

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

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In the Matter of the Arbitration Between:

Jon W. Salmanson, Lawrence H. Margolis, Bennett Mostel, Charles H. Woodworth, Howard S. Klar, Frank M. Cordovano, Lawrence S. Loughlin, Stuart Solomon, and Roger W.A. Spillman (Claimants) vs. Prudential Securities Incorporated (Respondent)

Case Number: 02-00641

Hearing Site: New York, New York

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Nature of the Dispute: Associated Persons vs. Member.

**REPRESENTATION OF PARTIES**

Claimant Jon W. Salmanson hereinafter referred to as "Salmanson": Michael J. Salmanson, Esq., Law Offices of Michael J. Salmanson, P.C., Philadelphia, PA. Previously represented by Donald S. Zakarin, Esq., Pryor Cashman Sherman & Flynn LLP, New York, NY.

Claimants Lawrence H. Margolis ("Margolis"), Howard S. Klar ("Klar"), and Frank M. Cordovano ("Cordovano"): Mark Klein, Esq., Ingram Yuzek Gainen Carroll & Bertolotti, LLP, New York, NY. Previously represented by Donald S. Zakarin, Esq., Pryor Cashman Sherman & Flynn LLP, New York, NY.

Claimant Bennett A. Mostel hereinafter referred to as "Mostel": appeared Lawrence R. Gelber, Esq., Law Office of Lawrence R. Gelber, Brooklyn, NY. Previously represented by Donald S. Zakarin, Esq., Pryor Cashman Sherman & Flynn LLP, New York, NY.

Claimant Charles H. Woodworth hereinafter referred to as "Woodworth": appeared *pro-se*. Previously represented by Donald S. Zakarin, Esq., Pryor Cashman Sherman & Flynn LLP and David S. Ratner, Esq., Benedict P. Morelli & Associates, P.C. New York, NY.

Claimant Stuart G. Solomon hereinafter referred to as "Solomon": Jonathan Scott Sack, Esq., Sack & Sack, New York, NY. Previously represented by Donald S. Zakarin, Esq., Pryor Cashman Sherman & Flynn LLP, New York, NY.

Claimant Roger W.A. Spillmann hereinafter referred to as "Spillmann": appeared *pro se*. Previously represented by Donald S. Zakarin, Esq., Pryor Cashman Sherman & Flynn LLP, New York, NY.

Claimant Lawrence S. Loughlin hereinafter referred to as "Loughlin": appeared *pro-se*. Previously represented by Donald S. Zakarin, Esq., Pryor Cashman Sherman & Flynn LLP, New York, NY.

Respondent Prudential Securities, Inc. n/k/a Prudential Equity Group, LLC, hereinafter referred to as "Respondent": Joel M. Miller, Esq., Miller & Wrubel P.C., New York, NY.

### **CASE INFORMATION**

Statement of Claim filed on or about: February 1, 2002.  
Amended Statement of Claim filed on or about: January 21, 2003.  
Answer to Counterclaim filed on or about: May 24, 2002.  
Salmanson signed the Uniform Submission Agreement: January 30, 2002.  
Margolis signed the Uniform Submission Agreement: January 30, 2002.  
Mostel signed the Uniform Submission Agreement: February 1, 2002.  
Woodworth signed the Uniform Submission Agreement: January 31, 2002.  
Klar signed the Uniform Submission Agreement: January 30, 2002.  
Cordovano signed the Uniform Submission Agreement: January 30, 2002.  
Solomon signed the Uniform Submission Agreement: January 30, 2002.  
Spillman signed the Uniform Submission Agreement: January 31, 2002.  
Loughlin did not sign a Uniform Submission Agreement.

Statement of Answer and Counterclaim filed by Respondent on or about: May 1, 2002.  
Amended Answer and Counterclaim filed by Respondent on or about: September 8, 2003.  
Respondent signed an undated Uniform Submission Agreement.

### **CASE SUMMARY**

Claimants asserted the following causes of action: breach of contract; defamation; tortious interference; and, fraud.

Unless specifically admitted in its Answer, Respondent denied the allegations made in the Statement of Claim and asserted various affirmative defenses.

In its Counterclaim, Respondent asserted the following causes of action: breach of employment agreements; failure to repay loans; breach of contract; and, conversion.

Unless specifically admitted in their Answer, Claimants denied the allegations made in the Counterclaim and asserted various affirmative defenses.

### **RELIEF REQUESTED**

Claimants requested compensatory damages in the amount of \$47,200,000.00, punitive damages in the amount of \$94,400,000.00, costs, attorneys' fees and all other damages to be awarded by the Panel.

Respondent requested dismissal of the Statement of Claim in its entirety.

In its Counterclaim, Respondent requested compensatory damages in the amount of \$5,374,347.00 plus interest.

Claimants requested dismissal of the Counterclaim in its entirety.

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

Loughlin did not file with NASD Dispute Resolution a properly executed Uniform Submission Agreement but is required to submit to arbitration pursuant to the Code and having answered the claim, appeared and testified at the hearing is bound by the determination of the Panel on all issues submitted.

On or about August 1, 2003 Loughlin filed for bankruptcy in the Eastern District of New York. Accordingly all actions against Loughlin were stayed.

On or about September 8, 2003, Salmanson and the Respondent notified NASD Dispute Resolution that all claims and counterclaims between them were settled.

By letter dated December 9, 2003, Woodworth and the Respondent notified NASD-DR that all claims and counterclaims between them were settled.

By letter dated December 17, 2003, Solomon and the Respondent notified NASD-DR that all claims and counterclaims between them were settled.

By letter dated February 22, 2005, Cordovano, Margolis, Klar and the Respondent notified NASD-DR that all claims and counterclaims between them were settled.

The parties have agreed that the Award in this matter may be entered 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. Respondent is liable for and shall pay to Mostel \$625,000.00 in compensatory damages.
2. Spillman is liable for and shall pay to the Respondent \$377,980.00 in compensatory damages.
3. Any and all relief not specifically addressed herein, including punitive damages 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 = \$ 600.00

Counterclaim filing fee = \$ 2,500.00

**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 persons at the time of the events giving rise to the dispute. Accordingly, Prudential Equity Group, LLC is a party.

Member surcharge	= \$ <sup>3,750.00</sup> <del>3,350.00</del>
Pre-hearing process fee	= \$ 750.00
Hearing process fee	= \$ 5,500.00

**Adjournment Fees**

Adjournments granted during these proceedings for which fees were assessed:

October 8, 9, 28, and 30, 2003 adjournment by Margolis, Klar, and Cordovano	= \$ 1,200.00
March 3, 4, and 5, 2004 adjournment by Respondent	= \$ 1,200.00
May 24, 25, & 26, 2004 adjournment by the parties	= \$ Waived
February 9, 10, 11, 2005 adjournment by Respondent	= \$ Waived
December 20 & 21, 2005 adjournment by Mostel	= \$ Waived

**Three-Day Cancellation Fees**

Fees apply when a hearing on the merits is postponed or settled within three business days before the start of a scheduled hearing session:

February 9, 10, 11, 2005, adjournment by Respondent	= \$ 300.00
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**Forum Fees and Assessments**

The Panel has assessed forum fees for each session conducted or each decision rendered on a discovery-related motion on the papers. 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:

Six (6) Pre-hearing sessions with Panel at \$1,200.00 per session	= \$ 7,200.00
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Pre-hearing conferences:	January 21, 2003	1 session
	May 12, 2003	1 session
	May 24, 2004	1 session
	November 29, 2004	1 session
	May 20, 2005	1 session
	May 30, 2006	1 session

Thirty-One (31) Hearing sessions at \$1,200.00 per session	= \$37,200.00
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Hearing Dates:	October 7, 2003	1 session
	February 8, 2005	2 sessions
	May 10, 2005	2 sessions
	May 11, 2005	2 sessions
	May 12, 2005	2 sessions
	January 10, 2006	2 sessions

January 11, 2006	2 sessions
January 12, 2006	2 sessions
January 31, 2006	2 sessions
February 1, 2006	2 sessions
September 12, 2006	2 sessions
September 13, 2006	2 sessions
September 14, 2006	2 sessions
September 27, 2006	2 sessions
September 28, 2006	2 sessions
September 29, 2006	2 sessions

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Total Forum Fees	= \$44,400.00
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1. The Panel has assessed \$44,400.00 of the forum fees to the Respondent.

**Fee Summary**

1. Salmanson, Margolis, Mostel, Woodworth, Klar, Cordovano, Loughlin, Solomon, Spillman and Salmanson are jointly and severally liable for:

Initial Filing Fee	= \$ 600.00
Total Fees	= \$ 600.00
Less payments	= \$ 1,800.00
Refund to the Claimants	= \$ 1,200.00

2. Margolis, Klar and Cordovano are jointly and severally liable for:

Adjournment Fee	=\$ 1,200.00
Total Fees	=\$ 1,200.00
Less payments	=\$ 0.00
Balance Due NASD Dispute Resolution	=\$ 1,200.00

3. Respondent is solely liable for:

Counterclaim Filing Fees	= \$ 2,500.00
Member Fees	= \$ 9,600.00 <i>10,000.</i>
Three-Day Cancellation Fee	= \$ 300.00
Forum Fees	= \$44,400.00
Total Fees	= <del>\$56,800.00</del> <i>58,400.</i>
Less payments	= \$13,700.00
Balance Due NASD Dispute Resolution	= <del>\$43,100.00</del> <i>44,700.00</i>

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

**ARBITRATION PANEL**

Krishna M. Vempaty, Esq.	-	Public Arbitrator, Presiding Chairperson
Melvin Lyon	-	Public Arbitrator
Theodor Brown	-	Non-Public 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.

\_\_\_\_\_  
Krishna M. Vempaty, Esq.  
Public Arbitrator, Presiding Chairperson

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

\_\_\_\_\_  
Melvin Lyon  
Public Arbitrator

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

\_\_\_\_\_  
Theodor Brown  
Non-Public Arbitrator

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

\_\_\_\_\_  
Date of Service (For NASD Dispute Resolution use only)

**ARBITRATION PANEL**

Krishna M. Vempaty, Esq.	-	Public Arbitrator, Presiding Chairperson
Melvin Lyon	-	Public Arbitrator
Theodor Brown	-	Non-Public Arbitrator

**Concurring Arbitrators' Signatures**

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Krishna M. Vempaty  
Krishna M. Vempaty, Esq.  
Public Arbitrator, Presiding Chairperson

11/1/06  
Signature Date

\_\_\_\_\_  
Melvin Lyon  
Public Arbitrator

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

\_\_\_\_\_  
Theodor Brown  
Non-Public Arbitrator

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

\_\_\_\_\_  
November 2, 2006

\_\_\_\_\_  
Date of Service (For NASD Dispute Resolution use only)

**ARBITRATION PANEL**

Krishna M. Vempaty, Esq.	-	Public Arbitrator, Presiding Chairperson
Melvin Lyon	-	Public Arbitrator
Theodor Brown	-	Non-Public Arbitrator

**Consenting 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.

\_\_\_\_\_  
Krishna M. Vempaty, Esq.  
Public Arbitrator, Presiding Chairperson

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

\_\_\_\_\_  
Melvin Lyon  
Public Arbitrator

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

  
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Theodor Brown  
Non-Public Arbitrator

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

November 2, 2006

\_\_\_\_\_  
Date of Service (For NASD Dispute Resolution use only)



**ARBITRATION PANEL**

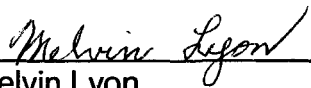
Krishna M. Vempaty, Esq.	-	Public Arbitrator, Presiding Chairperson
Melvin Lyon	-	Public Arbitrator
Theodor Brown	-	Non-Public Arbitrator

**Concurring Arbitrators' Signatures**

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\_\_\_\_\_  
Krishna M. Vempaty, Esq.  
Public Arbitrator, Presiding Chairperson

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

  
\_\_\_\_\_  
Melvin Lyon  
Public Arbitrator

October 30, 2006  
Signature Date

\_\_\_\_\_  
Theodor Brown  
Non-Public Arbitrator

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

November 2, 2006

\_\_\_\_\_  
Date of Service (For NASD Dispute Resolution use only)