

N.A.S.D. AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS

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In the Matter of the Arbitration Between

Name of Claimant

Andrew A. Lang, Jr.

92-01446

Name of Respondents

Wheat First Securities, Inc.  
Richard S. Kelso

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REPRESENTATION

For Claimant, Andrew A. Lang, Jr. ("Claimant"), Thomas Schuchert, Esq. of Schuchert & Associates located in Pittsburgh, PA.

For Respondent, Wheat First Securities, Inc. ("Wheat First"), Scott M. Ratchick, Esq. of Hunton & Williams, located in Richmond, VA.

For Respondent, Richard S. Kelso ("Kelso"), Scott M. Ratchick, Esq. of Hunton & Williams, located in Richmond, VA.

CASE INFORMATION

Statement of Claim filed: April 21, 1992.

Claimant's Submission Agreement signed on: April 9, 1992.

Statement of Answer filed by Wheat First on: July 3, 1992.  
Wheat First's Submission Agreement filed on: July 2, 1992.

Statement of Answer filed by Kelso on: July 3, 1992.  
Kelso did not submit a properly executed Submission Agreement.

### **HEARING INFORMATION**

Pre-Hearing Conferences:	June 3, 1993	-	1 session
	February 22, 1994	-	1 session
	June 7, 1994	-	1 session
	November 17, 1994	-	1 session

Hearing Dates/Sessions:	March 7, 1995	-	2 sessions
	March 8, 1995	-	2 sessions

Hearing Location: Westin William Penn, 530 William Penn Place, Pittsburgh, PA 15219

### **CASE SUMMARY**

Claimant alleges that Respondents fraudulently induced him to invest in Geostar Corporation by making untrue statements of material facts, failing to disclose information about the corporation's increasing debt, imminent insolvency, and resignation of various officers and directors, and misrepresenting the risk associated with the investment.

Claimant stated he began investing in Geostar Corporation in 1987. He stated that Respondents represented the Company was well run and would go public after the initial private placement offering. Additionally, Claimant stated that Respondent arranged meetings in Washington, DC with successful, high powered individuals who were, supposedly, principal investors in Geostar thus indicating its potential for success. Claimant further alleged Respondents also explained that Geostar had a very large contract with the U.S. Government for military supplies, but that in reality, the contract was not a firm commitment. Between 1988-1990, Claimant alleged he had frequent meetings and discussions with Respondents during which he was provided with representations concerning the solid financial condition and growth of the company. Furthermore, Claimant stated he wished to sell some shares in 1989 in order to meet a tax obligation but that Kelso responded that such sale was prohibited by the Securities and Exchange Commission until Geostar made its public offering. Claimant alleged that only when Geostar disclosed it was filing for reorganization in 1991 that he became aware of the fraud perpetrated upon him. Claimant alleged Respondents breached their fiduciary duties, violated securities acts and recommended an unsuitable investment, thus resulting in a tremendous monetary loss.

Respondent defended by explaining that Mr. Lang was a wealthy, sophisticated investor who was fully informed of the high risk nature of this particular investment. Respondent stated Claimant contacted Kelso initially, to learn more about Geostar. After Claimant stated he was interested in purchasing shares, stated Respondent, they sent him a private placement memorandum which outlined the risks of to the nature of the company as well as financing risks. Additionally, explained Respondents, Claimant signed a Subscription Agreement in which he was advised the units were not freely tradable, and that the company had a limited operating history and that the investment is speculative, involving a high degree of risk of loss. Respondents

further defended by stating Claimant indicated he understood there were no guarantees as to the exact length of time he would be required to remain as owner of the securities. In sum, Respondents maintain they strictly complied with all rules and regulations and that Claimant is merely seeking an "insurance policy" for an unsuccessful investment.

#### **RELIEF REQUESTED**

Claimant requested an excess of \$1,000,000.00 in damages including his actual investment, losses due to inability to sell units, punitive damages, attorney's fees, interest and cost.

Respondent requested all claims be dismissed.

#### **OTHER ISSUES CONSIDERED & DECIDED**

The parties have agreed that the Award in this matter may be executed in counterpart copies and 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 arbitrator has decided in full and final resolution of the issues submitted for determination as follows:

1. All Claims are hereby dismissed in their entirety.
2. Claimant is liable for all Forum Fees.

#### **FORUM FEES**

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

Nonrefundable filing fee:	\$ 250.00
Pre Hearing Sessions (\$300 x 4 sessions)	1,200.00
Hearing Session Deposit (\$1,000 x 4 sessions)	4,000.00
Total Fees:	\$5,450.00

1. Claimant paid \$1,250.00 and owes \$4,200.00.
2. Respondent owes \$0.

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

Concurring Arbitrator's Signature  
Name

Public/Industry

  
Robert C. Devlin, Esq.

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NASD Date of Decision: May 3, 1995

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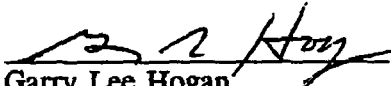
NASD Case No. 92-01446


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

Concurring Arbitrator's Signature

Name

Public/Industry

  
Garry Lee Hogan



NASD Date of Decision: May 3, 1995