

**Award**  
**NASD Dispute Resolution**

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In the Matter of the Arbitration Between:

Malireddy R. Reddy and Usha M. Reddy, Claimants v. Waterhouse Securities, Inc., Frank J. Petrilli and Joseph Armellino, Respondents

Case Number: 01-03245

Hearing Site: Los Angeles, California

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**REPRESENTATION OF PARTIES**

For Claimants:

Steven B. Caruso, Esq.  
Maddox, Koeller, Hargett &  
Caruso  
New York, New York

For Respondents:

April M. Chung, Esq.  
Theodore A. Kresbsbach &  
Associates  
New York, New York

**CASE INFORMATION**

Statement of Claim filed: June 7, 2001

Claimant's Joint Uniform Submission Agreement signed: June 12, 2001

Joint Statement of Answer filed by Respondents: November 1, 2001

Respondent Waterhouse Securities, Inc.'s Uniform Submission Agreement signed:  
March 28, 2002

Respondent Frank J. Petrilli's Uniform Submission Agreement signed: April 17, 2002

Respondent Joseph Armellino's Uniform Submission Agreement signed: April 17, 2002

**CASE SUMMARY**

Claimant alleged unauthorized trading, fraud, negligence, breach of contract, breach of fiduciary duty, material misrepresentations and/or omissions, conspiracy to conceal material facts, violations of federal and state laws, and violations of the rules of the National Association of

Securities Dealers, the New York Stock Exchange, and American Stock Exchange involving margin calls and subsequent liquidation of unspecified securities in Claimants' on-line margin account.

Respondent denied the allegations of wrongdoing set forth in the Claimant's Statement of Claim.

### **RELIEF REQUESTED**

Claimant requested \$546,515.00 in compensatory damages, \$400,000 in punitive damages, interest, and costs, including attorney's fees.

Respondents requested dismissal of the Claimant's Statement of Claim in its entirety, expungement of Respondents Frank J. Petrilli's and Joseph Armellino's CRD records, and costs, including attorney's fees.

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

On November 1, 2001, Respondents moved the Panel to Dismiss Respondents Frank J. Petrilli and Joseph Armellino and to Strike References to a Consent Order from Claimants' Statement of Claim. On April 11, 2002, a telephonic pre-hearing conference was held, attended by Claimants' counsel, Steven Caruso, Respondents' counsel, Liam O'Brien and April Chung, and the Panel. The Panel granted Respondents' Petrilli's and Armellino's Motion to Dismiss, with leave to Claimants to Amend their Statement of Claim on or before May 3, 2002. On April 30, 2002, Claimants counsel advised that no such amendment would be made. The Panel denied Respondents Motion to Strike without prejudice.

The parties 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, testimony, and evidence presented at the hearing, the Panel decided in full and final resolution of the issues submitted for determination as follows:

- 1) Claimants' claims are denied in their entirety.
- 2) The parties shall bear their respective costs, including attorney's fees.
- 3) All other relief requested and not expressly granted is denied.

### **FEES**

Pursuant to the Code, the following fees are assessed:

#### **Filing Fees**

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

Initial claim filing fee	= \$ 375.00
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#### **Member Fees**

Member fees are assessed to each member firm that is either a party in the matter or an employer of a respondent associated person at the time of the events that gave rise to the dispute, claim, or controversy. Accordingly, the member firm Waterhouse Securities, Inc. is a party and the following fees are assessed:

Member Surcharge	= \$2,000.00
Pre-Hearing Process Fee	= \$ 600.00
Hearing Process Fee	= \$3,500.00
<b>Total Member Fees</b>	<b>= \$6,100.00</b>

#### **Adjournment Fees**

The following adjournment fees are assessed:

September 11-13, 2002, adjournment requested by Respondent Waterhouse Securities, Inc.	= \$1,200.00
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#### **Forum Fees and Assessments**

The Panel assessed a forum fee for each pre-hearing conference or hearing session conducted. A pre-hearing conference and hearing session is any meeting between the parties and the Chair or the parties and the Panel. The following fees are assessed:

Two (2) Pre-hearing conference sessions with the Panel @ \$1,200.00/session	= \$2,400.00
Pre-hearing conferences:	
March 8, 2002	1 session
April 11, 2002	1 session
Five (5) Hearing sessions @ \$1,200.00/session	= \$6,000.00
Hearings:	
November 19, 2002	2 sessions
November 20, 2002	2 sessions
November 21, 2002	1 session
<b>Total Forum Fees</b>	<b>= \$8,400.00</b>

1. The Panel assessed \$4,200.00 of the forum fees jointly and severally to Claimants Malireddy R. Reddy and Usha M. Reddy.
2. The Panel assessed \$4,200.00 of the forum fees to Respondent Waterhouse Securities, Inc.

### **Administrative Costs**

Administrative costs are expenses incurred because a party requested additional services beyond the normal administrative services. These additional services include, but are not limited to, additional copies of arbitrator awards, copies of audio transcripts, retrieval of documents from archives, interpreters, security, and sundry other requests.

**Respondent Waterhouse Securities, Inc. requested one (1) tape:                = \$     15.00**

### **Fee Summary**

1. Claimants Malireddy R. Reddy and Usha M. Reddy are charged, jointly and severally, with the following fees and costs:

Initial Filing Fee	= \$ 375.00
Forum Fees	= \$ 4,200.00
Total Fees	= \$ 4,575.00
Less payments	= \$( 1,575.00)
<b>Balance Due NASD Dispute Resolution</b>	<b>= \$ 3,000.00</b>

- 2. Respondent Waterhouse Securities, Inc. is charged with the following fees and costs:**

Member Fees	= \$ 6,100.00
Adjournment Fee	= \$ 1,200.00
Forum Fees	= \$ 4,200.00
Administrative Costs	= \$ 15.00
<b>Total Fees</b>	<b>= \$11,515.00</b>
<b>Less payments</b>	<b>=\$ ( 9,615.00)</b>
<b>Balance Due NASD Dispute Resolution</b>	<b>= \$ 1,900.00</b>


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

ARBITRATION PANEL

James W. Han, Esq.  
Jerry J. Crandall  
Phillip L. Bosl, Esq.

- Public Arbitrator, Presiding Chair  
- Public Arbitrator  
- Non-Public Arbitrator

Concurring Arbitrators' Signatures

  
James W. Han, Esq.  
Chair, Public Arbitrator

12-12-2002  
Signature Date

Jerry J. Crandall  
Public Arbitrator

Signature Date

Phillip L. Bosl, Esq.  
Non-Public Arbitrator

Signature Date

12-13-02  
Date of Service

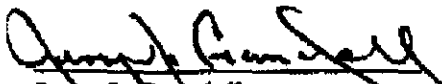
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<i>James W. Han, Esq.</i>	-	<i>Public Arbitrator, Presiding Chair</i>
<i>Jerry J. Crandall</i>	-	<i>Public Arbitrator</i>
<i>Phillip L. Bosl, Esq.</i>	-	<i>Non-Public Arbitrator</i>

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James W. Han, Esq.  
Chair, Public Arbitrator

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

  
\_\_\_\_\_  
Jerry J. Crandall  
Public Arbitrator

12-11-02  
\_\_\_\_\_  
Signature Date

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Phillip L. Bosl, Esq.  
Non-Public Arbitrator

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

12-13-02  
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Date of Service

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Jerry J. Crandall	-	Public Arbitrator
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Jerry J. Crandall  
Public Arbitrator

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Signature Date

  
\_\_\_\_\_  
Phillip L. Bosl, Esq.  
Non-Public Arbitrator

December 12, 2002.  
Signature Date

12-13-02  
Date of Service