

N.A.S.D. AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS

In the Matter of the Arbitration Between

Name of Claimant(s)

Ken H. Hausman

vs.

91-02162

Name of Respondent(s)

Paul Arutt

REPRESENTATION

For Claimant: Richard A. Love, Esq.

For Respondents: Richard J. Blumberg, Esq.

CASE INFORMATION

Statement of Claim filed: July 15, 1991

Claimant's Submission Agreement signed on: July 10, 1991

Statement of Answer filed by Respondent on: September 5, 1991

Respondent's Submission Agreement signed on: September 25, 1991

HEARING INFORMATION

Prehearing Conference Date/Sessions: February 19, 1992 (one session)

Hearing Dates/Sessions: February 21, 1992 (one session)

March 30, 1992 (two sessions)

April 24, 1992 (two sessions)

Hearing Location: Los Angeles, California

CASE SUMMARY

Claimant alleged that Respondent 1) violated Section 12 of the Securities Act of 1933 by selling an unregistered security; 2) violated Section 10b and Rule 10b-5 of the Securities Exchange Act of 1934 by committing fraud; 3) made unsuitable recommendations; 4) failed to disclose the actual facts and risks of the investment which he advised and recommended; and 5) made negligent misrepresentations regarding Claimant's investment in USM Funding, Inc.

Respondent denied Claimant's claims and asserted a counterclaim for attorney's fees and costs of this arbitration including all travel and lodging expenses for Respondent's attorneys, all witnesses including expert witnesses and Respondent.

RELIEF REQUESTED

Claimant requested:

1. General damages in the amount of the \$30,000 lost principal;
2. Pre-award interest in the amount of 10%, in the discretion of the panel, from June 1, 1989 to the date of the award;
3. Or in the alternative: the difference between what was left of Claimant's investment (\$00.00) and what Claimant would have had if Claimant had retained the original investment (\$30,000) and had received the benefit of appreciation and dividends from suitable investment advice;
4. General damages for Claimant's emotional distress, sleeplessness, worry, upset, grief and anguish from the breach of fiduciary duty in a sum according to proof;
5. Exemplary damages, in a sum according to proof; and
6. Costs of arbitration and fees incurred.

Respondent requested:

1. Claimant's claim be denied in its entirety.
2. An Award for Respondent's attorney's fees and costs of this arbitration including all travel and lodging expenses for his attorneys, all witnesses including expert witnesses and himself.

OTHER ISSUES CONSIDERED & DECIDED

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 originals remain on file with 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. Each and every claim of Claimant is dismissed.
2. Each and every claim of Respondent is dismissed.
3. The parties shall each bear their respective costs including attorneys' fees.

OTHER COSTS

None.

FORUM FEES

Pursuant to Section 43c of the Code of Arbitration Procedure, the NASD shall retain the hearing session deposit previously deposited by the Claimant. No additional forum fees are assessed.

ARBITRATION PANEL

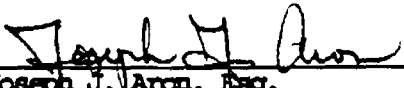
Name

Public/Industry

Joseph J. Aron, Esq.
Don Sweeney, Esq.
Luther D. Prater

Public Arbitrator
Public Arbitrator
Industry Arbitrator

Concurring Arbitrators' Signature



Joseph J. Aron, Esq.

DATE SERVED: 07/09/92

Date of Decision: 6/21/92