

Award
NASD Dispute Resolution

In the Matter of the Arbitration Between:

Neil Lauro (Claimant) v. Isabel Sepulveda De Scanlon(Respondent)

Case Number: 04-01217

Hearing Site: New York, New York

Nature of the Dispute: Associated Person vs. Customer.

REPRESENTATION OF PARTIES

Claimant Neil Lauro ("Lauro") hereinafter referred to as "Claimant": Jack Ballard, Esq., The Ballard Law Firm, Houston, TX.

Respondent Isabel Sepulveda De Scanlon ("De Scanlon") hereinafter referred to as "Respondent": Neil A. Sussman, Esq., Sussman & Frankel, LLP, New York, NY.

CASE INFORMATION

Letter Requesting Expungement filed on or about: February 23, 2004.

Claimant signed the Uniform Submission Agreement: February 9, 2004.

Respondent did not file a Statement of Answer or sign the Uniform Submission Agreement.

CASE SUMMARY

Claimant asserted the following cause of action: Claimant in this case requested expungement of a prior NASD Dispute Resolution Arbitration No. 03-01150, but the case was closed and the Panel dismissed before a ruling on the expungement was obtained. The cause of action does not relate to any type of securities or products.

RELIEF REQUESTED

Claimant requested expungement of prior NASD Dispute Resolution No. 03-01150 from his CRD record.

OTHER ISSUES CONSIDERED AND DECIDED

In Claimant's letter dated February 23, 2004, NASD Dispute Resolution was notified that the parties agreed to waive all provision of the Code requiring a Statement of Claim, Answer, hearings, discovery, and the process for selection of a panel of arbitrators.

On or about October 12, 2004, the Arbitrator issued a final decision granting Claimant's request for expungement. That decision is attached to this Award and marked as "Exhibit A".

AWARD

After considering the pleadings, and the testimony presented at the telephonic pre-hearing conference, the Arbitrator has decided in full and final resolution of the issues submitted for determination as follows:

1. Claimant's request for expungement is granted.
2. The Panel recommends the expungement of all reference to the previous NASD Dispute Resolution Arbitration No. 03-01150, captioned Isabel Sepulveda De Scanlon v. Blackford Securities Corp., Sanders Morris Harris, Inc., Frank Palumbo, and Neil Lauro from Claimant Neil Lauro's registration records maintained by the NASD Central Registration Depository ("CRD"), with the understanding that pursuant to NASD Notices to Members 99-09 and 99-54, Claimant Lauro must obtain confirmation from a court of competent jurisdiction before the CRD will execute the expungement directive.
2. Any and all relief not specifically addressed herein is denied.

FEEES

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 = \$250.00

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, Sanders Morris Harris, Inc. is Claimant's firm.

Member surcharge = \$1,500.00

Pre-hearing process fee = \$ 750.00

Forum Fees and Assessments

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

One (1) Pre-hearing session with the sole arbitrator @ \$450.00 = \$450.00

Pre-hearing conference: September 21, 2004 1 session

Total Forum Fees = \$450.00

1. The Arbitrator has assessed \$225.00 of the forum fees against Claimant.
2. The Arbitrator has assessed \$225.00 of the forum fees against Respondent.

Fee Summary

1. Claimant is solely liable for:

Initial Filing Fee	= \$ 250.00
Forum Fees	= \$ 225.00
Total Fees	= \$ 475.00
<u>Less payments</u>	= \$ 250.00
Balance Due NASD Dispute Resolution	= 225.00

2. Respondent is solely liable for:

Forum Fees	= \$ 225.00
Total Fees	= \$ 225.00
<u>Less payments</u>	= \$ 0.00
Balance Due NASD Dispute Resolution	= \$ 225.00

4. Sanders Morris Harris, Inc. is solely liable for:

Member Fees	= \$2,250.00
Total Fees	= \$2,250.00
<u>Less payments</u>	= \$1,500.00
Balance Due NASD Dispute Resolution	= \$ 750.00

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

ARBITRATOR

Peter R. Cella, Esq.

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Sole Public Arbitrator

Arbitrator's Signature

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 is which is my award.



Peter R. Cella, Esq.
Sole Public Arbitrator

10/21/04
Signature Date

October 26, 2004

Date of Service (For NASD Dispute Resolution use only)

EXHIBIT "A"

October 12, 2004

Bola Aguda, Esq.
Staff Attorney
NASD Dispute Resolution
One Liberty Plaza
165 Broadway
27th Floor
New York, New York 10006-1400

Re: Case No. 04-01217
Neil Lauro v. Isabel Sepulveda de Scanlon

Dear Mr. Aguda

The following constitutes my final decision in the referenced arbitration.

BACKGROUND

The within arbitration has been filed by the claimant Neil Lauro for the sole purpose of expunging the statement of claim filed with NASD Dispute Arbitration in arbitration **case number 03-01150**, captioned **Isabel Sepulveda de Scanlon, Claimant v. Blackford Securities Corp., Sanders Morris Harris, Inc., Frank Palumbo and Neil Lauro, Respondents**, (the "prior arbitration") from the NASD CRD records of Mr. Lauro.

The pleadings and documents provided herein consist of:

1. Submission Agreement, Simplified Arbitration, executed by the claimant Lauro February 9, 2004.
2. Joint Request for Order Granting Dismissal and Expungement (Filed in the prior arbitration).
3. Cover letter, The Ballard Law Firm, counsel for Respondents in the prior arbitration, enclosing the Joint Request for Order Granting Dismissal and Expungement.
4. Stipulated Award prepared for the within case.

5. The pleadings filed by the parties in the prior arbitration.

Legal counsel for the named parties in the within arbitration, Jack D. Ballard, Esq., The Ballard Law Firm, Houston, Texas, appearing for the claimant, Neil Lauro, and Neil Sussman, Esq., Sussman & Frankel, L.L.P., New York, New York, appearing for the respondent, Isabel Sepulveda de Scanlon, filed in the prior arbitration, under date of December 9, 2003, a pleading entitled "Joint Request for An order Granting Dismissal and Expungement", and confirmed that the arbitration was settled and that the parties were jointly requesting the entry of an order dismissing all claims against all of the respondents and the expungement of the claimant's (Isabel Sepulveda de Scanlon) complaint in the prior arbitration, from the CRD record of respondent Neil Lauro.

The request for expungement was apparently not timely requested in that the prior arbitration "was closed and the Panel dismissed before the award recommending expungement was entered". (See draft Stipulated Award, in case number 04-01217)

Thereafter under date of **February 9, 2004**, Neil Lauro, as Claimant, filed a Submission Agreement with the NASD for Simplified Arbitration, in case number 04-01217, naming Isabel Sepulveda de Scanlon as respondent, and seeking expungement of the allegations made against him in the prior arbitration. No statement of claim was filed, claimant Lauro apparently relying on the allegations made in the "Joint Request for An Order Granting Dismissal and Expungement" filed by the parties counsel in the prior arbitration.

It is noted that respondent Isabel Sepulveda de Scanlon, in this subsequent arbitration, has not executed a Submission Agreement nor otherwise responded. (As claimant, Isabel Sepulveda de Scanlon, filed a Submission Agreement under date of February 13, 2003, in the prior arbitration)

The pleadings in the earlier arbitration have been provided for review; there were no hearings in the earlier settled arbitration, as well there has been neither testimony nor affidavit by respondent DeScanlon in the present arbitration.

FINDINGS

In the present arbitration (04-01217) Claimant Neil Lauro seeks only expungement of the claimant's statement of claim filed in an earlier arbitration, case number 03-01150.

By letter decision dated May 16, 2004 this arbitrator directed that a telephonic hearing be held on Tuesday, September 21st at 8:00AM EST. At that hearing claimant Lauro appeared and was sworn. Present as well were claimants counsel and counsel for respondent DeScanlon. Respondent DeScanlon did not appear at the hearing nor did she file any affidavit. As well respondent's counsel, when questioned by the chair, advised that respondent did not oppose claimant's application for expungement, and, in effect, had nothing further to offer in the hearing.

Having been sworn, claimant Neil Lauro testified that as the supervisor of financial advisor Frank Palumbo he reviewed Mr. Palumbo's accounts, including DeScanlon's, and discussed those accounts with Mr. Palumbo. As well he called DeScanlon a number of times and discussed her accounts with her, and at least on some occasions made notes of the conversations. Based upon his conversations with Mr. Palumbo and DeScanlon, and his review of the DeScanlon account, it was Mr. Lauro's belief that the DeScanlon account was being handled in accordance with Mrs. DeScanlon instructions, and that indeed she was satisfied with Mr. Palumbo's conduct of the account.

It was further testified by Mr. Lauro, and confirmed by his attorney, that Mr. Lauro has been employed in the securities industry for some fourteen years and that during that time he has had only one other arbitration complaint (Michael & Carmela Trani et. al. v. Blackford Securities Corp., Sanders Morris Harris, Inc., Neil Lauro and Frank Palumbo, Arbitration No. 03-02213, filed March, 2003) which essentially complained of a failure to supervise financial advisor Frank Paulumbo. The claim was subsequently settled. Claimant Lauro has left Sanders Morris Harris, Inc. and is presently employed by another broker-dealer as a registered representative. Claimant Lauro claims that the allegations made in the prior arbitration effectively block his

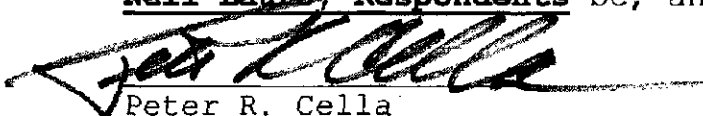
opportunity to advance to a supervisory position in his new securities employment.

Claimant Lauro's claim for expungement was filed in or about February 2004 (case number 04-01217).

The standards to be applied in expungement proceedings in NASD securities arbitration, as provided for in NASD Rule 2130, only became effective April 12, 2004, without retroactive application to pending expungement arbitration proceedings, and thus have no application to this request for expungement.

Thus the considerations to be applied to the within expungement proceeding rest upon the record of the claimant seeking expungement in the securities industry; the nature and extent of the allegations made, the available evidence, including testimony, affidavits and documentary evidence, to the extent there is any; and opposition, if any, by the customer or the employing broker-dealer, in opposition to the expungement; and finally, reasonableness in light of all the circumstances. Taking all of the foregoing into consideration it is,

ORDERED, that expungement of the allegations made against the within claimant Neil Lauro in arbitration case number 03-01150, Isabel Sepulveda de Scanlon, Claimant v. Blackford Securities Corp., Sanders Morris Harris, Inc., Frank Palumbo and Neil Lauro, Respondents be, and hereby is, granted.


Peter R. Cella
Sole Arbitrator