

N.A.S.D. AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS

In the Matter of the Arbitration Between

Name of Claimant

Arlo H. Judd

91-03031

Names of Respondents

Texakoma Oil & Gas Corporation, Texakoma Financial, Inc.,
Dean R. Kennedy, Richard J. Kennedy and Scott Kennedy

REPRESENTATION

Claimant, Arlo H. Judd was represented by G. David Westfall, Esq. of Dallas, Texas.

Respondents, Texakoma Oil & Gas Corporation, Texakoma Financial, Inc., Dean R. Kennedy, Richard J. Kennedy and Scott Kennedy were represented by Brian S. Hellberg, Esq. of Secore & Waller, L.L.P. of Dallas, Texas.

CASE INFORMATION

The Statement of Claim was filed with the National Association of Securities Dealers, Inc. ("NASD") on September 23, 1991.

Claimant, Arlo H. Judd's Submission Agreement was signed on September 23, 1991.

The Statement of Answer was filed with the NASD by Respondent, Texakoma Oil & Gas Corporation on or about November 13, 1991.

Respondent, Texakoma Oil & Gas Corporation's Submission Agreement was signed on November 1, 1991 by Dean R. Kennedy, President of Texakoma Oil & Gas Corporation.

Claimant, Arlo H. Judd filed an amended statement of claim with the NASD on September 23, 1992.

Respondents, Texakoma Oil & Gas Corporation, Texakoma Financial, Inc. Dean R. Kennedy, Richard J. Kennedy and Scott Kennedy did not file an answer to the amended statement of claim or executed submission agreements with the NASD.

HEARING INFORMATION

Pre-Hearing Conferences were held on: May 29, 1992 for one (1) session;
October 2, 1995 for one (1) hearing session;
October 16, 1995 for one (1) hearing session;
and
November 7, 1995 for one (1) hearing session.

The hearing took place on: November 15, 1995 for two (2) hearing sessions;
November 16, 1995 for two (2) hearing sessions;
February 7, 1996 for two (2) hearing sessions;
February 8, 1996 for three (3) hearing sessions; and,
February 9, 1996 for two (2) hearing sessions.

The hearing location was Dallas, Texas.

CASE SUMMARY

Claimant, Arlo H. Judd ("Judd") alleged that from April of 1989, Jeff Johnson and Bill Addison induced Judd through various misrepresentations to invest in eight unsuitable interests in oil and gas wells offered through Respondent, Texakoma Oil & Gas Corporation ("Texakoma"). Judd alleged that he received several cold calls from agents of Texakoma during which they advised him to purchase interests in these oil and gas drilling programs. Judd, who had been injured in a car pedestrian accident, allegedly advised the agents of Texakoma that he could not understand the investment due to the head injury he had suffered. Judd asserted that the verbal misrepresentations and omissions of material facts by the Respondents violated the Texas Deceptive Trade Practices Act, amounted to fraud and the sale of unsuitable and unregistered securities. Judd's amended claim added additional respondents, Dean R. Kennedy, Scott Kennedy, Richard J. Kennedy and Texakoma Financial, Inc.

Texakoma alleged that Judd purchased a series of investments in oil and gas drilling programs sponsored by Texakoma. The interests were offered and sold to Judd by means of private placement memoranda which disclosed all risks, potential benefits and material facts relating to the programs in question. Texakoma alleged that based upon the information supplied by Judd, Texakoma determined that Judd was suitable for the offerings and that Texakoma did not have any knowledge of Judd's alleged mental and/or neurological condition at the time he purchased the offerings. Texakoma denied that there were any misrepresentations or omissions of material facts by agents or employees of Texakoma and asserted affirmative defenses including, but not limited to, waiver and estoppel.

RELIEF REQUESTED

Judd requested rescission, compensatory damages of \$109,512.18, treble damages pursuant to the Texas Deceptive Trade Practices Act, punitive damages as awarded by the arbitrators, reasonable attorney's fees, costs, pre and post judgment interest and such other relief as the panel deemed just and equitable under the circumstances.

Texakoma and the other respondents requested that the complaint be dismissed.

OTHER ISSUES CONSIDERED & DECIDED

Even though Respondents, Texakoma Financial, Inc., Dean R. Kennedy, Richard J. Kennedy and Scott Kennedy failed to answer the amended statement of claim, they appeared at the hearing personally or through counsel and consented to the jurisdiction of the panel in all matters appearing before it relative to this arbitration matter and these respondents will be bound by the panel's final determination 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 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. Judd's claims asserted against Dean R. Kennedy, Richard J. Kennedy and Scott Kennedy are denied and dismissed in their entirety;
2. Texakoma Oil and Gas Corporation and Texakoma Financial, Inc. are jointly and severally liable for and shall pay to Judd, compensatory damages in the sum of One hundred nine thousand five hundred twelve dollars and no cents (\$109,512.00);
3. No interest is assessed on the above sum; and,
4. All of Judd's additional claims including treble damages under the Texas Deceptive Trade Practices Act, punitive damages, reasonable attorney's fees and costs are specifically denied and dismissed.

FORUM FEES

Pursuant to Section 43c of the Code of Arbitration Procedure, the following Forum Fees are assessed. The NASD shall retain the \$200.00 non-refundable claim filing fee and the \$1500.00 hearing session deposit previously deposited with the NASD. Respondents, Texakoma Financial, Inc. and Texakoma Oil and Gas Corporation are jointly and severally liable for and shall pay directly to Judd, \$950.00 which represents the fees he deposited with the NASD.

Texakoma Financial, Inc. and Texakoma Oil & Gas Corporation are jointly and severally liable for additional forum fees in the amount of \$8,700.00. Forum Fees were calculated at the rate of \$300.00 per hearing session for each of the four (4) pre-hearing conferences and \$750.00 per hearing session for each of the eleven (11) hearing sessions.

Additional Forum Fees assessed to the parties by the arbitrators are payable to the National Association of Securities Dealers, Inc.

Concurring Arbitrators' Signatures
Name

/s/ Russell E. Rains
Russell E. Rains, Esq.
Presiding Chairperson
Public Arbitrator

March 28, 1996
Dated

/s/ William E. Hartsfield
William E. Hartsfield, Esq.
Panelist
Public Arbitrator

March 28, 1996
Dated

/s/ Lyman G. Hughes
Lyman G. Hughes, Esq.
Panelist
Industry Arbitrator

March 28, 1996
Dated

FOR NASD USE ONLY

Date award served on the parties by the NASD: March 29, 1996