, Colorado) submitted an Offer of Settlement pursuant to which they were fined \$10,000, jointly and severally. In addition, the firm was required to employ a financial and operations principal to work on site at the firm's Chicago offices for two years. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Kurczodyna and Riedel, conducted a securities business while failing to maintain its minimum required net capital. The findings also stated that the firm, acting through Kurczodyna and Riedel, prepared inaccurate trial balances and net capital computations and filed inaccurate FOCUS Part I and IIA reports with the NASD.

Salisbury Capital Corporation (New York, New York) and Allen J. Kone (Registered Principal, Brooklyn, New York) 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 sanctions and to the entry of findings that the firm, acting through Kone, conducted a securities business while failing to maintain its minimum required net capital.

Firm Fined

Greystone Associates Ltd. (Uniondale, New York) submitted an Offer of Settlement pursuant to which the firm was fined \$10,000. Without admitting or denying the allegations the respondent consented to the described sanctions and to the entry of findings that the firm failed to disclose its subordinated loan and capital contributions from individuals, the change in capital occasioned by withdrawals of cash, and misrepresented the nature and source of its capital in connection with its application for membership in the NASD. The NASD also found that the firm conducted a securities business while failing to maintain its minimum net capital and violated its restrictive agreement with the NASD.

Individuals Barred Or Suspended

Christopher R. Carr (Registered Representative, Fairfield, Connecticut) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Carr, while acting as an insurance agent, withheld and misappropriated funds totaling \$2,924.30 without the knowledge or consent of his customers. Carr also failed to respond to NASD requests for information.

Daniel Lee Cheloha (Registered Representative, Omaha, Nebraska) 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 90 days. Without admitting or denying the allegations, Cheloha consented to the described sanctions and to the entry of findings that he signed the name of a public customer on a form that would have allowed his member firm to make monthly withdrawals from the customer's bank account for insurance premium payments without the knowledge or consent of the customer. The findings also stated that Cheloha placed a public customer's name on a money order and applied the monies to the initial insurance premium without the knowledge or consent of the customer.

Melvin W. Crooks (Registered Representative, Union, South Carolina) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$15,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Crooks consented to the described sanctions and to the entry of findings that, under the guise of purchasing an insurance policy for himself from his member firm, he issued a \$100,000 check for which he knew there were no funds available, to obtain a \$3,100 commission.

Emmanuel P. Cube (Registered Representative, New York, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$40,000, suspended from association with any NASD member in any capacity for 20 business days, and required to requalify as a general securities representative. Without admitting or denying the allegations, Cube consented to the described sanctions and to the entry of findings that he solicited public customers to purchase shares of a security in the aftermarket prior to the effective date of registration and approval of the security by the SEC.

Lesha M. Cuttaia (Registered Representative, Port Clinton, Ohio) submitted an Offer of Settlement pursuant to which she was fined \$37,000, barred from association with any NASD member in any capacity, and required to pay \$3,374.85 in restitution. Without admitting or denying the allegations, Cuttaia consented to the described sanctions and to the entry of findings that she received \$3,374.85 from public customers intended for the purchase of insurance. The NASD found that, without the customers' knowledge or consent, Cuttaia failed to apply the funds as requested and used the funds for some purpose other than for the benefit of the customers. The findings also stated that Cuttaia failed to respond to NASD requests for information.

Kenneth Ray Dallafior (Registered Representative, Brighton, Michigan) submitted an Offer of Settlement 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, Dallafior consented to the described sanctions and to the entry of findings that he participated in the offer and sale of securities as private securities transactions while failing to provide written notice to or obtain written authorization from his member firm prior to engaging in such activities.

Scott B. Dempsey (Registered Representative, Mishawaka, Indiana) 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, Dempsey consented to the described sanctions and to the entry of findings that he purchased annuities for public customers without their knowledge or consent. The findings also stated that Dempsey signed the customers' names to the annuity applications and submitted them to his member firm without the customers' knowledge or consent.

Paul Jon Erdal (Registered Representative, Fairfax, Minnesota) submitted an Offer of Settlement pursuant to which he was barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Erdal consented to the described sanction and to the entry of findings that he failed to respond timely to NASD requests for information. The findings also stated that Erdal received checks totaling \$15,000 from public customers for investment purposes and, without the customers' knowledge or consent, misused the funds.

Robert Lester Gardner (Registered Representative, Castaic, California) was fined \$50,000, suspended from association with any NASD member in any capacity for 30 days, and ordered to requalify by exam as a general securities representative. The U.S. Court of Appeals for the Ninth Circuit affirmed the sanctions following appeal of a June 1995 SEC decision. The sanctions were based on findings that Gardner effected the purchase of securities in a public customer's account without the customer's knowledge or consent.

Gardner's suspension began October 16, 1995 and concluded November 14, 1995.

Joseph M. Giannuzzi (Registered Representative, Melville, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$2,500 and suspended from association with any NASD member in any capacity for five business days. Without admitting or denying the allegations, Giannuzzi consented to the described sanctions and to the entry of findings that he telephoned a public customer and left a message on the customer's answering machine that included indecorous language.

Barry Goldberg (Registered Representative, Elizabeth, New Jersey) 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 allegation, Goldberg consented to the described sanctions and to the entry of findings that, for the purpose of receiving commission advances, he submitted insurance applications for 38 clients without the knowledge or consent of his member firm or the clients.

Dennis P. Goselin (Registered Representative, Worcester, Massachusetts) 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, Goselin consented to the described sanctions and to the entry of findings that he engaged in private securities transactions without giving prior written notice to his member firm describing in detail the proposed transactions, his proposed role therein, and whether he received or would receive selling compensation.

Jody M. Janson (Registered Representative, Rochester, New York) 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, Janson consented to the described sanctions and to the entry of findings that he failed to respond to NASD requests for information and to appear for on-the-record testimony.

Michael George Kassa (Registered Representative, Saline, Michigan) submitted an Offer of Settlement pursuant to which he was fined \$7,600 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Kassa participated in the offer and sale of securities to public customers as private securities transactions and failed to provide prior written notice to or receive prior written authorization from his member firm to engage in such transactions.

Michael Anthony Keller (Registered Representative, Issaquah, Washington) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$15,000, 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, Keller consented to the described sanctions and to the entry of findings that he failed to provide prompt written notice of his association with a member firm while registered with another member firm.

Anthony S. Lombardo (Registered Representative, Louisville, Kentucky) was fined \$150,000, barred from association with any NASD member in any capacity, and required to pay \$42,000 in restitution to a member firm. The sanctions were based on findings that Lombardo received a \$30,000 check from public customers for a mutual fund investment, failed to execute the purchase on the customers' behalf and, instead, converted the funds to his own use and benefit without the knowledge or consent of the customers. Lombardo also failed to respond to NASD requests for information.

Robert L. McCook (Registered Representative, Houston, Texas), Mary E. Cumberland (Registered Principal, Lakeland, Tennessee), and James H. Beckemeyer (Registered Representative, Memphis, Tennessee) submitted Offers of Settlement pursuant to which McCook was fined \$15,000, suspended from association with any NASD member in any capacity for three weeks, and required to requalify as a general securities representative. Cumberland was fined \$5,000 and suspended from association with any NASD member in any capacity for two years, and Beckemeyer was fined \$30,000 and suspended from association with any NASD member in any capacity for three months. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that a member firm, acting through Beckemeyer, engaged in a series of purchase and sale transactions involving margin trading of government securities derivatives with institutional customers and acted recklessly, in that they knew or should have known that because these transactions were speculative and excessive in size and frequency and, because they employed the use of margin, that they were unsuitable for the customers based on their investment objectives, financial situations, and needs.

The findings also stated that Beckemeyer, without the knowledge or consent of his member firm, entered into arrangements and effected transactions with other member firms involving government securities derivatives with the understanding that these securities would be repurchased by him at a later date at pre-arranged prices. The NASD found that, in connection with these activities Beckemeyer failed to prepare or submit order tickets to his member firm for the repurchase of the securities, acted in the capacity of a trader for his firm when he was not duly authorized as such, and caused his member firm to disavow the trades when they were presented for payment, resulting in losses of \$4,168,615.81 to a member firm.

Furthermore, the NASD determined that McCook agreed to purchase securities from Beckemeyer, hold them in his firm's inventory, and later re-sell them to Beckemeyer at pre-arranged prices. The NASD also found that, in connection with these activities, McCook dealt with Beckemeyer in a trading capacity, when he knew or should have known that Beckemeyer was not duly authorized by his member firm as a trader, directly or indirectly causing his member firm to incur losses totaling \$4,168,615.81. The findings stated that Cumberland failed to properly supervise the activities of Beckemeyer over whom she exercised supervisory control. In addition, the NASD found that Beckemeyer failed to timely submit trade order tickets to his member firm.

McCook's suspension began August 19, 1996 and concluded September 6, 1996.

Patrick T. Montague (Registered Representative, Washington, DC), Charles E. Rucker, Jr. (Registered Representative, Bethesda, Maryland), and James M. Copperthite (Registered Representative, Sterling, Virginia) submitted Offers of Settlement pursuant to which Montague was fined \$7,773.56 and suspended from recommending any transactions in penny stocks for one year. Rucker was fined \$4,479.38 and suspended from recommending any transactions in penny stocks for one year, and Copperthite was fined \$2,885 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 Montague, Rucker, and Copperthite effected \$141,994 in penny stock transactions for public customers in contravention of Section 15(g) of the Securities and Exchange Act of 1934.

Frank J. Palmieri, Jr. (Registered Representative, Spokane, Washington) 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 \$42,561 in restitution to member firms. Without admitting or denying the allegations, Palmieri consented to the described sanctions and to the entry of findings that he received a \$30,391.23 check made payable to a public customer, caused the check to be deposited into an account under his control, and caused two cashier's checks to be issued from the account. The findings stated that Palmieri then purchased a fixed annuity in the amount of \$16,812.43 in the customer's name without the knowledge or authorization of the customer and cashed the other checks in the amount of \$13,578.80. The NASD also found that Palmieri received two checks totaling \$26,800 from a public customer for the purchase of variable appreciable life policies and, instead, he deposited the funds into his personal checking accounts.

James H. Petrantis (Registered Principal, Oceanport, New Jersey) was fined \$5,000, suspended from association with any NASD member as a general securities principal for one year, suspended from association with any NASD member as a general securities representative and a financial and operations principal for 10 business days, and ordered to requalify by exam. The NBCC imposed the sanctions following appeal of a Market Surveillance Committee decision. The sanctions were based on findings that Petrantis failed to establish, maintain, and enforce an effective supervisory system reasonably designed to ensure compliance with NASD rules with respect to fictitious trading and fictitious marking-the-close violations in securities.

Thomas D. Rezac (Registered Representative, Naperville, Illinois) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$45,000, barred from association with any NASD member in any capacity, and required to pay restitution. Without admitting or denying the allegations, Rezac consented to the described sanctions and to the entry of findings that he received \$6,262.95 from public customers for the purchase of insurance policies or to repay loans, failed to follow the customers instructions and, instead, used \$4,826.49 of the funds for some purpose other than for the benefit of the customers. The findings also stated that Rezac failed to respond to NASD requests for information.

Stanley J. Siciliano (Registered Representative, Rochester, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$150,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Siciliano submitted to the described sanctions and to the entry of findings that he failed to provide to the NASD requested documents and appear for on-the-record testimony.

Sinan John Talgat (Registered Representative, Astoria, New York) 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 10 business days, and required to requalify as a registered representative. Without admitting or denying the allegations, Talgat consented to the described sanctions and to the entry of findings that he engaged in private securities transactions without prior written notification to or permission from his member firm.

Jeffrey James Taxman (Registered Representative, Omaha, Nebraska) 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, Taxman consented to the described sanctions and to the entry of findings that he received a \$2,000 check from a public customer for the purchase of a mutual fund and instead, deposited the check into a corporate bank account under his control and used a portion of the customer's funds without the knowledge or consent of the customer.

Kathryn T. Troung (Registered Representative, Anaheim, California) submitted an Offer of Settlement pursuant to which she was fined \$45,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Troung consented to the described sanctions and to the entry of findings that she submitted a Form U-4 to the NASD containing false responses to questions. The NASD also found that Troung failed to respond to NASD requests for information.

Hal Gene Wachholz (Registered Principal, Wichita, Kansas) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was suspended from association with any NASD member in any capacity for seven days. Without admitting or denying the allegations, Wachholz consented to the described sanction and to the entry of findings that he signed the names of public customers to forms authorizing the transfer of their securities accounts from Wachholz's prior member firm to his current member firm.

Brian T. Walsh (Registered Representative, Cardiff, California) and **Luke D. D'Angelo (Registered Representative, Solana Beach, California)** submitted an Offer of Settlement pursuant to which they were fined \$50,000, jointly and severally, barred from association with any NASD member in any capacity, and required to pay \$53,000 in restitution. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that Walsh and D'Angelo engaged in private securities transactions and outside business activities without prior written notice to or approval from their member firm. The findings stated that Walsh and D'Angelo recommended and participated in the solicitation of bridge loans from public customers to an entity without having reasonable grounds for believing that these recommendations and resultant loan transactions were suitable for the customers based on their financial situations, investment objectives, and needs. The NASD also found that Walsh and D'Angelo omitted certain material information or made material misrepresentations to public customers in connection with the recommendations. Furthermore, the NASD determined that Walsh and D'Angelo failed to respond fully and timely to NASD requests for information.

Cary T. Weinstein (Registered Representative, Commack, New York) 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, Weinstein consented to the described sanctions and to the entry of findings that he failed to respond to NASD requests for information and to appear for on-the-record testimony.

Louis Charles Wendling (Registered Representative, Eden Prairie, Minnesota) 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 six months. Without admitting or denying the allegations, Wendling consented to the described sanctions and to the entry of findings that he misused customer funds totaling \$8,834.56 by depositing the funds into a bank account under his control without the knowledge or consent of the customer.

Douglas John Wilponen (Registered Representative, Medical Lake, Washington) submitted an Offer of Settlement pursuant to which he was fined \$35,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Wilponen consented to the described sanctions and to the entry of findings that he failed to provide prior written notice to his member firm of his outside business activities. The findings also stated that Wilponen engaged in private securities transactions without providing prior written notice to his member firm describing his proposed role therein and stating whether he would receive selling compensation. The NASD also found that Wilponen failed to respond to NASD requests for information.

Jared Martin Winkler (Registered Representative, Tigard, Oregon) was fined \$100,000, barred from association with any NASD member in any capacity, required to pay \$138,000 in restitution to a member firm, and required to requalify by exam. The sanctions were based on findings that Winkler entered into a scheme to obtain the proceeds from two variable annuities owned by a public customer without the knowledge or consent of the customer.

Stephen S. Woodiel (Registered Representative, Mountain Home, Arkansas) 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, Woodiel consented to the described sanctions and to the entry of findings that he received \$4,814 from a public customer for investment purposes, neglected to invest the funds on the customer's behalf, and instead, converted the funds to his own use and benefit without the customer's knowledge or consent.

John Joseph Wright (Registered Representative, Burnsville, Minnesota) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$6,875, suspended from association with any NASD member in any capacity for six months, and required to pay \$10,360 in restitution. Without admitting or denying the allegations, Wright consented to the described sanctions and to the entry of findings that he participated in private securities transactions for compensation without prior written notice to his member firms.

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.

Eastern Securities Corporation, New York, New York (September 20, 1996)

Hampton Capital Management, Stamford, Connecticut (September 20, 1996)

Pallas Financial Corporation, Dallas, Texas (September 20, 1996)

Trinity Group Securities, Inc., Mendham, New Jersey (August 29, 1996)

Wellington Ashford Capital, Louisville, Colorado (September 20, 1996)

NASD Regulation Fines Citicorp Securities

NASD Regulation, Inc. (NASD Regulation) announced that it has censured and fined Citicorp Securities, Inc. \$25,000 and ordered it to disgorge \$300,000 for violating NASD Regulation's Continuing Education Requirements. This disciplinary action results from an investigation conducted by NASD Regulation's New York District Office.

"The Continuing Education Requirements help to ensure that registered representatives stay current on products and markets, and, importantly, the rules that govern the industry," said NASD RegulationSM President Mary L. Schapiro. "NASD Regulation is committed to closely monitoring members' compliance with these essential rules and assisting members in achieving full compliance. We will continue to pursue disciplinary actions against those members, large or small, who fail to comply," Schapiro said.

NASD Regulation found that for certain periods between November 1995 and May 1996, Citicorp failed to ensure that 19 employees completed the Regulatory Element of NASD Regulation's Continuing Education Requirements within the prescribed time period. As a result of their failure to comply with these requirements, the individuals' registrations were deemed inactive. Nevertheless, these individuals were permitted improperly by Citicorp to continue to function in capacities which required registration.

The settlement requires Citicorp to disgorge \$300,000 to NASD Regulation, the amount it improperly paid the 19 individuals during the periods in which their registrations were inactive.

"In light of the increased complexity of the demands made upon securities professionals who deal with the public, it is essential that brokers maintain maximum standards of competency and professionalism," Schapiro said. "This case demonstrates how important it is for the membership to ensure that its registered persons fully comply with the mandates of the Continuing Education Requirements."

NASD Regulation Bars 12 Individuals Suspected Of Having An Impostor Take A Qualification Exam On Their Behalf

NASD Regulation announced that it has censured and barred 12 individuals suspected of paying an impostor to sit for a qualification exam on their behalf. In addition, each individual was fined in amounts ranging up to \$50,000.

This disciplinary action results from a large-scale, intensive investigation conducted by NASD Regulation's New York District Office into the qualifications of certain registered representatives. Through its investigatory efforts, NASD Regulation identified several individuals suspected of having paid an impostor to take the exam on their behalf.

"Violating the Association's registration requirements, which exist to protect the public, is a serious offense," said Mary L. Schapiro, President of NASD Regulation, "but paying someone to impersonate a candidate and take the examination for them is misconduct of the highest order."

The 12 individuals named below were identified by NASD Regulation staff and ordered to appear immediately for on-the-record testimony to answer questions regarding the qualification exams at issue. Nine of the 12 refused to appear or answer questions.

The individuals who have been barred are:

Burton Butler Brous

Stephen Douglas Carollo

Peter Michael DeISei

David Mark Gold

Kevin Michael Kelly

Frank Michael Mancini

Yury Moroz

Joseph John Pellegrino

Brian Thomas Rice

Peter Scali

Robert James Thornton

Felix Tkachenko

NASD Regulation's investigation is continuing with respect to certain other individuals suspected of similar misconduct, and it is anticipated that additional disciplinary actions will be completed shortly. "We will take whatever steps are necessary to rid the industry of individuals who have engaged in this type of conduct," said Schapiro. "Qualification examinations are securities professionals' first chance to prove themselves, and by cheating on the exams, these individuals have proven beyond all doubt that they are not to be trusted."

Alex. Brown & Sons Fined For Regulation S Violations

NASD Regulation announced that it fined Alex. Brown & Sons \$100,000 and one of the firm's registered representatives \$50,000 in connection with the sale of Regulation S securities in six companies by one of the firm's customers.

Without admitting or denying the findings, Alex. Brown and the registered representative, Beaumont Bianchi, agreed to disgorge a total of \$150,000 in commissions related to the sale of the Regulation S securities. Both the firm and Bianchi were also censured. In addition, Alex. Brown was cited for not having adequate supervisory procedures in place.

This sanction marks the first time NASD Regulation has taken disciplinary action in connection with the sale of Regulation S securities. Regulation S describes the circumstances in which an offering of securities is not required to be registered with the Securities and Exchange Commission (SEC) because it is deemed to occur outside the

United States. To qualify for this "safe harbor," the securities of the six companies in question could not be sold, directly or indirectly, to any U.S. company or citizen prior to the expiration of a 40-day restricted period after the offshore offering.

"This settlement makes it clear that all NASD member firms are responsible for educating their staffs about the need to prevent abuses associated with Regulation S offerings," said NASD Regulation Chief Operating Officer, Elisse B. Walter. "In order to ensure that every investor is treated fairly, all of our members must establish and follow adequate supervisory procedures."

A lengthy investigation by NASD Regulation's Market Regulation Department found that for almost a year (from July 1993 through April 1994) an Alex. Brown customer purchased shares in six Regulation S offerings and then sold them back into the U.S. markets (through accounts maintained at Alex. Brown) prior to the expiration of the 40-day restricted period.

NASD Regulation determined that 117 sales transactions were executed in the six securities through several offshore accounts maintained at Alex. Brown by the customer. Two of the securities were traded on The Nasdaq National Market, and four of them on the Nasdaq SmallCap Market.

NASD Regulation found that Bianchi (who works in Alex. Brown's Los Angeles office), or his sales assistant, executed the 117 transactions without making an "affirmative determination," or accurately marking order tickets as "long" or "short," as required by NASD Rules. In addition, NASD Regulation found that Alex. Brown failed to establish, maintain, and enforce a supervisory system designed to achieve compliance with the NASD Rules.

As part of its agreement with NASD Regulation, Alex. Brown must put in place the necessary supervisory and educational procedures to prevent similar violations in the future, and Bianchi must requalify as a general securities representative by taking the Series 7 exam again.