

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

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In the Matter of the Arbitration Between:

Name of the Claimant  
Harriet Raskin

Case Number: 02-06486

Name of the Respondents  
Bear, Stearns Securities Corp.;  
Josephthal & Co., Inc.;  
Frank L. Harris, III

Hearing Site: Dallas, Texas

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**NATURE OF THE DISPUTE**

Public Customer v. Terminated Member Firm, Member Firm and Former Associated Person

**REPRESENTATION OF PARTIES**

Claimant Harriet Raskin, hereinafter referred to as "Claimant": William M. Ravkind, Esq., of the firm of Ravkind & Ravkind, P.C., located in Dallas, Texas.

Respondents Bear, Stearns Securities Corp. ("Bear, Stearns") and Josephthal & Co., Inc. ("Josephthal"): David R. Clouston, Esq. of the firm of Patton Boggs, LLP, located in Dallas, Texas.

Respondent Frank L. Harris, III ("Harris"): Appeared pro se.

**CASE INFORMATION**

Statement of Claim filed: October 29, 2002.

Claimant signed the Uniform Submission Agreement: October 24, 2002.

Statement of Answer filed by Respondent Josephthal on: March 14, 2003.

Respondent Josephthal signed the Uniform Submission Agreement on or about: August 12, 2003.

Respondent Harris did not file a Statement of Answer or an executed submission agreement.

Parties' Agreement to Dismiss Respondent Bear, Stearns from this action filed: March 12, 2003.

Claimant's Letter advised of intent to pursue certain claims in state court filed: June 3, 2004.

### CASE SUMMARY

Claimant alleged that Harris, while employed at Josephthal, began trading her account so as to turn it into a highly speculative portfolio without any supervision from Josephthal. This speculative trading became so extreme that on one or more occasions, the entire account was liquidated and mutual funds switched. In addition, it was alleged that Harris recommended investments in private companies and stole money by wiring Claimant's funds into an account he controlled. The constant irregularities in the account should have alerted Josephthal of the problem in the account.

Unless specifically admitted in its Answer, Respondent Josephthal denied the allegations made in the Statement of Claim and asserted the following defenses:

1. The Statement of Claim fails to state a claim upon which relief may be granted;
2. By failing to object to the handling of her account, despite being specifically informed of the activity in her account, Claimant waived her right to make the instant claims and ratified the activity in her account;
3. Claimant expressly and/or by her conduct, ordered, approved, authorized, participated in and ratified the transactions complained of and upon which recovery is sought, and is accordingly estopped or otherwise precluded from recovery herein;
4. The risk concerning the purchase and sales of securities in Claimant's account was fully known to her and she knowingly, willingly and voluntarily assumed the risks of investing in the stock market;
5. The Claimant has already released some of the claims that form the basis of the Statement of Claim;
6. Claimant is precluded from recovery since the losses allegedly sustained by her were a direct and proximate result of her own conduct and/or negligence and not any act or omission on the part of the Respondents;
7. Claimant is precluded from any recovery against Josephthal in this proceeding, because, at all times relevant hereto, Josephthal maintained an adequate and reasonable system of supervision and control of its employees, including Frank Harris II;
8. Claimant is precluded from any recovery against Josephthal in this proceeding, because, at all times relevant hereto, Josephthal acted in good faith, in accordance with industry standards of conduct, and in compliance with all applicable securities laws and regulations;
9. Respondent is not liable to Claimant because it did not breach any duty, including any duty of good faith and fair dealing, in handling Claimant's account;
10. Respondent is not liable to Claimant because it did not breach any warranty, including an implied warranty, that it act in a commercially reasonable manner; and,
11. Claimant's causes of action are barred, in whole or in part, by the applicable statute of limitations.

**RELIEF REQUESTED**

Claimant requested:

Compensatory Damages	\$270,000.00
Attorneys' Fees	Unspecified Amount
Other Costs	Unspecified Amount
Other Monetary/Non-Monetary Relief if any:	Unspecified Amount

Respondent Josephthal requested that the Statement of Claim be dismissed in all respects and that attorneys' fees and costs of this proceeding be assessed against Claimant.

**OTHER ISSUES CONSIDERED AND DECIDED**

On March 13, 2003, by agreement of the parties, Claimant dismissed all claims against Respondent Bear, Stearns.

On June 3, 2004, Claimant notified NASD Dispute Resolution and the Panel that they would not be pursuing any claim regarding an investment that Raskin made in a privately owned company in this forum, but would be pursuing the issue in state court.

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

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, 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 Josephthal & Co., Inc. and Frank L. Harris, III are jointly and severally liable for and shall pay to the Claimant, Harriet Raskin, the sum of \$5,500.00 as compensatory damages;
2. The parties shall bear their own costs of arbitration, except for those sums specifically enumerated herein; and,
3. 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 = \$ 300.00

**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 person at the time of the events giving rise to the dispute. Accordingly, Bear, Stearns Securities Corp. and Josephthal & Co., Inc. are both a party to this action and the following member fees were assessed:

Bear, Stearns Securities Corp.  
Member surcharge = \$ 1,700.00

Josephthal & Co., Inc.  
Member surcharge = \$ 1,700.00  
Pre-hearing process fee = \$ 750.00  
Hearing process fee = \$ 2,750.00

**Adjournment Fees**

Adjournments granted during these proceedings for which fees were assessed:

May 11-13, 2004 by Raskin and Josephthal (Waived by Panel) = \$ 1,125.00

**Forum Fees and Assessments**

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

One (1) Pre-hearing session with Panel @ \$1,125.00 = \$ 1,125.00  
Pre-hearing conference: September 26, 2003 1 session  
Two (2) Hearing sessions @ \$1,125.00 = \$ 2,250.00  
Hearing Date: June 24, 2004 2 sessions  
Total Forum Fees = \$ 3,375.00

The Panel has assessed \$1,687.50 of the forum fees to Claimant Harriet Raskin and \$1,687.50 of the forum fees, jointly and severally, to Respondents Josephthal & Co., Inc. and Frank L. Harris, III.

**FEE SUMMARY**

Claimant Harriet Raskin is solely liable for:

Initial Filing Fee = \$ 300.00  
Forum Fees = \$ 1,687.50  
Total Fees = \$ 1,987.50  
Less payments = \$ 1,425.00  
Balance Due NASD Dispute Resolution = \$ 562.50

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Respondent Josephthal & Co., Inc. is solely liable for:

Member Fees	= \$ 5,200.00
Less payments	= \$ 3,500.00
Balance Due NASD Dispute Resolution	= \$ 1,700.00

Respondent Bear, Stearns Securities Corp. is solely liable for:

Member Fees	= \$ 1,700.00
Less payments	= \$ 2,450.00
Balance Refunded by NASD Dispute Resolution	= \$ 750.00

Respondents Josephthal & Co., Inc. and Frank L. Harris, III are jointly and severally liable for:

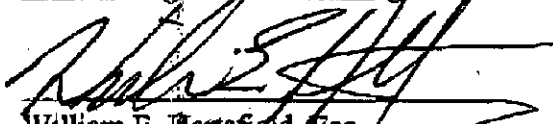
Forum Fees	= \$ 1,687.50
Less payments	= \$ 0.00
Balance Due NASD Dispute Resolution	= \$ 1,687.50

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

**ARBITRATION PANEL**

William E. Hartsfield, Esq. - Public Arbitrator, Presiding Chairperson  
John Laurence Martin - Public Arbitrator  
Kurt L. Smith - Non-Public Arbitrator

**Concurring Arbitrators' Signatures**

  
William E. Hartsfield, Esq.  
Public Arbitrator, Presiding Chairperson

July 19, 2004  
Signature Date

\_\_\_\_\_  
John Laurence Martin  
Public Arbitrator

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

\_\_\_\_\_  
Kurt L. Smith  
Non-Public Arbitrator

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

7/20/04 llm

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

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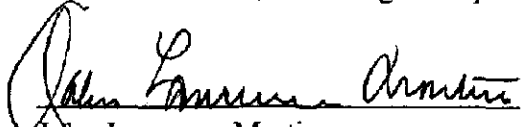
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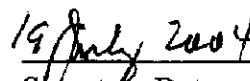
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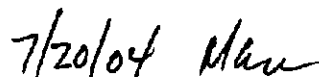
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Public Arbitrator, Presiding Chairperson

Signature Date

John Laurence Martin  
Public Arbitrator

Signature Date

Kurt L. Smith  
Non-Public Arbitrator

Signature Date

7/20/04 *Now*

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