

**Award**  
**NASD Dispute Resolution, Inc.**

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In the Matter of the Arbitration Between:

Frank Meuschke, (Claimant) vs. First Madison Securities, Inc. and Ray Vahab, (Respondents)

Case Number: 00-00435

Hearing Site: New York, New York

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**REPRESENTATION OF PARTIES**

Claimant, Frank Meuschke, hereinafter referred to as "Claimant": Arthur C. Schupbach, Esq., Schupbach, Williams & Pavone LLP, Garden City, NY.

Respondents, First Madison Securities, Inc. ("Madison") and Ray Vahab ("Vahab"), hereinafter collectively referred to as "Respondents", did not appear at the hearing in this matter. Previously represented by: Albert A. Rapoport, Esq., a sole practitioner, Boca Raton, FL.

**CASE INFORMATION**

Statement of Claim filed on or about: January 31, 2000.

Claimant signed the Uniform Submission Agreement: January 29, 2000.

Statement of Answer filed by Respondents on or about: March 2, 2000.

Madison signed the Uniform Submission Agreement: March 2, 2000.

Vahab signed the Uniform Submission Agreement: March 2, 2000.

**CASE SUMMARY**

Claimant asserted the following causes of action: fraud; misrepresentation; unsuitability; churning; violations of NYSE and NASD rules; violations of the Securities Act of 1933 and the Securities Exchange Act of 1934; and breach of common law fiduciary duty. Claimant's claim involved Knightsbridge Capital, Inc. ("Knightsbridge"), a private placement investment.

Unless specifically admitted in their Answer, Respondents denied the allegations made in the Statement of Claim and asserted the following defenses: Respondents were provided with documents signed by Claimant naming Mr. Arthur Wilsdorf, Jr. ("Wilsdorf") as his sole agent and representative; Respondents never had any communications whatsoever with Claimant at, or prior to, the time of the investment in question; there was not any conflict of interest on the part of Respondents; Respondents never induced Claimant to sign any documents; Claimant, of his own will and desire, voluntarily signed a document assigning his

shares and entire interest in Knightsbridge to Wilsdorf; Respondents never violated any 1933 and 1934 securities regulations; Respondents never committed any act of fraud or recklessness, and never intended to injure Claimant; Respondents never breached their fiduciary contract with Claimant and at all times followed Claimant's instructions; and Respondents never received any indication from Claimant that Wilsdorf was not his sole agent and representative.

### **RELIEF REQUESTED**

Claimant requested:

- a. Compensatory damages in the approximate amount of \$55,000.00;
- b. Interest in an amount no less than \$3,000.00 per annum (the ten percent return promised to Claimant in connection with Knightsbridge) from July, 1997;
- c. Additional interest on the full amount of the Award, to be determined by the Panel, in order to reflect the loss of income sustained by Claimant as a result of not having his money invested in prudent and suitable investments;
- d. Rescission of the securities purchased;
- e. Attorneys' fees;
- f. Punitive damages in an amount to be determined by the Panel; and
- g. Such other and further relief as the Panel deems just and proper.

Respondents requested an Award:

- a. Dismissing all claims for relief in Claimant's Statement of Claim, with prejudice;
- b. Awarding Respondents costs of suit;
- c. Awarding Respondents attorneys' fees; and
- d. Awarding Respondents such other and further relief as the Panel deems equitable and just.

### **OTHER ISSUES CONSIDERED AND DECIDED**

Upon review of the file and the representations made on behalf of the Claimant, the undersigned arbitrators (the "Panel") determined that Madison and Vahab have been properly served with the Statement of Claim and received due notice of the hearing, and that arbitration of the matter would proceed without Madison and Vahab present, in accordance with the NASD Code of Arbitration Procedure (the "Code").

The parties have agreed that the Award in this matter may be executed in counterpart copies or that a handwritten, signed Award may be entered.

### **AWARD**

After considering the pleadings, the testimony and evidence presented at the hearing, the Panel has decided in full and final resolution of the issues submitted for determination as follows:

1. Respondents be and hereby are jointly and severally liable for and shall pay to Claimant the sum of \$41,583.00 as compensatory damages, plus interest at the rate of 6% per annum accruing from May 7, 2001 until payment.
2. Respondents be and hereby are jointly and severally liable for and shall pay to Claimant the sum of \$22,000.00 as punitive damages. The Panel awarded punitive damages based on its determination that Respondents fraudulently induced Claimant to purchase the investment in question.
3. Respondents be and hereby are jointly and severally liable for and shall pay to Claimant the sum of \$225.00, to reimburse Claimant for the filing fee previously paid to NASD Dispute Resolution, Inc.
4. All other requests for relief are hereby denied.

### **FEES**

Pursuant to the Code, the following fees are assessed:

#### **Filing Fees**

NASD Dispute Resolution, Inc. will retain or collect the non-refundable filing fees for each claim:

Initial claim filing fee	= \$ 225.00
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#### **Member Fees**

Member fees are assessed to each member firm that is a party in these proceedings or to the member firm that employed the associated person at the time of the events giving rise to the dispute. In this matter, First Madison Securities, Inc. is a party.

Member surcharge	= \$1,000.00
Pre-hearing process fee	= \$ 600.00

**Forum Fees and Assessments**

The Panel assesses forum fees for each hearing session conducted. A hearing session is any meeting between the parties and the arbitrators, including a pre-hearing conference with the arbitrators, that lasts four (4) hours or less. Fees associated with these proceedings are:

One (1) Pre-hearing session with Panel x \$750.00	= \$ 750.00
Pre-hearing conference: March 20, 2001	1 session
Two (2) Hearing sessions x \$750.00	= \$1,500.00
Hearing Date: May 7, 2001	2 sessions
Total Forum Fees	= \$2,250.00

The Panel has assessed all of the forum fees jointly and severally against Respondents.

**Fee Summary**

1. Claimant be and hereby is solely liable for:

Initial Filing Fee	= \$ 225.00
Total Fees	= \$ 225.00
Less payments	= \$ 975.00
Refund Due Claimant	= \$ 750.00

*As stated in the "Award" section above, Respondents are jointly and severally liable and shall reimburse Claimant for the \$225.00 filing fee.*

2. Madison be and hereby is solely liable for:

Member Fees	= \$1,600.00
Total Fees	= \$1,600.00
Less payments	= \$1,000.00
Balance Due NASD Dispute Resolution, Inc.	= \$ 600.00

3. Respondents be and hereby are jointly and severally liable for:

Forum Fees	= \$2,250.00
Total Fees	= \$2,250.00
Less payments	= \$ 0.00
Balance Due NASD Dispute Resolution, Inc.	= \$2,250.00

All balances are due and payable to NASD Dispute Resolution, Inc.

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**ARBITRATION PANEL**

Eric P. Nachman, Esq.	-	Public Arbitrator, Presiding Chair
William H. Hagendorn, Esq.	-	Public Arbitrator
Kevin F. Cuddihy	-	Industry Arbitrator

**Concurring Arbitrators' Signatures**

I, the undersigned arbitrator, do hereby affirm, pursuant to Article 7507 of the Civil Practice Law and Rules, that I am the individual described herein and who executed this instrument which is my award.

\_\_\_\_\_  
Eric P. Nachman, Esq.  
Public Arbitrator, Presiding Chair

\_\_\_\_\_  
Signature Date

  
\_\_\_\_\_  
William H. Hagendorn, Esq.  
Public Arbitrator

6/7/01  
\_\_\_\_\_  
Signature Date

\_\_\_\_\_  
Kevin F. Cuddihy  
Industry Arbitrator

\_\_\_\_\_  
Signature Date

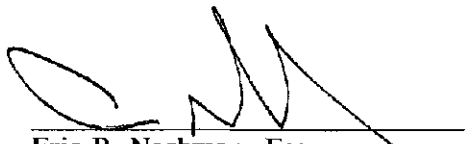
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June 8, 2001  
Date of Service (For NASD office use only)

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Public Arbitrator, Presiding Chair

5/27/01  
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Signature Date

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William H. Hagendorn, Esq.  
Public Arbitrator

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Signature Date

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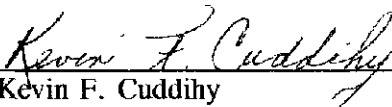
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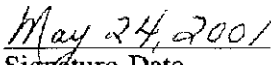
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