

N.A.S.D. AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS

In the Matter of the Arbitration Between

Name of Claimants

James L. Lewis, Trustee for James L. Lewis
and Mary Anne Lewis 10-11-77 Living Trust,
and Gwendolyn Lewis. His Daughter

vs.

NASD #93-00582

Name of Respondents

Prudential Securities, Inc.,
Formerly Prudential-Bache Securities, Inc.

REPRESENTATION

For Claimants: Myron S. Dunay, Esq., Delray Beach, FL

For Respondent: Gary R. Gleason, Keesal Young & Logan, San Francisco. CA

CASE INFORMATION

Statement of Claim filed: February 17, 1993

First Amendment: August 25, 1993

Second Amendment: November 8, 1993

Claimant's Submission Agreement signed: February 3, 1993

Statement of Answer filed by Respondents on: April 29, 1993

Statement of Answer filed by Respondents to First Amendment: September 30, 1993

Respondent's Submission Agreements signed on: May 5, 1993

HEARING INFORMATION

Prehearing Conference(s) Date(s)/(Sessions): None

Hearing Date/(Sessions): January 10, 1994 (two sessions)
 January 11, 1994 (two sessions)
 January 12, 1994 (two sessions)

Hearing Location: Reno, Nevada

CASE SUMMARY

Claimants alleged:

Common law fraud and a claim under NRS 90.570 (fraudulent and other prohibited practices: offer, sale and purchase) with respect to Prudential-Bache Energy Income Limited Partnerships. Misrepresentations were made on these partnership as to interest, yield, return on investment, risk, tax benefits and capital growth potential.

Claimant James Lewis (J. Lewis) was an 80 year old retiree living in Reno, Nevada with his wife Mary Lewis, an Alzheimer's victim. Their daughter is Claimant Gwendolyn Lewis (G. Lewis). J. Lewis was acquainted and friendly with Leonard Rose (Rose) who acted as his financial consultant and handled his account with Prudential Securities (Prudential). Mr. Lewis opened his account with Rose at Prudential, telling Rose he had a number of certificates of deposit coming due and asking for advice on how to invest those funds. Rose recommended the limited partnerships. Mr. Lewis told Rose that social security interest income was the only other source of income to him and his wife so any investment would have to be secure. Rose implied that the power, prestige and credit of Prudential was behind the investment and told Claimant he could expect "at least 14%" annual income and the partnerships were "secure, very safe."

Claimants' First Amendment to the claim alleged:

Prudential went to great lengths to make it appear that distributions were in fact income and artificially kept distributions high through use of bank loans and creative accounting. Preclosing revenues from oil and gas production were escrowed, and following the closing of that partnership were distributed with earned interest.

Although respondent may claim Claimants received prospectuses, the purchases resulted solely from the recommendations of Rose. Prudential used its vast broker-dealer network in fraudulent conspiracy. Claimants were the indirect recipients of false information and the fraudulent claims were made directly. Because the date of discovery of the fraudulent misrepresentations was sometime during April 1991, the arbitration was timely filed with respect to eligibility and statutes of limitations.

Claimants' Second Amendment to the claim alleged:

On October 21, 1993 the Securities and Exchange Commission entered an "Order - Instituting Public Proceedings, Making Finding and Imposing Sanctions" against Prudential. In anticipation of the Order, Prudential submitted an offer of Settlement, consenting to the

entry of the Order, which summarizes Prudential's Limited partnership violations. The violations included misrepresentations as alleged in the claim.

Respondent's Answers to the Claim and First Amendment to Claim alleged:

General and specific denial of each and every substantive allegation of the Statement of Claim. Both Claimants purchased their initial limited partnerships only after being fully informed of their potential benefits and risks and both were furnished prospectuses on the initial and subsequent purchases. Claimants have received, and continue to receive, distributions from the Energy Income investments. Between 1986 and January 1993, Claimants made no complaints regarding their investments. Respondent also asserted various affirmative defenses.

RELIEF REQUESTED

Claimant James Lewis requested:

1. \$140,000, plus interest, as compensatory damages and rescission of the purchase;
2. Exemplary and punitive damages of \$200,000;
3. Taxable fees and costs.

Claimant Gwendolyn Lewis requested:

1. \$40,000 plus interest as compensatory damages and rescission of the purchase;
2. Exemplary and punitive damages of \$100,000;
3. Taxable fees and costs.

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.

Parties stipulated to a hearing location of Reno, Nevada and Claimant agreed to pay the arbitrators' expenses associated with that situs.

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. Respondent Prudential is liable for and shall pay Claimant James I. Lewis, Trustee, \$63,500 in compensatory;
2. Respondent Prudential is liable for and shall pay Claimant Gwendolyn Lewis \$5,500 in compensatory;
3. All other claims, including the claims for punitive damages are dismissed;
4. The parties shall each bear their respective attorney's fees;
5. The parties shall each bear their respective costs.

OTHER COSTS

None.

FORUM FEES

Pursuant to Section 43c of the Code of Arbitration Procedure, the following forum fees are assessed: The National Association of Securities Dealers, Inc. shall retain the \$750 hearing session deposit previously deposited by the claimant. Forum fees assessed against:

Prudential Securities for \$3,750

calculated as follows: six hearing sessions at \$750 hearing session, equals \$4500, minus \$750 already paid by the claimant as a hearing deposit.

Fees are payable to the National Association of Securities Dealers.

ARBITRATION PANEL

Name

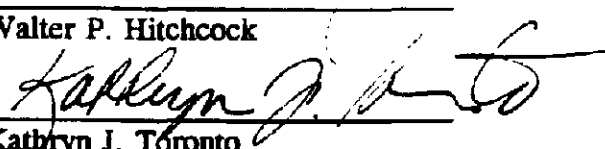
Walter P. Hitchcock
Kathryn J. Toronto
Lloyd A. Wittenberg

Public/Industry

Public
Public
Industry

Concurring Arbitrators' Signature

Walter P. Hitchcock



Kathryn J. Toronto

Lloyd A. Wittenberg

Date of Decision:

Date Served: 02/01/94