

N.A.S.D. AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS

In the Matter of the Arbitration Between

Name of Claimants

Jack H. Chabot
The Jack H. Chabot Corporation

CASE #89-01396

Name of Respondents

Prudential Bache Securities, Inc.
Richard W. Johnson

REPRESENTATION

For Claimants: Gary D. Greenwald Esq. and John E. Haller,
Esq. of the law firm of Schrim & Greenwald.

For Respondent: Prudential Bache Securities, Inc. was
represented by Dennis J. Murphy, Esq. and
Dennis Concilla, Esq. of the law firm of
Carlisle, Patchen & Murphy pursuant to a
Notice of Substitution of Counsel filed on
September 11, 1990. Dennis J. Murphy, Esq.
and Dennis Concilla, Esq. of the law firm of
Carlisle, Patchen & Murphy withdrew as
counsel for Respondent Richard W. Johnson on
January 21, 1991. The Respondent Richard W.
Johnson attended one hearing on May 6, 1991.

CASE INFORMATION

Statement of Claim filed: May 11, 1989.

Supplemental Statement of Claim filed: March 16, 1990.

Amended Supplemental Statement of Claim filed: January 11, 1991.

Second Amended Supplemental Statement of Claim filed: July 19,
1991.

Statement of Reply filed: October 3, 1989.

Claimant Jack H. Chabot's Submission Agreement signed on: May
11, 1990.

Claimant The Jack H. Chabot Corp.'s Submission Agreement signed on: January 30, 1991.

Joint Statement of Answer filed by Respondents Prudential Bache Securities, Inc. and Richard W. Johnson on: July 27, 1989.

Respondent Prudential Bache Securities, Inc.'s Submission Agreement signed on: July 24 1989.

Respondent Richard W. Johnson's Submission Agreement signed on: May 23, 1990.

Answer of Respondents Prudential Bache Securities, Inc. and Richard W. Johnson to Claimant's Supplemental Statement of Claim filed on: June 27, 1990.

Answer and Counterclaim of Respondent Prudential Bache Securities, Inc. to the Amended Supplemental Statement of Claim and Third Party Claim of Respondent Prudential Bache Securities, Inc. Against New Third Party Respondent John T. Tait dated January 21, 1991.

Post Hearing Briefs, together with the Affidavit of Claimants' counsel in support of a request for attorneys fees and expenses, were filed on or before July 19, 1991.

HEARING INFORMATION

Hearing Dates and Sessions:

November 26, 1990, 1 session.	April 12, 1991, 2 sessions
January 7, 1991, 1 session.	April 22, 1991, 2 sessions.
January 30, 1991, 2 sessions.	May 6, 1991, 2 sessions.
January 31, 1991, 2 sessions.	May 7, 1991, 2 sessions.
February 25, 1991, 2 sessions.	June 10, 1991, 2 sessions.
February 26, 1991, 2 sessions.	June 11, 1991, 2 sessions.
March 11, 1991, 2 sessions.	June 20, 1991, 2 sessions.
March 12, 1991, 2 sessions.	June 21, 1991, 2 sessions.
March 21, 1991, 2 sessions.	June 27, 1991, 2 sessions.
March 22, 1991, 2 sessions.	June 28, 1991, 2 sessions.
April 11, 1991, 2 sessions.	August 15, 1991, 1 session.

Hearing Location: All hearings with the exception of the final hearing on August 15, 1991 were conducted in Columbus, Ohio. The final hearing was conducted in Cleveland, Ohio.

CASE SUMMARY

Claimants alleged that the Respondents churned their accounts through de facto discretionary control of the accounts, the establishment of market positions contrary to the Claimants' stated investment objectives and by engaging in an excessive number of speculative and high risk transactions in complete disregard for the conservative nature of Claimants' investment objectives. While possessing de facto discretionary control, Respondents negligently breached their duty to Claimants to enter into suitable investments.

Claimants further alleged that Respondents committed securities fraud by means of unsuitable and fraudulent recommendations relative to and including the speculative nature of the investments, the risk of loss, and representations relative to the commissions on trades despite Respondents' knowledge of Claimants' investment objectives. Claimants also assert the representations of Respondents constituted common law fraud.

Moreover, Claimants contend their contract with Respondents was breached by the investment strategy employed by Respondents, the failure of Respondents to provide loans as agreed to, and the exorbitant commissions charged Claimants. Claimants also alleged Respondents breached the implied duty of good faith and fair dealing arising out of their contractual relationship.

The Claimants further alleged Respondent Prudential Bache Securities, Inc. is liable for Respondent Richard W. Johnson's actions through the doctrines of Respondeat Superior and Control Person Liability.

Respondents Prudential Bache Securities, Inc. and Richard W. Johnson maintained that there were fraudulent representations made by Claimants or their agents upon which Respondents relied including the following: that Claimants were sophisticated traders; they understood trading in commodities futures contracts; they understood the risks involved; they understood the necessity for close monitoring of the account; that they could afford the risk of loss; that Jack H. Chabot had previously had seats on commodities exchanges; that the agents that would be given responsibility for the handling of the accounts were well versed in the complexities of the trading; that they understood the need from time to time to meet margin calls and understood the nature of broker call rates; and that they agreed to communicate any complaints with the trading to Respondents.

Respondents further maintained they did not breach any contractual obligations they had with the Claimants and commission rates were negotiated and discounted with the

Claimants. Further, Respondents charged that Jack H. Chabot negligently entrusted the day to day conduct of all his accounts to John T. Tait who had no training or education in investments of the kind he was charged with monitoring. Prudential Bache Securities, Inc. executed the trades of the Claimants after consultation with Jack H. Chabot or John T. Tait, his power of attorney and after receiving Jack H. Chabot's informed consent. Respondents counseled the Claimants, but Claimants made their own investment decisions sometimes contrary to Respondents' recommendations. Respondents further alleged the Claimants failed to mitigate their damages and their claims are barred by the doctrines of estoppel and waiver.

Respondent Prudential Bache Securities, Inc. asserted a Counterclaim against Claimant The Jack H. Chabot Corporation for money owed as the result of losses sustained in connection with its accounts. In response to the Counterclaim, Claimants maintained the Respondent's claim is barred in that all losses were the result of securities fraud, churning and other acts of fraudulent conduct itemized in Claimants' claims against the Respondents.

The Respondent Prudential Bache Securities, Inc. asserted a Third Party Claim against John T. Tait which was dismissed by the arbitration panel due to lack of jurisdiction over the Third Party Respondent.

RELIEF REQUESTED

Claimants requested compensatory damages of \$1,200,000.00, punitive damages in the sum of \$3,600,000.00, plus interest, costs and attorneys' fees incurred in the prosecution of this action and any other or further relief which the panel may deem just and proper. Claimants further requested a dismissal of the Counterclaim. Respondents requested a dismissal of all claims against them with costs to be charged against Claimants. In addition, Respondents requested that it be awarded the sum of \$56,876.60 on its counterclaim, plus prejudgment and post-judgment interest, together with the fees and costs of the proceedings and such further relief as may be appropriate.

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. The Panel finds in favor of the Respondents Prudential Bache Securities, Inc. (now known as Prudential Securities, Inc.) and Richard W. Johnson, and against Claimants Jack H. Chabot and The Jack H. Chabot Corporation on the alleged claim of churning in violation of Sections 10(b) and 15(c) of the Securities Exchange Act of 1934, Rules 10b-5, 15c1-2(a) of the Securities and Exchange Commission ("SEC") and Article III, Section 15(a) of the NASD Rules of Fair Practice.
2. The Panel finds in favor of the Respondents Prudential Bache Securities, Inc. and Richard W. Johnson, and against Claimants Jack H. Chabot and The Jack H. Chabot Corporation on the alleged claim of unsuitable recommendations in violation of Section 10(b) of the Securities Exchange Act of 1934, SEC Rule 10b-5 and National Association of Securities Dealers, Inc. Rules of Fair Practice, Art. III, Section 2.
3. The Panel finds in favor of the Respondents Prudential Bache Securities, Inc. and Richard W. Johnson, and against Claimants Jack H. Chabot and The Jack H. Chabot Corporation on the alleged claim of fraudulent misrepresentations in violation of Section 10(b) of the Securities Exchange Act of 1934 and SEC Rule 10b-5.
4. The Panel finds in favor of the Respondents Prudential Bache Securities, Inc. and Richard W. Johnson, and against Claimants Jack H. Chabot and The Jack H. Chabot Corporation on the alleged claim of common law fraud.
5. The Panel finds in favor of the Respondents Prudential Bache Securities, Inc. and Richard W. Johnson, and against Claimants Jack H. Chabot and The Jack H. Chabot Corporation on the alleged claim of negligence.
6. With respect to the Claimants Jack H. Chabot and The Jack H. Chabot Corporation's breach of contract claims, the Panel finds in favor of the Claimants and against the Respondents Prudential Bache Securities, Inc. and Richard W. Johnson joint and severally, in the amount of \$214,900.00, inclusive of interest.
7. With respect to Respondent Prudential Bache Securities, Inc.'s Counterclaim, the Panel finds in favor of Respondent Prudential Bache Securities, Inc. and against the Claimant The Jack H. Chabot Corporation in the amount of \$74,300.00, inclusive of interest.

8. Upon consideration of the Claimants' claim for punitive damages and in light of the award as set forth above, the panel finds that said claim should be denied.
9. The Respondents and Claimants shall each bear their respective costs, including attorneys' fees.

FORUM FEES

Pursuant to Section 43c of the Code of Arbitration Procedure, the following Forum Fees are assessed.

41 Sessions X \$1,000.00 = \$41,000.00 minus Claimants' hearing session deposit of \$1,000.00 = net \$40,000.00.

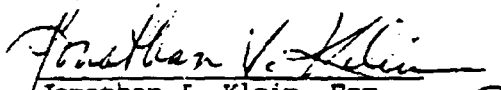
The Claimants Jack H. Chabot and The Jack H. Chabot Corporation be and hereby are liable jointly and severally and shall pay to the National Association of Securities Dealers, Inc. the sum of \$19,500.00 to represent forum fees and the Respondents Prudential Bache Securities, Inc. and Richard W. Johnson be and hereby are liable jointly and severally and shall pay to the National Association of Securities Dealers, Inc. the sum of \$20,500.00 to represent forum fees.

Fees are payable to the National Association of Securities Dealers, Inc.

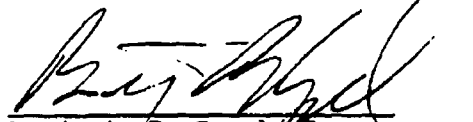
ARBITRATORS' SIGNATURES

Name


Public/Industry


Jonathan I. Klein, Esq.

Public Arbitrator


Benjamin B. Segel, Esq.

Public Arbitrator


James A. Melfi

Industry Arbitrator

Dated by the NASD: October 28, 1991