

Monthly Disciplinary Actions May 1996

Unless otherwise indicated, suspensions will begin with the opening of business on Monday, May 20, 1996. The information relating to matters contained in this section is current as of May 5, 1996. Information received subsequent to May 5, 1996 is not reflected in this section.

Firm Expelled, Individuals Sanctioned

Devon Resources Financial Corporation (Tulsa, Oklahoma), Catherine W. Yox (Registered Principal, Tulsa, Oklahoma), W. Jeffrey A. Haver (Registered Representative, Richmond, Ontario Canada), and James M.C. Haver (Registered Principal, Tulsa, Oklahoma) submitted an Offer of Settlement pursuant to which the firm was expelled from NASD membership and required to demonstrate that all monies due to public customers have been paid. Yox, W. Haver, and J. Haver were each fined \$7,500 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 the firm, acting through Yox, W. Haver, and J. Haver, failed to make refund offers totaling \$33,592.52 to public customers pursuant to the terms of a Letter of Acceptance, Waiver and Consent. The findings also stated that the firm, acting through Yox, W. Haver, and J. Haver, caused the firm's books and records to be falsified and hindered the investigative efforts of the NASD in that refund offers addressed to the customers were placed in the firm's files when, in fact, no such offers were sent.

Firms Suspended, Individuals Sanctioned

Franklin-Lord, Inc. (Scottsdale, Arizona) and John E. Cathcart (Registered Principal, Scottsdale, Arizona). The firm was fined \$10,000 and suspended from NASD membership for five days. Cathcart 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 representative and a general securities principal. The Securities and Exchange Commission (SEC) imposed the sanctions following appeal of a July 1994 National Business Conduct Committee (NBCC) decision. The sanctions were based on findings that the firm, acting through Cathcart, filed seven inaccurate Uniform Applications for Broker Dealer Registration (Form BD) with the NASD and failed to comply with the terms of its restriction agreement with the NASD. In addition, the firm, acting through Cathcart, effected municipal securities transactions before paying the required registration fee to the Municipal Securities Rulemaking Board (MSRB) and without having a qualified municipal securities principal.

Gilbert Marshall & Company (Greeley, Colorado) and Michael A. Usher (Registered Principal, Greeley, Colorado) submitted a Letter of Acceptance, Waiver and Consent pursuant to which they were fined \$25,000, jointly and severally. In addition, the firm was suspended from recommending any penny stock transactions, as defined by Securities Exchange Act Rule 3a51-1, for two years and required to establish and maintain written supervisory procedures adequate to ensure compliance with the penny stock rules. Furthermore the firm must employ a compliance assistant to assist the firm's Compliance Officer and Usher is required to requalify by exam as a general securities principal. Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that, in connection with the sale of a penny stock, the firm, acting through Usher, failed to complete, or cause to be completed, written suitability statements for the purchasing customers and failed to obtain manually signed and dated copies of the written suitability statements from the purchasing customers.

The findings also stated that the firm, acting through Usher, failed to obtain, or require associated persons to obtain, from customers written agreements to purchase specific quantities of stock before effecting the subject transactions, failed to provide to customers a copy of the Penny Stock Risk Disclosure Document, and failed to obtain manually signed and dated written acknowledgements of receipt of the document. In addition, the NASD determined that the firm, acting through Usher, failed to disclose and confirm in writing the current inside bid and offer quotations of the penny stock and failed to disclose and confirm the aggregate amount of compensation received by the firm and its associated persons. Furthermore, the findings stated that the firm, acting through Usher, failed to provide monthly statements with market and price information, written statement of price determination, and a conspicuous legend and failed to establish, maintain, and enforce adequate written supervisory procedures to ensure compliance with penny stock rules.

D.E. Frey & Company, Inc. (Denver, Colorado), Stanley Baker (Registered Principal, Aurora, Colorado), and Brian O'Toole (Registered Representative, Littleton, Colorado) submitted an Offer of Settlement pursuant to which the firm was fined \$10,000. O'Toole was fined \$12,500, required to pay \$59,921.79 in restitution to customers, suspended from association with any NASD member in any capacity for 15 days, and required to requalify by exam as a general securities sales representative. Baker was fined \$5,000, suspended from association with any NASD member as a general securities principal for five business days, and required to requalify by exam as a general securities principal. In addition, Baker is required to hire a management consultant familiar with the securities industry to review the supervisory and operations procedures in place in the branch office in which he is the branch office manager to determine their adequacy and ability to detect possible violations of securities rules and regulations. The consultant will perform this review and will prepare a report to submit to the NASD. Based on the findings of this report, Baker will begin to implement any recommended changes to the supervisory and operations procedures in this branch office.

Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that O'Toole effected transactions in the discretionary account of public customers that were excessive in size or frequency in view of the financial resources and character of these customers' securities account. The findings also stated that O'Toole effected transactions on margin in the customers' account and incurred margin debts that were excessive. According to the findings, these transactions were implicitly recommended to these customers by O'Toole without having reasonable grounds for believing that the recommendations were suitable for these customers. Furthermore, the NASD found that O'Toole exercised discretion in the customers' account without having this account accepted by his member firm in writing as a discretionary account. The NASD determined that the firm, acting through Baker, failed to adequately supervise O'Toole's activities in order to detect and prevent the excessive trading effected by O'Toole. In addition, the NASD found that the firm failed to establish, maintain, and enforce written procedures to supervise the activities of registered representatives to prevent and detect excessive trading activity.

Petroleum, Commodities & Realty, Inc. (Plano, Texas) and John Raymond Hodge (Registered Principal, Fairview, Texas) were fined \$20,000, jointly and severally, and Hodge was barred from association with any NASD member in any capacity. The sanctions were based on findings that the firm, acting through Hodge, filed with the NASD a false annual audit report.

Westmark Securities Corporation (Santa Monica, California) and Ronald D. Catto (Registered Principal, Los Angeles, California) were fined \$22,500, jointly and severally,

and Catto was barred from association with any NASD member in any capacity. The sanctions were based on findings that the firm, acting through Catto, effected securities transactions while failing to maintain sufficient net capital. The firm and Catto also failed to respond to NASD requests for information.

Firm And Individual Fined

Commonwealth Equity Services, Inc. (Waltham, Massachusetts) and **David L. Kelly (Registered Principal, Waltham, Massachusetts)** submitted a Letter of Acceptance, Waiver and Consent pursuant to which they were fined \$20,000, jointly and severally. The firm also agreed to implement certain improvements in its supervisory, compliance, and management structure and was ordered to pay \$55,235 in restitution to customers. Without admitting or denying the allegations, the respondents consented to the described sanctions and to entry of findings that the firm, acting through Kelly, failed to enforce its written supervisory procedures to achieve compliance with applicable securities laws and regulations and with the NASD rules.

Firms Fined

L.P. Charles & Company, Inc. (Los Angeles, California) was fined \$20,000. The sanction was based on findings that the firm effected securities transactions while failing to maintain its minimum required net capital.

Mayer & Schweitzer, Inc. (Jersey City, New Jersey) submitted a Letter of Acceptance, Waiver and Consent pursuant to which the firm was fined \$75,000. Without admitting or denying the allegations, the firm consented to the described sanction and to the entry of findings that it failed to grant a "stop" in connection with the execution of certain orders. The firm's policy was not documented and the staff was not able to fully verify that its procedures for granting a stop were followed in all instances. The firm also executed orders that were inconsistent with its internal procedures and its obligation to provide best execution.

Trimark Securities Inc. (White Plains, New York) submitted a Letter of Acceptance, Waiver and Consent pursuant to which the firm was fined \$15,000 and must undertake to implement its supervisory procedures to prevent a pattern or practice of late trade reporting. Without admitting or denying the allegations, the firm consented to the described sanctions and to the entry of findings that it reported, or caused to be reported, transactions through the Automated Confirmation Transaction (ACTSM) Service, contrary to provisions of Section 2(a)1 and 2(a)5 of Schedule G to the NASD By-Laws and the Interpretation of the Board of Governors concerning the obligation of members to report transactions within 90 seconds of execution.

Individuals Barred Or Suspended

Danny Ray Bannister (Registered Representative, Lewisville, Texas) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Bannister failed to respond to NASD requests for information about a customer complaint. In addition, Bannister effected an unauthorized trade in a public customer's account.

John B. Bible (Registered Representative, Baton Rouge, Louisiana) submitted an Offer of Settlement pursuant to which he was fined \$5,000, suspended from association with any NASD member in any capacity for two weeks, and required to requalify by exam as an investment company and variable contracts products representative. Without admitting or

denying the allegations, Bible consented to the described sanctions and to the entry of findings that he received from a public customer six checks totaling \$1,477.27 to invest in a mutual fund. The findings stated that Bible mishandled the customer's funds, in that he failed and neglected to execute the purchase for the customer. The NASD also found that Bible failed to respond accurately and timely to NASD requests for information.

Donald Eugene Bline (Registered Representative, Brazil, Indiana) was fined \$35,750, barred from association with any NASD member in any capacity, and required to pay \$2,350 in restitution to a member firm. The sanctions were based on findings that Bline received from a public customer \$3,150 with instructions to deposit the funds in three policies with his member firm. Bline failed to follow the instructions and used the funds for some purpose other than for the benefit of the customer. Bline also failed to respond to NASD requests for information.

Robert Lester Bodack (Registered Principal, Farmington Hills, Michigan) was fined \$910,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Bodack participated in private securities transactions while failing and neglecting to give prior written notice of, or obtain prior written authorization from, his member firm to engage in such activities.

William W. Bolles (Associated Person, Charlotte, North Carolina) was fined \$10,000 and suspended from association with any NASD member in any capacity for six months or until the fine is paid. The sanctions were based on findings that Bolles participated in outside business activities without providing prior written notice of and without obtaining approval from his member firm to engage in such activities.

James C. Buchanan (Registered Representative, Tampa, Florida) was fined \$25,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Buchanan effected the purchase of shares of stock for the account of public customers without their knowledge or consent. Buchanan also failed to respond to NASD requests for information.

James W. Bullard, Jr. (Registered Representative, Miami Beach, Florida) was fined \$5,000 and suspended from association with any NASD member in any capacity for 30 days. Bullard was also suspended from association with any NASD member in any principal capacity for two years and ordered to appear and give on-the-record testimony to the NASD. However, if Bullard fails to appear, the suspensions will automatically convert to a bar from association with any NASD member in any capacity. The sanctions were based on findings that Bullard failed to respond completely to NASD requests for information.

John C. Byars, Sr. (Registered Representative, Pittsburgh, Pennsylvania) was fined \$30,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Byars affixed or caused to be affixed to disbursement request forms the purported signature of a policyholder without the policyholder's authorization and thereafter submitted such forms to his member firm. Byars also failed to respond to NASD requests for information.

Albert T. Carazolez (Registered Representative, San Diego, California) and **John Morris (Registered Principal, Del Mar, California)** were each fined \$5,000. Carazolez was also suspended from association with any NASD member as a general securities representative for 20 business days and ordered to pay \$5,411.76 in restitution to public customers. Morris was suspended from association with any NASD member as a general securities principal for 15 business days and required to requalify by exam as a general securities principal

should he seek to become associated in such capacity. The sanctions were based on findings that Carazolez recommended transactions for the accounts of public customers without having reasonable grounds for believing that such recommendations were suitable for the customers in view of the frequency of the recommended transactions; the risks associated with the transactions; and the customers' financial situations, objectives, circumstances, and needs. Morris failed to follow his member firm's written supervisory procedures or to respond adequately to red flags to ensure compliance with applicable NASD rules by Carazolez.

Robert Catoggio (Registered Representative, Staten Island, New York) was fined \$42,000 and suspended from association with any NASD member in any capacity for five business days. The sanctions were based on findings that, in contravention of the Board of Governors' Free-Riding and Withholding Interpretation, Catoggio, a person prohibited from purchasing "hot issues," effected the sale of units in an initial public offering and beneficially shared in the proceeds of the sale, thereby indirectly participating in the purchase of shares in an initial public offering that traded at a premium in the immediate aftermarket.

Michael L. Chaudron (Registered Representative, Johnson City, Tennessee) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$10,000 and suspended from association with any NASD member in any capacity for six months. Without admitting or denying the allegations, Chaudron consented to the described sanctions and to the entry of findings that he received from public customers checks totaling \$41,112.14 for investment purposes. The NASD found that Chaudron mishandled the customers' funds, in that he improperly retained the checks and failed and neglected to invest the funds for the customers. The findings also stated that Chaudron prepared a fictitious account statement to reflect that an annuity had been purchased for a public customer when, in fact, no such purchase had been made. The NASD also determined that Chaudron improperly retained possession of four stock certificates that had been intended for deposit into the accounts of public customers.

Raymond E. Cleary (Registered Representative, Abbottstown, Pennsylvania) was fined \$25,000, barred from association with any NASD member in any capacity, and required to pay \$79,000 plus interest in restitution to customers. The sanctions were based on findings that Cleary received from a public customer a \$50,000 check intended for the purchase of an annuity. At the time he received the checks, the "pay to" section of it was blank. Cleary wrote in as payee the name of an entity under his ownership and control, deposited the check into this entity's bank account, and failed to apply the funds to the purchase of an annuity for the customer. In addition, Cleary received from two public customers four mutual fund redemption checks totaling \$79,068.34 intended for the purchase of securities for the customers. Cleary deposited the checks to the account of the aforementioned entity and used the funds to purchase securities in his own name or that of the entity rather than that of the customers. Cleary also failed to respond to an NASD request for information.

Franklin R. Clement (Registered Representative, Williamsburg, New Jersey) was fined \$25,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Clement, acting without the authorization or consent of policyholders, obtained checks totaling \$962.48, forged the endorsements on the checks, negotiated the checks, and retained the proceeds thereof for his own use and benefit. Clement also failed to respond to NASD requests for information.

Robert W. Dempsey (Registered Representative, Lake Hopatcong, New Jersey) was fined \$60,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Dempsey sold shares of stock in the account of a

public customer without the customer's prior knowledge or consent. Dempsey also caused a \$5,000 check to be issued from the same customer's account made payable to the customer without the customer's prior knowledge or consent and represented to the customer that the monies were repayment on a loan. Furthermore, to conceal the aforementioned activities, Dempsey caused his member firm's records to falsely indicate that a public customer had requested a change of address for the mailing of statements and confirmations pertaining to his account. Dempsey also failed to respond to NASD requests for information.

Gerald E. Donnelly (Registered Representative, Lafayette, California) was fined \$25,000, suspended from association with any NASD member in any capacity for 16 business days, and required to requalify by exam before reassociating with any NASD member. The SEC affirmed the sanctions following appeal of a March 1995 NBCC decision. The sanctions were based on findings that Donnelly recommended and effected the purchase and sale of securities in the accounts of public customers that were excessive and unsuitable. Donnelly also exercised discretionary power in the accounts without obtaining prior written authorization from the customers and without his member firm's acceptance of the accounts as discretionary.

Dane Stephen Faber (Registered Principal, Sausalito, California) submitted an Offer of Settlement pursuant to which he was fined \$10,000 and suspended from association with any NASD member in any capacity for 10 business days. Without admitting or denying the allegations, Faber consented to the described sanctions and to the entry of findings that he recommended and effected securities transactions in the account of a public customer that were unsuitable for the customer based upon the facts disclosed by her as to her other security holdings, financial situation, and needs, and in light of the size and frequency of the transactions.

George E. Frizzell (Registered Representative, Macon, Georgia) was barred from association with any NASD member in any capacity. The sanction was based on findings that Frizzell converted to his own use and benefit \$225,000 that he had solicited from public customers for investment purposes and had solicited public customers to lend him \$153,000 under false pretenses. Frizzell also reimbursed a public customer \$12,000 for losses incurred in the customer's securities account without obtaining authorization from his member firm and without contributing financially to the customer's account in proportion to the amount of said reimbursements.

Frederick Gaston (Registered Representative, Atlanta, Georgia) was fined \$10,000, suspended from association with any NASD member in any capacity for 30 days, and required to requalify by exam as a general securities sales representative. The sanctions were based on findings that Gaston effected unauthorized transactions in the accounts of public customers.

Thomas Warner Graham (Registered Representative, Sioux City, Iowa) 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 60 days. Without admitting or denying the allegations, Graham consented to the described sanctions and to the entry of findings that he received from two public customers \$283.18 to pay their monthly insurance premiums. According to the findings, Graham did not apply these monies as instructed and, instead, without the customers' knowledge and consent, deposited the cash into his personal bank account and issued checks from his account to his member firm for the premiums that were returned for insufficient funds. The NASD also found that Graham failed to return the monies to one of the customers until a later date, and failed to send the premium amounts to his member firm until a later date at which time the monies were

deducted from his commissions account and used to pay premiums due for one of the customer's insurance policy.

David Craig Henry (Registered Representative, Romulus, Michigan) was fined \$6,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Henry participated in private securities transactions and failed to give prior written notice of, and obtain prior written approval from, his member firm before engaging in such activities.

Roger Philip Holland (Registered Representative, Tyler, Texas) submitted an Offer of Settlement pursuant to which he was fined \$25,000 and suspended from association with any NASD member in any capacity for two years. Without admitting or denying the allegations, Holland consented to the described sanctions and to the entry of findings that, without the prior approval of a principal of his member firm, he published advertisements and sent or made available to the public, sales literature that made false and misleading statements of fact, exaggerated, unwarranted, and misleading statements or claims and that omitted to state material facts or qualifications that would have caused such advertisements and sales literature not to be misleading in the offering of investments in tax-advantaged limited partnerships.

Shawn A. Howard (Registered Representative, Boynton Beach, Florida) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Howard failed to respond to NASD requests for information about an ongoing investigation.

Rayfield J. James, Jr. (Registered Representative, Asbury Park, New Jersey) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that James failed to respond to NASD requests for information about his financial dealings with a public customer.

Andre D. Johnson (Registered Representative, Chicago, Illinois) and **Charlie R. Allen, Jr. (Registered Representative, Chicago, Illinois)**. Johnson was fined \$45,295 and barred from association with any NASD member in any capacity and Allen was fined \$40,490 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Johnson and Allen purchased securities for the accounts of public customers without their knowledge or consent and in the absence of written or oral authorization to exercise discretion in the customers' accounts. Johnson and Allen also failed to respond to NASD requests for information.

Jay B. Jones (Registered Principal, McKinney, Texas) was fined \$7,500, jointly and severally, with another respondent and suspended from association with any NASD member in any capacity for 10 business days. The sanctions were based on findings that Jones failed to maintain an accurate blotter and failed to file FOCUS reports in a timely manner. Jones also failed to timely deposit customer checks in an escrow account.

Ajay R. Joshi (Registered Principal, Winnetka, Illinois) submitted an Offer of Settlement pursuant to which he was fined \$5,000 and suspended from association with any NASD member in any capacity for five business days. Without admitting or denying the allegations, Joshi consented to the described sanctions and to the entry of findings that he participated in private securities transactions and failed to give prior written notice of, and receive prior written approval from, his member firm to engage in such activities.

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

Thomas G. Kirkconnell (Registered Principal, Lansing, Michigan) was fined \$120,000, barred from association with any NASD member in any capacity, and required to pay \$158,000 in restitution to customers. The sanctions were based on findings that Kirkconnell obtained from public customers checks totaling \$158,000 for investment purposes, failed to follow the customer's instructions, and used the funds for some purpose other than for the benefit of the customers. Kirkconnell also failed to respond to NASD requests for information.

James W. Lyons (Registered Representative, Atlanta, Georgia) was fined \$5,000 and suspended from association with any NASD member in any capacity for six months. The sanctions were based on findings that Lyons caused \$200 to be removed from the clearing account of a bank which employed him and converted the funds for his own use and benefit.

Edward David Marande, Jr. (Registered Representative, Grosse Pointe, Michigan) submitted an Offer of Settlement pursuant to which he was fined \$70,000 and barred from association with any NASD member in any capacity. Without admitting or denying the allegations, Marande consented to the described sanctions and to the entry of findings that he participated in private securities transactions and without giving written notice of his intention to engage in such activities to, and receiving written permission from, his member firm. The findings also stated that Marande failed to respond to NASD requests for information.

Robert E. McDaniel (Registered Principal, South Palm Beach, Florida) was fined \$10,000 and suspended from association with any NASD member in any principal capacity for two years. The NBCC affirmed the sanctions following appeal of an Atlanta District Business Conduct Committee (DBCC) decision. The sanctions were based on findings that McDaniel paid a representative of another member firm \$32,546.69 in commissions for mutual fund sales and reinvestments without the prior oral or written authorization of their member firms.

Timothy Lee Morrison (Registered Representative, St. Louis, Missouri) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that he failed to respond to NASD requests for information about his termination from a member firm.

Steven J. Motosicke (Registered Representative, Apollo, Pennsylvania) was fined \$40,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Motosicke forged or caused to be forged the purported signatures of public customers on policy disbursement requests and thereafter submitted such documents to his member firm. Motosicke also forged the purported endorsements of the payees on checks issued by his member firm, negotiated such checks, and converted the proceeds totaling \$6,571 to his own use and benefit.

Robert O. Mullins (Registered Representative, Nashville, Tennessee) submitted an Offer of Settlement pursuant to which he was fined \$150,000, barred from association with any NASD member in any capacity, and required to pay \$167,690.77 in restitution. Without admitting or denying the allegations, Mullins consented to the described sanctions and to the entry of findings that he received from public customers checks totaling \$206,491 for investment purposes, failed and neglected to submit the full amount of the funds on behalf of

the customers and, instead, converted \$167,690.77 of the funds for his own use and benefit without the customers' knowledge or consent. The findings also stated that Mullins prepared fictitious account statements to reflect purchases of municipal bonds for a public customer that were, in fact, not purchased.

Roger A. Mullins (Registered Representative, Atlanta, Georgia) was fined \$100,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Mullins caused the address on the joint securities account of public customers to be changed without the customers' knowledge or authorization and executed three sales of securities for the account without their knowledge or consent. In addition, Mullins caused three checks to be issued from the account, forged a customer's signature on the checks, deposited the checks in his personal bank account, and converted the proceeds for his own use and benefit. Mullins also failed to respond to an NASD request for information.

Aubrey D. O'Connor (Registered Principal, Houston, Texas) submitted an Offer of Settlement pursuant to which he was suspended from association with any NASD member in any capacity for two weeks. Without admitting or denying the allegations, O'Connor consented to the described sanctions and to the entry of findings that he knowingly or recklessly failed to determine independently the market price for a purchase and sale transaction for certain government agency securities between an individual and a member firm. The NASD determined that, in so doing, O'Connor participated in, and furthered, the fraudulent transaction. Furthermore, the findings stated that O'Connor failed to reflect on his member firm's books and records that this transaction was not effected at the then-current market price.

Stephen Kwasi Opoku (Registered Principal, Coon Rapids, Minnesota) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Opoku failed to respond to NASD requests for information about his termination from a member firm.

David D. Otis (Registered Representative, Boynton Beach, Florida) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Otis failed to respond to NASD requests for information about customer complaints.

John D. Perez (Registered Representative, Mayaguez, Puerto Rico) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Perez failed to respond to NASD requests for information about his termination from a member firm.

Tony L. Plymel (Registered Representative, Thomasville, Georgia) was fined \$95,000, barred from association with any NASD member in any capacity, and ordered to pay \$15,000 in restitution to a public customer. The sanctions were based on findings Plymel received a check from a public customer made payable to an entity he controlled for the purpose of applying the proceeds of the check to the purchase of a certificate of deposit. Without the knowledge or consent of the customer, Plymel converted \$15,000 of the proceeds to his own use and benefit. Plymel also failed to respond to NASD requests for information.

Brian Edward Reipke (Registered Representative, Minneapolis, Minnesota) was fined \$100,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Reipke, without the knowledge or consent of public customers, completed redemption forms to redeem \$60,000 worth of shares held by the

customers and converted the proceeds of redemption checks by endorsing the checks and depositing them into an account beneficially owned by him and used the proceeds therefrom. Riepke also failed to respond to NASD requests for information.

Billy Max Robinson, Jr. (Registered Representative, Marietta, Georgia) was fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Robinson failed to respond to an NASD request for information about his termination from a member firm.

George Erwin Sledge, Jr. (Registered Principal, Houston, Texas) was fined \$120,000 and barred from association with any NASD member in any capacity. The NBCC affirmed the sanctions following appeal of a Dallas DBCC decision. The sanctions were based on findings that a former member firm, acting through Sledge, effected transactions in nonexempt securities while failing to maintain its required minimum net capital. The firm, acting through Sledge, also made improper use of customer securities by borrowing approximately 1,000 shares of common stock from a public customer, selling such shares, and converting the proceeds for its own use and benefit.

Gordon D. Smith (Registered Principal, Johnstown, Pennsylvania) was fined \$7,500, jointly and severally, with a member firm, suspended from association with any NASD member as a financial and operations principal for 45 days, and required to requalify by exam as a financial and operations principal. The sanctions were based on findings that a firm, acting through Smith, conducted a securities business while failing to maintain its minimum required net capital and failed to maintain accurate books and records. The firm, acting through Smith, also prepared an inaccurate month-end net capital computation and filed an inaccurate FOCUS Part II report. In addition, the firm, acting through Smith, failed to file prompt telegraphic notice with the SEC and NASD reporting its net capital deficiencies.

Jeffery Steven Stone (Registered Representative, Dallas, Texas) was fined \$8,820 and suspended from association with any NASD member in any capacity for 15 business days. The sanctions were based on findings that Stone effected private securities transactions without giving prior written notification to, and receiving prior written approval from, his member firm of these transactions.

George Michael Vanveldhuisen, Jr. (Registered Representative, Bradley Beach, New Jersey) was fined \$40,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Vanveldhuisen caused shares of stock to be sold and purchased in the account of a public customer without the customer's knowledge or consent. Vanveldhuisen also caused a customer's address to be changed without the customer's prior knowledge, authorization, or consent and failed to respond to NASD requests for information.

Daniel Mills Waltz (Registered Representative, Covina, California), Todd Michael Anzaldo (Registered Representative, Monarch Beach, California), and Mary Elizabeth Jackson (Registered Representative, Beverly Hills, California) were each fined \$20,000 and barred from association with any NASD member in any capacity. The sanctions were based on findings that Waltz, Anzaldo, and Jackson failed to respond to NASD requests for information in connection with the NASD's investigation of possible sales-practice abuses concerning limited partnerships offered through a member firm.

Breck A. Willbond (Registered Representative, Elyria, Ohio) submitted a Letter of Acceptance, Waiver and Consent pursuant to which he was fined \$7,500 and suspended from association with any NASD member in any capacity for five business days. Without

admitting or denying the allegations, Willbond consented to the described sanctions and to the entry of findings that he participated in private securities transactions and failed to give written notice to and obtain prior written authorization from his member firm to engage in such activities.

Oliver J. Williams, Jr. (Registered Principal, Miami, Florida) was fined \$40,000, barred from association with any NASD member in any principal capacity, and ordered to requalify by exam as a general securities representative. The sanctions were based on findings that a member firm, acting through Williams, effected transactions in non-exempt securities and conducted a securities business while failing to maintain sufficient net capital and failed to compute its net capital accurately. The firm, acting through Williams, also filed materially inaccurate FOCUS Part I reports with the NASD and failed to timely send telegraphic notice as required by SEC Rule 17a-11 with regards to its net capital deficiencies. In addition, Williams permitted the firm to conduct a securities business without a registered financial and operations principal and failed to file a FOCUS Part I report in a timely manner.

Peter M. Wokoun (Registered Representative, Sutton, Massachusetts) was fined \$20,000 and barred from association with any NASD member in any capacity. The NBCC imposed the sanctions following appeal of a Boston DBCC decision. The sanctions were based on findings that Wokoun failed to respond to NASD requests for information about his termination from a member firm.

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

Individuals Fined Harvey Hertz (Registered Principal, St. Petersburg Beach, Florida) was fined \$10,000, required to requalify by exam as a general securities principal, and was made subject to special supervision. The sanctions were based on findings that, in contravention of the Board of Governors' Free-Riding and Withholding Interpretation, Hertz sold shares of securities that traded at a premium in the immediate aftermarket to a restricted account.

Lester H. Lane (Registered Principal, Englewood, Colorado) was fined \$25,000. The sanction was based on findings that Lane received compensation from a third party for services provided pursuant to a consulting agreement without providing his member firm with prompt written notice of such outside business activity.

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

Westfield Financial Corporation, New York, 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 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.

Cameron Phillips Securities Group, Inc., New York, New York (April 8, 1996)

Conservative Securities Company, Colorado Springs, Colorado (April 8, 1996)
Coolidge Securities Corporation, New York, New York (April 8, 1996)
First Wall Street Securities of New York, Great Neck, New York (April 8, 1996)
Freeman Financial Services Corporation, San Mateo, California (April 8, 1996)
Glaser Securities, Inc., New York, New York (April 8, 1996)
James Harold Goode, Jr., San Clemente, California (April 8, 1996)
Greenstone Securities, Inc., Placerville, California (April 8, 1996)
Helix Securities, Inc., Salt Lake City, Utah (April 8, 1996)
International Capital Markets Group, Inc., Chicago, Illinois (April 8, 1996)
Land Mark, Inc., Brewer, Maine (April 8, 1996)
Long Island Network Securities, Inc., Oceanside, New York (April 8, 1996)
Magdensburg Securities Corp., New York, New York (April 8, 1996)
Meridian Equities Company, Jackson, New Jersey (April 8, 1996)
Metropolitan Resources, Inc., Chevy Chase, Maryland (April 8, 1996)
Mid Continent Securities, Inc., Lakewood, Colorado (April 8, 1996)
On-line Notes & Mortgages, Inc., Albuquerque, New Mexico (April 8, 1996)
RBG Investments, Inc., Chicago, Illinois (April 8, 1996)
U.S. Investments, Inc., Dallas, Texas (April 8, 1996)
Werlitz Securities, Inc., Garden City, New York (April 8, 1996)

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

Russell B. Anderson, Orem, Utah
Ray A. Forrester, Chicago, Illinois
Thomas L. Gottschalk, Arvada, Colorado
Lyle A. Hodgerson, Riverside, California
Linda M. King, Marietta, Georgia
Alan F. McIntyre, Germantown, Tennessee
Michael I. Pinsler, Chicago, Illinois
Donnell G. Vaughn, West Des Moines, Iowa
Thomas E. Warren, III, Tulsa, Oklahoma
Davis W. Wetmore, Bellaire, Texas

NASD Regulation, Inc. Bars Penny Stock Broker; Orders \$7.8 Million In Customer Restitution

NASD Regulation, Inc., (NASD Regulation) ordered penny stock broker **Franklin N. Wolf**, former President and owner of **F.N. Wolf & Co., Inc.**, to pay almost \$7.8 million in restitution to hundreds of investors who purchased penny stocks. He was also fined \$250,000 and barred for life from the securities industry.

Richard T. Sullivan, Vice President and Director of Compliance for F.N. Wolf & Co., was fined \$10,000, censured, and suspended from acting in any supervisory capacity in the securities industry for one year. To regain his status as a general securities principal, Sullivan will have to requalify by examination.

"We consider the violations so serious that ordering the almost \$8 million in restitution and barring Wolf from the securities industry for life are necessary to protect the investing public and serve as a deterrent to anyone thinking about taking advantage of investors now or in the future," said NASD Regulation President Mary L. Schapiro.

John E. Pinto, NASD Regulation Executive Vice President agreed. "Less than two years ago, the NASD brought a major disciplinary action against the firm, Wolf, and others - also for sales-practice abuses in the sale of penny stocks to investors. Shortly after that NASD action, F.N. Wolf closed its doors and went out of business."

Today's action is important because even though Wolf Financial and Wolf & Co., filed for bankruptcy court protection in August 1994, the restitution ordered by the NASD positions the affected investors to recapture some of their money.

The focus of the NASD disciplinary action concerned F.N. Wolf's sales of Nacoma Consolidated Industries, Inc., an over-the-counter security, in violation of penny stock rules established by the SEC designed to reduce high-pressure sales tactics and increase customer awareness of the sale of penny stocks by broker/dealers. After an extensive investigation, the NASD found that Wolf effected more than 2,500 sales of Nacoma to customers without complying with required penny stock sales-practice rules, designed to protect investors.

During a six-month period, F.N. Wolf sold more than 2.5 million shares of Nacoma to customers, generating \$7.8 million in proceeds. The SEC's penny stock rules require that prior to each retail sale, every customer must be provided with a written determination regarding that particular sale, which the customer then must sign and return, confirming that the security in question is a suitable investment. Furthermore, the firm must obtain written authorization from the customer to purchase a particular penny stock. The SEC has said this rule is designed to regulate the sales practices of broker/dealers active in the market for low-priced securities that are not listed on The Nasdaq Stock MarketSM or the stock exchanges, and is intended to be a "means reasonably designed to prevent fraud."

The NASD also found that Wolf and Sullivan failed to establish or enforce adequate supervisory procedures requiring compliance with the Penny Stock Rule.

According to the NASD findings, Wolf understood the requirements of the highly publicized Penny Stock Rule, despite his protests that he did not comprehend the rule's implications. Furthermore, Wolf was deemed responsible for making the ultimate decision to market Nacoma to his customers. The NASD also decided that Wolf "well knew that compliance with the Penny Stock Rule would effectively kill the lucrative plan which had been set up for Nacoma."

Finally, the NASD found that given the gravity of Wolf's misconduct and his extensive disciplinary history, the public's best interest could only be served by barring him from the securities industry for life.

The case was decided by the New York DBCC, and affirmed on appeal by the NASD NBCC. These Committees are responsible for disciplining NASD members and their associated persons who fail to comply with NASD rules and related securities laws. The decision stems from an investigation conducted by the NASD New York District Office.

This enforcement action is part of an on-going effort by the NASD to eradicate abusive sales practices in the sale of penny stock to investors.

Wolf is appealing his case to the SEC.

NASD Regulation Fines Stratton Oakmont \$325,000 For Fraud And Other Violations; Suspends And Fines Head Trader

NASD Regulation fined **Stratton Oakmont, Inc.**, of Lake Success, N.Y., \$325,000 for fraud and other violations in connection with its underwriting of an initial public offering (IPO). The firm's head trader and manager of its trading department, **Steven P. Sanders**, was also suspended and fined \$50,000.

The settlement requires Stratton and Sanders to pay their fines by April 15. Sanders will be suspended for 45 days from associating with any NASD member, and has agreed not to engage in any trading-related activities for any NASD member firm for 50 days. The settlement also requires that Stratton file certain new supervisory procedures with the NASD.

NASD Regulation President Mary L. Schapiro, said, "By violating the integrity of the capital raising process, Stratton abused underwriting procedures and benefited at its customers' expense."

This settlement results from a joint investigation by the NASD New York District Office and its Enforcement Department in Washington, DC.

Without admitting or denying the alleged violations, Stratton and Sanders consented to the NASD's entry of findings that Stratton served as lead underwriter in the IPO of IPS Health Care, Inc., units, and sold more than 70 percent of the offering to its own customers. At the same time, Stratton's registered representatives encouraged their customers to purchase units in the IPO before the SEC declared the registration statement effective. By accepting payments from customers before the SEC declared the IPO effective, Stratton violated NASD rules and federal securities laws. During this pre-effective period, Stratton sold 64,975 units - 13 percent of the total units it sold - to 71 customers for a total of \$573,562.50.

Additionally, the NASD found that Stratton solicited and received customer sale orders from more than 300 customers for 236,650 IPS Health Care warrants, which were a component of the IPS units. These trades, totaling 306 orders, were solicited before the offering was effective, and thus violated federal securities laws because Stratton was bidding for securities before completing its role in the distribution. In the two weeks following the offering, Stratton resold these warrants, profiting by approximately \$300,000.

Stratton and Sanders were also found to have violated SEC and NASD anti-fraud provisions. Stratton, acting through Sanders, fraudulently purchased IPS Health Care warrants from its customers in a rising market at arbitrary prices shortly after trading in the warrants began. Stratton, through Sanders, arbitrarily gave certain customers, whose sell orders were received early in the morning, at \$1.00 a share, while other customers, whose sell orders were received hours later, received \$.50 per share, even though the market had risen during the day.

Separately, in more than 700 transactions, Stratton failed to disclose to its customers that it was a market maker in IPS Health Care securities.

The NASD also found that Stratton and Sanders failed to establish and enforce written supervisory procedures and that they failed to provide adequate supervision in violation of the NASD Rules of Fair Practice.

The federal securities laws require that IPO sales occur only after the SEC declares the registration statement effective. Sales by a firm during this pre-effective period undermine the purpose of these restrictions - to enable investors to become thoroughly apprised of information concerning the issuer and to arrive at a reasoned decision concerning the merits of the investment. In addition, an underwriter is prohibited from soliciting sales while engaged

in a distribution. During this period, the market for a security is especially sensitive and susceptible to artificial price influences by those involved in the distribution.

NASD Regulation Executive Vice President John Pinto said: "Stratton's violations are serious. The rules are designed to prevent premature selling as well as soliciting purchases during a distribution. Both are essential to ensuring the integrity of the underwriting process. It is critical that firms remain vigilant in their adherence to these rules. Those that don't will face NASD enforcement actions."

The terms of the settlement were approved by the New York DBCC. The Committee's acceptance of the settlement was approved by the NASD NBCC.

NASD Regulation Fines And Censures Gruntal & Co.

NASD Regulation has fined **Gruntal & Co., Inc. (Gruntal)** \$200,000 and censured the firm for trading ahead of its customers' limit orders; reporting trades late; and failing to adequately supervise in these areas. In addition, Gruntal agreed to reimburse customers who may have been disadvantaged by these practices.

"Today's enforcement action against Gruntal demonstrates the importance of the NASD limit-order rules and our intention to rigorously enforce them," said NASD Regulation President Mary L. Schapiro.

These violations were uncovered by the NASD New York District Office during its current routine examination of Gruntal, and decided by the DBCC.

Without admitting or denying the allegations, Gruntal agreed to NASD findings that it failed to comply with the NASD limit-order protection rules by executing transactions for its own account without first executing its customers' limit orders, a practice known as "trading ahead." While these limit orders were eventually executed, Gruntal's trading ahead represented a failure to fulfill the limit-order protection obligation incumbent on all NASD member firms.

Under the terms of the settlement, Gruntal is required to pay \$100,000 of the fine to the NASD immediately, with the remaining \$100,000 designated to reimburse any customers who were harmed as a result of Gruntal's improper activities. Gruntal has 45 days to hire an independent consultant to identify any customers who may have been harmed and therefore merit restitution. In the event that the total restitution does not equal \$100,000, the difference will be paid to the NASD within 60 days after the consultant issues its final report.

Mandating the use of outside professionals to monitor and periodically report on regulatory compliance in areas such as internal controls and supervisory systems, as well as to recommend new or enhanced policies, has been used successfully by the SEC and NASD in the past as part of disciplinary sanctions imposed in enforcement actions. To date, Gruntal has reimbursed customers \$7,800.

"The NASD will not tolerate instances where a member places its own interests ahead of those of its customers," said John Pinto, NASD Regulation Executive Vice President.

The NASD also found that Gruntal failed to timely report 103 transactions in securities listed on The Nasdaq Stock Market within 90 seconds of execution, as required under NASD regulations. Gruntal also failed to make any report of two other transactions it was obliged to report.

Finally, the NASD found that Gruntal failed to enforce its supervisory procedures to ensure compliance with NASD regulations.