

Award
NASD Dispute Resolution

In the Matter of the Arbitration Between:

Name of the Claimant

Jefferson Pilot Securities Corporation

Case Number: 00-05531

Name of the Respondents

Charles Richard Gray,
MJ Whitman, Inc., and
First Security Investment, Inc.

Hearing Site: Houston, Texas

REPRESENTATION OF PARTIES

Claimant Jefferson Pilot Securities Corporation hereinafter referred to as "Claimant": Dennis J. Kelly, Esq., Liner, Yankelwitz & Regenstra, San Francisco, California.

Respondent First Security Investments, Inc. ("First Security"): Richard E. Miller, Esq. Braverman, Kaskey & Caprara, Philadelphia, Pennsylvania.

Respondent M. J. Whitman, Inc. ("M. J. Whitman"): Jim Hall, M. J. Whitman, New York, and New York

Respondent Charles R. Gray ("Gray"): pro se.

CASE INFORMATION

Statement of Claim filed on or about: December 15, 2000.

Claimant signed the Uniform Submission Agreement January 6, 2000.

Statement of Answer filed by the First Security on or about: March 20, 2001.

Uniform Submission Agreement signed on behalf of First Security Investments Inc. on January 8, 2001.

Statement of Answer filed by Respondent Gray on or about: April 3, 2001.

Respondent Gray did not file a signed Uniform Submission Agreement.

Statement of Answer filed by Respondent M. J. Whitman on or about: October 3, 2001.

Respondents M.J. Whitman did not file a signed Uniform Submission Agreement.

CASE SUMMARY

Claimants asserted the following causes of action: negligence, failure to supervise, omission of facts, misrepresentations, suitability, manipulation, unauthorized trading, markups and indemnification. The causes of action relate to the transaction in the following derivative securities: Collateralized Mortgage Obligation (CMOs), Real Estate Mortgage Investment Conduits (REMICs) and Interest Only strips (IO's).

Unless specifically admitted in the Statement of Answer, Respondent Whitman denied the allegations made in the Statement of Claim and asserted the following defenses: laches, estoppel, ratification and statute of limitations, failure to mitigate, contributory negligence.

Unless specifically admitted in the Statement of Answer, Respondent First Security denied the allegations made in the Statement of Claim and asserted the following affirmative defense: Claimant failed to exercise due diligence.

Unless specifically admitted in the Statement of Answer, Respondent Gray denied the allegations made in the Statement of Claim and asserted the following affirmative defense: Claimant failed to exercise due diligence.

On or about November 6, 2001, Respondent First Security filed a Motion to Dismiss.
On or about November 21, 2001, Claimant filed a Response to First Security's Motion to Dismiss.

On or about November 1, 2001, Respondent M. J. Whitman filed a Motion to Dismiss the Statement of Claim.
On or about November 23, 2001, Claimant's filed a response to M.J. Whitman's Motion to Dismiss the Statement of Claim.

On or about March 8, 2002 Claimant requested that the Panel reconsider its order bifurcating the arbitration hearing.
On or about March 12, 2002, Respondent filed a response to Claimant's requests for the Panel's reconsideration of its order bifurcating the arbitration hearing.

RELIEF REQUESTED

Claimant requested:

Compensatory Damages	\$1,000,000.00
Punitive Damages	Unspecified
Interest	Unspecified
Attorneys' Fees	Unspecified

Other Costs

Unspecified

Respondents First Security, Gray and Whitman request that the Statement of Claim be dismissed in its entirety and that the Claimant be ordered to pay Respondents' costs and any other relief deemed just and proper.

OTHER ISSUES CONSIDERED AND DECIDED

Respondents M.J. Whitman and Gray did not file with NASD Dispute Resolution a properly executed submission to arbitration but are required to submit to arbitration pursuant to the Code and having answered the claim, appeared and testified at the hearing, are bound by the determination of the Panel on issues submitted.

On or about February 5, 2002, the Panel denied Respondent Whitman's Motion to Dismiss the Statement of Claim.

At the Pre-hearing conference scheduled March 6, 2002, the Panel ordered the bifurcation of the arbitration.

On April 12, 2002, the Panel denied Claimant's Request to Reconsider a Bifurcation Order.

On May 1, 2002, the Panel reconsidered its prior Order of April 12, 2002 bifurcating the arbitration and Ordered that all evidence to be presented by all parties at the hearing schedule to take place on June 25, and 26, 2002.

Respondents First Security and Whitman presented a Motion to Dismiss upon the conclusion of Claimant's evidence, which was denied by the Panel on June 25, 2002.

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. Any and all relief requested by Claimant Jefferson Pilot Securities Corporation, Inc. against Respondents First Security Investment, Inc., M.J. Whitman Inc. and Charles Richard Gray for Compensatory Damages is denied;
2. Claimant Jefferson Pilot Securities Corporation, Inc. is liable for and shall pay to Respondent First Security Investment, Inc., Ten Thousand and No Cents (\$10,000.00) in attorneys' fees. Upon review of the party's arguments and submissions, the Panel determined that the authority exists for the award of attorney's fees.

3. Claimant Jefferson Pilot Securities Corporation, Inc. is liable and shall pay to M.J. Whitman, Inc. Ten Thousand and No Cents (\$10,000.00) in attorneys' fees. Upon review of the party's arguments and submissions, the Panel determined that authority exists for an award of attorney's fees.
4. Except as otherwise specified herein, each party shall bear its own costs and attorney's fees.
5. Any and all relief not specifically addressed herein, is denied.

FEES

Pursuant to the Code, the following fees are assessed:

Filing Fees

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

Initial Claim Filing Fee	= \$1,250.00
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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(s) that employed the associated person(s) at the time of the event(s) giving rise to the dispute. Accordingly, Jefferson Pilot Securities Corporation is a party to this matter.

Member surcharge	= \$2,000.00
Pre-hearing process fee	= \$ 600.00
Hearing process fee	= \$3,500.00

Respondent First Security Investments, Inc. is a party to this matter:

Member surcharge	= \$2,000.00
Pre-hearing process fee	= \$ 600.00
Hearing process fee	= \$3,500.00

Respondent M. J. Whitman, Inc. is a party to this matter:

Member surcharge	= \$2,000.00
Pre-hearing process fee	= \$ 600.00
Hearing process fee	= \$3,500.00

Forum Fees and Assessments

The Panel has assessed forum fees for each session conducted. A 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:

Four (4) Pre-hearing sessions with Panel @ \$1,200.00	= \$4,800.00
Pre-hearing conferences: May 31, 2001 1 session	

July 19, 2001	1 session
March 6, 2002	1 session
June 21, 2002	1 session

Four (4) Hearing sessions @ \$1,200 = \$4,800.00

Hearing Date(s):	June 25, 2002	2 sessions
	June 26, 2002	2 sessions

Total Forum Fees = \$9,600.00

The Arbitrator Panel has assessed the entire \$9,600.00 of the forum fees to Claimant Jefferson Pilot Securities Corporation.

Adjournment Fees

Adjournment granted during these proceedings for which fees are assessed:

Adjournment requested by Claimant Jefferson Pilot Securities = \$1,000.00
May 27-28, 2002

Fee Summary

1. Claimant Jefferson Pilot Securities Corporation is solely liable for:

Adjournment Fees	= \$ 1,000.00
Forum Fees	= \$ 9,600.00
Member Fees	= \$ 6,100.00
Initial Filing Fee	= \$ 1,250.00
Total Fees	= \$17,950.00
Less payments	= \$ 8,550.00
Balance Due NASD Dispute Resolution	= \$ 9,400.00

2. Respondent First Security Investments, Inc. is solely liable for:

Member Fees	= \$ 6,100.00
Total Fees	= \$ 6,100.00
Less payments	= \$ 6,100.00
Balance Due NASD Dispute Resolution, Inc.	= \$ 00

3. Respondent M.J. Whitman Inc. is solely liable for:

Member Fees	= \$ 6,100.00
Total Fees	= \$ 6,100.00
Less payments	= \$ 6,100.00
Balance Due NASD Dispute Resolution, Inc.	= \$.00

All balances are payable to NASD Dispute Resolution and are due upon receipt pursuant to Rule 10330(g) of the Code.

ARBITRATION PANEL

Frank G. Jones, Esq.	-	Public, Presiding Chair
Thomas A. Martin.	-	Public Arbitrator
Dale A. Hearn	-	Non-Public Arbitrator

Concurring Arbitrators' Signature(s)

Frank G. Jones, Esq.
Public Arbitrator, Presiding Chairperson

Signature Date

Thomas A. Martin
Public Arbitrator

Signature Date

Dale A. Hearn
Non-Public Arbitrator

Signature Date

Date of Service (For NASD Dispute Resolution office use only)

NASD Dispute Resolution
Arbitration No. 00-05531
Award Page 6

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Thomas A. Martin.	-	Public Arbitrator
Dale A. Hearn	-	Non-Public Arbitrator

Concurring Arbitrators' Signature(s)

Frank G. Jones, Esq.
Public Arbitrator, Presiding Chairperson

Signature Date

Thomas A. Martin

Thomas A. Martin
Public Arbitrator

08.01-02

Signature Date

Dale A. Hearn
Non-Public Arbitrator

Signature Date

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NASD Dispute Resolution
Arbitration No. 00-05531
Award Page 6

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Public Arbitrator

Signature Date

Dale A. Hearn
Dale A. Hearn
Non-Public Arbitrator

8-1-02
Signature Date

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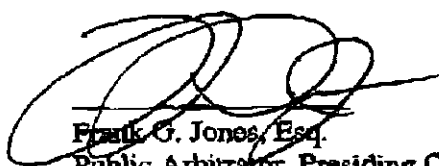
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NASD Dispute Resolution
Arbitration No. 00-05531
Award Page 6

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