

AWARD
NASD Dispute Resolution

In the Matter of the Arbitration Between

Name of Claimant

Silvio Francani

and

02-06666
Phoenix, Arizona

Name of Respondents

Prudential Equity Group, Inc. f/k/a Prudential Securities, Inc.
Sandro J. Francani

Nature of the Dispute: Customer vs. Member and Associated Person.

REPRESENTATION OF PARTIES

Silvio Francani ("**Claimant**") was represented by John R. Hoopes, Esq., Hoopes & Adams, PLC, Mesa, Arizona.

Prudential Equity Group, Inc. f/k/a Prudential Securities, Inc. ("**Respondent Prudential**") and Sandro J. Francani ("**Respondent Francani**") (collectively as "**Respondents**") were represented by Patrick Gaffney, Esq., Prudential Equity Group, Inc., New York, New York.

CASE INFORMATION

The Statement of Claim was filed on or about November 5, 2002. Submission Agreement of Claimant Silvio Francani was signed on November 1, 2002.

Statement of Answer was filed by Respondents Prudential Equity Group, Inc. f/k/a Prudential Securities, Inc. and Sandro J. Francani on or about January 31, 2003.

CASE SUMMARY

Claimant alleged that:

Respondents engaged in a series of actions in contravention of legal/industry standards by which they (A) directed/recommended (1) unsuitable trades in speculative securities in Silvio Francani's account, and (2) an unsuitable investment strategy for Silvio Francani; (B) "churned" and otherwise effectuated a pattern of excessive trading in Silvio Francani's account; (C) misrepresented/failed to disclose material facts to Silvio Francani regarding the

investments recommended to Silvio Francani and the investment strategies employed by Respondents; and (D) generally committed acts which constitute activities dishonest/unethical in the securities industry. Prudential failed to adequately supervise the conduct of its representative Sandro Francani so as to prevent/mitigate the effect of Sandro Francani's wrongful conduct.

Respondents denied the allegations set forth in the Statement of Claim. Respondents specifically stated as follows:

Claimant invested in speculative internet and technology stocks because he was after large gains - -he was absolutely not advised to do so by Sandro Francani. In fact, Sandro Francani warned his brother that based on his experience, the more active you are, the poorer your results tend to be. When the technology and internet stock market bubble burst in March 2000, the Claimant had no margin indebtedness whatsoever!! Six months after the bubble burst, the Claimant chose to go on margin to buy speculative technology and internet stocks since he, like many at the time, thought a strong rebound in these sectors was in the offing and/or at hand. Claimant wanted to retain his municipal bonds and speculate on margin in individual tech and internet stocks at this point in time. He was well aware of the punishing declines these stocks had experienced since March 2000 - his Statement of Claim argument that he was not aware of the risks he knowingly chose to take on his own accord is not advanced in good faith.

...

PSI's supervision of Respondent Sandro Francani and his handling of Claimant's accounts was reasonable, appropriate, and sufficient to have detected any violations of industry standards, rules, or regulations regarding Claimant's accounts. The Claimant told the PSI Branch Manager in October 1999 that he made his own investment decisions and had no concerns regarding his PSI accounts.

RELIEF REQUESTED

Claimant requested an award as follows:

- a) Compensatory damages in an amount not less than \$1,485,709;
- b) Punitive damages in an amount the arbitrators deem appropriate to deter the Respondents from future acts or misconduct such as those giving rise to this claim (\$2,971,418);
- c) Treble the forgoing damages pursuant to A.R.S. §46-456(C);
- d) Interest on treble and actual damages awarded at the rate of ten percent (10%) per annum from the dates of loss through the date of award;
- e) All of Silvio Francani's costs, expenses and disbursements, including reasonable attorneys' fees in pursuing this claim, which must be awarded pursuant to A.R.S. §§12-341, 12-341.01, and 44-2001;

- f) Interest on all amounts awarded at the rate of ten percent (10%) per annum from the date of the award until paid; and
- g) Such other relief as the panel deems just and proper.

Respondents requested that the claims asserted against them be dismissed and denied with prejudice. The Panel should recommend in its arbitration decision that this frivolous matter be expunged from the registration records of Sandro Francani maintained by the Central Registration Depository. All costs should be assessed against the Claimant for filing a false claim in bad faith.

OTHER ISSUES CONSIDERED & DECIDED

Respondent Prudential Equity Group, Inc. f/k/a Prudential Securities, Inc. and Sandro J. Francani did not file with the NASD Dispute Resolution a properly executed submission to arbitration but is required to submit to arbitration pursuant to Rule 10301 of the NASD Code of Arbitration Procedure (the "Code") and having answered the claim, appeared and testified at the hearing is bound by the determination of the arbitration panel on all issues submitted.

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. In either case, the parties have agreed to receive conformed copies of the award while the original(s) remain on file with the NASD Dispute Resolution (the "NASD").

AWARD

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

1. Respondents Prudential Equity Group, Inc. f/k/a Prudential Securities, Inc. and Sandro J. Francani shall be and hereby are jointly and severally liable for and shall pay to Claimant Silvio Francani the sum of \$60,000.00 (**Sixty Thousand Dollars and No Cents**) as compensatory damages.
2. Respondents Prudential Equity Group, Inc. f/k/a Prudential Securities, Inc. and Sandro J. Francani shall be and hereby are jointly and severally liable for and shall pay to Claimant Silvio Francani the sum of \$6,000.00 (**Six Thousand Dollars and No Cents**) as attorneys' fees.
3. That to the extent not specifically awarded or otherwise provided for above, all other claims and requests for relief by any party hereto are denied with prejudice.

4. Other than the Forum Fees noted below, the parties shall each bear all other costs and expenses incurred by them in connection with this proceeding, including but not limited to attorneys fees, not specifically awarded or otherwise provided for above.

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

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. In this matter, the member firm(s) is Prudential Equity Group, Inc. f/k/a Prudential Securities, Inc.

Member surcharge	\$	2,800.00
Pre-hearing process fee	\$	750.00
Hearing process fee	\$	5,000.00
Total Member Fees	\$	8,550.00

Forum Fees and Assessments

The Arbitration Panel assesses forum fees for each hearing session conducted. A hearing 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:

7 Hearing sessions	x	1,200.00	\$	8,400.00
February 24, 2004	2	sessions		
February 25, 2004	3	sessions		
February 26, 2004	2	sessions		
Total Forum Fees			\$	8,400.00

The Arbitration Panel has assessed \$4,200.00 of the forum fees to Silvio Francani.

The Arbitration Panel has assessed \$4,200.00 of the forum fees jointly and severally to Prudential Equity Group, Inc. f/k/a Prudential Securities, Inc. and Sandro J. Francani.

Fee Summary

Claimant, Silvio Francani, shall be and hereby is liable for:

Initial Filing Fee	= \$	600.00
<u>Forum Fees</u>	= \$	4,200.00
Total Fees	= \$	4,800.00
<u>Less payments</u>	= \$	-1,800.00
Balance Due NASD Dispute Resolution	= \$	3,000.00

Respondent, Prudential Equity Group, Inc. f/k/a Prudential Securities, Inc., shall be and hereby is liable for:

Member Fees	= \$	8,550.00
<u>Forum Fees</u>	= \$	0.00
Total Fees	= \$	8,550.00
<u>Less payments</u>	= \$	-3,550.00
Balance Due NASD Dispute Resolution	= \$	5,000.00

Respondents, Prudential Equity Group, Inc. f/k/a Prudential Securities, Inc. and Sandro J. Francani, shall be and hereby are jointly and severally liable for:

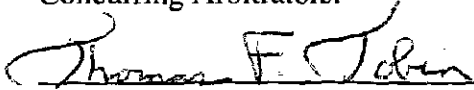
<u>Forum Fees</u>	= \$	4,200.00
Total Fees	= \$	4,200.00
<u>Less payments</u>	= \$	-0.00
Balance Due NASD Dispute Resolution	= \$	4,200.00

All balances are due to NASD Dispute Resolution

ARBITRATION PANEL

Thomas F. Tobin, Esq. - Public Arbitrator, Presiding Chair
Allan D. Breyer - Public Arbitrator
Seth M. Schindler, Ph.D - Non-Public Arbitrator

Concurring Arbitrators:



Thomas F. Tobin, Esq.
Public Arbitrator, Presiding Chair

March 31, 2004

Signature Date

Allan D. Breyer
Public Arbitrator

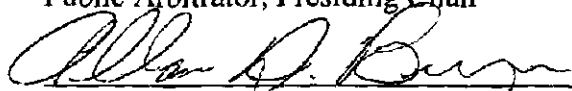
Signature Date

Seth M. Schindler, Ph.D
Non-Public Arbitrator

Signature Date

Concurring Arbitrators:

Thomas F. Tobin, Esq.
Public Arbitrator, Presiding Chair


Allan D. Breyer
Public Arbitrator

Seth M. Schindler, Ph.D
Non-Public Arbitrator

Signature Date

03-30-04

Signature Date

Signature Date

NASD Dispute Resolution
Arbitration No. 02-06666
Award Page 6 of 6

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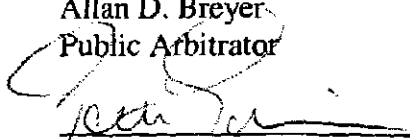
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Thomas F. Tobin, Esq.
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Allan D. Breyer
Public Arbitrator

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Seth M. Schindler, Ph.D
Non-Public Arbitrator



Signature Date