

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

In the Matter of the Arbitration Between

Charles Beginni, Zoya Beginni,                      Claimants  
Janet Eshaya, William Eshaya,  
Joan Holliday, Salim Hariri,  
Dusan Progovac, Hasan Sanobara,  
Charles Simon, Sergio Sole,  
Aniyan Varma and Naima Greffon

vs.

Shearson Lehman Brothers, Inc.,              Respondents  
Shearson/American Express and  
Robert Pacilio

AWARD

CASE NO. 88-01481

SUMMARY OF ISSUES

This case was filed on May 9, 1988. Claimants alleged the following: misrepresentation and omission of fact, joint and several liability of management principals and materially aiding personnel, violation of Section 11 of the Securities Act, violation of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10(b)-5 of the Securities and Exchange Commission, violation of the California Corporations Code Sections 25500, 25401 and 25501, fraud and deceit, negligence and violation of United States Code Section 1961 et seq. (Racketeer Influenced and Corrupt Organizations Act) in the purchase of common stock in International Tillex Enterprises, Ltd.

Respondents denied the Claimants' allegations, alleging that: Respondent Pacilio's recommendations were based on honest beliefs in prospects of the company and review of the publicly disseminated information, Claimants were intelligent individuals who were apprised of the risks of investment, and Pacilio executed all sell orders he received from Claimants.

DAMAGES AND RELIEF REQUESTED

Claimants requested the following compensatory damages and interest (as amended at the hearing):

1. J. Holliday, \$29,000.00 plus interest at the legal rate of 10% from July 1, 1986 to the date of hearing, in the amount of \$11,116.66;
2. S. Hariri, \$22,500.00 plus interest at the legal rate of 10% from July 1, 1986 to the date of hearing, in the amount of \$8,644.16;
3. S. Sole, \$50,065.00 plus interest at the legal rate of 10% from July 1, 1986 to the date of hearing, in the amount of \$19,191.56;
4. C. Simon, \$124,875.00 plus interest at the legal rate of 10% from July 1, 1986 to the date of hearing, in the amount of \$47,868.70;
5. H. Sanobara, \$149,850.00 plus interest at the legal rate of 10% from July 1, 1986 to the date of hearing, in the amount of \$57,442.45;
6. N. Greffon, \$14,400.00 plus interest at the legal rate of 10% from July 1, 1986 to the date of hearing, in the amount of \$5,519.00;
7. A. Varma, \$33,174.00 plus interest at the legal rate of 10% from July 1, 1986 to the date of hearing, in the amount of \$12,716.68; and
8. Total punitive damages of no less than \$100,000.00 nor more than \$1,000,000.00 against Robert Pacilio, and no less than \$250,000.00 nor more than \$1,000,000.00 against Shearson Lehman Brothers, Inc.

Claimants Charles and Zoya Begini, Begini Associates, Janet and William Eshaya and Dusan Progovac settled their claims prior to the arbitration hearing.

#### DAMAGES AND RELIEF AWARDED

On June 13 and 14, 1989 and April 10 and 11, 1990 in Los Angeles, California, the undersigned arbitrators heard the controversy in eight sessions between the parties as set forth in submissions to arbitration signed by Claimants William and Janet Eshaya on March 24, 1988, Charles and Zoya Begini and Begini Associates on March 24, 1988, Holliday on February 23, 1988, Sanobara on February 24, 1988, Simon on February 25, 1988, Progovac on February 26, 1988, Varma on February 29, 1988, Hariri on March 9, 1988, Greffon on March 23, 1988, Sole on March 14, 1988, and by Respondents Shearson Lehman Brothers, Inc.

on July 6, 1989 and Robert Pacilio on August 3, 1988. The arbitration panel, having considered the pleadings, the testimony, and the evidence presented at the hearing, has determined in full and final resolution of the issues submitted for determination as follows:

1. Each and every claim of all Claimants is dismissed.
2. Each and every claim for punitive damages for all Claimants is dismissed.
3. The parties shall each bear their respective costs including attorneys' fees.
4. In accordance with Section 43 of the National Association of Securities Dealers, Inc. ("NASD") Code of Arbitration Procedure, the NASD shall retain the \$1,000.00 filing fee previously deposited by the Claimant. Also in accordance with Section 43, the arbitrators assess forum fees of \$8,000.00 against Respondents, jointly and severally, payable to the National Association of Securities Dealers, Inc.

#### OTHER ISSUES

Claimants were allowed to amend their requests for damages at the hearing, as specified in the Damages and Relief Requested section, above.

#### PRESIDING ARBITRATORS

DATE SERVED: 04/30/90

  
James Alan Crary

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Frank Milton Hodgson

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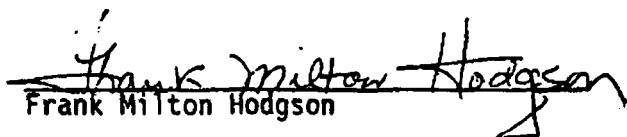
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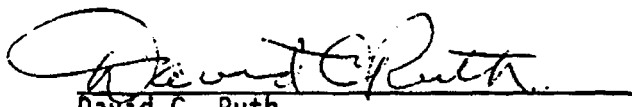
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